HANNON ARMSTRONG

INVESTING IN CLIMATE SOLUTIONS®

EARNINGS PRESENTATION

Fourth Quarter and Full Year 2020

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, 2020 (the “Form 10-K”), which will be filed with the U.S. Securities and Exchange Commission (SEC), as well as in other reports that we file with the SEC.

One of the most significant factor is the ongoing impact of the current outbreak of the novel coronavirus (COVID-19), on the U.S., regional and global economies, the U.S. sustainable infrastructure 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 Securities Exchange Act of 1934, as amended. Other factors besides those listed could also adversely affect us. Any forward-looking statement speaks only as of the date on which it is made, and we undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise. New factors emerge from time to time, and it is not possible for us to predict which factors will arise. 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 the severity and duration of the outbreak domestically and internationally, uncertainty regarding the effectiveness of federal, state and local governments’ efforts to contain the spread of COVID-19 and respond to its direct and indirect impact on the U.S. economy and economic activity.

Forward-looking statements are based on beliefs, assumptions and expectations as of December 31, 2020. This guidance reflects the Company’s estimates of (i) yield on its existing Portfolio; (ii) yield on incremental Portfolio investments, inclusive of the Company’s 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 the Company’s forecasted operations, (vi) the ongoing impact of the current outbreak of the COVID-19 and (vii) the general interest rate and market environment. 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 the Company’s management team. The Company has not provided GAAP guidance as discussed in the Supplemental Financial Data slide 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.

RECENT HIGHLIGHTS

Key Performance Indicators		FY20	FY19
EPS	GAAP	$1.10	$1.24
	Distributable[1]	$1.55	$1.40
NII	GAAP-based	$29m	$38m
	Distributable[1]	$88m	$82m
Portfolio Yield[1]		7.6%	7.6%
Balance Sheet Portfolio		$2.9b	$2.1b
Managed Assets[1]		$7.2b	$6.2b
Debt to Equity Ratio		1.8x	1.5x
Distributable ROE[2]		10.7%	10.5%
Transactions Closed		$1.9b	$1.3b
CarbonCount®[3]		1.03	0.30
Incremental Annual Reduction in Carbon Emissions		~2.0m MT	~385k MT
WaterCount™[4]		303	293
Incremental Annual Water Savings		~576MG	~381 MG

Financial Results[1]

- Delivered GAAP EPS of $1.10 and grew Distributable (formerly, Core Pre-CECL) EPS to $1.55 – an increase of 11% YOY and a 7% 3-yr CAGR (exceeding previous guidance range)
- Grew Portfolio 38% YOY to $2.9b
- Closed $1.9b of transactions in FY20 – a 48% YOY increase
- Increased dividend to $0.35 per share for 1Q21

New Guidance

- Expect that annual Distributable Earnings per Share will grow at a compounded annual rate of 7% to 10% from 2021 to 2023, relative to the 2020 baseline of $1.55 per share, which is equivalent to a 2023 midpoint of $1.98 per share

1) See Appendix for an explanation of Distributable Earnings, Distributable Net Investment Income, Portfolio Yield, and Managed Assets, including reconciliations to the relevant GAAP measures, where applicable.
2) Distributable ROE is calculated using Distributable Earnings for the period and the average of the ending quarterly equity balances in 2020 and 2019.
3) 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.
4) 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.

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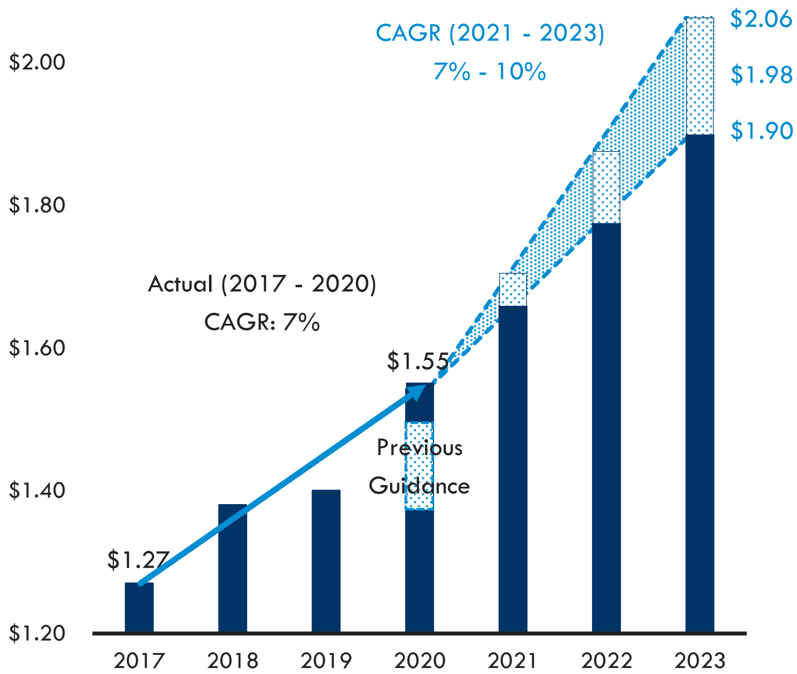
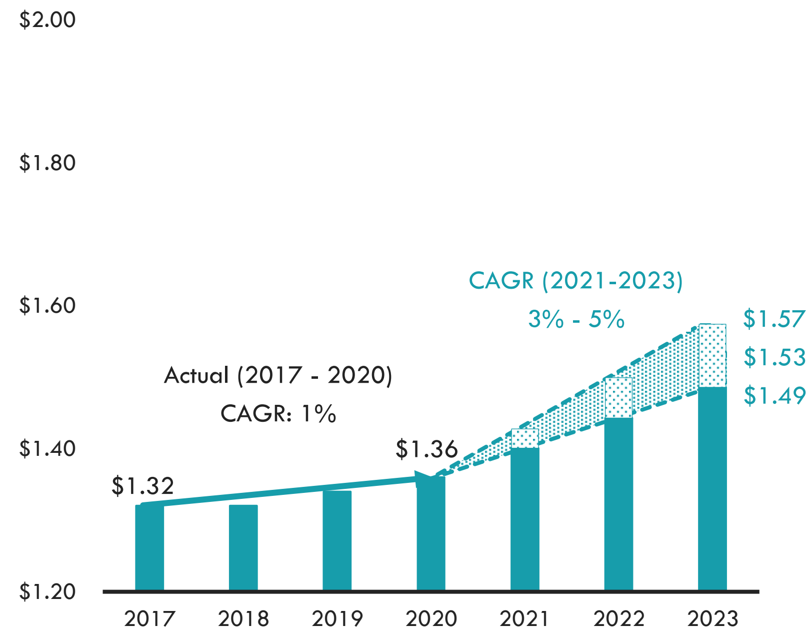
NEW GUIDANCE[1]

