



Management Update – August 2012
NASDAQ:HMST



HomeStreet, Inc.[®]

Important Disclosures

Forward-Looking Statements

We may make forward-looking statements during today's presentation that are subject to many risks and uncertainties. These forward-looking statements are based on the Company's current expectations, beliefs, projections, future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts, as well as a number of assumptions concerning future events. These statements are subject to risks, uncertainties, assumptions and other important factors set forth in our SEC filings, including but not limited to our 2011 annual report on form 10-K, our proxy statement and the form 8-K containing our earnings release, many of which are outside of the Company's control. Such factors could cause actual results to differ materially from the results discussed or implied in the forward-looking statements. Actual results may differ materially from those expressed or implied and there can be no assurance that estimated returns or projections will be realized or that actual returns will not be materially different than estimated herein. Accordingly you are cautioned not to place undue reliance on such forward-looking statements. All forward looking statements are based on information available to the Company as of the date hereof and the Company assumes no obligation to, and expressly disclaims any obligation to, update or revise any forward looking statements, for any reason.

Basis of Presentation of Financial Data

Unless noted otherwise in this presentation, all reported financial data is being presented as of the period ending June 30, 2012.

Non-GAAP Financial Measures

Information on any non-GAAP financial measures referenced in today's presentation, including a reconciliation of those measures to GAAP measures, may also be found in our SEC filings and in the earnings release available on our web site.

Established Pacific Northwest Franchise

- 91-year-old diversified financial services company headquartered in Seattle
- \$2.42 billion institution with 21⁽¹⁾ retail branches and 23 stand-alone lending centers
- Large high-quality mortgage banking operation
- \$1.9 billion in deposits
- Attractive PNW demographics



- HomeStreet retail branches (21)
- HomeStreet stand-alone lending centers (23)

<u>State</u>	<u># of Branches</u>
Washington	30
Oregon	6
Hawaii	5
Idaho	3

⁽¹⁾ Includes Lynnwood, scheduled to open in September

Diversified Lines of Business

Community Banking

- Deposit products
- Investment products
- Cash management services
- Consumer and business loans
- Insurance products

Single Family Mortgage Lending

- Originate and sell loans into secondary market directly
- Originate and service portfolio loans
- Includes home equity loans and lines

Income Property Lending

- Focus on multifamily
- One of 25 Fannie Mae DUS[®] lenders; only one headquartered in PNW
- Originate and service commercial construction, bridge and permanent loans for portfolio and sale

Residential Construction Lending

- Originate residential construction portfolio loans
- Primarily home building
- Generally short duration
- Limited land exposure

