



HANNON ARMSTRONG
INVESTING IN THE FUTURE OF ENERGYSM

Fourth Quarter and Full Year 2017 Earnings Conference Call

February 21, 2018



Forward Looking Statements

Some of the information contained herein are forward-looking statements and 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 Annual Report on Form 10-K for our fiscal year ended Dec. 31, 2016, which was filed with the U.S. Securities and Exchange Commission (SEC), as well as in other reports that we file with the SEC.

Forward-looking statements are based on beliefs, assumptions and expectations as of February 21, 2018. Any 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) amount, timing, and costs of debt and equity capital to fund new investments; (iv) changes in costs and expenses reflective of the Company's forecasted operations, and (v) the general interest rate and market environment, including a relatively consistent price to core earnings multiple for the Company's stock. Changes in the actual share price may vary over a period of time for factors outside of the Company's control which would impact the total shareholder return (share price change with dividends reinvested) realized by an investor. All guidance is based on current expectations of future economic conditions, the regulatory environment, the dynamics of the markets in which it operates 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.

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

The carbon 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.

Hannon Armstrong

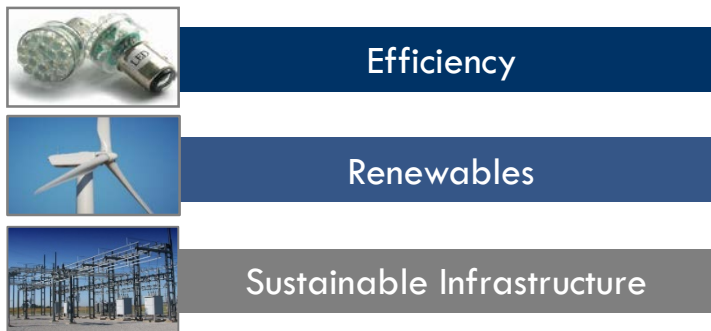
Q4 & FY 2017 Results

- Grew annual GAAP EPS 78% to \$0.57/share
- Grew annual Core EPS 6% to \$1.27/share
- \$0.06 GAAP EPS, \$0.31 Core EPS for Q4 '17
- Continuing dividend at \$0.33/share for 2018, for yield of 6.3%¹
- Increasing securitizations relative to balance sheet investments shows business model strength and flexibility
- ~\$1 billion transactions closed in 2017
- Fixed out 92% of our debt as short term rates rose
- Increased fees largely offset higher interest expense

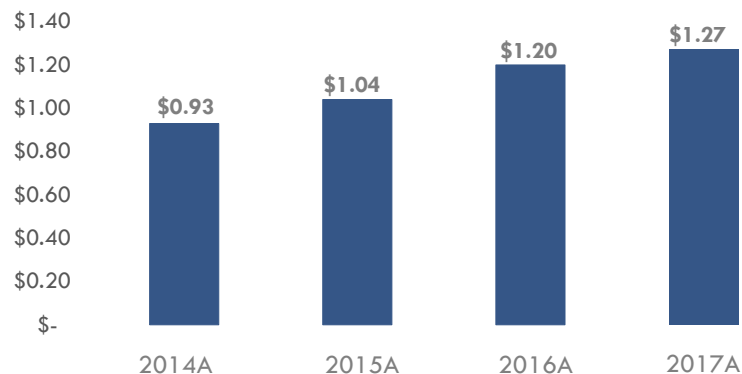
2018 – 2020 Guidance

8% to 12% Total Shareholder Return² on a compounded annual basis from dividend yield and core earnings growth

Target Asset Classes



Core Earnings Per Share³



¹ Source: Bloomberg – Based on HASI closing share price of \$20.99 on 2/20/2018

² The Company defines Total Shareholder Return for any period as the average yield on the stock plus change in core earnings per share

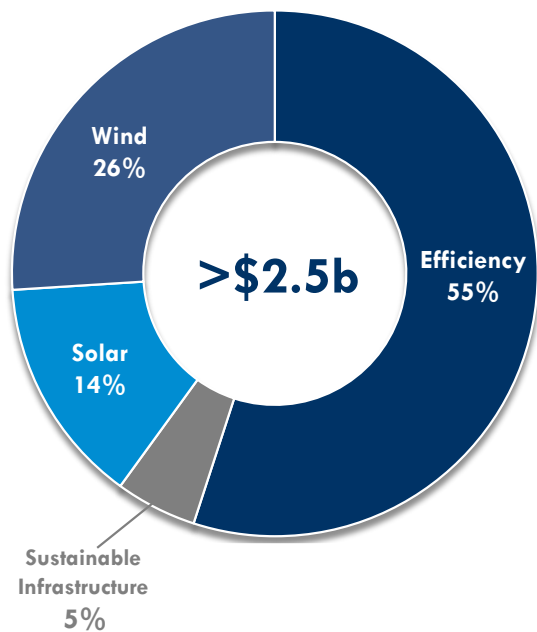
³ See Appendix for an explanation of core earnings and reconciliation to GAAP net income