Distributable Earnings per Share



Dividends per Share



Expected Annual Growth (2021 - 2023)
Distributable EPS: 7% - 10%
DPS: 3% - 5%

1) See appendix for an explanation of Distributable Earnings, including a reconciliation to the relevant GAAP measure.

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MACRO TRENDS

1 Climate Change Accelerates	• 2020 tied for warmest year on record[1] • In 2020, there were 416 natural disasters across the globe, resulting in economic losses of >$250b – an 8% increase compared to the century average[2]
2 Clean Energy Proves Resilient	• Despite global pandemic and economic recession, our portfolio of long duration, noncyclical assets with climate benefits performed as expected
3 Climate Solutions Market Is Growing	• Deep relationships with large, ambitious clients along with flexible, permanent capital solutions have led to a greater volume of investment opportunities
4 Thirst for Credible ESG Equities	• Institutional investor mandates coupled with the strong performance of ESG leaders continue to drive capital to ESG equities • Need remains for global standardized reporting to prevent greenwashing
5 Policy as a Tailwind	• Strong start by the Biden Administration with executive orders to address climate change • Momentum grows for a price on carbon by way of a carbon dividend plan

1) NASA's Goddard Institute for Space Studies (2021)
2) Weather, Climate & Catastrophe Insight: 2020 Annual Report (Aon)

PIPELINE GROWS

Markets

Behind-the-Meter

Federal EE poised for growth

Solar (residential, C&I, community) remains strong with increasing storage attachment

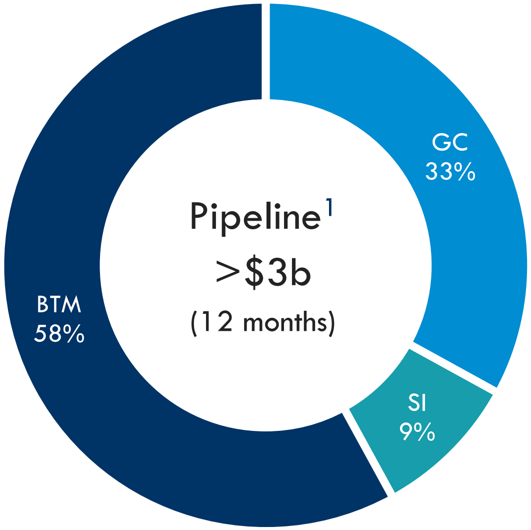
Grid-Connected

Growth driven by deep client relationships

Well-balanced between onshore wind, GC solar, and solar land

Sustainable Infrastructure

Smaller transactions across multiple niche asset classes driven in part by climate change impacts



Deep client relationships coupled with a growing opportunity set have driven growth in our pipeline, which now stands at >$3b

1) As of 12/31/2020; markets include Behind-the-Meter (BTM), Grid-Connected (GC), and Sustainable Infrastructure (SI)

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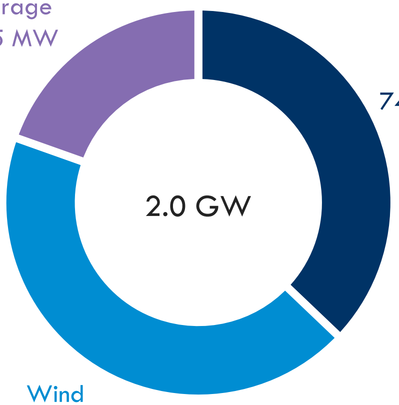
INVESTMENT SPOTLIGHT: CLEARWAY GC PORTFOLIO

Investment Overview

- $663m preferred equity investment with Clearway Energy, Inc. (CWEN) as equity co-investor
  - $200m initial investment with subsequent fundings as projects achieve commercial operations
- 2.0 GW grid-connected wind, solar, and solar + storage projects
- ~90% of generation is contracted
  - Predominantly IG corporate, utility, university, and municipal offtakers (including Toyota, Cisco, Lowe's, AEP, and Brown University)
- O&M Provider: Clearway Energy Group
- CarbonCount®: 1.06

Portfolio Technology
(nameplate capacity)



Strategic Highlights

- First GC solar + storage investment
- Significantly grows portfolio and supports continued growth in recurring NII
- Continued programmatic deal flow with large, ambitious partner focused on U.S. market

Key Metrics[1]