2012 Results of Operations (\$ in thousands, except share data)



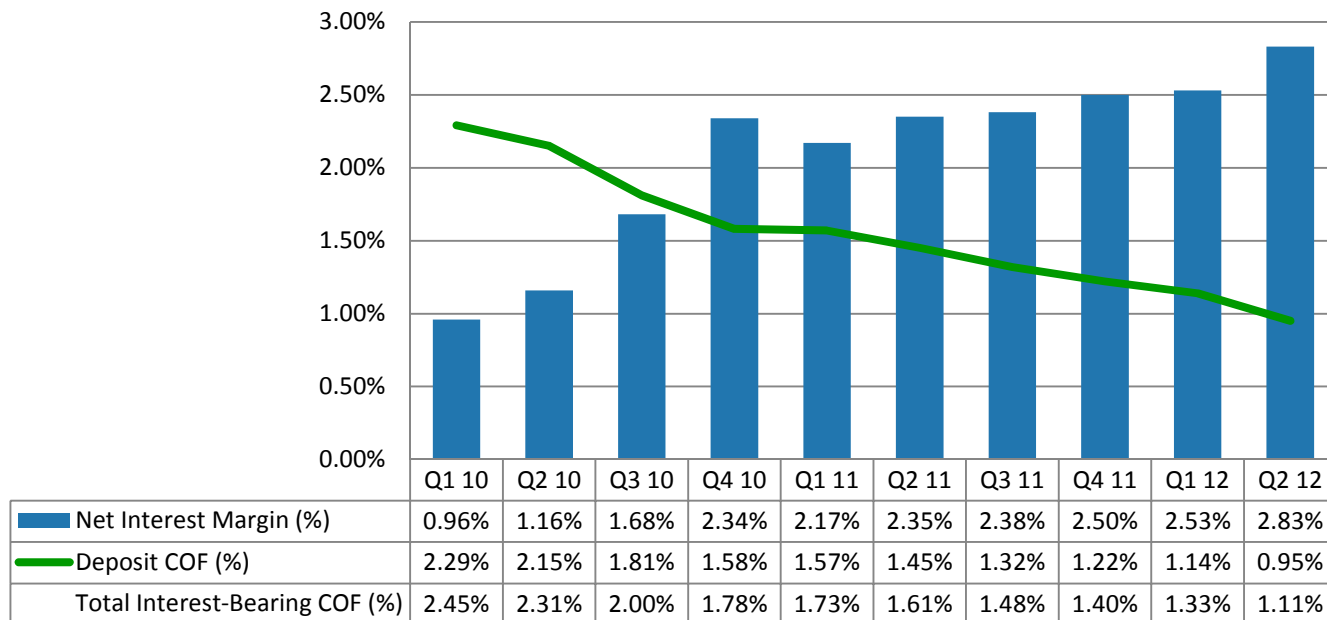
	<i>For the three months ended</i>	
	June 30, 2012	March 31, 2012
Net interest income	\$14,698	\$12,905
Provision for loan losses	2,000	--
Noninterest income	55,502	39,111
Noninterest expense	46,847	34,687
Net income before taxes	\$21,353	\$17,329
Income taxes	3,357	(1,721)
Net income	\$17,996	\$19,050
Diluted EPS	\$2.43	\$3.55
ROAA	3.0%	3.3%
ROAE	34.9%	54.1%
Net Interest Margin	2.83%	2.53%
Operating Efficiency ⁽¹⁾	58%	62%
Tier 1 Leverage Ratio (Bank)	10.1%	9.3%
Total Risk-Based Capital (Bank)	17.0%	15.5%

⁽¹⁾ See Appendix for reconciliation of non-GAAP financial measures.

Net Interest Margin

- NIM increased 30 bps to 2.83%
- Approximately \$157 million in time deposits repricing in second half of 2012, \$450 million in 2013
- Deposit cost of funds declined to 0.95%
 - Continued repricing, roll off or conversion of time deposits
 - Reduction in borrowings and brokered deposits
 - Acquisition of new core deposit customers

