



Investing in Climate Solutions®

Earnings Presentation

Second Quarter 2023

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, 2022 (the "Form 10-K") on file 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 impact of the Inflation Reduction Act ("IRA") and on the U.S., regional and global economies, the U.S. climate solutions market and the broader financial markets. 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.

Forward-looking statements are based on beliefs, assumptions and expectations as of June 30, 2023. 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) disruptions to the renewable energy supply chain that may result from changes in the regulatory environment and other factors; (vii) the general interest rate and market environment; (viii) the impact of the Inflation Reduction Act on our industry and our business; (ix) the impact of our proposed revocation of our REIT election; (x) and our ability to expand into new climate solutions markets. All guidance is based on current expectations regarding 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 update, or publicly release the results of any update or revisions to, these forward-looking statements, including to reflect 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"). Additional information concerning these non-GAAP financial measures as well as reconciliations of such non-GAAP financial measures to the most directly comparable GAAP financial measures can be found in the Appendix herein.

Estimated carbon emission 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 carbon dioxide 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.

Record Investment Volume and Higher Yields Highlight Successful First Half

Business Momentum Driven by Increasing Volumes and Returns

- Largest first half volume with weighted avg. yield >8.5%¹
- Portfolio Yield increased from 7.5% to 7.7%²
- Closed \$426m of transactions in the quarter, \$815m YTD
- Equity raise to fund growth and revolver upsize

Strong Quarter Reflects Consistent Execution

- 2Q23 GAAP EPS of \$0.14 and Distributable EPS of \$0.53²
- Declared dividend of \$0.395 per share
- Affirm guidance for (2021 – 2024)³: Distributable EPS 10% – 13% (CAGR) and DPS: 5% – 8% (CAGR)

Growth Opportunities Drive Change in Tax Election

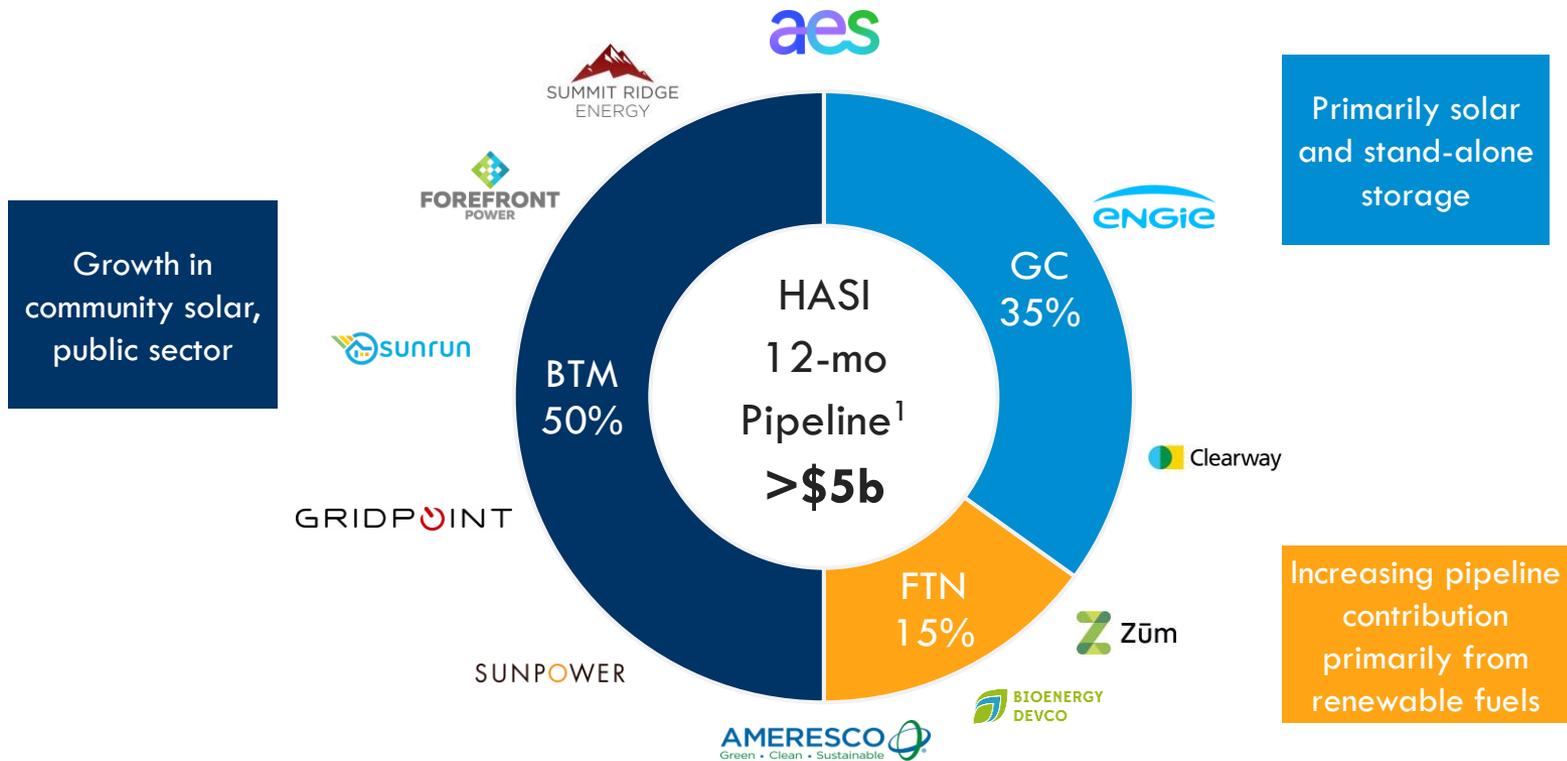
- Planning to discontinue REIT election in 2024 subject to board approval
- Tax efficient corporate structure with existing NOLs and tax planning strategy
- No impact to dividend policy or corporate strategy

