

# [ HomeStreet ]

**FOURTH QUARTER  
2016**

NASDAQ:HMST

# Important Disclosures

## Forward-Looking Statements

This presentation includes forward-looking statements, as that term is defined for purposes of applicable securities laws, about our industry, our future financial performance and business plans and expectations. These statements are, in essence, attempts to anticipate or forecast future events, and thus subject to many risks and uncertainties. These forward-looking statements are based on our management'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. Forward-looking statements in this release include, among other matters, statements regarding our business plans and strategies (including our expansion strategies) and the expected effects of those initiatives, general economic trends (particularly those that affect mortgage origination and refinance activity) and growth scenarios and performance targets. Readers should note, however, that all statements in this presentation other than assertions of historical fact are forward-looking in nature. These statements are subject to risks, uncertainties, assumptions and other important factors set forth in our SEC filings, including but not limited to our Annual Report on Form 10-K for the year ended December 31, 2016 which we filed with the SEC on March 9, 2017. Many of these factors and events that affect the volatility in our stock price and shareholders' response to those events and factors are beyond our control. Such factors could cause actual results to differ materially from the results discussed or implied in the forward-looking statements. These limitations and risks include without limitation changes in general political and economic conditions that impact our markets and our business, actions by the Federal Reserve Board and financial market conditions that affect monetary and fiscal policy, regulatory and legislative actions that may increase capital requirements or otherwise constrain our ability to do business, and the outcome and the effect, if any, of regulatory examinations and actions taken by our various regulators, as well as our ability to realize the expected value of our recent acquisitions, continue to expand our banking operations geographically and across market sectors, grow our franchise and capitalize on market opportunities; manage our growth efforts cost-effectively and attain the desired operational and financial outcomes, manage the losses inherent in our loan portfolio, and make accurate estimates of the value of our non-cash assets and liabilities, maintain electronic and physical security of customer data, respond to an increasingly restrictive and complex regulatory environment, and attract and retain key personnel. In addition, we may not recognize all or a substantial portion of the value of our rate-lock loan activity due to challenges our customers may face in meeting current underwriting standards, a decrease in interest rates, an increase in competition for such loans, unfavorable changes in general economic conditions, including housing prices, the job market, consumer confidence and spending habits either nationally or in the regional and local market areas in which the Company does business, and recent and future legislative or regulatory actions or reform that affect our business or the banking or mortgage industries more generally. Actual results may fall materially short of our expectations and projections, and we may change our plans or take additional actions that differ in material ways from our current intentions. Accordingly, we can give no assurance of future performance, and you should not rely unduly on forward-looking statements. All forward-looking statements are based on information available to the Company as of the date hereof, and we do not undertake to update or revise any forward-looking statements, for any reason.

## Basis of Presentation of Financial Data

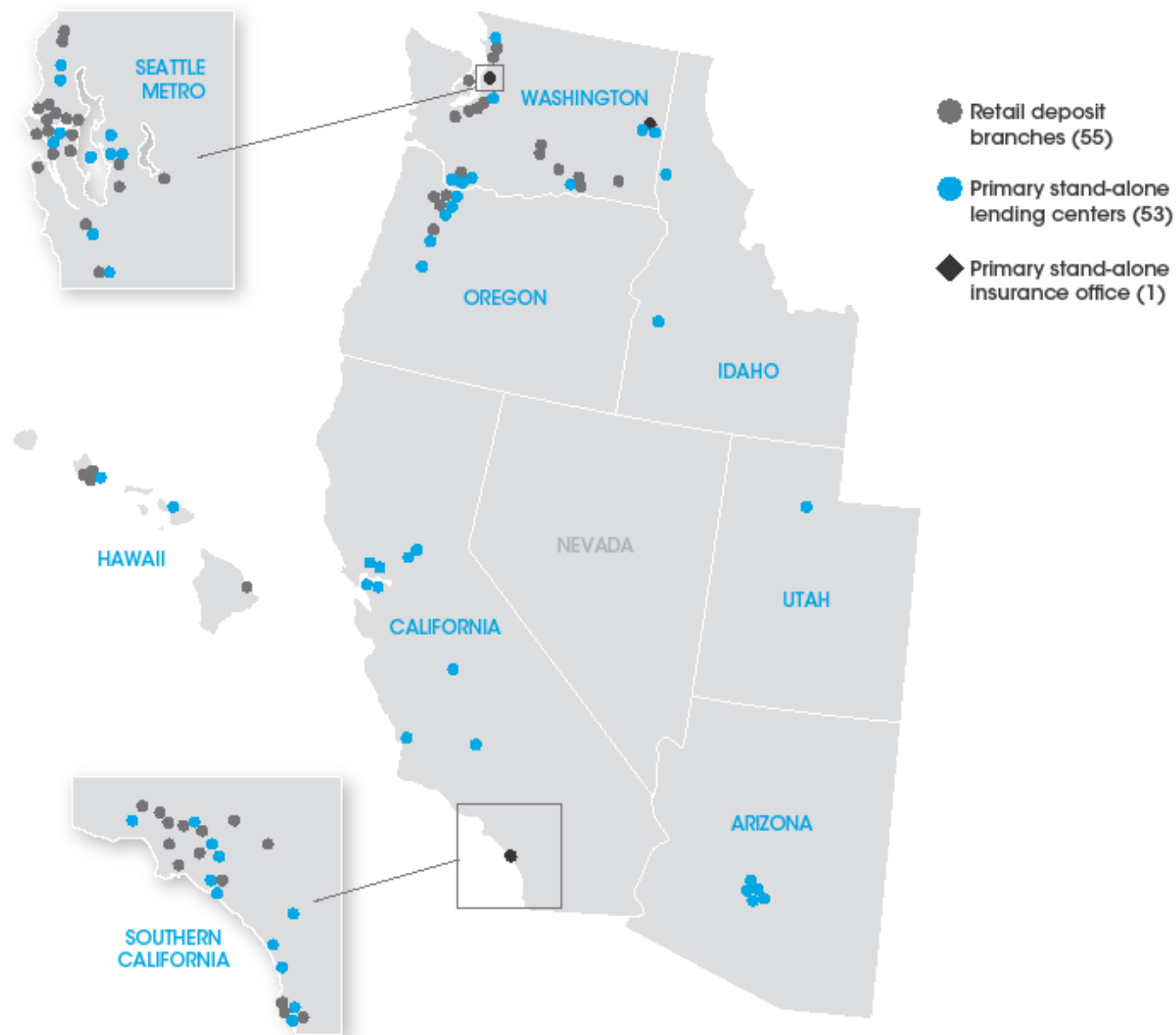
Unless noted otherwise in this presentation, all reported financial data is being presented as of the period ending December 31, 2016, and has been derived from our audited financial statements. All financial data should be read in conjunction with the notes in our consolidated financial statements.