>14 years	IG	1.06
WAVG Contract Life	WAVG Offtaker Credit Rating	CarbonCount®

1) Weighted average ("WAVG")

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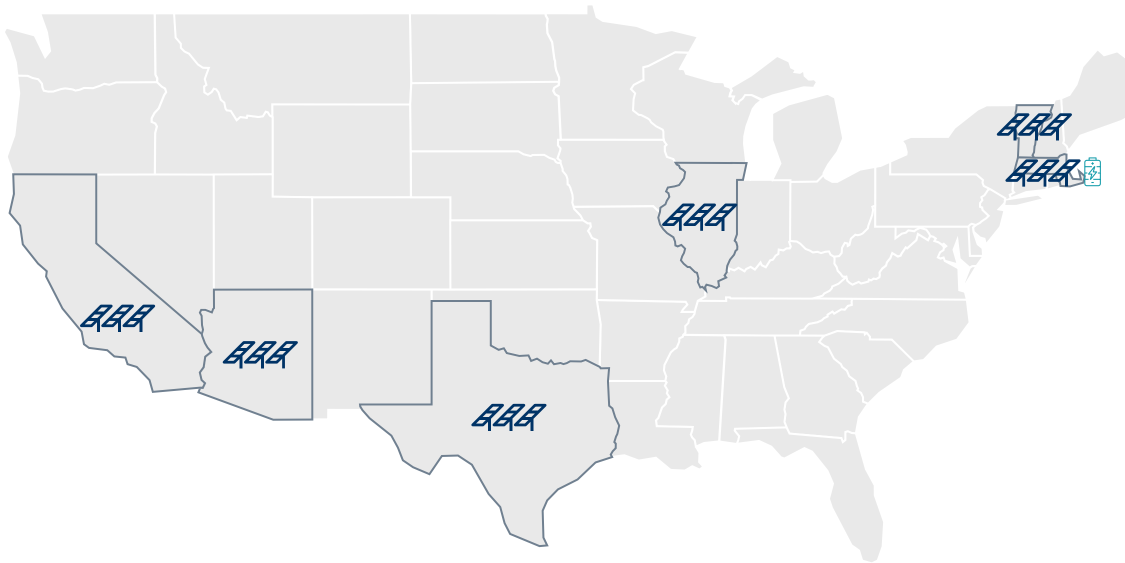
INVESTMENT SPOTLIGHT: ENGIE BTM PORTFOLIO

Investment Overview

- $93m preferred equity investment with Morgan Stanley as tax equity and ENGIE as sponsor equity co-investors
  - $37m funded by EOY20 with subsequent fundings at predetermined completion milestones
- 70 MW community and C&I solar + 8 MW collocated storage projects located across multiple states
  - Contracted with highly creditworthy consumer, C&I, and co-operative offtakers
- O&M Provider: ENGIE
- CarbonCount®: 0.27



Strategic Highlights

- Unique structure leveraging tax equity financing to bring efficiency to a forward flow of projects
- Significantly grows community and C&I solar portfolios

Key Metrics

24 years	IG	0.27
WAVG Contract Life	WAVG Offtaker Credit Rating	CarbonCount®

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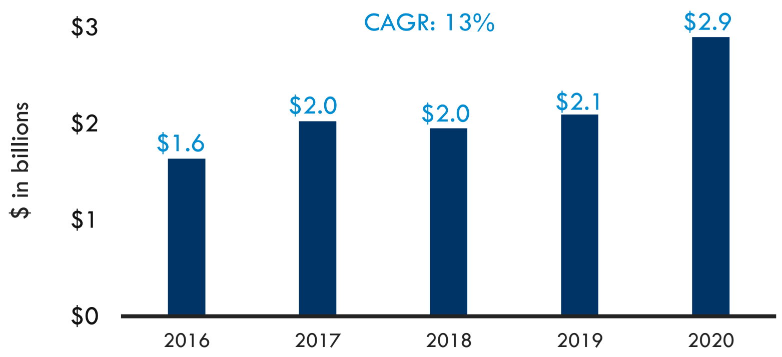
GROWTH DRIVEN BY PORTFOLIO GROWTH

Disclosed Investments Announced and To Be Funded[1]

	Announced	Funded (EOY20)	Fully Funded (Expectation)
ENGIE GC	$540m	$465m	1H21
ENGIE BTM	$93m	$37m	EOY21
Clearway GC	$663m	$200m	EOY22
Total	$1,296m	$702m	
Announced But Unfunded (EOY20) [2]	**$595m**		

Portfolio[3]



Full funding of announced transactions will significantly contribute to portfolio growth and profitability over next few years

1) Subtotals may not sum due to rounding.
2) As of 12/31/20
3) Balance Sheet Portfolio

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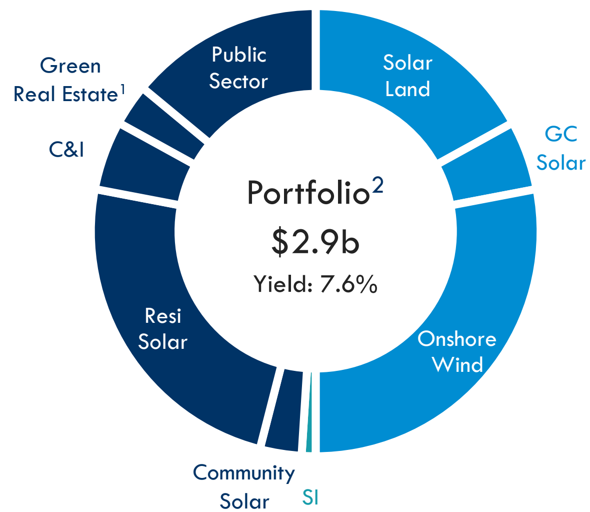
PORTFOLIO GROWS AND FURTHER DIVERSIFIES