1. Yield for new balance sheet transactions

2. See Appendix for an explanation of Portfolio Yield and Distributable Earnings, including reconciliations to the relevant GAAP measures

3. Relative to 2020 baseline

Robust Pipeline Driven by Diversity of Clients and Asset Classes



> 40 programmatic clients providing deal flow for repeat business

> \$50b project-level capital needs² through 2025 by top programmatic clients alone

1. Next 12-months pipeline as of 6/30/23. BTM is Behind-the-Meter, GC is Grid-Connected, and FTN is Fuels, Transport and Nature
 2. Represents estimated total project-level capital required (e.g., debt, tax equity, and cash equity financing) by our Top Clients (2023-2025) in existing HASI asset classes, based on publicly available data and internally developed estimates.

Successful Pipeline Conversion at Attractive Asset Yields



Pace of strong execution continues in 2nd quarter, with total of \$815m closed transactions in 1H23

Asset Class	% of Closed Transactions (1H23)
Public Sector	28%
GC Solar	23%
Fuels, Transport & Nature	16%
Residential	15%
Community	9%
C&I	9%

Successful Recent Transactions With Measurable Impact

Clearway Rosamond BESS

- 147MW battery storage expansion to an existing solar project. CC¹ - 0.1

GridPoint Energy Optimization

- \$150m facility for energy efficiency retrofits at commercial sites. CC - 5.2

ForeFront DG Solar + Storage

- 48.5MW portfolio of C&I solar and storage. CC - 0.2

SunPower Resi Solar

- Expand the longstanding partnership to finance solar loan portfolio. CC - 0.2

Bioenergy Devco RNG

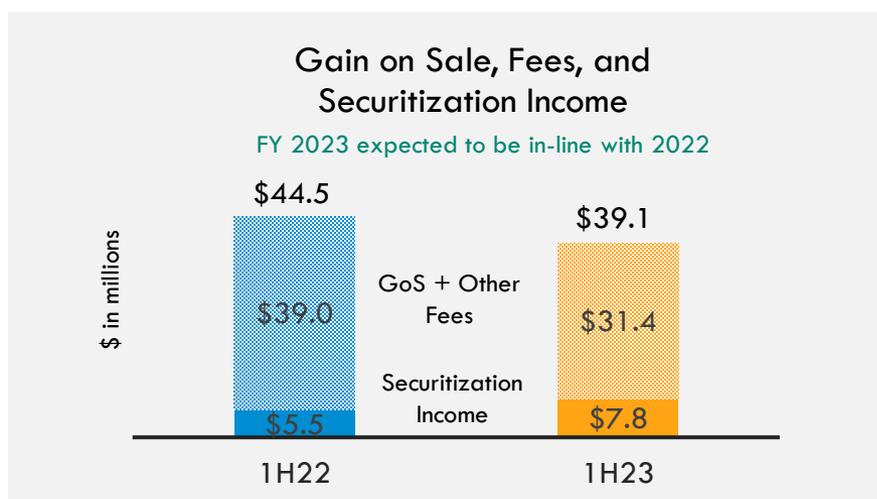
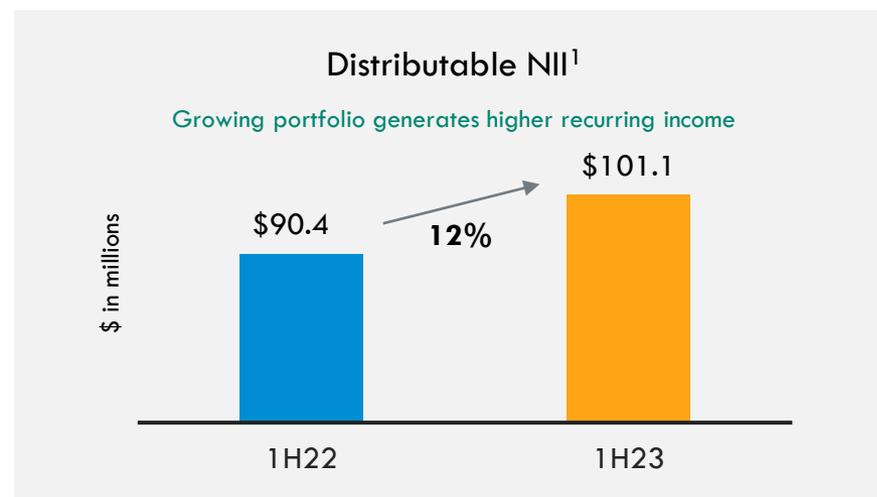
- \$30m investment in anaerobic digestion facilities for organic recycling. CC - 0.5

1. CarbonCount is a decision tool that evaluates investments in U.S.-based renewable energy, energy efficiency, and climate resilience projects to determine how efficiently they reduce CO2 equivalent (CO2e) emissions per \$1,000 of investment

Continued Growth in Recurring Income

Financial Results (2Q23)

Results Unaudited ¹	2Q22	2Q23	Change YoY
GAAP Diluted EPS	\$(0.21)	\$0.14	
Distributable EPS	\$0.60	\$0.53	
GAAP NII	\$11.1m	\$14.8m	
Distributable NII	\$47.9m	\$54.0m	+13%
Gain on Sale, Fees and Securitization Income	\$22.8m	\$19.6m	
Transactions Closed	\$340m	\$426m	
Portfolio ²	\$3.9b	\$4.9b	+26%
Managed Assets	\$9.3b	\$10.7b	+15%
Distributable ROE ³	13.4%	11.6%	



1. See Appendix for an explanation of Distributable Earnings, Distributable Net Investment Income (“NII”) and Managed Assets, including reconciliations to the relevant GAAP measures, where applicable.