## Non-GAAP Financial Measures

Information on any non-GAAP financial measures such as core measures or tangible measures referenced in this presentation, including a reconciliation of those measures to GAAP measures, may also be found in the appendix, our SEC filings, and in the earnings release available on our web site.

# Growing Western U.S. Franchise

- Seattle-based diversified commercial bank - company founded in 1921
- Growing commercial & consumer bank with concentrations in major metropolitan areas of the Western United States
- Leading Northwest mortgage lender
- 109 primary offices <sup>(1)</sup> in the Western United States and Hawaii
- Total assets of \$6.2 billion



# Strategy

To grow and diversify earnings by expanding our Commercial & Consumer Banking business and continue to build Mortgage Banking market share in new and existing markets

## Expand Commercial & Consumer Banking

- **Organic growth opportunities**
  - Commercial Lending, Multifamily, Commercial Real Estate and Construction
  - Increase density of commercial and retail deposits via existing market penetration and de-novo branch expansion
- **Growth via acquisition of branches and smaller institutions in-market and in new markets**

## Build Single Family Mortgage origination market share

- **Continue opportunistic expansion (market share and footprint) of Single Family mortgage banking activities**
- **Reliable source of capital to grow commercial and consumer banking segment**
- **Target major markets in Western United States**

## Ongoing expense management

- **Grow earning assets while containing operating expenses to improve operating efficiencies**
- **Attain targeted operating efficiency ratios by segment**
- **Target consolidated efficiency ratio of less than 70%**

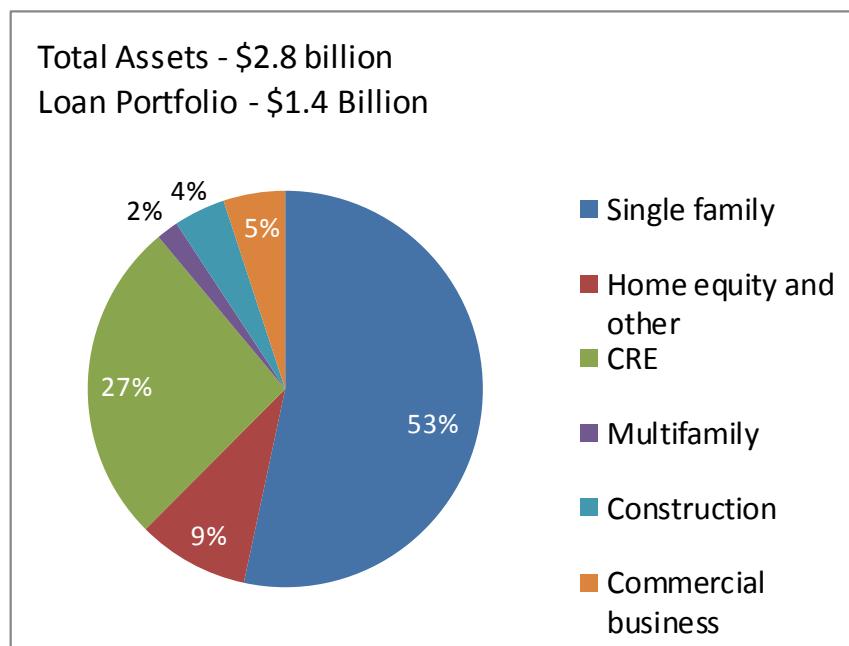
## Optimize use of capital

- **Target long-term 15%+ ROTE**

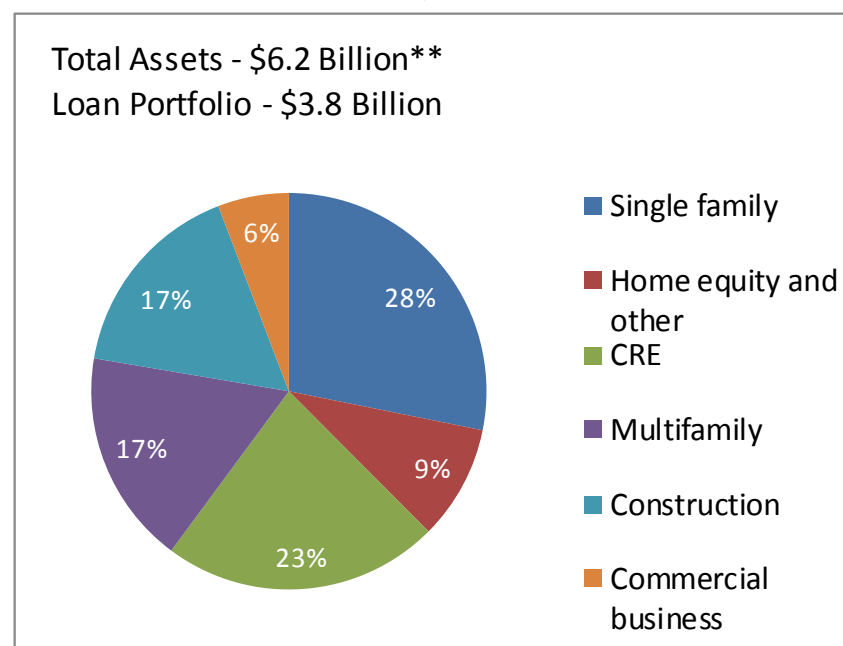
# Successful Diversification

Strategy of growing our Commercial and Consumer Banking segment driving strong growth and diversification of our loan portfolio and earnings