Market Update – Macro Conditions

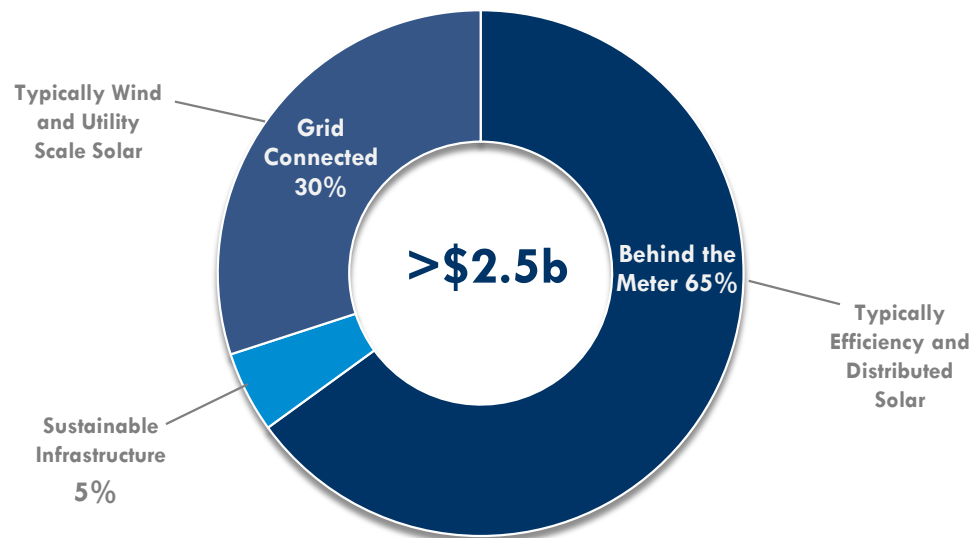
Headline Risk	Near Term Impact	2018-2020 Impact
<ul style="list-style-type: none"> • Market Opportunity 	<ul style="list-style-type: none"> • Behind-the-meter more attractive than grid connected 	<ul style="list-style-type: none"> • Pipeline remains strong and is growing
<ul style="list-style-type: none"> • Natural Gas Prices 	<ul style="list-style-type: none"> • Persistently low natural gas prices affect all margins in grid connected transactions 	<ul style="list-style-type: none"> • Will continue to benefit our behind-the-meter strategy • Reset pricing expectations for sellers of grid-connected assets
<ul style="list-style-type: none"> • Competition 	<ul style="list-style-type: none"> • Global search for yield affects larger assets more than smaller assets 	<ul style="list-style-type: none"> • Our ability to efficiently aggregate smaller assets is a competitive advantage
<ul style="list-style-type: none"> • Rising interest rates 	<ul style="list-style-type: none"> • Minimal with 92% fixed rate debt 	<ul style="list-style-type: none"> • Higher rates generally mean higher spreads, both of which are positives
<ul style="list-style-type: none"> • Flat Yield Curve 	<ul style="list-style-type: none"> • Relatively more gain on sale securitizations compared to on-balance sheet investments 	<ul style="list-style-type: none"> • Lumpier Core Earnings due to gain on sale securitizations
<ul style="list-style-type: none"> • US Administration 	<ul style="list-style-type: none"> • Minimal 	<ul style="list-style-type: none"> • Shift to behind-the meter investments is driven by technology and economics, not policy
<ul style="list-style-type: none"> • Tax Reform 	<ul style="list-style-type: none"> • Modest impact on renewables other than deal delays in Q4 '17 and Q1 '18 as impact was evaluated 	<ul style="list-style-type: none"> • Limited impact expected; with some potential inefficiency from changing NOL and interest deductibility laws