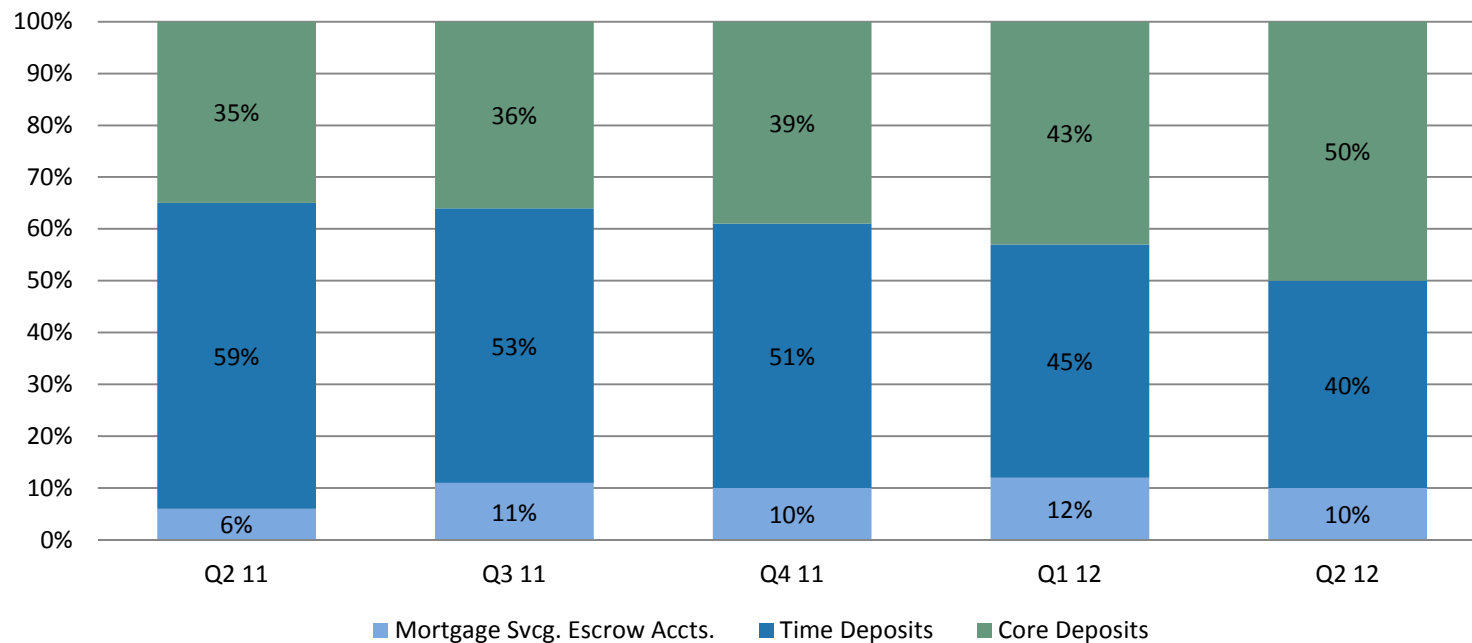
Net Interest Margin



Improving Composition of Deposits



- Total deposits of \$1.90 billion at June 30
- No material change in total deposit balance over past five quarters
- Core deposits⁽¹⁾ grew by over \$90 million in Q2 to 50% of total deposits
- Time deposits decreased by \$135 million
- New Seattle-area retail bank branch in Lynnwood scheduled for September opening