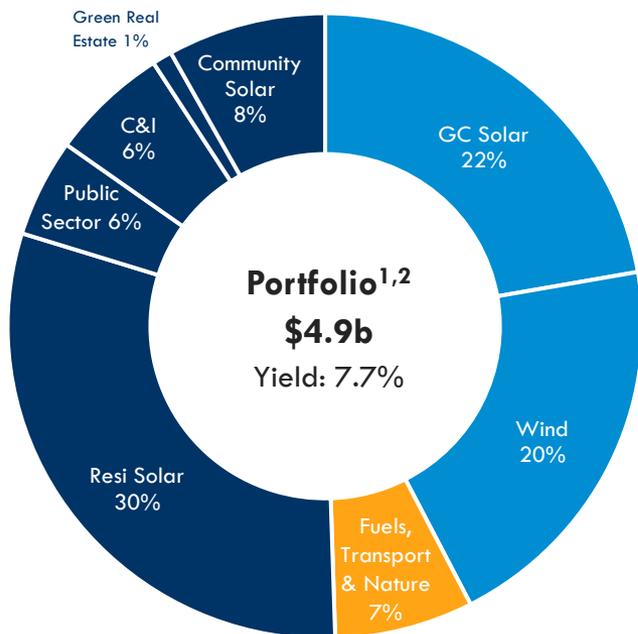
2. GAAP-based

3. Distributable ROE is calculated using Distributable Earnings for the period and the average of the quarterly ending equity balances for the period.

Portfolio Yield Increased to 7.7%



Portfolio grew 14% in 1H23 from funding new and previously closed investments



Anticipated Funding of Previously Closed Transactions³

2H 2023	~ \$500m
1H 2024	~ \$110m

Portfolio Change	(\$m) ⁴
Beginning Portfolio (3/31/23)	\$4,690
Funding of new investments	180
Funding of prior investments	110
Principal collections	(62)
Syndications and Securitizations ⁵	(15)
Other	(7)
Ending Portfolio (6/30/23)	\$4,896

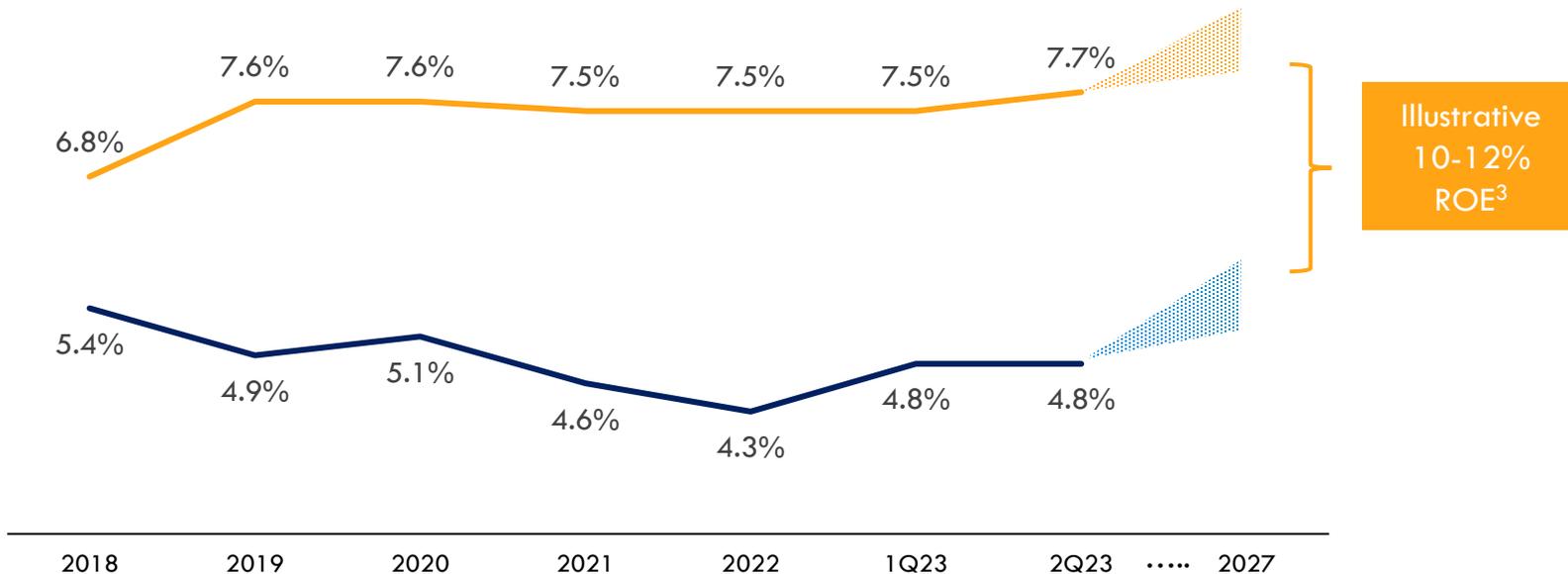
1. GAAP-based Portfolio, as of 6/30/23
2. See Appendix for an explanation of Portfolio Yield
3. Anticipated 12-month funding schedule for closed transactions subject to completion milestones, as of 6/30/23
4. Total may not sum due to rounding
5. Includes only securitizations of assets on the balance sheet as of the end of the previous quarter (3/31/23)