Markets

Behind-the-Meter
Yield: 8.2%

Grid-Connected
Yield: 7.1%

Sustainable Infrastructure[3]
Yield: 7.4%



	EOY20	EOY19
Portfolio Size Yield	$2.9b 7.6%	$2.1b 7.6%
Onshore Wind	28%	17%
Resi Solar	24%	30%
Solar Land	17%	22%
Public Sector	14%	15%
GC Solar	5%	0%
C&I	5%	7%
Green Real Estate	3%	6%
Community Solar	3%	2%
Sustainable Infrastructure	1%	1%

Diversified and Long-Dated Cashflows[2]

(EOY20 / EOY19)

>230 / >180
Total Investments[4]

$12m / $11m
Average Investment

17 yrs /15 yrs
WAVG Life

1) Includes Freddie Mac and C-PACE investments
2) Balance Sheet Portfolio, as of 12/31/2020
3) Includes all other asset classes that are not specifically designated as BTM or GC
4) Individual investments with outstanding balances > $1m

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 2013

Positive Credit Attributes

	Portfolio (%)	Structural Seniority	Obligor Credit
Onshore Wind	28%	Preferred	Typically IG corporates or utilities
Residential Solar	24%	Preferred	>166k consumers WAVG FICO: "Very Good"[4]
Solar Land	17%	Super Senior	Typically IG corporates
Public Sector	14%	Senior	Predominantly IG govt or quasi-govt entities
GC Solar	5%	Preferred	Typically IG corporates or utilities
C&I	5%	Senior or Preferred	Typically IG corporates
Green Real Estate	3%	Super Senior or Subordinated Debt	Real-estate secured
Community Solar	3%	Typically Preferred	Typically IG corporates and/or creditworthy consumers
Sustainable Infrastructure	1%	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. Included in this category are two commercial receivables with a combined total carrying value of approximately $8 million as of December 31, 2020 which we consider impaired and have held on non-accrual status since 2017. We recorded an allowance for the entire asset amounts as described in our 2020 Form 10-K. We expect to continue to pursue our legal claims with regards to these assets.
4) 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).

FINANCIAL RESULTS – 4Q20 AND FY20

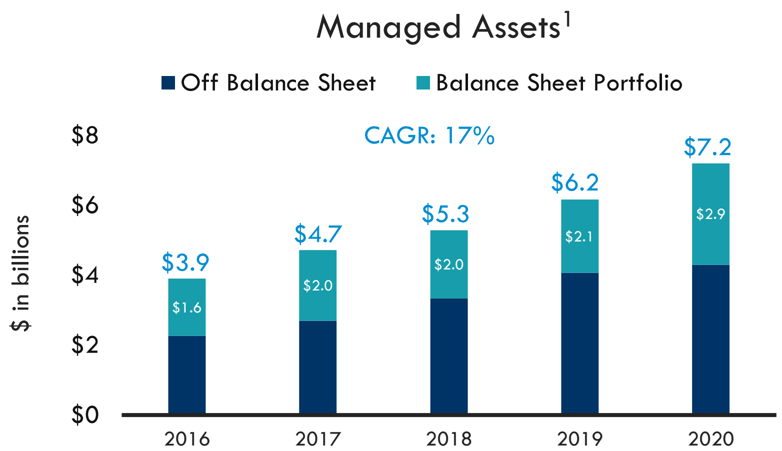
Results, Unaudited[1] ($ in millions, except per share figures)	4Q20	4Q19	FY20	FY19	FY20 Commentary
GAAP Earnings	$24.9	$46.1	$82.4	$81.6	Higher interest and gain on sale revenue offset by higher interest expense from additional green bond issuances
GAAP Diluted EPS	$0.32	$0.66	$1.10	$1.24	
Distributable Earnings	$29.3	$26.8	$117.5	$92.7	
Distributable EPS	$0.37	$0.40	$1.55	$1.40	
GAAP-based Net Investment Income[2]	$4.7	$11.0	$29.3	$37.8	
Distributable Earnings from Equity Method Investments[3]	14.9	12.6	55.3	41.4	
Distributable Adjustment for Intangible Amortization	0.8	0.8	3.1	3.1	
Distributable Net Investment Income	$20.4	$24.4	$87.7	$82.3	Growth of 7% YOY despite negative carry for much of 2020
GAAP Gain on Sale and Fees	$17.9	$9.9	$65.5	$39.5	Strong access to private market in 2020

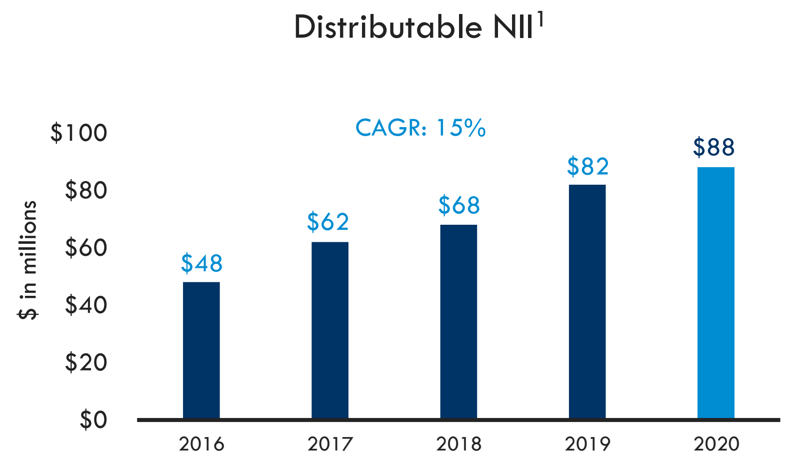
	Primary Non-GAAP Earnings Metric	CECL Impact[4]
Prior to 2020	Core Earnings	Prior to adoption of CECL
1Q20 – 3Q20	Core Earnings (Pre-CECL)	Excludes impact of most CECL provisions
4Q20 onward	Distributable Earnings	Excludes impact of most CECL provisions