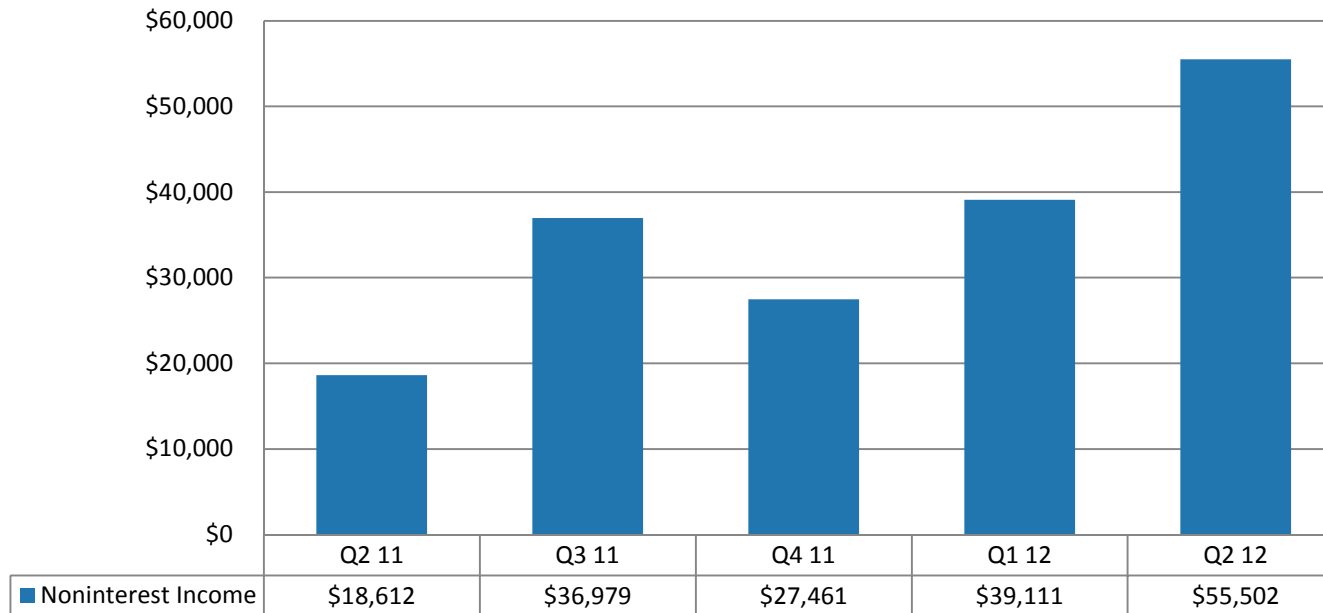


(1) Checking, savings and money market accounts

Noninterest Income

- Noninterest income up 42% over first quarter
- Primarily due to \$17 million increase in net gain on mortgage loan origination and sale activities
- Q2 Noninterest Income/Total Assets of 9.2% (annualized)

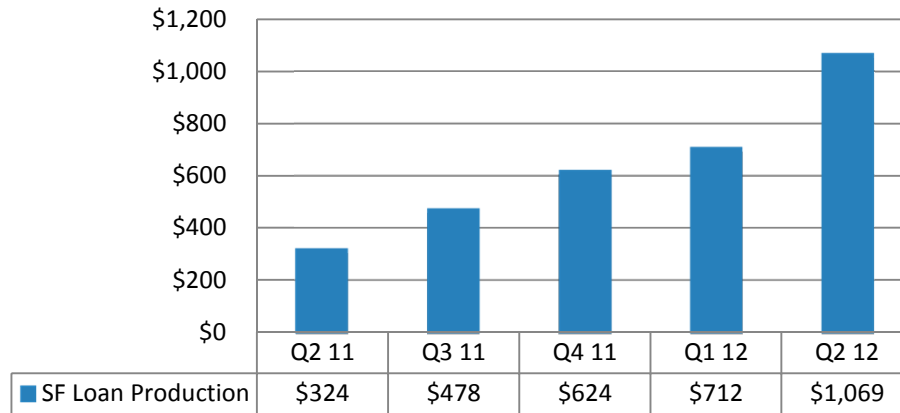
Noninterest Income
(\$ in thousands)



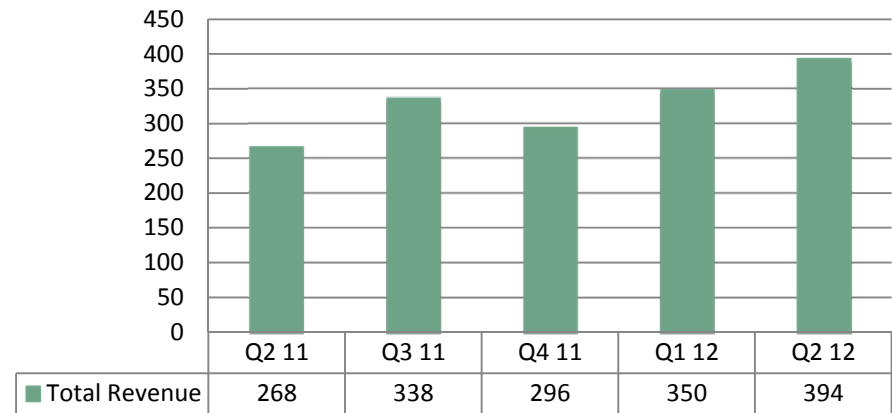
Mortgage Banking Franchise



Single Family Closed Loan Production
(\$ in millions)



Total Revenue
on closed loan production (bps)



- Volume driven by low interest rates, industry consolidation, increasing capacity and HARP 2.0
- Record quarterly production of \$1.1 billion; rate lock commitments of \$1.23 billion
- Purchase mortgage activity increased to 35%
- Market share rose to #2 in five-county Puget Sound area and in Spokane & Clark counties⁽¹⁾
- 244 retail loan originators⁽²⁾
- Net gain of \$45.4 million on mortgage loan origination and sale activity, representing 394 bps on Q2 production
- Repurchase claims and losses remain low

