DEAR STOCKHOLDERS:

Over 40 years ago, I read *Diet for a Small Planet*, detailing the environmental impact of meat production due to systemic inefficiencies. This led to a lifetime of curiosity, engagement and commitment to the environment. As my understanding of the environmental costs of inefficiencies grew, I realized my career mission: increase efficiency in the generation and use of energy in the electric power sector. By the mid '90s, the mounting threat of climate change focused me on accelerating the uptake of cleaner energy technology and improving the efficiency of the built environment. My career at Hannon Armstrong has been motivated and shaped by this commitment. Five years ago, recognizing the potential size and opportunity to invest in environmentally beneficial infrastructure projects, we believe we became the first publicly traded company focused on investing in sustainable infrastructure projects to address climate change, leveraging our decades of experience investing in similar assets.

Our thesis continues to be validated. Our pipeline of investment opportunities grows, even as we invest approximately $1 billion a year, indicating a large and expanding market. The International Energy Agency and the International Renewable Energy Agency recently estimated that more than $100 trillion could be spent globally on energy efficiency and renewable energy over the next 35 years.

The appeal of energy efficiency and renewable energy has grown rapidly as the economics challenge and displace the status quo. LED lighting, wind and solar, with or without storage, continue to decline in cost. Additionally, the number and influence of environmental, social and governance (ESG) investors continues to grow. These investors are demanding investment vehicles, such as Hannon Armstrong, that achieve demonstrable positive outcomes.

Unfortunately, according to NASA, 17 of the 18 warmest years since 1880 have occurred since 2001. At Hannon Armstrong, we are focused on responsibly growing the business to address this reality. This January, I had the opportunity to engage with researchers in Antarctica and expand my knowledge as well as concerns regarding climate change. I came away from the trip humbled by the enormity of the problem and energized by our ability to create, define, and lead the sustainable investment market for the benefit of stockholders and the environment.

17 of the 18
warmest years since 1880 have occurred since 2001

$100 Trillion
could be spent globally on energy efficiency and renewable energy over the next 35 years while increasing overall GDP growth

76%
of total carbon emission reduction by 2050 will be achieved from energy efficiency and renewable energy investments

40%
reduction in levelized cost of wind and solar entering service in 2022 compared to 2014 estimates

See the section titled "Market Conditions" in our Annual Report on Form 10-K for source data.

2017 REVIEW

In 2017, we invested almost $1 billion and increased Core Earnings 6% for the year ended December 31, 2017, compared to December 31, 2016. We increased assets by 25%, kept our forward-looking yield above 6.1% and increased portfolio diversity. Anticipating higher short-term interest rates, we fixed 92% of our interest rate exposure and increased leverage from 1.7 to 2.2 times equity. Taken together, this strong performance allowed us to achieve a 10.2% Core Return on Equity.

Our pipeline of efficiency, renewable energy and other sustainable infrastructure assets continues to grow. Our goal is to allocate capital to the assets with the best risk-adjusted returns – now and in the future. As persistently low natural gas prices stress margins for investments in utility scale electricity generation, we continue to expand our efforts in the Behind-the-Meter (B-T-M) assets. Our B-T-M investments fund the installation of the energy efficiency and solar solutions at commercial, residential, and governmental buildings. This subset of the built environment accounts for approximately 40% of the energy consumed annually in the U.S. For decades, we have financed the leading engineering companies in the B-T-M market, a market that we intend to continue to lead and expand in 2018.

OUTLOOK FOR 2018

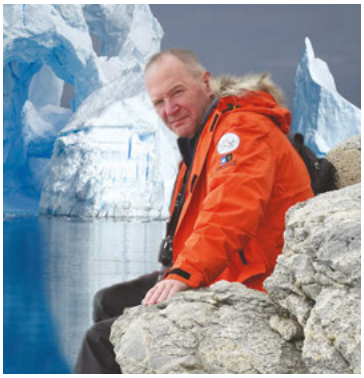
While our pipeline is strong in 2018, as announced in our fourth quarter earnings call, we expect increased variability in our quarterly results, due to the attractiveness of today's securitization market. We can securitize assets at favorable prices and recognize earnings, but optimizing our securitizations creates lumpiness in any one quarter. We announced three-year compounded annual guidance of 8% to 12% total shareholder returns, which we expect to be realized from 2% to 6% compounded annual growth in Core Earnings as well as an approximate 6% dividend yield. Our growth in Core Earnings will be in addition to the growth produced to offset our higher interest expense as a result of fixing substantially all our interest rate exposure. We believe fixing rates at near historic lows was a prudent decision that leaves our earnings profile in a much stronger position as short-term rates continue to rise in 2018.

MEASURING OUR ESG IMPACT

This year's annual report features our commitment to ESG metrics that should bring improved value to stockholders. Starting with the "E," environmental, we continue to set the bar for other large sources of capital to report the environmental impact of all their investments, not just the ones they want to talk about. CarbonCount® continues to be our true north in understanding impact from our investments. Social, or "S," aspects of the business include substantial employee engagement regarding the mission and purpose of our firm. Our business is hard work, and our employees rise to the challenges as a result; thankfully, they do it with a sense of mission and purpose. Good governance, the "G" in ESG, is a core value of our firm, and we will continue to implement appropriate improvements derived from our ongoing focus on best practices.

CONCLUSION

Again, I want to thank the Hannon Armstrong team for an outstanding 2017. We have a lot to be proud of from our first five years as a public company and we have even more to look forward to over the next five years. Thank you for investing in Hannon Armstrong.



Respectfully,

Jeffrey W. Eckel
Chairman, President and CEO

April 10, 2018