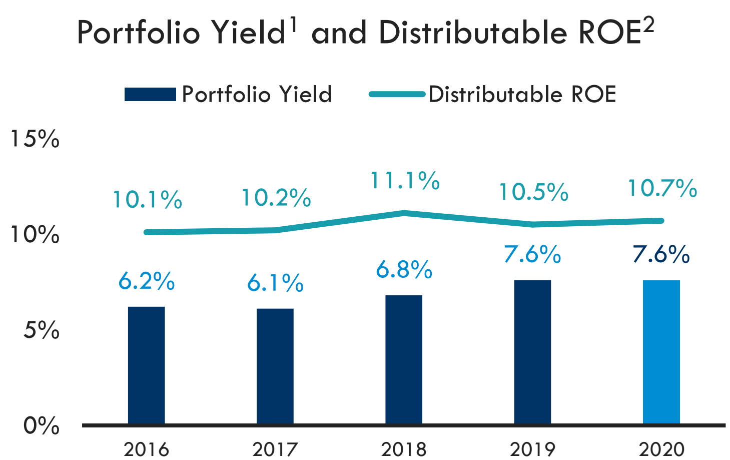
Equity Method Summary[1,3]	FY20	FY19
GAAP Earnings	$48	$64
Distributable Earnings Adjustment	7	(23)
Distributable Earnings	$55	$41
Return of Investment	102	60
HASI Cash Collected	$157	$101

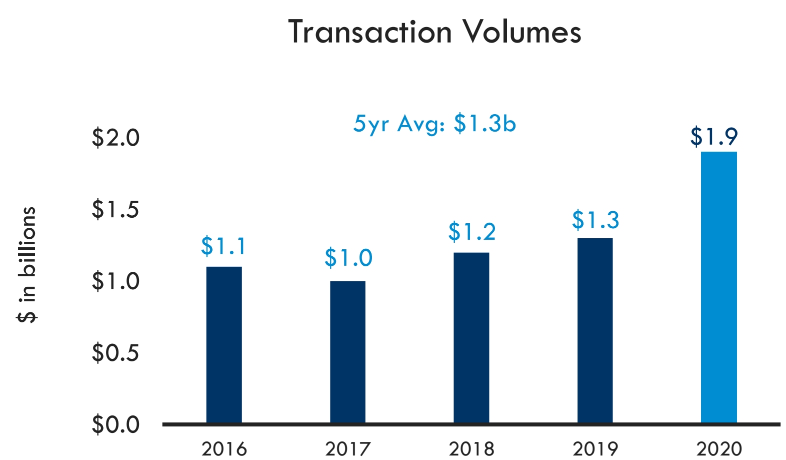
1) See Appendix for an explanation of Distributable Earnings and Distributable Net Investment Income, including reconciliations to the relevant GAAP measures, where applicable.
2) GAAP-based Net Investment Income includes Interest Income and Rental Income, less Interest Expense as reported within our financial statements prepared in accordance with US GAAP
3) Represents Distributable Earnings from our Equity Method Investments when allocating cash distributions between a return on and return of invested capital. Refer to the Appendix for additional discussion
4) Credit loss standard (Current Expected Credit Losses or "CECL" or Topic 326) adopted in 2020

GROWTH HIGHLIGHTS









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

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BALANCE SHEET UPDATE

Strengthened Long-Term Position

- Grew Portfolio 30% QOQ through deployment of $739m to fund new assets

Line Item	($ in millions)[1]
Beginning Portfolio (9/30/20)	$2,230
Funding of this quarter's originations	364
Funding of prior originations	375
Principal collections	(61)
Syndications and Securitizations[2]	(16)
Other	16
Ending Portfolio (12/31/20)	$2,908

Assets	12/31/20 ($ in millions)[1]
Cash	$286
Equity method investments	1,280
Government receivables	248
Commercial receivables	965
Real estate	359
Investments	55
Securitization assets	164
Other	102
Total Assets	$3,459
Liabilities and Equity	
Credit facility	$23
Non-recourse debt	593
Convertible notes	291
Senior unsecured notes	1,283
Other	59
Total Liabilities	$2,249
Total Equity	$1,210
Total Liabilities and Equity	$3,459

1) Subtotals may not sum due to rounding.
2) Includes only securitizations of assets on the balance sheet as of the end of the previous quarter (9/30/20)

DURABLE CAPITAL STRUCTURE

Demonstrated access to diversified funding sources and a migration toward corporate unsecured debt