Two Views of Our Pipeline

12-Month Pipeline – By Technology



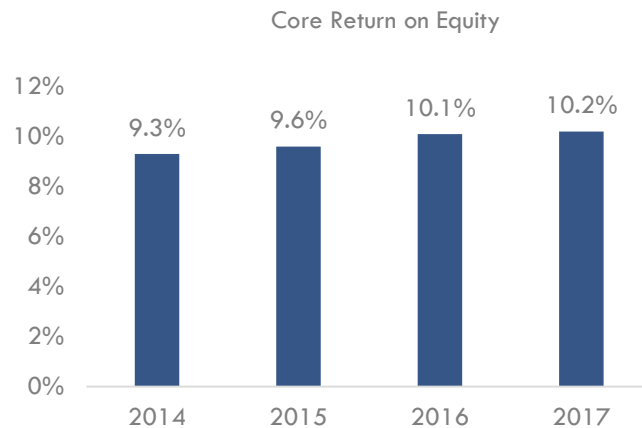
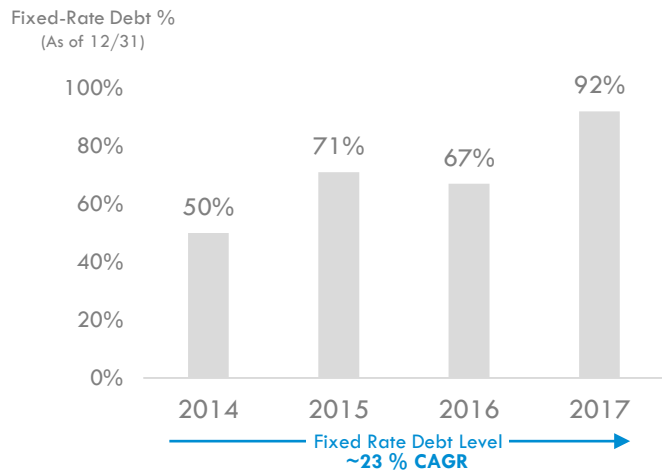
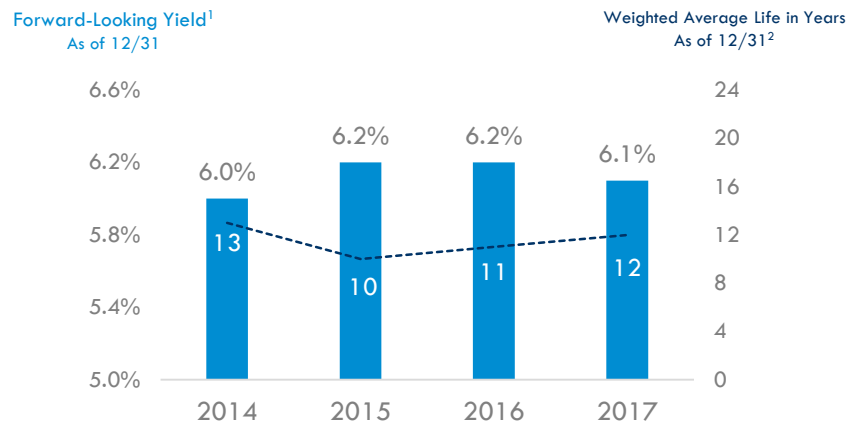
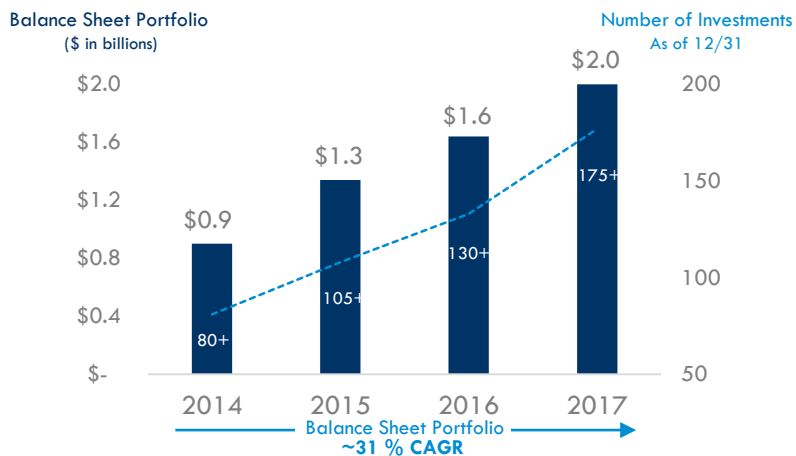
12-Month Pipeline – By Location



- Of the 14% of our pipeline that is comprised of solar assets:
 - 10% is Behind the Meter (B-T-M) and
 - 4% is Grid Connected (G-C)

Changing Market Conditions Demonstrates the Nimbleness of our Business Model

Growing Our Balance Sheet, Nearly Doubling Our Fixed-Rate Debt Levels, While Growing ROE...