⁽¹⁾ Based on combined production with Windermere Mortgage Services (source: Marketrac)

⁽²⁾ Includes Windermere Mortgage Services

Growing Mortgage Servicing Portfolio

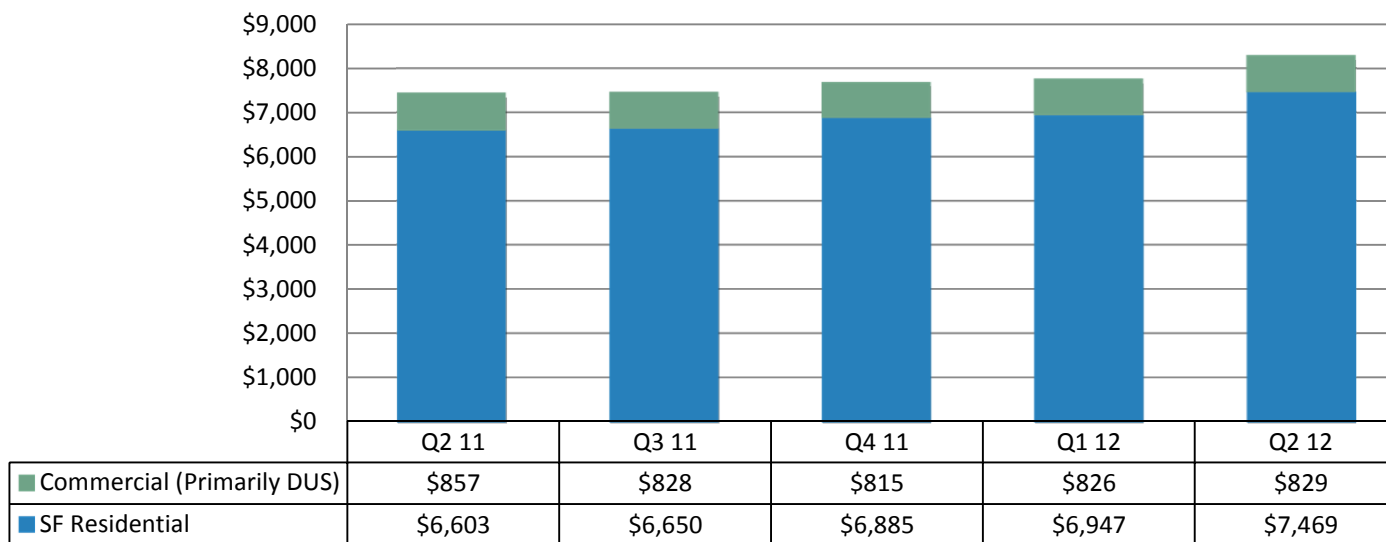


Single
Family

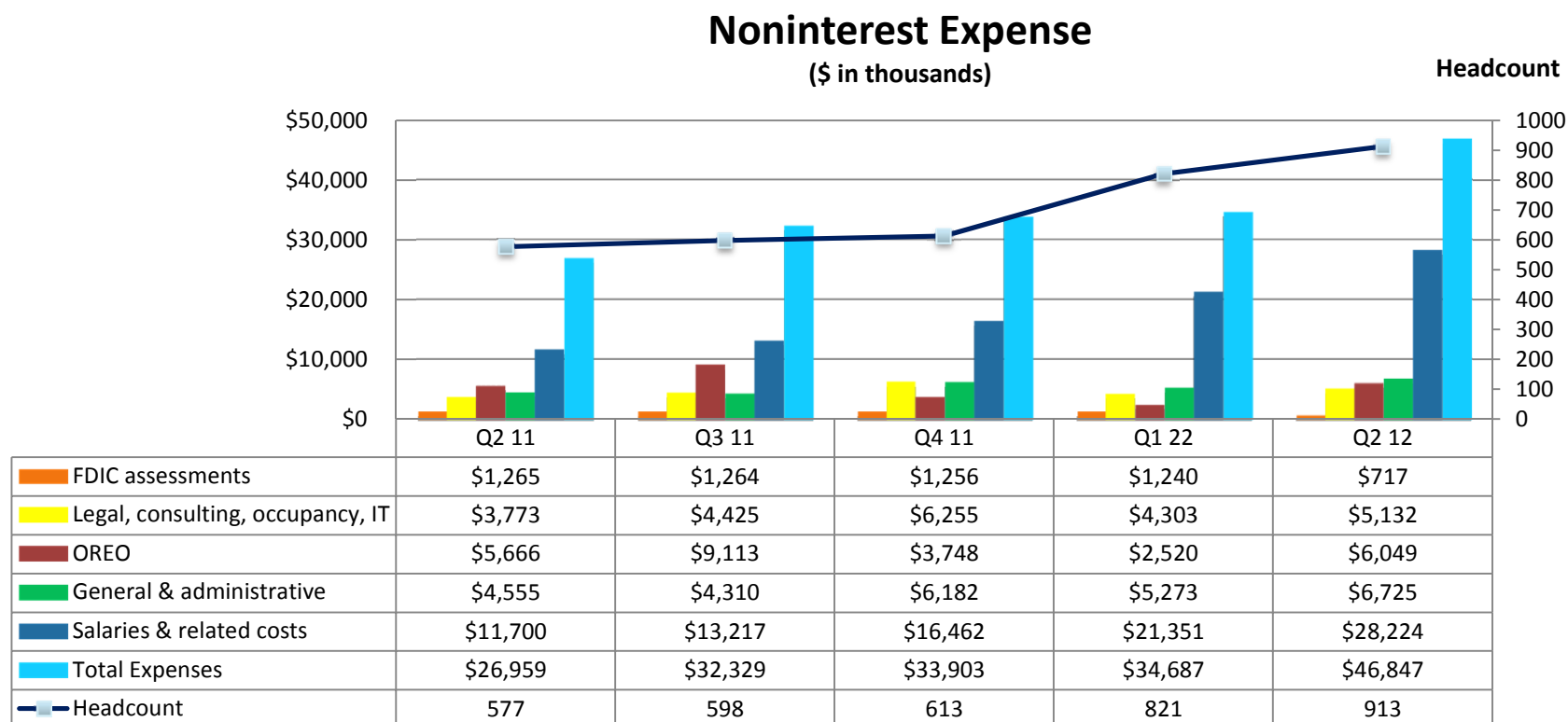
- Weighted average servicing fee of 34 bps
- MSR 0.95% of ending UPB – 2.8x average fee
- Composition 26% government, 74% conventional
- Total delinquency of 2.03%
- Weighted average note rate of 4.69%
- Historically high recapture of refinances

Mortgage Servicing Portfolio

(\$ in millions)



Noninterest Expense



- Q2 operating efficiency ratio of 58%⁽¹⁾
- Q2 FDIC deposit premium reduced to 14 bps
- Near-term expense reductions: legal & collections, OREO expenses
- Noninterest expense will continue to vary based on headcount and mortgage origination activity