Improved Margins

Portfolio Yield¹ vs. Cost of Debt²

— Portfolio Yield
— Interest Expense / Avg Debt Balance

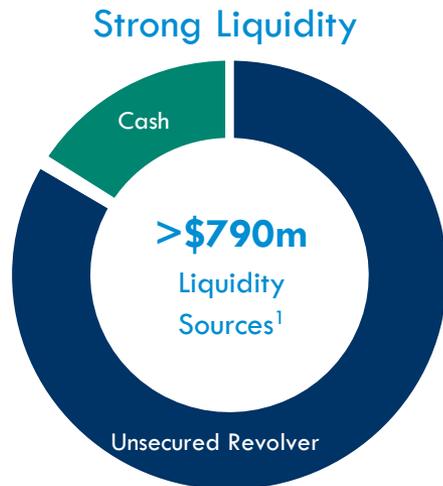
- **Disciplined focus on margins**
- **Improving credit spreads in debt markets**



Proforma refinancing of 2025 and 2026 bonds using current market credit spreads and existing hedges results in cost of debt of ~5.6%

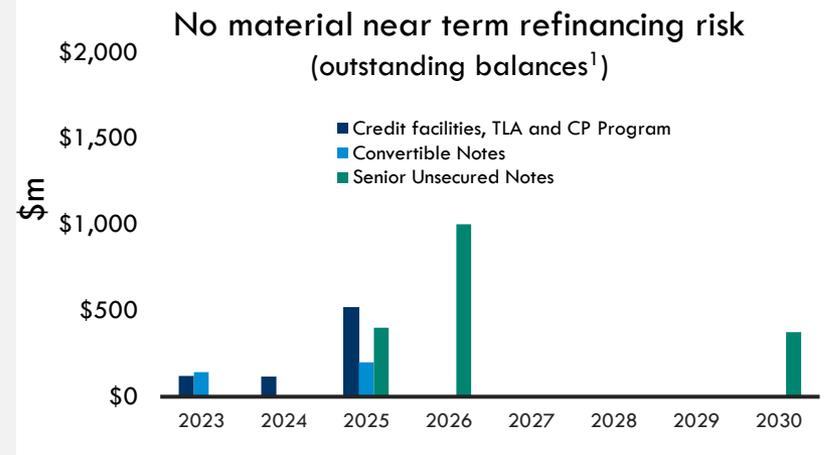
1. For explanation of Portfolio Yield, see Appendix
 2. Excludes incremental interest expense related to debt prepayments. Shown here as a % of average debt balance
 3. Distributable ROE is calculated using Distributable Earnings for the period and the average of the quarterly ending equity balances for the period

Resilient Capital Structure



- Increased unsecured revolver capacity by \$240m to \$840m capacity with 15 banks. Revolver credit spread remains 1.875%
- Placed on BB+ Positive Outlook by Fitch. Credit rating of Baa3 (Investment Grade) by Moody's and BB+ by S&P

- \$345m follow-on equity offering utilized to fund accretive investments
- 1.6x debt to equity²
- Capital plan currently focused on diversified sources of debt capital



1. As of 6/30/23

2. Below target limit of less than 2.5x, As of 6/30/23

Recent ESG Activity



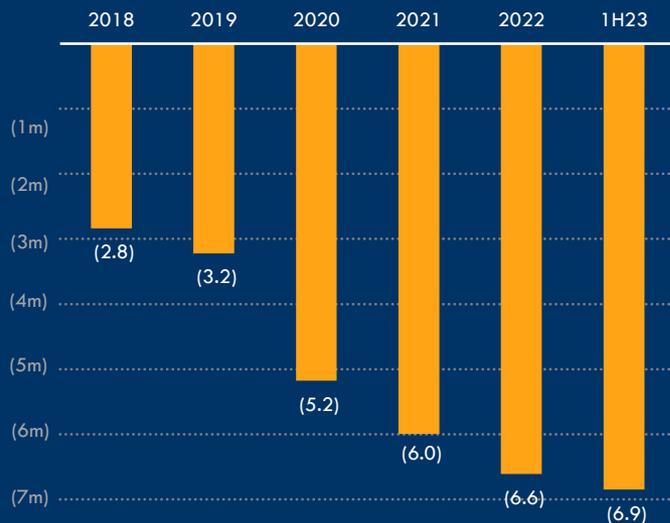
- E Environmental** | Quantified our Scope 3, Category 15 portfolio emissions for 2022 with the goal of setting a Scope 3 Science-Based Target later this year
- S Social** | HASI Foundation approved over \$300k in grants to mission-aligned nonprofits
- G Governance** | Board members who are women and from underrepresented communities now constitute a majority of our Independent Directors



Carbon Emissions¹

CarbonCount: 0.31 (2Q23)

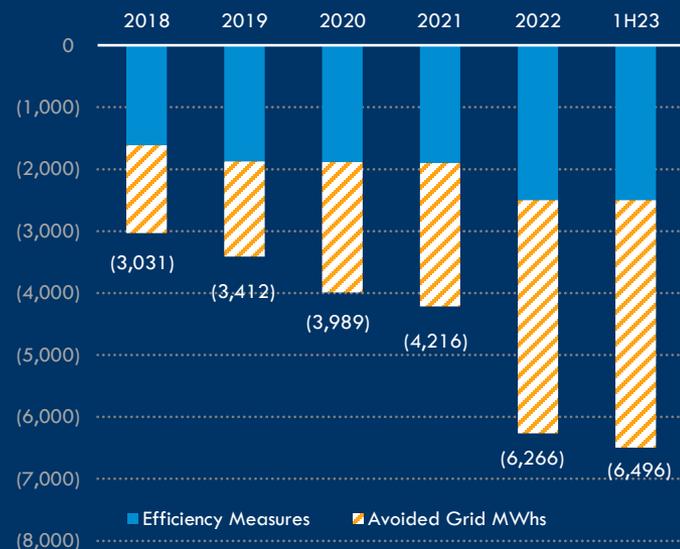
Cumulative Metric Tons of CO₂ Avoided Annually



Water Savings²

WaterCount™ 367 (2Q23)

Cumulative Gallons of Water Saved Annually (million gallons)



- CarbonCount is a decision tool that evaluates investments in U.S.-based renewable energy, energy efficiency, and climate resilience projects to determine how efficiently they reduce CO₂ equivalent (CO₂e) emissions per \$1,000 of investment.
- 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.