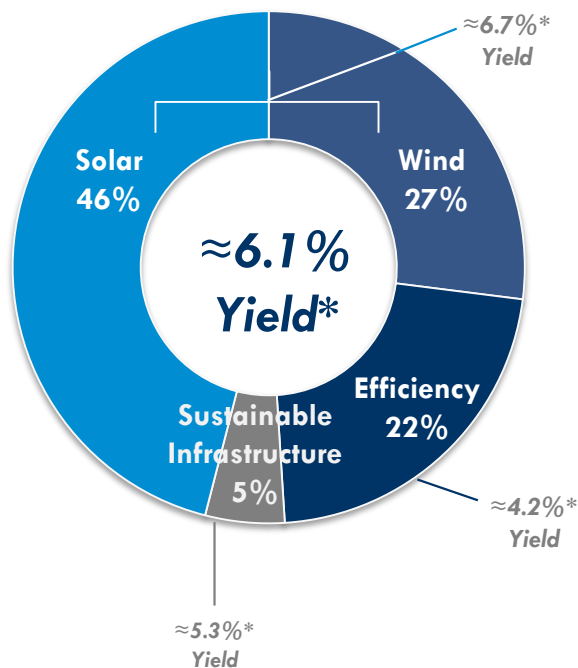


¹ Represents forward looking unlevered estimated return on assets (core) yield as of December 31, 2017

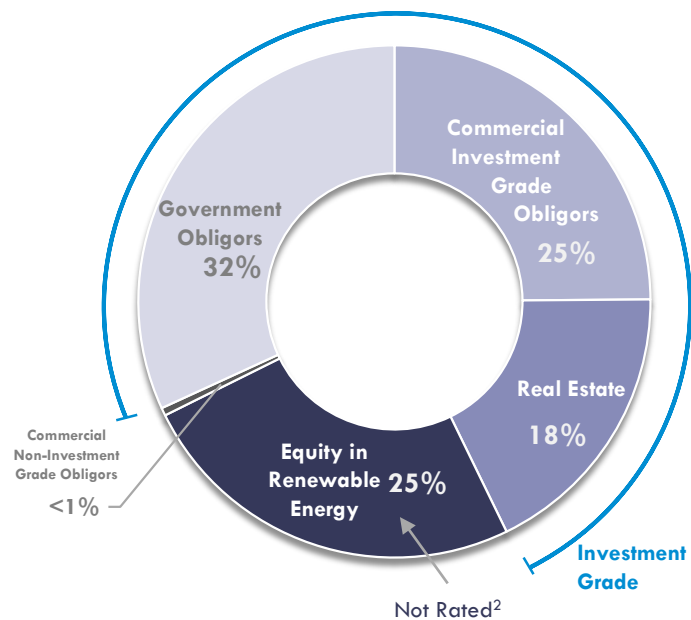
² Excludes match-funded transactions

Our Portfolio is Diversified by Technology, Obligor and Location

\$2.0 Billion Portfolio
Average deal size \$11m



High Credit Quality Portfolio¹



* Represents forward looking unlevered estimated return on assets (core) yield as of December 31, 2017

¹ See Supplemental Financial Data on Slide 12 for footnotes

² Typically senior or preferred in structure

Hannon Armstrong: A leader in ESG disclosure

Environmental

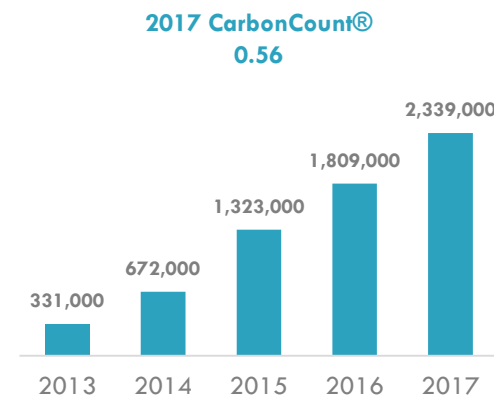
Our Commitment to Sustainability

- We invest in assets that are neutral to negative on incremental greenhouse gas (GHG) emissions or deliver other tangible environmental benefits, such as reducing water consumption
- A **CarbonCount®** score (annual metric tons of CO2 offset per \$1,000) is applied to each investment and published as part of our Annual Report to shareholders
- HASI is the first public U.S. company to commit to implementing the Task Force Recommendations on Climate-Related Financial Disclosure (**TCFD**) through the Climate Disclosure Standards Board (CDSB) initiative
- Emissions Targets
 - **Zero** Scope 1 and Scope 2 emissions;
 - **Negative** Scope 3 emissions
 - Corporate energy consumption **100%** sourced by renewable energy