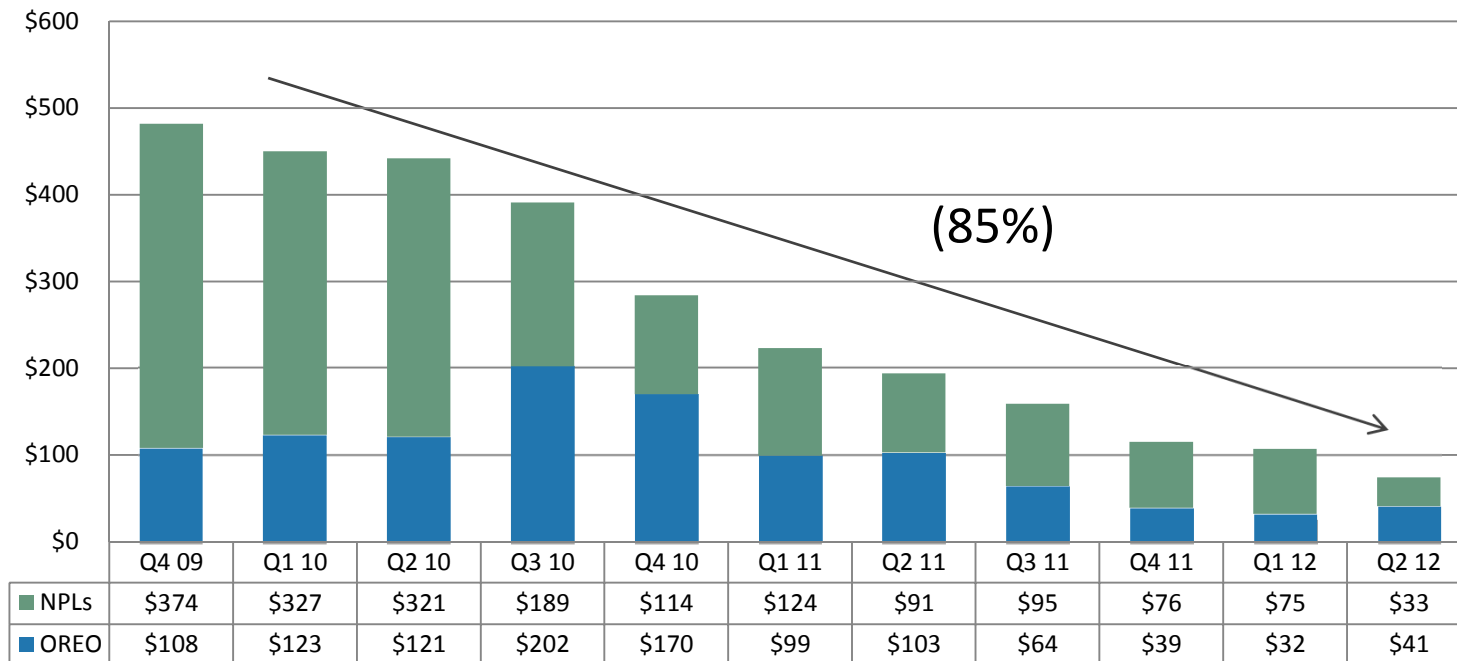
⁽¹⁾ See Appendix for reconciliation of non-GAAP financial measures.

Ongoing Improvement in Asset Quality



- NPAs down 85% from 2009 peak to 3% of total assets
- OREO up \$9 million, due primarily to the transfer to OREO of an \$18.8 million residential construction property
 - 59% of quarter-end OREO sold or contracted for sale (as of 7/27/12)

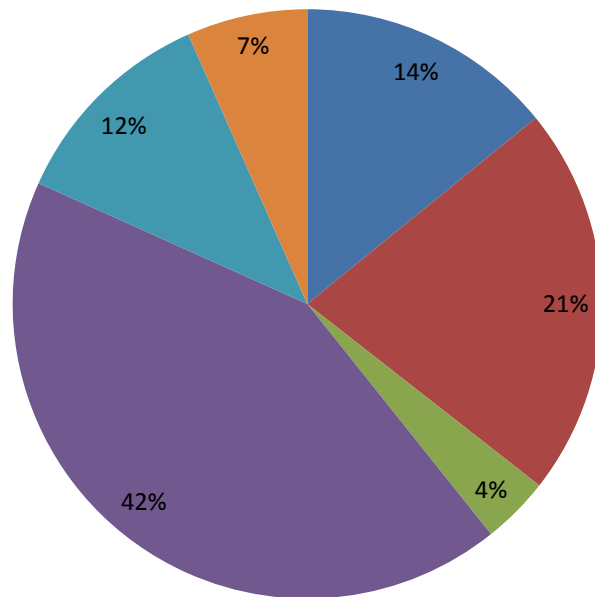
Non-Performing Assets
(\$ in millions)