Growing Opportunity Set Drives Change in Tax Election

Plan to discontinue electing REIT status starting with 2024 year, subject to board approval

Strategic Impact

- Expands investment opportunities in renewables and FTN
- No change in investment thesis
- No change in dividend policy
- <3% of investors are REIT dedicated funds¹

Tax Impact

- Anticipate de minimis cash tax due to significant NOLs² and other optimization strategies
- Equity investments include accelerated depreciation and tax credits
- No tax consequence expected upon conversion

1. Source: Bloomberg, as of 8/3/23
2. Current NOLs: >\$500m

Simplified Strategy and Structure → Long-Term Profitability

HASI

Strategy

Climate | Clients | Assets

Corporate Structure

Align organization with growth

Attractive and Resilient Returns

Demonstrated success of consistent earnings in all interest rate cycles

Appendix

Q: What new corporate structure are you considering should you revoke your REIT status?

A: If we revoke our REIT status, our publicly traded parent company (Hannon Armstrong Sustainable Infrastructure Capital, Inc) would become (subject to Board and other approvals) a taxable C-Corp, beginning with the 2024 tax year. We would also maintain our current corporate governance structure.

Q: Why is the company considering making this change?

A: We are considering discontinuing our REIT election for several reasons, including: (a) most of our recent investments and pipeline, including renewables and fuel transactions, are non-REIT qualifying; (b) we expect the C-corp structure will be tax efficient in light of our NOLs and opportunities to utilize other tax attributes (as more fully described below); and (c) remaining a REIT may create misperceptions regarding the company and its exposure to real estate risk.

Q: Would this potential change result in a change in strategy?

A: No, this change in our REIT status would not represent any change in our business strategy or the strategic direction of the company.

Q: Would the dividend policy change?

A: No, our dividend guidance of 5-8% growth in the dividend per year through 2024 (using a 2020 base year) is not expected to change. As we stated on our Investor Day in March 2023, we continue to expect the dividend will increase each year, and we expect the payout ratio will be 50-60% by 2030.

Q: If REIT status is discontinued, how will HASI achieve tax efficiency?

A: The company has a substantial amount of Net Operating Losses (which were > \$500 million as of June 30, 2023). These Net Operating Losses are available to offset a large portion of U.S. federal income tax related to future earnings. We also expect to generate additional NOLs from new tax-efficient investments in the future. We also expect to utilize tax attributes from various project investments, and will consider investing in the tax equity tranche in certain projects.

Q: Would there be any accounting impacts of the tax election?

A: Yes, there likely would be several GAAP accounting impacts, including a non-cash Deferred Tax Liability recorded, which would have a corresponding expense entry. We would not expect the discontinuation of our REIT election to have any material implications to our Distributable Earnings metric.

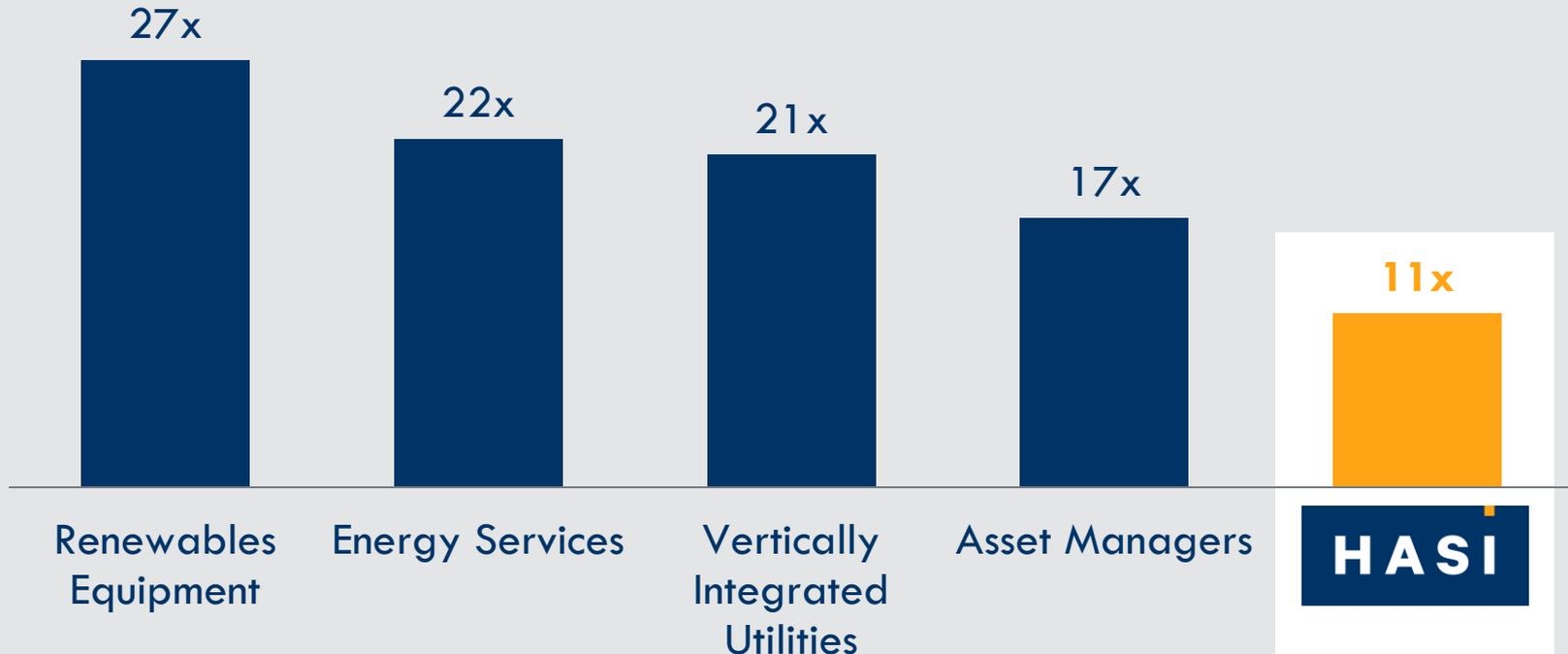
Q: Would there be any adjustments to your earnings guidance as a result of this change?