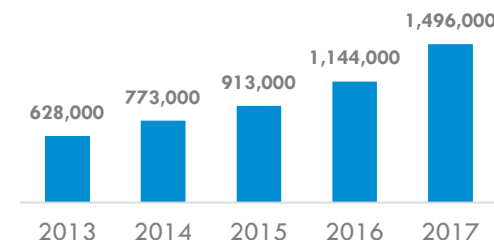
Governance & Social

- ESG policies overseen by our Chief Executive Officer and by the Nominating, Governance and Corporate Responsibility Committee, a sub-committee of the Board of Directors
- 6 of 7 directors are independent (85%)
- 2 of 7 directors are women (29%)
- Active engagement with employees
- Carbon neutral sponsor of various local community events supporting environmental causes

Cumulative Metric Tons of CO2 Reduced Annually by HASI Investments¹



Cumulative Gallons of Water Saved Annually by HASI Investments



¹ Estimated carbon savings are calculated using the estimated kilowatt hours ("kWh"), gallons of fuel oil, million British thermal units ("MMBtus") 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 CO2 equivalent emissions based upon the project's location and the corresponding emissions factor data from the U.S. Government and International Energy Administration. Portfolios of projects are represented on an aggregate basis.

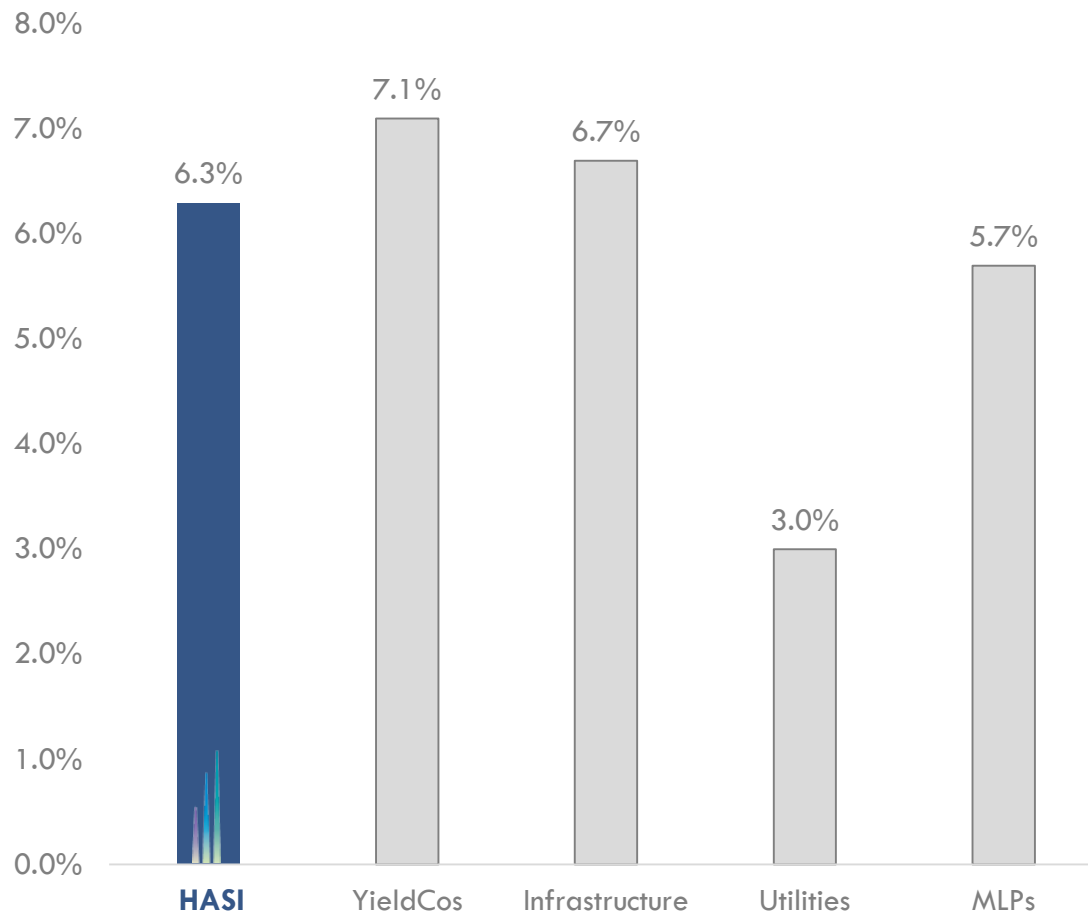
HASI Offers an Attractive Risk-Adjusted Yield¹