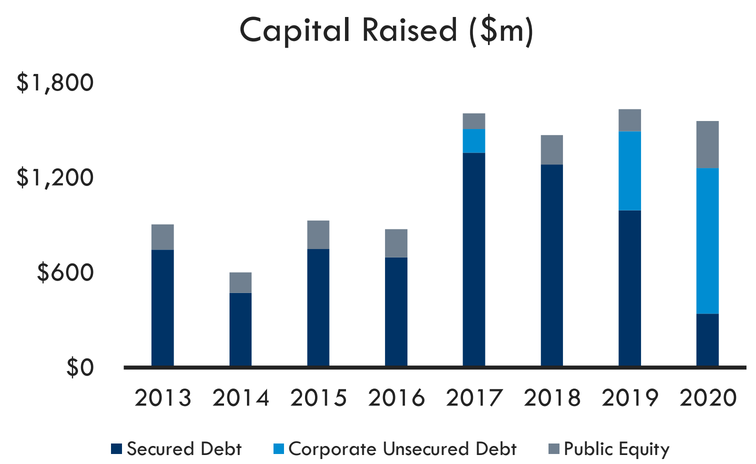
- Raised >$1.2b in debt and equity in 2020 including:
  - $775m in unsecured green bonds
  - $144m in convertible green bonds
  - $298m in equity
- Established $50m sustainability-linked unsecured revolving credit facility with J.P. Morgan in 1Q21

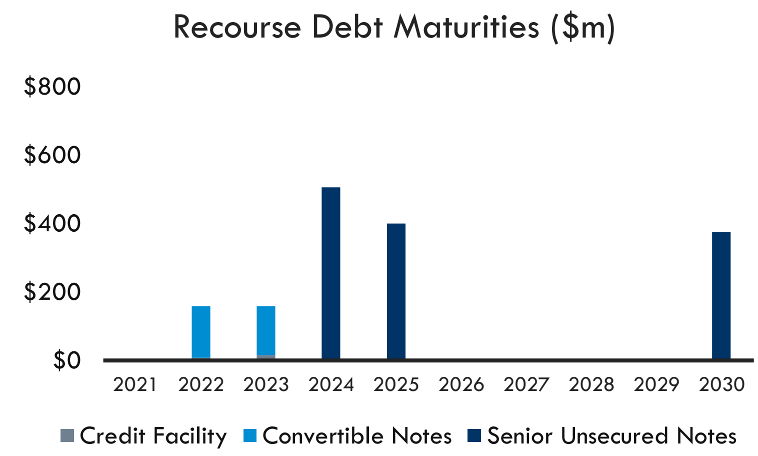
Conservative leverage profile

- 1.8x debt to equity[1]
- Rating of BB+ by S&P and Fitch reaffirmed in 3Q20

Minimal refinance and interest rate risk

- 99% of debt is fixed rate
- Laddered recourse debt maturities with no material maturity until 3Q22[2]
- Nonrecourse debt largely amortizes within contracted term of assets





1) Below previously communicated target of less than 2.5x
2) Our convertible notes, which mature in 2022 and 2023, may be settled in shares, so this does not necessarily reflect a cash need.

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ESG ACCOMPLISHMENTS

Environmental

- Recorded highest annual CarbonCount in company history
- Invested $1.9b in climate solutions
- Issued >$900m in green bonds
- Joined Partnership for Carbon Accounting Financials (PCAF)
- Signed UN-supported Principles for Responsible Investment
- Joined Nasdaq Sustainable Bond Network

Social

- Declared Social Dividend[1] of $1m in 1Q21 to capitalize newly launched Hannon Armstrong Foundation
- Significant corporate donations to organizations providing COVID relief, addressing racial injustice, and supporting voting rights
- Launched multiple DEIJ initiatives for multi-year implementation
- Joined multiple initiatives to promote free and fair elections (Civic Alliance 100, Time to Vote, Business for America's Operation Vote Safe)

Governance

- Expanded Board with appointments of Clay Armbrister and Nancy Floyd
- Internal management realignment enhanced DEIJ in the C-suite
- Expanded DEIJ disclosures in 10-K
- Joined CEO Action for Diversity & Inclusion

Recognition

Institutional Investor
Most Honored (Small Cap)
Best CEO, CFO, IR, and Material ESG Disclosure

Real Leaders
Top Impact Companies

MSCI ESG RATINGS
A

SUSTAINALYTICS
Low Risk
Top 6th percentile

ISS ESG
B
Top 10th percentile

STATE STREET GLOBAL ADVISORS
R-Factor™
Outperformer

CDP
B

1) To be further detailed in our 2021 proxy statement

COMPELLING VALUE PROPOSITION

Programmatic Growth

- Robust >$3b pipeline supported by deep relationships with leading clean energy and infrastructure companies

Diversified High-Quality Portfolio

- >230 investments across ~10 asset classes

Durable Capital Structure

- Over $9b raised from a diverse array of funding sources
- Credit rating of BB+ underpinned by prudent 1.8x debt to equity ratio and 99% fixed debt

Industry-Leading ESG

- Leading investor in climate solutions with proprietary tools to evaluate portfolio carbon and water reduction impacts

Proven Track Record

- Outstanding credit history with de minimis ~20 bps cumulative credit losses
- Stable and growing dividend

Total Return[1]

	1yr	3yr	5yr
HASI	105%	46%	35%
S&P 500 ESG Index	20%	14%	14%
FTSE NAREIT Index	(5)%	5%	7%
YieldCo Index[2]	27%	18%	16%

Key Metrics[3]

3% - 5%
DPS
3yr Compound Growth Guidance

7% - 10%
Distributable EPS
3yr Compound Growth Guidance

>$7b
Managed Assets

1) As of 12/31/20
2) Global X YieldCo & Renewable Energy Index
3) See Appendix for an explanation of Distributable Earnings and Managed Assets, including reconciliations to the relevant GAAP measures, where applicable.