2Q13



4Q16



**12 Month Core Net Income\*** \$ 66,496  
Commercial Banking % -12%  
Mortgage Banking % 112%

**12 Month Revenue** \$323,283  
Net interest Income % 20%  
Non-interest Income % 80%

**12 Month Core Net Income** \$ 62,789  
Commercial Banking % 56%  
Mortgage Banking % 44%

**12 Month Revenue** \$539,199  
Net interest Income % 33%  
Non-interest Income % 67%

# Acquisition Strategy

We seek to grow and diversify our business and earnings by opportunistically expanding through acquisitions in attractive markets and then adding our full range of products and services

## Disciplined Acquisition Objectives

- Internal rate of return in excess of 15%
- EPS accretive
- Low-to-mid teens return on invested capital
- Less than 10% initial tangible book value per share dilution
- Less than 4 years tangible book value per share dilution earnback

## Acquisition History

<u>Target</u>	<u>State</u>	<u>Date</u>		<u>Total Assets (\$M)</u>	<u>Deal Value (\$M)</u>	<u>Price/TBV (%)</u>
		<u>Announce</u>	<u>Completion</u>			
The Bank of Oswego	OR	5/11/2016	8/12/2016	\$ 42	NA	NA <sup>(1)</sup>
Orange County Business Bank	CA	9/28/2015	2/1/2016	200	\$ 56	117
Simplicity Bancorp, Inc.	CA	9/29/2014	3/1/2015	879	133	99
Fortune Bank	WA	7/26/2013	11/1/2013	142	27	142
YNB Financial Services Corp.	WA	7/26/2013	11/1/2013	125	10	140
			Total	\$1,263	\$ 226	110 <sup>(2)</sup>

## Post Acquisition Scaling (CA Example)

- **HomeStreet Commercial Real Estate – Southern California**
  - Originate permanent loans up to \$10 million in principal, a portion of which we intend to sell
- **SBA Lending group – Offices in Santa Ana, Beverly Hills, and Carlsbad California**
- **Fill-in Acquisitions – Purchased two mature branches in Los Angeles County**
- **De-Novo Branch expansion associated with Kaiser Permanente affinity relationship**
  - Kearney Mesa, Mission Gorge, & Point Loma in San Diego, CA and Riverside, CA

(1) Acquisition structured as a purchase of two branch locations and related loans and other assets and an assumption of certain liabilities including deposits

(2) Deal value weighted average price / TBV

# Recent Highlights

## Results of Operations

- 2016 net income of \$58.2 million, or \$2.34 diluted EPS
- Excluding after tax acquisition-related items, core net income of \$62.8 million, or \$2.53 diluted EPS <sup>(1)</sup>
- Return on average tangible equity of 10.8% and core return on average tangible equity of 11.7%<sup>(1)</sup>
- Total assets ended 2016 at \$6.2 billion, loans held for investment at \$3.8 billion
- Continued strong credit performance and fundamentals in all of our markets

## Strategic Growth Activity in 2016

- Completed the acquisition of Orange County Business Bank, certain assets and liabilities, including two branches, from The Bank of Oswego, and two retail deposit branches from Boston Private Bank and Trust, collectively adding five retail deposit branches
- Opened six de-novo retail deposit branches, three primary home loan centers, and one primary commercial lending center
- Augmented capital to support growth through the issuance of senior unsecured notes with net proceeds of \$63 million and an equity offering of 2 million shares with net proceeds of \$59 million

## Recent Developments

- Began the commercial and consumer banking expansion into northern California by hiring a northern California commercial banking market president along with opening a primary commercial lending center in San Jose, with a retail deposit branch that will follow later in the year

# Results of Operations

(\$ in thousands)	For the three months ended		For the twelve months ended	
	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2015
Net interest income	\$ 48,074	\$ 39,740	\$ 180,049	\$ 148,338
Provision for loan losses	350	1,900	4,100	6,100
Noninterest income	73,221	65,409	359,150	281,237
Noninterest expense	117,539	92,725	444,322	366,568
Net income before taxes	3,406	10,524	90,777	56,907
Income taxes	1,112	1,846	32,626	15,588
Net income	\$ 2,294	\$ 8,678	\$ 58,151	\$ 41,319
Diluted EPS	\$ 0.09	\$ 0.39	\$ 2.34	\$ 1.96
Core net income <sup>(1)</sup>	\$ 2,555	\$ 8,787	\$ 62,789	\$ 44,337
Core EPS <sup>(1)</sup>	\$ 0.10	\$ 0.39	\$ 2.53	\$ 2.11
Tangible BV/share <sup>(2)</sup>	\$ 22.33	\$ 20.16	\$ 22.33	\$ 20.16
Core ROAA <sup>(1)</sup>	0.16%	0.72%	1.09%	0.97%
Core ROAE <sup>(1)</sup>	1.67%	7.47%	11.09%	10.03%
Core ROATE <sup>(1)</sup>	1.74%	7.80%	11.68%	10.50%
Net Interest Margin	3.42%	3.61%	3.45%	3.63%
Core efficiency ratio <sup>(1)</sup>	96.6%	87.8%	81.1%	83.0%
Tier 1 Leverage Ratio (Bank)	10.24%	9.46%	10.24%	9.46%
Total Risk-Based Capital (Bank)	14.80%	13.92%	14.80%	13.92%

<sup>(1)</sup> Excludes pre-tax acquisition-related expenses and bargain purchase gain. See appendix for reconciliation of non-GAAP financial measures.

<sup>(2)</sup> See appendix for reconciliation of non-GAAP financial measures.