Diversified Portfolio

Focus on Total Return

Internally Managed

ESG Leader



Source: Bloomberg 2/20/18.

Note: Infrastructure includes: BIP, MIC. YieldCos Include: PEGI, NYLD, CAFD, NEP, AY. MLPs include: EPD, OKE, MMP, PAA. Electric & Gas Utilities include: SO, EXC, NRG, WGL.

¹Based on most recent quarterly dividend annualized and share prices as of 2/20/18.

Appendix

Supplemental Financial Data

EXPLANATORY NOTES

Non-GAAP Financial Measures – We calculate core earnings as GAAP net income excluding non-cash equity compensation expense, non-cash provision for credit losses, 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 account for our equity method investments in the renewable energy projects as described below. In the future, core 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 projects are structured using typical partnership “flip” structures where we, along with any other institutional investors, if any, receive a pre-negotiated preferred 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 renewable energy company, which operates the project, receives more of the cash flows through its equity interests while we, and any other institutional investors, retain an ongoing residual 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 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 are also 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 our equity method investments are segregated into a return on and return of capital on our cash flow statement based on the cumulative income 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 core earnings, we further adjust GAAP net income 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 adjustment to our GAAP net income in calculating our core 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.

For the year ended December 31, 2017, we recognized \$22.3 million in income under GAAP for our equity investments in renewable energy projects. We reversed the GAAP income and recorded \$42.7 million for core earnings as discussed above to reflect our return on capital from these investments for the year ended December 31, 2017. This compares to the collected cash distributions from these equity method investments of approximately \$89.7 million for the year ended December 31, 2017, with the difference between core earnings and cash collected representing a return of capital. For the year ended December 31, 2016, we recognized \$6.1 million in income under GAAP for our equity investments in renewable energy projects. We reversed the GAAP income and recorded \$30.5 million for core earnings as discussed above to reflect our return on capital from these investments for the year ended December 31, 2016. This compares to the collected cash distributions from these equity method investments of approximately \$55.8 million for the year ended December 31, 2016, with the difference between core earnings and cash collected representing a return of capital.

We believe that core earnings provides an additional measure of our core operating performance by eliminating the impact of certain non-cash expenses and facilitating a comparison of our financial results to those of other comparable REITs with fewer or no non-cash charges and comparison of our own operating results from period to period. Our management uses core earnings in this way. We believe that our investors also use core 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 core earnings is useful to our investors.

However, core 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 core earnings may differ from the methodologies employed by other REITs to calculate the same or similar supplemental performance measures, and accordingly, our reported core earnings may not be comparable to similar metrics reported by other REITs.

Guidance – The revised 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) amount, timing, and costs of debt and equity capital to fund new investments; (iv) changes in costs and expenses reflective of the Company’s forecasted operations and (v) the general interest rate and market environment, including a relatively consistent price to core earnings multiple for the Company’s stock. Changes in the actual share price may vary over a period of time for factors outside of the Company’s control which would impact the total shareholder return (share price change with dividends reinvested) realized by an investor. All guidance is based on current expectations of future economic conditions, the regulatory environment, the dynamics of the markets in which it operates and the judgment of the Company’s management team.

The Company has not provided GAAP guidance as forecasting a comparable GAAP financial measure, such as net income, would require that the Company apply the HLBV method to these investments. In order to forecast under the HLBV method, the Company would be required to make various assumptions related to expected changes in the net asset value of the various entities and how such changes would be allocated under HLBV. GAAP HLBV earnings over a period of time are very sensitive to these assumptions especially in regard to when a partnership transactions flips and thus the liquidation scenarios change materially. The Company believes that these assumptions would require unreasonable efforts to complete and if completed, the wide variation in projected GAAP earnings based upon a range of scenarios would not be meaningful to investors. Accordingly, the Company has not included a GAAP reconciliation table related to any Core Earnings guidance.