A: No, earnings guidance is expected to be unchanged.

Q: How would the taxation of dividends be impacted?

A: Currently, the portion of the dividend that is taxable is taxed at an ordinary income tax rate. A transition in our tax status to a C-Corp, would have a similar profile in that a portion of the dividend may be a return of capital for tax purposes; however, the portion that is taxable may be taxed at a lower capital gains rate. There would be no tax consequence to dividends paid historically.

Current Valuation Presents Attractive Entry Point^{1,2}



Income Generating, Growth Company, at an Attractive Value

1. P/E calculated based on closing price as of 8/1/23 and expected median 2023 earning per share sourced from Bloomberg

2. Renewables Equipment: ENPH, FSLR, SHLS, ARRY; Energy Services: SU:FP, TT, AMRC; Vertically Integrated Utilities: S&P Utilities Index; Asset Managers: BX, KKR, ARES, APO, BAM

Strong Portfolio with Positive Credit Attributes



Recent Portfolio Performance

Rating	Description	Performance Metric
1	Performing ¹	~100%
2	Slightly below metrics ²	~0%
3	Significantly below metrics ³	~0%

Outstanding Credit History

De minimis <20 bps cumulative credit losses since 2012⁴

Positive Credit Attributes

Asset Class	Portfolio (%) ⁶	Structural Seniority	Obligor Credit
Residential	30%	Typically Preferred	> 325k consumers WAVG FICO: "Very Good" ⁵
Wind	20%	Typically Preferred	Typically IG corporates or utilities
GC Solar	22%	Super Senior or Preferred	Typically IG corporates or utilities
Community	8%	Typically Preferred	Typically creditworthy consumers and/or IG corporates
C&I	6%	Senior or Preferred	Typically IG corporates
Public Sector	5%	Senior or Preferred	Predominantly IG govt or quasi-govt entities
Green Real Estate	1%	Super Senior or Subordinated Debt	Real-estate secured
Fuels, Transport & Nature	7%	Senior	Various incentivized offtakers

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 2Q23; located across 21 states and the District of Columbia, Puerto Rico and Guam; 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

Cash Flow Sources and Uses

\$ millions ¹	2Q23 TTM	2022	2021
Adjusted Cash Flow from Operations Plus Other Portfolio Collections²	\$228	\$287	\$259
(-) Dividend	(\$139)	(\$132)	(\$114)
(=) Cash Available for Reinvestment	\$89	\$155	\$146
(-) Investments Funded ³	(\$1,224)	(\$871)	(\$960)
(+) Capital Raised	\$957	\$693	\$796
Other Sources/Uses of Cash	\$25	(\$51)	(\$41)
Change in Cash	(\$152)	(\$74)	(\$59)

- 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. 2Q23 reflects Trailing Twelve Months (TTM) of cashflows
 2. See explanatory notes for an explanation of Adjusted Cash Flow from Operations Plus Other Portfolio Collections
 3. Does not include receivables held-for-sale

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. 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. Although there is also not a directly comparable GAAP measure that demonstrates how we consider cash available for dividend payment, set forth below is how Adjusted Cash Flow from Operations plus Other Portfolio Collections compares to GAAP Net cash provided by operating activities.

Adjusted Cash Flow from Operations plus Other Portfolio Collections differs from GAAP Net cash provided by operating activities on our Statement of Cash Flows, 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. For an illustration of this calculation for our fiscal years ended December 31, 2020, 2021 and 2022, see our Earnings Presentation Fourth Quarter and Full Year 2022 in the Presentations section under the investor tab on our website (www.hasi.com).

In addition, in order to calculate this measure for the 12 months ended June 30, 2023, the following methodology should be used: (1) Apply the methodology set forth in the immediately preceding paragraph to our Statement of Cash Flows for the year ended December 31, 2022; (2) apply the methodology set forth in the immediately preceding paragraph to our Statement of Cash Flows for the quarter ended June 30, 2023; (3) apply the methodology set forth in the immediately preceding paragraph to our Statement of Cash Flows for the quarter ended June 30, 2022; (4) add the result obtained in clause (2) above to the result obtained in clause (1) above; and (5) subtract the result obtained in clause (3) from the result obtained in clause (4) above. Our Statement of Cash Flows for the year ended December 31, 2022 is included in our Annual Report on Form 10-K for the year ended December 31, 2022, which was filed with the U.S. Securities and Exchange Commission (SEC) on February 21, 2023. Our Statements of Cash Flows for the three months ended June 30, 2023 and June 30, 2022 are included in the Appendix herein. 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 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 in that it excludes many of our financing activities such as proceeds from common stock issuances and borrowings and repayments of unsecured debt.