# Results of Operations – Quarter Trend

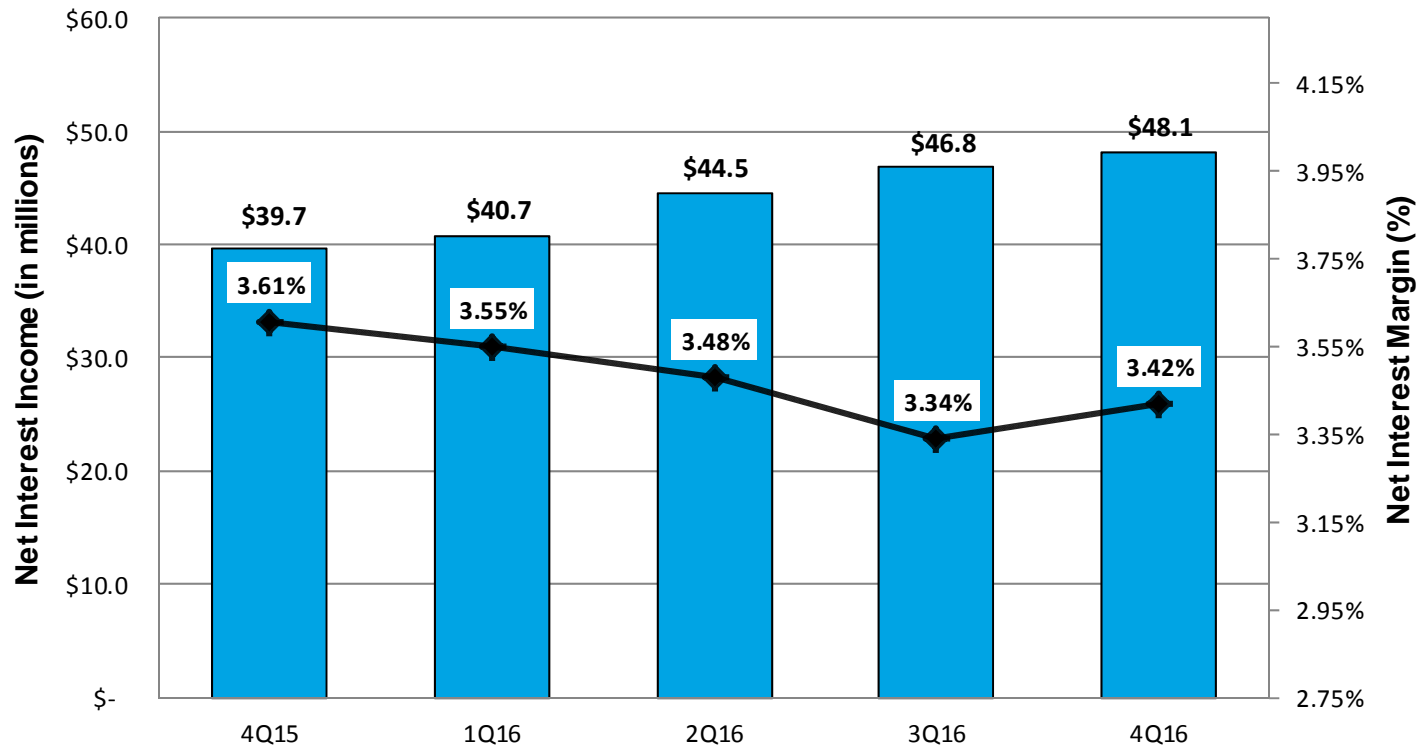
	<i>For the three months ended</i>					
(\$ in thousands)	Dec. 31, 2016	Sept. 30, 2016	Jun. 30, 2016	Mar. 31, 2016 <sup>(1)</sup>	Dec. 31, 2015	
Net interest income	\$ 48,074	\$ 46,802	\$ 44,482	\$ 40,691	\$ 39,740	
Provision for loan losses	350	1,250	1,100	1,400	1,900	
Noninterest income	73,221	111,745	102,476	71,708	65,409	
Noninterest expense	117,539	114,399	111,031	101,353	92,725	
Net income before taxes	3,406	42,898	34,827	9,646	10,524	
Income taxes	1,112	15,197	13,078	3,239	1,846	
Net income	\$ 2,294	\$ 27,701	\$ 21,749	\$ 6,407	\$ 8,678	
Diluted EPS	\$ 0.09	\$ 1.11	\$ 0.87	\$ 0.27	\$ 0.39	
Core net income <sup>(2)</sup>	\$ 2,555	\$ 28,034	\$ 22,415	\$ 9,785	\$ 8,787	
Core EPS <sup>(2)</sup>	\$ 0.10	\$ 1.12	\$ 0.90	\$ 0.41	\$ 0.39	
Tangible BV/share <sup>(3)</sup>	\$22.33	\$ 22.45	\$ 21.38	\$ 20.37	\$ 20.16	
Core ROAA <sup>(2)</sup>	0.16%	1.81%	1.59%	0.78%	0.72%	
Core ROAE <sup>(2)</sup>	1.67%	19.07%	16.36%	7.66%	7.47%	
Core ROATE <sup>(2)</sup>	1.74%	20.04%	17.27%	8.08%	7.80%	
Net Interest Margin	3.42%	3.34%	3.48%	3.55%	3.61%	
Core efficiency ratio <sup>(2)</sup>	96.6%	71.8%	74.9%	85.6%	87.8%	
Tier 1 Leverage Ratio (Bank)	10.24%	9.91%	10.28%	10.17%	9.46%	
Total Risk-Based Capital (Bank)	14.80%	14.41%	14.33%	13.93%	13.92%	

<sup>(1)</sup> Includes two months of OCBB's results of operations.

<sup>(2)</sup> Excludes pre-tax acquisition-related expenses and bargain purchase gain. See appendix for reconciliation of non-GAAP financial measures.