Portfolio/Credit Quality Footnotes

“Government”	Transactions where the ultimate obligor is the U.S. federal government or state or local governments where the obligors are rated investment grade (either by an independent rating agency or based upon our internal credit analysis). This amount includes \$400 million of U.S. federal government transactions and \$239 million of transactions where the ultimate obligors are state or local governments. Transactions may have guaranties of energy savings from third party service providers, the majority of which are entities rated investment grade by an independent rating agency.
“Commercial”	Transactions where the projects or the ultimate obligors are commercial entities that have been rated investment grade (either by an independent rating agency or based on our internal credit analysis). Of this total, \$11 million of the transactions have been rated investment grade by an independent rating agency. Commercial investment grade financing receivables include \$31.4 million of internally rated residential solar loans made on a non-recourse basis to special purpose subsidiaries of the SunPower Corporation, for which we rely on certain limited indemnities, warranties, and other obligations of the SunPower Corporation or its other subsidiaries.
“Commercial Non-Investment Grade”	Transactions where the projects or the ultimate obligors are commercial entities that have ratings below investment grade (either by an independent rating agency or using our internal credit analysis).
“Real Estate”	Includes the real estate and the lease intangible assets (including those held through equity method investments) from which we receive scheduled lease payments, typically under long-term triple net lease agreements.
“Average Remaining Balance”	Excludes approximately 135 transactions each with outstanding balances that are less than \$1 million and that in the aggregate total \$52 million.

Income Statement

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

	For the three months ended		For the year ended	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Revenue				
Interest income, receivables	\$ 13,605	\$ 12,024	\$ 56,734	\$ 48,202
Interest income, investments	1,461	519	5,079	1,822
Rental income	5,572	3,165	19,831	11,933
Gain on sale of receivables and investments	5,752	3,761	20,956	17,425
Fee income	705	393	2,973	1,816
Total revenue	27,095	19,862	105,573	81,198
Expenses				
Interest expense	18,744	12,296	65,472	45,241
Compensation and benefits	3,976	4,380	19,708	18,877
General and administrative	3,068	2,164	10,762	8,293
Total expenses	25,788	18,840	95,942	72,411
Income before equity method investments	1,307	1,022	9,631	8,787
Income (loss) from equity method investments	2,866	3,433	22,289	6,110
Income before income taxes	4,173	4,455	31,920	14,897
Income tax (expense) benefit	(766)	(18)	(885)	(141)
Net income (loss)	3,407	4,437	31,035	14,756
Net income (loss) attributable to non-controlling interest holders	24	29	179	104
Net income (loss) attributable to controlling stockholders	\$ 3,383	\$ 4,408	\$ 30,856	\$ 14,652
Basic earnings per common share	<u>\$ 0.06</u>	<u>\$ 0.09</u>	<u>\$ 0.57</u>	<u>\$ 0.32</u>
Diluted earnings per common share	<u>\$ 0.06</u>	<u>\$ 0.09</u>	<u>\$ 0.57</u>	<u>\$ 0.32</u>
Weighted average common shares outstanding—basic	51,659,751	44,358,245	50,361,672	40,290,717
Weighted average common shares outstanding—diluted	51,659,751	44,358,245	50,361,672	40,290,717

Balance Sheet

HANNON ARMSTRONG SUSTAINABLE INFRASTRUCTURE CAPITAL, INC.
CONSOLIDATED BALANCE SHEET
(\$ IN THOUSANDS, EXCEPT PER SHARE DATA)

	December 31, 2017	December 31, 2016
Assets		
Equity method investments	\$ 522,615	\$ 363,297
Government receivables	519,485	526,481
Commercial receivables	473,452	515,756
Receivables held-for-sale	19,081	—
Real estate	340,824	172,257
Investments	151,209	58,058
Cash and cash equivalents	57,274	29,428
Other assets	166,232	80,610
Total Assets	\$ 2,250,172	\$ 1,745,887
Liabilities and Stockholders' Equity		
Liabilities		
Accounts payable, accrued expenses and other	\$ 25,645	\$ 25,219
Deferred funding obligations	153,308	170,892
Credit facility	69,922	283,346
Non-recourse debt (secured by assets of \$1,545 million and \$864 million, respectively)	1,210,861	692,091
Convertible notes	147,655	—
Total Liabilities	1,607,391	1,171,548
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, 51,665,449 and 46,493,155 shares issued and outstanding, respectively	517	465
Additional paid in capital	770,983	663,744
Accumulated deficit	(131,251)	(92,213)
Accumulated other comprehensive income (loss)	(1,065)	(1,388)
Non-controlling interest	3,597	3,731
Total Stockholders' Equity	642,781	574,339
Total Liabilities and Stockholders' Equity	\$ 2,250,172	\$ 1,745,887