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. We will use judgment in determining when we will reflect the losses on receivables in our distributable earnings, and 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 common equity investors, often the operator or sponsor of the project, 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 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 available for election 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 required for wind projects and electable for solar projects 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. We also consider the impact of any other-than-temporary impairment in determining our income from equity method investments.

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 underwritten 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 in any one period 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 in any one period.

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

Managed Assets

As we both consolidate assets on our balance sheet and securitize assets, 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 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 securitized receivables. Our management also uses Managed Assets in this way. 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 and management for the reasons discussed in our Distributable Earnings measure. Our Distributable Net Investment Income measure may not be comparable to similarly titled measures used by other companies.

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. Our Portfolio Yield measure may not be comparable to similarly titled measures used by other companies.

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 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, and (vi) the general interest rate and market environment. All guidance is based on current expectations regarding 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, 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 June 30,		For the Six Months Ended June 30,	
	2023	2022	2023	2022
Revenue				
Interest income	\$ 48,222	\$ 33,358	\$ 91,330	\$ 63,601
Rental income	6,487	6,609	12,973	13,108
Gain on sale of receivables and investments	14,791	19,664	30,510	36,762
Securitization income	4,330	2,798	7,762	5,540
Other income	504	374	860	2,269
Total revenue	74,334	62,803	143,435	121,280
Expenses				
Interest expense	39,903	28,827	77,118	55,479
Provision for loss on receivables	806	8,064	2,689	8,685
Compensation and benefits	13,862	22,246	32,232	37,176
General and administrative	10,095	7,408	18,117	14,546
Total expenses	64,666	66,545	130,156	115,886
Income before equity method investments	9,669	(3,742)	13,279	5,394
Income (loss) from equity method investments	2,252	(19,585)	24,670	27,981
Income (loss) before income taxes	11,921	(23,327)	37,949	33,375
Income tax (expense) benefit	1,601	4,789	171	(6,209)
Net income (loss)	\$ 13,522	\$ (18,538)	\$ 38,120	\$ 27,166
Net income (loss) attributable to non-controlling interest holders	—	(89)	492	270
Net income (loss) attributable to controlling stockholders	\$ 13,522	\$ (18,449)	\$ 37,628	\$ 26,896
Basic earnings (loss) per common share	\$ 0.14	\$ (0.21)	\$ 0.39	\$ 0.31
Diluted earnings (loss) per common share	\$ 0.14	\$ (0.21)	\$ 0.39	\$ 0.30
Weighted average common shares outstanding—basic	96,996,805	87,049,777	94,065,873	86,316,464
Weighted average common shares outstanding—diluted	99,989,158	87,049,777	97,075,329	89,541,858

Balance Sheet

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

	June 30, 2023	December 31, 2022
Assets		
Cash and cash equivalents	\$ 126,907	\$ 155,714
Equity method investments	2,298,962	1,869,712
Commercial receivables, net of allowance of \$44 million and \$41 million, respectively	2,134,154	1,887,483
Government receivables	96,558	102,511
Receivables held-for-sale	5,244	85,254
Real estate	351,455	353,000
Investments	10,213	10,200
Securitization assets	203,743	177,032
Other assets	147,993	119,242
Total Assets	<u>\$ 5,375,229</u>	<u>\$ 4,760,148</u>
Liabilities and Stockholders' Equity		
Liabilities:		
Accounts payable, accrued expenses and other	\$ 114,446	\$ 120,114
Credit facilities	282,859	50,698
Green commercial paper notes	100,044	192
Term loan facility	374,996	379,742
Non-recourse debt (secured by assets of \$599 million and \$632 million, respectively)	389,950	432,756
Senior unsecured notes	1,770,047	1,767,647
Convertible notes	348,982	344,253
Total Liabilities	<u>3,381,324</u>	<u>3,095,402</u>
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, 106,769,719 and 90,837,008 shares issued and outstanding, respectively	1,068	908
Additional paid in capital	2,283,255	1,924,200
Accumulated deficit	(326,413)	(285,474)
Accumulated other comprehensive income (loss)	(8,003)	(10,397)
Non-controlling interest	43,998	35,509
Total Stockholders' Equity	<u>1,993,905</u>	<u>1,664,746</u>
Total Liabilities and Stockholders' Equity	<u>\$ 5,375,229</u>	<u>\$ 4,760,148</u>

Statement of Cashflows



HANNON ARMSTRONG SUSTAINABLE INFRASTRUCTURE CAPITAL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(DOLLARS IN THOUSANDS)
(UNAUDITED)