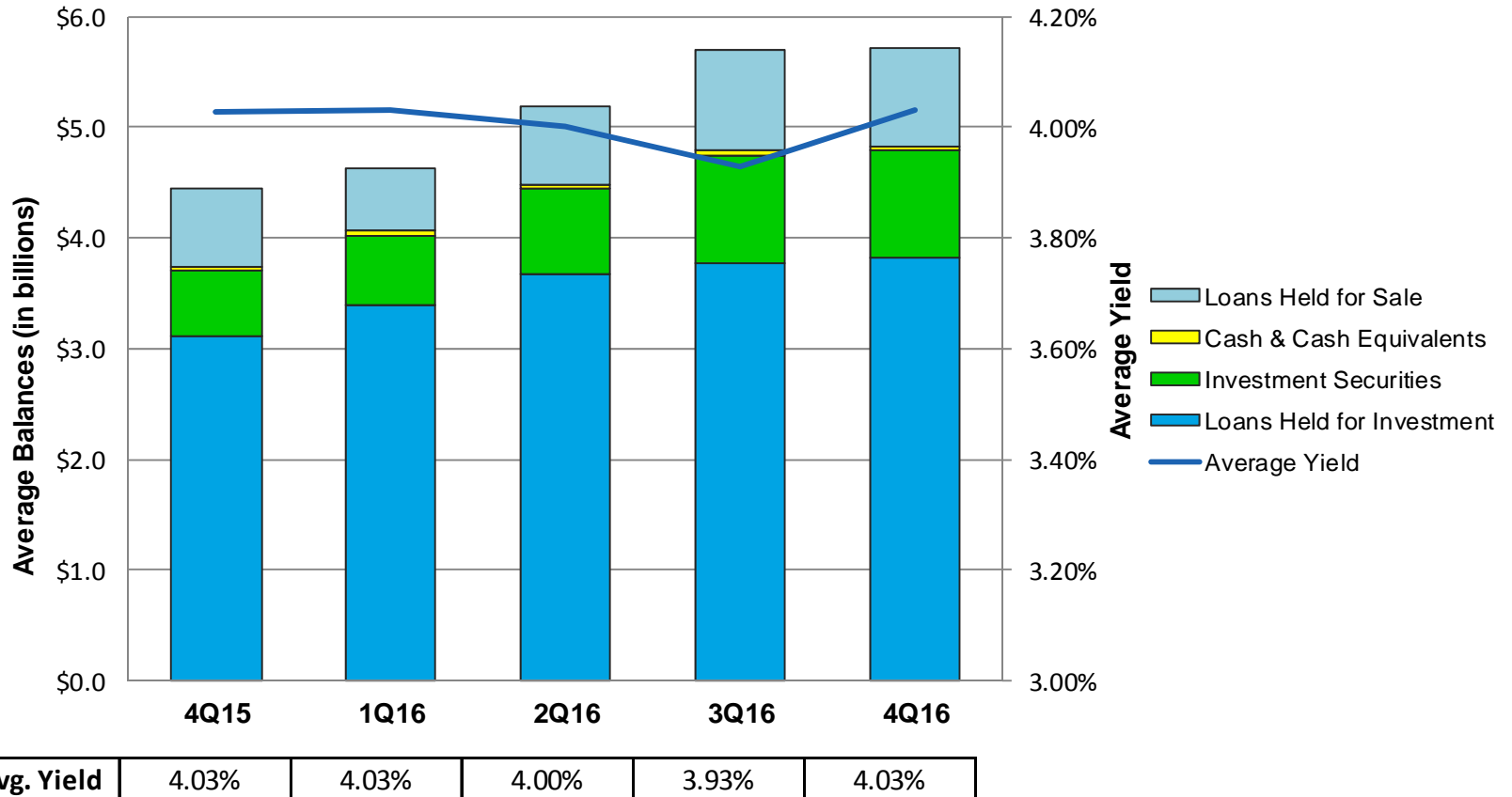
<sup>(3)</sup> See appendix for reconciliation of non-GAAP financial measures.

# Net Interest Income & Margin



- 4Q NIM increased 8 bps and net interest income increased \$1.3 million
  - NIM and net interest income increase primarily due to asset mix shifts to higher yielding loans held for investment from lower yielding securities and single family loans held-for-sale