Reconciliation of GAAP Net Income to Core Earnings

Reconciliation of our GAAP Net Income to Core Earnings

We have calculated our core earnings and provided a reconciliation of our GAAP net income to core earnings for the three months and year ended December 31, 2017 and 2016 in the tables below:

	For the three months ended December 31, 2017		For the three months ended December 31, 2016	
	Per Share		Per Share	
	(\$ in thousands, except per share data)			
Net income attributable to controlling stockholders	\$ 3,383	\$ 0.06	\$ 4,408	\$ 0.09
Core earnings adjustments:				
Reverse GAAP income from equity method investments	(2,866)		(3,433)	
Add back core equity method investments earnings ⁽¹⁾	11,414		9,256	
Non-cash equity-based compensation charges ⁽²⁾	2,953		2,602	
Other core adjustments ⁽³⁾	1,526		290	
Core earnings ⁽⁴⁾	\$ 16,410	\$ 0.31	\$ 13,123	\$ 0.29

- (1) Reflects adjustment for equity method investments described above.
- (2) Reflects adjustment for non-cash equity based compensation.
- (3) See detail below.
- (4) Core earnings per share for the three months ended December 31, 2017 and December 31, 2016, are based on 53,606,671 shares and 45,964,465 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 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.

	For the year ended December 31, 2017		For the year ended December 31, 2016	
	Per Share		Per Share	
	(\$ in thousands, except per share data)			
Net income attributable to controlling stockholders	\$ 30,856	\$ 0.57	\$ 14,652	\$ 0.32
Core earnings adjustments:				
Reverse GAAP income from equity method investments	(22,289)		(6,110)	
Add back core equity method investments earnings ⁽¹⁾	42,707		30,491	
Non-cash equity-based compensation charges ⁽²⁾	11,304		10,054	
Other core adjustments ⁽³⁾	3,557		1,442	
Core earnings ⁽⁴⁾	\$ 66,135	\$ 1.27	\$ 50,529	\$ 1.20

- (1) Reflects adjustment for equity method investments described above.
- (2) Reflects adjustment for non-cash equity based compensation.
- (3) See detail below.
- (4) Core earnings per share for the year ended December 31, 2017 and December 31, 2016, are based on 52,231,030 shares and 41,940,480 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 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.

Additional GAAP to Core Reconciliations

The table below provides a reconciliation of the Other core adjustments:

	For the three months ended		For the year ended	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
	<i>(\$ in thousands)</i>			
Other core adjustments				
Amortization of intangibles ⁽¹⁾	\$ 746	\$ 261	\$ 2,622	\$ 1,338
Net income attributable to non-controlling interest	23	29	179	104
Non-cash provision for taxes	757	—	756	—
Other core adjustments	\$ 1,526	\$ 290	\$ 3,557	\$ 1,442

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

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

	For the three months ended		For the year ended	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
	<i>(\$ in thousands)</i>			
GAAP SG&A expenses				
Compensation and benefits	\$ 3,976	\$ 4,380	\$ 19,708	\$ 18,877
General and administrative	3,068	2,164	10,762	8,293
Total SG&A expenses (GAAP)	\$ 7,044	\$ 6,544	\$ 30,470	\$ 27,170
Core SG&A expenses adjustments:				
Non-cash equity-based compensation charge ⁽¹⁾	\$ (2,953)	\$ (2,602)	\$ (11,304)	\$ (10,054)
Amortization of intangibles ⁽²⁾	(51)	(50)	(202)	(203)
Core SG&A expenses adjustments	(3,004)	(2,652)	(11,506)	(10,257)
Core SG&A expenses	\$ 4,040	\$ 3,892	\$ 18,964	\$ 16,913

- (1) Reflects add back of non-cash amortization of stock based compensation. Outstanding grants related to stock based compensation are included in core earnings per share calculation.
- (2) Adds back non-cash amortization of pre-IPO intangibles.



For more information, please visit our website at
www.hannonarmstrong.com

Or contact Investor Relations directly at
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