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APPENDIX

SUPPLEMENTAL FINANCIAL DATA

Explanatory Notes

Distributable Earnings and Earnings on Equity Method Investments

We are changing the name of our primary Non-GAAP earnings metric from core (Pre-CECL) earnings to Distributable Earnings with no change in the historical method of calculation. We will no longer be reporting a core earnings metric which includes the CECL provision.

We calculate Distributable Earnings as GAAP net income (loss) excluding non-cash equity compensation expense, provisions for loss on receivables, amortization of intangibles, 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 non-cash charges 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 common equity investor, often the operator or sponsor of the project, receives 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 assessment of the expected cash flows we will receive from these projects discounted back to the net present value, based on a target investment rate, with the expected 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. 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 and we believe our dividends are 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.

SUPPLEMENTAL FINANCIAL DATA

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 expected 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

The Company expects that annual Distributable Earnings per share will grow at a compounded annual rate of 7% to 10% from 2021 to 2023, relative to the 2020 baseline of $1.55 per share, which is equivalent to a 2023 midpoint of $1.98 per share. The Company also expects that annual dividends per share will grow at a compound annual rate of 3% to 5% from 2021 to 2023, relative to the 2020 baseline of $1.36 per share, which is equivalent to a 2023 midpoint of $1.53 per share. This guidance reflects the Company’s judgments and estimates of (i) yield on its existing Portfolio; (ii) yield on incremental Portfolio investments, inclusive of the Company’s 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 the Company’s 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 the Company’s management team. The Company has not provided GAAP guidance as discussed in the Forward-Looking Statements section of this 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 December 31, 2020	For the Three Months Ended December 31, 2019	For the Year Ended December 31, 2020	For the Year Ended December 31, 2019
Revenue				
Interest income	$ 24,512	$ 21,930	$ 95,559	$ 76,200
Rental income	6,470	6,469	25,878	25,884
Gain on sale of receivables and investments	15,439	7,704	49,887	24,423
Fee income	2,468	2,225	15,583	15,074
Total revenue	**48,889**	**38,328**	**186,907**	**141,581**
Expenses				
Interest expense	26,299	17,381	92,182	64,241
Provision for loss on receivables	4,467	—	10,096	8,027
Compensation and benefits	10,542	7,495	37,766	28,777
General and administrative	3,665	3,875	14,846	14,693
Total expenses	**44,973**	**28,751**	**154,890**	**115,738**
Income before equity method investments	**3,916**	**9,577**	**32,017**	**25,843**
Income (loss) from equity method investments	15,457	46,060	47,963	64,174
Income (loss) before income taxes	**19,373**	**55,637**	**79,980**	**90,017**
Income tax (expense) benefit	5,640	(9,396)	2,779	(8,097)
Net income (loss)	**$ 25,013**	**$ 46,241**	**$ 82,759**	**$ 81,920**
Net income (loss) attributable to non-controlling interest holders	88	165	343	356
Net income (loss) attributable to controlling stockholders	**$ 24,925**	**$ 46,076**	**$ 82,416**	**$ 81,564**
Basic earnings (loss) per common share	$ 0.33	$ 0.70	$ 1.13	$ 1.25
Diluted earnings (loss) per common share	$ 0.32	$ 0.66	$ 1.10	$ 1.24
Weighted average common shares outstanding—basic	75,400,321	65,173,294	72,387,581	63,916,440
Weighted average common shares outstanding—diluted	84,843,939	71,668,124	74,373,169	64,771,491

HANNON ARMSTRONG

BALANCE SHEET

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

	December 31, 2020	December 31, 2019
Assets		
Cash and cash equivalents	$ 286,250	$ 6,208
Equity method investments	1,279,651	498,631
Government receivables	248,455	263,175
Commercial receivables, net of allowance of $36 million and $8 million, respectively	965,452	896,432
Real estate	359,176	362,265
Investments	55,377	74,530
Securitization assets	164,342	123,979
Other assets	100,364	162,054
Total Assets	**$ 3,459,067**	**$ 2,387,274**
Liabilities and Stockholders' Equity		
Liabilities:		
Accounts payable, accrued expenses and other	$ 59,944	$ 54,351
Credit facilities	22,591	31,199
Non-recourse debt (secured by assets of $723 million and $921 million, respectively)	592,547	700,225
Senior unsecured notes	1,283,335	512,153
Convertible notes	290,501	149,434
Total Liabilities	2,248,918	1,447,362
Stockholders' Equity:		
Preferred stock, par value $0.01 per share, 50,000,000 shares authorized, no shares issued and outstanding	—	—
Common stock, par value $0.01 per share, 450,000,000 shares authorized, 76,457,415 and 66,338,120 shares issued and outstanding, respectively	765	663
Additional paid in capital	1,394,009	1,102,303
Accumulated deficit	(204,112)	(169,786)
Accumulated other comprehensive income (loss)	12,634	3,300
Non-controlling interest	6,853	3,432
Total Stockholders' Equity	1,210,149	939,912
Total Liabilities and Stockholders' Equity	**$ 3,459,067**	**$ 2,387,274**

HANNON ARMSTRONG

RECONCILIATION OF GAAP NET INCOME TO DISTRIBUTABLE EARNINGS

	For the three months ended December 31, 2020		For the three months ended December 31, 2019	
	(dollars in thousands, except per share amounts)			
	$	*per share*	*$*	*per share*
Net income attributable to controlling stockholders [1]	$ 24,925	$ 0.32	$ 46,076	$ 0.66
Distributable earnings adjustments:				
Reverse GAAP (income) loss from equity method investments	(15,458)		(46,060)	
Add equity method investments earnings [2]	14,943		12,580	
Non-cash equity-based compensation charges [3]	5,176		3,775	
Non-cash provision for loss on receivables	4,467		—	
Other adjustments [4]	(4,728)		10,384	
Distributable earnings [5]	**29,325**	**$ 0.37**	**$ 26,755**	**$ 0.40**

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

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

(3) Reflects adjustment for non-cash equity-based compensation.