# Interest-Earning Assets

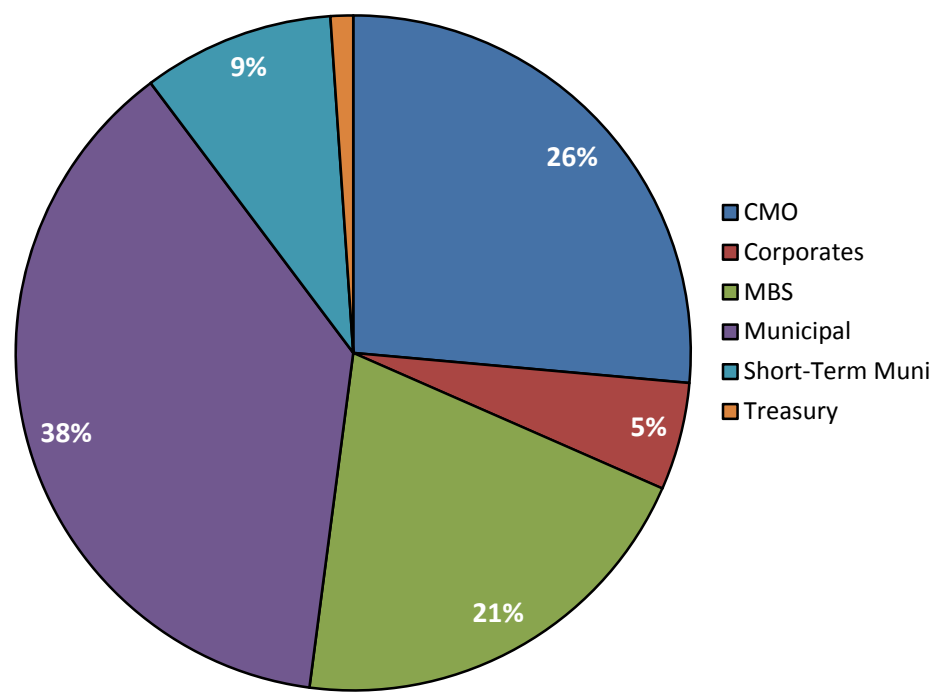


- Average total interest-earning assets increased \$18 million or 0.3% in 4Q primarily from \$53 million increase in average loans held for investment balances, offset by \$20 million decrease in average loans held for sale balances and \$19 million decline in average investment securities balances
- Loans held for investment, net, ending balances increased \$55 million or 1% in 4Q
  - New commitments of \$704 million in mortgage, consumer, commercial lending, commercial real estate and residential construction in 4Q, offset by sale of approximately \$67 million of adjustable rate single family portfolio loans

# HomeStreet Investment Securities Portfolio Yield

As of 12/31/2016	2016 YTD Total Return <sup>(1)</sup>	Yield <sup>(2)</sup>	Duration <sup>(2)</sup>
HomeStreet Investment Portfolio	1.77	3.07	4.22
Composition Adjusted Barclays US Aggregate Index <sup>(4)</sup>	2.37	2.71	5.02

## Investment portfolio composition as of 12/31/2016



- Investment security portfolio market value is \$1.04 billion
- The investment portfolio has an average credit rating of Aa2.
- The portfolio total return ranks in the 92<sup>nd</sup> percentile compared to other banks <sup>(3)</sup>

HMST performance data: Bloomberg PORT+

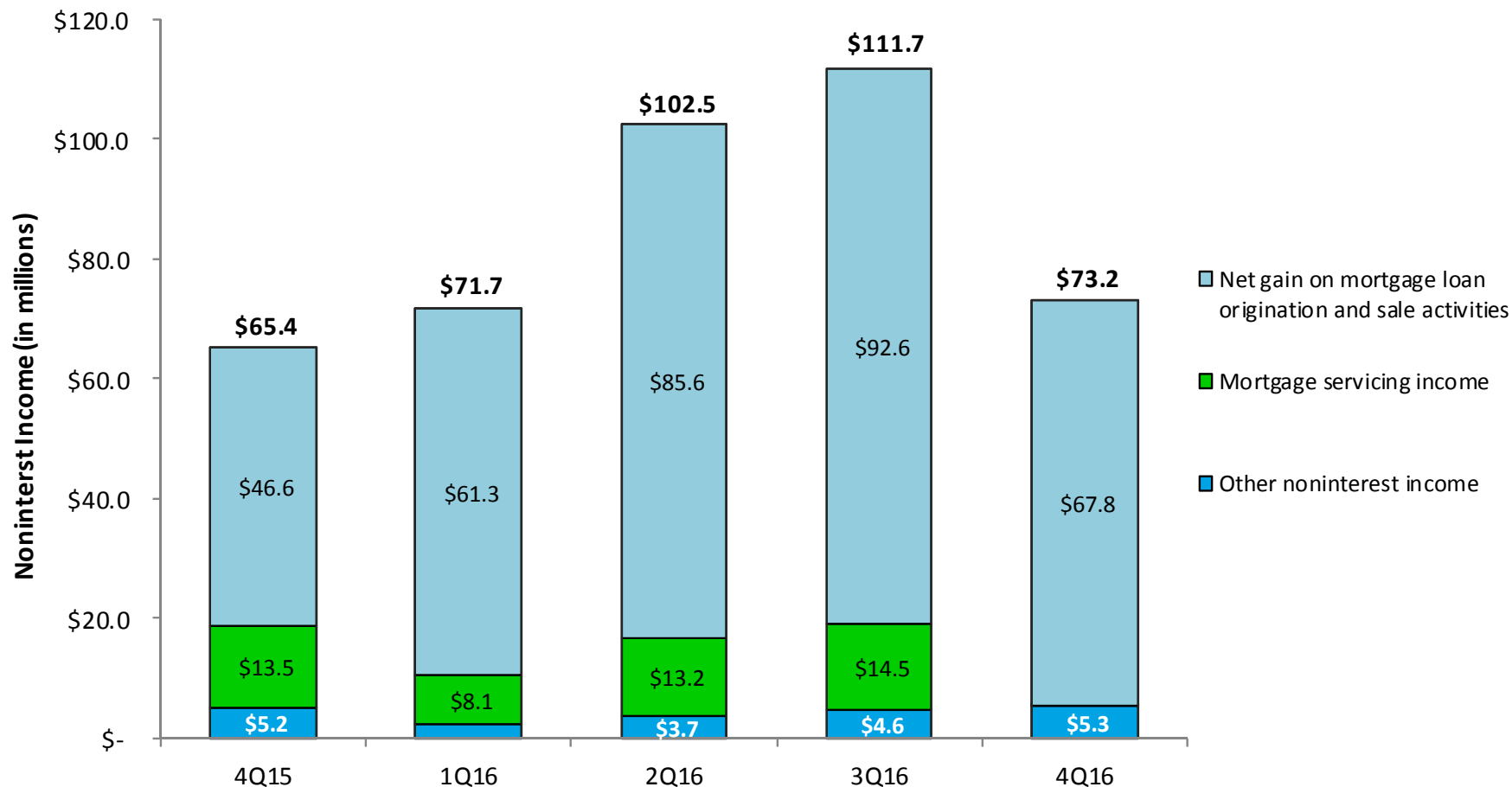
<sup>(1)</sup> As of December 31, 2016

<sup>(2)</sup> Yield and duration include FTE adjustment. Yields are at current market prices, not book.