Loan Portfolio Characteristics

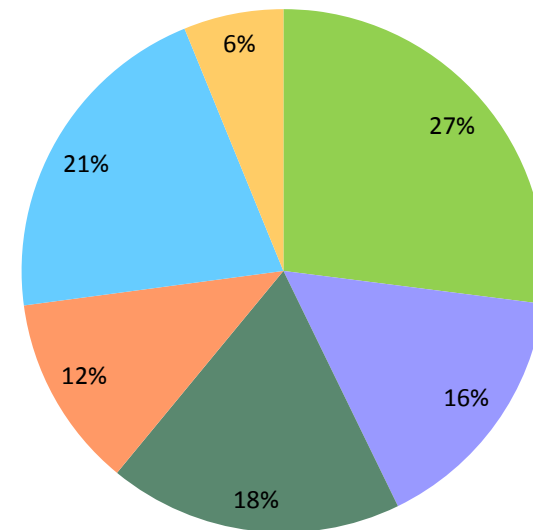
Restarting traditional lending lines – C&I, commercial real estate & construction lending

Loan Composition⁽¹⁾
\$ 1.27 billion



- C&I/CRE Owner-Occupied
- CRE - Multifamily
- Consumer - HELOC
- CRE - Other
- Single Family
- Construction

CRE by Property Type⁽¹⁾
\$ 417 billion



- Retail
- Mixed Use
- Office
- Indus./Warehouse
- Multifamily
- Other

⁽¹⁾ As of June 30, 2012

Target Portfolio Mix

<u>June 30, 2012</u>		<u>Target</u>
Single Family 54%	→	30-40%
CRE 25% ⁽¹⁾	→	30-40%
C&I 14% ⁽²⁾	→	20-30%
Construction 7%	→	15-20%

⁽¹⁾ Includes non-owner occupied and multifamily properties

⁽²⁾ Includes owner-occupied properties

Long-Term Growth Strategies

- Our objective: to be the trusted provider and preferred source of financial services for our clients
- Diversify revenue to grow non-mortgage banking revenue:
 - Organic growth opportunities driven by attractive market demographics
 - Expand commercial and consumer banking activities
 - Commercial: lending, cash management, insurance
 - Consumer: mortgage loans, deposits, investments, insurance
 - Expand multifamily mortgage banking, primarily through Fannie Mae DUS[®] program
 - Expand traditional portfolio lending – C&I, Commercial Real Estate and Construction
 - Potential growth through acquisition of smaller in-market and near-market institutions
- Continue opportunistic expansion of Single Family mortgage banking activities

Why Invest in HomeStreet?



- Established and expanding community bank with strong ties in the Pacific Northwest and Hawaii
- Significant improvement in credit quality with completion in sight
- Leading regional Single Family mortgage lender, and only Fannie Mae DUS Multifamily lender headquartered in the Northwest
- Focus on growth of community banking and traditional portfolio lending business lines to balance mortgage banking revenue
- Superior returns on equity due to high noninterest income

Appendix

Non-GAAP Reconciliation



(\$ in millions)	Three Months Ended				
	6/30/2012	3/31/2012	12/31/2011	9/30/2011	6/30/2011
Noninterest expense	\$46.8	\$34.7	\$33.9	\$32.3	\$26.9
Less: OREO expense	6.0	2.5	3.7	9.1	5.7
Adjusted noninterest expense	\$40.8	\$32.2	\$27.8	\$23.2	\$21.2
Net interest income before provisions	14.7	12.9	12.9	12.0	11.9
Noninterest income	55.5	39.1	27.4	37.0	18.6
Adjusted operating revenue	\$70.2	\$52.0	\$40.3	\$49.0	\$30.5
Operating efficiency ratio	58.1%	61.8%	74.8%	47.4%	69.8%
Efficiency ratio	66.7%	66.7%	84.1%	66.1%	88.3%