	<u>Six Months Ended June 30,</u>	
	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Net income (loss)	\$ 38,120	\$ 27,166
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Provision for loss on receivables	2,689	8,685
Depreciation and amortization	1,862	1,925
Amortization of financing costs	6,318	5,632
Equity-based compensation	11,478	15,933
Equity method investments	(6,355)	(12,186)
Non-cash gain on securitization	(14,603)	(14,952)
(Gain) loss on sale of receivables and investments	1,305	(218)
Changes in receivables held-for-sale	51,538	(51,649)
Changes in accounts payable and accrued expenses	(9,733)	3,666
Change in accrued interest on receivables and investments	(14,518)	(7,334)
Other	(2,375)	(3,558)
Net cash provided by (used in) operating activities	<u>65,726</u>	<u>(26,890)</u>
Cash flows from investing activities		
Equity method investments	(429,944)	(136,582)
Equity method investment distributions received	4,203	36,381
Proceeds from sales of equity method investments	—	1,700
Purchases of and investments in receivables	(317,805)	(264,618)
Principal collections from receivables	74,328	87,799
Proceeds from sales of receivables	7,634	5,047
Purchases of real estate	—	(4,550)
Purchases of investments and securitization assets	(12,969)	(2,329)
Proceeds from sales of investments and securitization assets	—	7,020
Withdrawal from escrow accounts	—	15,156
Posting of hedge collateral	(13,380)	—
Other	(473)	(574)
Net cash provided by (used in) investing activities	<u>(688,406)</u>	<u>(255,550)</u>

	<u>Six Months Ended June 30,</u>	
	<u>2023</u>	<u>2022</u>
Cash flows from financing activities		
Proceeds from credit facilities	467,000	100,000
Principal payments on credit facilities	(235,000)	—
Principal payments on term loan	(4,788)	—
Proceeds from issuance of commercial paper notes	100,000	50,000
Principal payments on non-recourse debt	(10,069)	(13,529)
Proceeds from issuance of convertible notes	—	200,000
Net proceeds of common stock issuances	357,594	77,974
Payments of dividends and distributions	(72,129)	(64,930)
Withholdings on employee share vesting	(1,433)	(3,161)
Payment of financing costs	(921)	(8,241)
Other	(1,768)	(2,545)
Net cash provided by (used in) financing activities	<u>598,486</u>	<u>335,568</u>
Increase (decrease) in cash, cash equivalents, and restricted cash	(24,194)	53,128
Cash, cash equivalents, and restricted cash at beginning of period	175,972	251,073
Cash, cash equivalents, and restricted cash at end of period	<u>\$ 151,778</u>	<u>\$ 304,201</u>
Interest paid	\$ 68,167	\$ 48,402
Supplemental disclosure of non-cash activity		
Residual assets retained from securitization transactions	\$ 26,020	\$ 14,952
Issuance of common stock from conversion of Convertible Notes	—	7,674
Deconsolidation of non-recourse debt	32,923	—
Deconsolidation of assets pledged for non-recourse debt	31,371	—

Reconciliation of GAAP Net Income to Distributable Earnings

	For the three months ended June 30, 2023		For the three months ended June 30, 2022	
	<i>(dollars in thousands, except per share amounts)</i>			
	\$	per share	\$	per share
Net income attributable to controlling stockholders ⁽¹⁾	\$ 13,522	\$ 0.14	\$ (18,449)	\$ (0.21)
Distributable earnings adjustments:				
Reverse GAAP (income) loss from equity method investments	(2,252)		19,585	
Add equity method investments earnings	38,461		36,048	
Equity-based expense	3,438		12,393	
Provision for loss on receivables	806		8,064	
Amortization of intangibles ⁽²⁾	772		761	
Non-cash provision (benefit) for income taxes	(1,601)		(4,789)	
Net income attributable to non-controlling interest	—		(89)	
Distributable earnings ⁽³⁾	\$ 53,146	\$ 0.53	\$ 53,524	\$ 0.60

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

(3) Distributable earnings per share for the three months ended June 30, 2023 and 2022, are based on 99,581,898 shares and 88,994,421 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 compared to the conversion price. 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 six months ended June 30, 2023		For the six months ended June 30, 2022	
	\$	per share	\$	per share
Net income attributable to controlling stockholders ⁽¹⁾	\$ 37,628	\$ 0.39	\$ 26,896	\$ 0.30
Distributable earnings adjustments:				
Reverse GAAP (income) loss from equity method investments	(24,670)		(27,981)	
Add equity method investments earnings	72,419		67,645	
Equity-based expense	12,873		15,933	
Provision for loss on receivables	2,689		8,685	
Amortization of intangibles ⁽²⁾	1,544		1,600	
Non-cash provision (benefit) for income taxes	(171)		6,209	
Net income attributable to non-controlling interest	492		270	
Distributable earnings ⁽³⁾	\$ 102,804	\$ 1.07	\$ 99,257	\$ 1.13

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

(3) Distributable earnings per share for the three months ended June 30, 2023 and 2022, are based on 96,441,450 shares and 88,100,480 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 compared to the conversion price. 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 June 30,		Six months ended June 30,	
	2023	2022	2023	2022
	<i>(in thousands)</i>			
Interest income	\$ 48,222	\$ 33,358	\$ 91,330	\$ 63,601
Rental income	6,487	6,609	12,973	13,108
GAAP-based investment revenue	54,709	39,967	104,303	76,709
Interest expense	39,903	28,827	77,118	55,479
GAAP-based net investment income	14,806	11,140	27,185	21,230
Equity method earnings adjustment ⁽¹⁾	38,461	36,048	72,419	67,645
Amortization of real estate intangibles ⁽²⁾	772	761	1,544	1,532
Distributable net investment income	\$ 54,039	\$ 47,949	\$ 101,148	\$ 90,407

(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

	As of	
	June 30, 2023	December 31, 2022
	<i>(dollars in millions)</i>	
Equity method investments	\$ 2,299	\$ 1,870
Commercial receivables, net of allowance	2,134	1,887
Government receivables	97	103
Receivables held-for-sale	5	85
Real estate	351	353
Investments	10	10
GAAP-Based Portfolio	4,896	4,308
Assets held in securitization trusts	5,793	5,486
Managed assets	\$ 10,689	\$ 9,794

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