<sup>(3)</sup> Performance Trust proprietary models as of 09/30/16, YOY

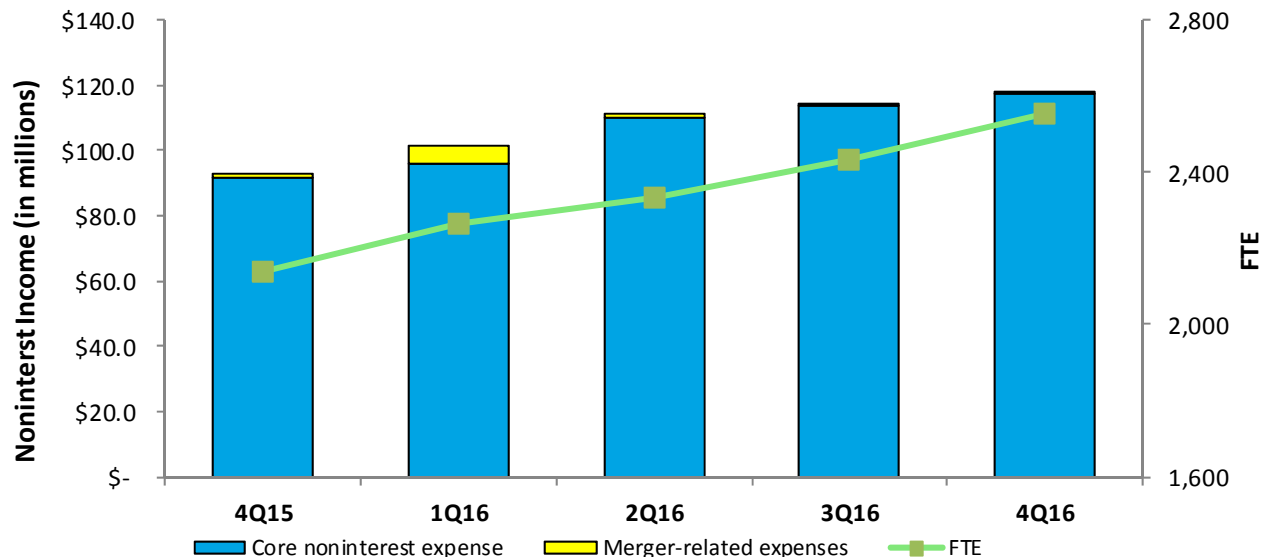
<sup>(4)</sup> Barclays US Aggregate Index Adjusted to reflect HMST portfolio composition

# Noninterest Income



- Noninterest income declined 34% to \$73.2 million in 4Q primarily due to lower net gain on mortgage loan origination and sale activities and mortgage servicing income
- Net gain on mortgage loan origination and sale activities decreased \$24.8 million primarily due to 34% lower single family rate lock and forward sale commitments volume
- Mortgage servicing income declined \$14.5 million primarily due to lower results stemming from asymmetrical changes in valuation of hedging derivatives and servicing valuations following the unexpected and sustained increase in interest rates during the quarter

# Noninterest Expense



<b>Total noninterest expense</b>	<b>\$92.7</b>	<b>\$101.4</b>	<b>\$111.0</b>	<b>\$114.4</b>	<b>\$117.5</b>
Merger-related expenses	\$0.8	\$5.2	\$1.0	\$0.5	\$0.4
<b>Core noninterest expense <sup>(1)</sup></b>	<b>\$92.0</b>	<b>\$96.2</b>	<b>\$110.0</b>	<b>\$113.9</b>	<b>\$117.1</b>
Salaries & related costs <sup>(1)</sup>	\$60.3	\$63.8	\$74.5	\$79.2	\$81.7
General & administrative <sup>(1)</sup>	\$16.0	\$15.7	\$17.1	\$15.5	\$15.9
Other noninterest expense <sup>(1)</sup>	\$15.7	\$16.7	\$18.4	\$19.2	\$19.5
<b>FTE</b>	<b>2,139</b>	<b>2,264</b>	<b>2,335</b>	<b>2,431</b>	<b>2,552</b>
Core efficiency ratio <sup>(1)</sup>	87.8%	85.6%	74.9%	71.8%	96.6%

- Excluding acquisition-related expenses, salaries and related costs increased by 3% in 4Q, primarily influenced by increased commissions and incentives on higher Commercial and Consumer Banking Segment closed loan volume and 5% increase in full-time equivalent employees, partially offset by lower commissions on decreased Mortgage Banking Segment closed loan volume
- Core efficiency ratio increased from the prior quarter due the drop in revenue in our Mortgage Banking Segment
- Noninterest expense will continue to vary primarily based on headcount and mortgage origination volume

# Segment Overview

Commercial & Consumer Banking	Mortgage Banking
<b>Overview</b>	
<ul style="list-style-type: none"> <li>• Commercial Banking               <ul style="list-style-type: none"> <li>– Commercial lending, including SBA</li> <li>– All CRE property types with multifamily focus</li> <li>– FNMA DUS lender / servicer</li> <li>– Residential and commercial construction</li> <li>– Commercial deposit, treasury and cash management services</li> </ul> </li> <li>• Consumer Banking               <ul style="list-style-type: none"> <li>– Consumer loan and deposit products</li> <li>– Consumer investment, insurance and private banking products and services</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Regional Single Family mortgage origination platform</li> <li>• 100% direct retail origination</li> <li>• Majority of production sold into secondary market</li> <li>• Fannie Mae, Freddie Mac, FHA, VA lender since programs' inceptions</li> <li>• Portfolio products: jumbo, HELOC and custom home construction</li> <li>• Servicing retained on majority of originated loans sold to secondary markets</li> </ul>
<b>Strategic Objectives</b>	
<ul style="list-style-type: none"> <li>• Expand market share in primary markets in the West               <ul style="list-style-type: none"> <li>– Follow mortgage expansion</li> </ul> </li> <li>• Diversify and grow loan portfolio average of 4-6% per quarter <sup>(1)</sup></li> <li>• Manage non-interest expense increase to approximately 2% per quarter</li> <li>• Manage credit risk by monitoring portfolio and geographic early warning indicators</li> <li>• Long-term efficiency ratio target of &lt;65%</li> <li>• Long-term targeted ROE range of 8-12%               <ul style="list-style-type: none"> <li>– Commercial lending – 8-12%</li> <li>– Commercial real estate – 10-15%</li> <li>– Residential construction – 20-30%</li> <li>– Single Family residential – 10-15%</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Build Western U.S. major market retail franchise</li> <li>• Dynamic personnel management in relation to changes in market conditions</li> <li>• Fixed/Semi/Variable cost management</li> <li>• Long-term efficiency ratio target of &lt;80%</li> <li>• Long-term targeted ROE of &gt;25%</li> </ul>