(4) See Other adjustments table below.

(5) Distributable earnings per share for the three months ended December 31, 2020 and 2019, are based on 79,820,082 shares and 67,702,206 shares outstanding, respectively, which represents the weighted average number of fully-diluted shares outstanding including our restricted stock awards and restricted stock units and the long-term incentive plan units and non-controlling interest in our Operating Partnership. We include any potential common stock issuance in this calculation related to our convertible notes using the treasury stock method and any potential common stock issuances related to share based compensation units in the amount we believe is reasonably certain to vest. We believe the use of the treasury stock method is an appropriate representation of the potential dilution when considering the economic behaviors of the holders of the instrument.

HANNON ARMSTRONG

RECONCILIATION OF GAAP NET INCOME TO DISTRIBUTABLE EARNINGS

	For the year ended December 31, 2020		For the year ended December 31, 2019	
	(dollars in thousands, except per share amounts)			
	$	*per share*	*$*	*per share*
Net income attributable to controlling stockholders (1)	82,416	$ 1.10	$ 81,564	$ 1.24
Distributable earnings adjustments:				
Reverse GAAP (income) loss from equity method investments	(47,963)		(64,174)	
Add equity method investments earnings (2)	55,305		41,437	
Non-cash equity-based compensation charges (3)	16,791		14,160	
Non-cash provision for loss on receivables	10,096		8,027	
Other adjustments (4)	855		11,732	
Distributable earnings (5)	**117,500**	**$ 1.55**	**$ 92,746**	**$ 1.40**

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

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

(3) Reflects adjustment for non-cash equity-based compensation.

(4) See Other adjustments table below.

(5) Distributable earnings per share for the year ended December 31, 2020 and 2019, are based on 75,588,286 shares and 66,046,401 shares outstanding, respectively, which represents the weighted average number of fully-diluted shares outstanding including our restricted stock awards and restricted stock units and the long-term incentive plan units and non-controlling interest in our Operating Partnership. We include any potential common stock issuance in this calculation related to our convertible notes using the treasury stock method and any potential common stock issuances related to share based compensation units in the amount we believe is reasonably certain to vest. We believe the use of the treasury stock method is an appropriate representation of the potential dilution when considering the economic behaviors of the holders of the instrument.

RECONCILIATION OF GAAP-BASED NII TO DISTRIBUTABLE NII

The following is a reconciliation of our GAAP-based net investment income to our distributable net investment income:

	Three months ended December 31,		Year ended December 31,	
	2020	2019	2020	2019
		(in thousands)		
Interest income	$ 24,512	$ 21,930	$ 95,559	$ 76,200
Rental income	6,470	6,469	25,878	25,884
GAAP-based investment revenue	30,982	28,399	121,437	102,084
Interest expense	26,299	17,381	92,182	64,241
GAAP-based net investment income	4,683	11,018	29,255	37,843
Equity method earnings adjustment (1)	14,943	12,580	55,305	41,438
Amortization of real estate intangibles (2)	772	776	3,089	3,082
Distributable net investment income	**$ 20,398**	**$ 24,374**	**$ 87,649**	**$ 82,363**

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

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

ADDITIONAL GAAP TO NON-GAAP RECONCILIATIONS

The table below provides a reconciliation of the Other adjustments:

	For the three months ended December 31, 2020	For the three months ended December 31, 2019	For the year ended December 31, 2020 2020	For the year ended December 31, 2020 2019
	(in thousands)		(in thousands)	
Other adjustments				
Amortization of intangibles [(1)]	$ 824	$ 823	$ 3,291	$ 3,285
Non-cash provision (benefit) for income taxes	(5,640)	9,395	(2,779)	8,091
Net income attributable to non-controlling interest	88	166	343	356
Other adjustments	**$ (4,728)**	**$ 10,384**	**$ 855**	**$ 11,732**

(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 December 31, 2020	For the three months ended December 31, 2019	For the year ended December 31, 2020	For the year ended December 31, 2019
	(in thousands)		(in thousands)	
GAAP SG&A expenses				
Compensation and benefits	$ 10,542	$ 7,495	$ 37,766	$ 28,777
General and administrative	3,665	3,875	14,846	14,693
Total SG&A expenses (GAAP)	**$ 14,207**	**$ 11,370**	**$ 52,612**	**$ 43,470**
Distributable SG&A expenses adjustments:				
Non-cash equity-based compensation charge [(1)]	$ (5,176)	$ (3,775)	$ (16,791)	$ (14,160)
Amortization of intangibles [(2)]	(52)	(51)	(202)	(203)
Distributable SG&A expenses adjustments	(5,228)	(3,826)	(16,993)	(14,363)
Distributable SG&A expenses	**$ 8,979**	**$ 7,544**	**$ 35,619**	**$ 29,107**

(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 Portfolio to our Managed Assets as of December 31, 2020 and 2019:

	As of December 31,	
	2020	2019
	(dollars in millions)	
Equity method investments	$ 1,280	$ 499
Government receivables	248	263
Commercial receivables	965	896
Real estate	359	362
Investments	55	75
Assets held in securitization trusts	4,308	4,101
Managed assets	**$ 7,215**	**$ 6,196**

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