# Commercial & Consumer Banking



# Commercial & Consumer Banking Segment

(\$ in thousands)	For the three months ended		For the twelve months ended	
	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2015
Net interest income	\$ 40,637	\$ 32,759	\$ 154,015	\$ 120,020
Provision for loan losses	350	1,900	4,100	6,100
Noninterest income	13,087	8,778	35,682	29,367
Noninterest expense	35,482	29,542	138,385	122,598
Net income before taxes	17,892	10,095	47,212	20,689
Income taxes	5,846	1,718	16,412	2,672
Net income	\$ 12,046	\$ 8,377	\$ 30,800	\$ 18,017
Core net income <sup>(1)</sup>	\$ 12,307	\$ 8,486	\$ 35,438	\$ 21,035
Core ROAA <sup>(1)</sup>	0.95%	0.85%	0.74%	0.59%
Core ROAE <sup>(1)</sup>	9.89%	9.11%	7.64%	6.67%
Core ROATE <sup>(1)</sup>	10.54%	9.64%	8.14%	7.11%
Core efficiency ratio <sup>(1)</sup>	65.3%	70.0%	69.2%	74.9%
Net Interest Margin	3.37%	3.52%	3.42%	3.58%
Total average earning assets	\$4,832,575	\$3,708,342	\$ 4,535,603	\$ 3,360,305
FTE	998	828	998	828

- Year over year core net income is up 68%, reflecting the success of strategic growth initiatives, both M&A and organic
- Full year 2016 net interest income increased 28% primarily due to 35% growth in average earning asset balances

<sup>(1)</sup> Excludes pre-tax acquisition-related expenses and bargain purchase gain. See appendix for reconciliation of non-GAAP financial measures.

# Commercial & Consumer Banking Segment – Quarter Trend

(\$ in thousands)	For the three months ended				
	Dec. 31, 2016	Sept. 30, 2016	Jun. 30, 2016	Mar. 31, 2016 <sup>(1)</sup>	Dec. 31, 2015
Net interest income	\$ 40,637	\$ 39,339	\$ 38,393	\$ 35,646	\$ 32,759
Provision for loan losses	350	1,250	1,100	1,400	1,900
Noninterest income	13,087	9,771	8,181	4,643	8,778
Noninterest expense	35,482	32,170	34,103	36,630	29,542
Net income before taxes	17,892	15,690	11,371	2,259	10,095
Income taxes	5,846	5,557	4,292	717	1,718
Net income	\$ 12,046	\$ 10,133	\$ 7,079	\$ 1,542	\$ 8,377
Core net income <sup>(2)</sup>	\$ 12,307	\$ 10,466	\$ 7,745	\$ 4,920	\$ 8,486
Core ROAA <sup>(2)</sup>	0.95%	0.83%	0.66%	0.46%	0.85%
Core ROAE <sup>(2)</sup>	9.89%	8.56%	6.87%	4.71%	9.11%
Core ROATE <sup>(2)</sup>	10.54%	9.10%	7.34%	5.03%	9.64%
Core efficiency ratio <sup>(2)</sup>	65.3%	64.5%	71.0%	78.0%	70.0%
Net Interest Margin	3.37%	3.30%	3.44%	3.52%	3.52%
Total average earning assets	\$4,832,575	\$4,793,035	\$4,476,524	\$4,039,023	\$3,708,342
FTE	998	948	926	903	828

- Net income and core net income improved over the prior quarter due to higher noninterest income of \$3.3 million primarily driven by gains on sale of single family loans held for investment and investment securities, as well as higher net interest income of \$1.3 million from growth in interest-earning assets.

<sup>(1)</sup> Includes two months of OCBB's results of operations.

<sup>(2)</sup> Excludes pre-tax acquisition-related expenses and bargain purchase gain. See appendix for reconciliation of non-GAAP financial measures.

# Loan Production/Loan Balance Trend

## Commitments

(\$ in thousands)	Dec. 31, 2016	Sept. 30, 2016	Jun. 30, 2016	Mar. 31, 2016	Dec. 31, 2015
Single Family	\$54,985	\$60,356	\$66,194	\$74,048	\$99,621
Single Family Custom Home Construction	\$57,816	\$54,575	\$53,736	\$47,519	\$73,978
Home Equity and other	\$68,079	\$70,914	\$75,452	\$55,269	\$54,047
<b>Total Consumer Loans</b>	<b>\$180,880</b>	<b>\$185,845</b>	<b>\$195,382</b>	<b>\$176,836</b>	<b>\$227,646</b>
Commercial Real Estate/Multifamily	\$266,805	\$147,130	\$220,592	\$146,563	\$136,370
Residential Construction	\$131,999	\$173,255	\$172,285	\$105,847	\$114,531
Commercial Real Estate/Multifamily Construction	\$95,440	\$68,740	\$48,750	\$27,420	\$77,815
Commercial Business	\$28,893	\$26,026	\$32,100	\$12,582	\$18,572
<b>Total Commercial Loans</b>	<b>\$523,137</b>	<b>\$415,151</b>	<b>\$473,727</b>	<b>\$292,412</b>	<b>\$347,288</b>
<b>Total</b>	<b>\$704,017</b>	<b>\$600,996</b>	<b>\$669,109</b>	<b>\$469,248</b>	<b>\$574,934</b>

## Balances

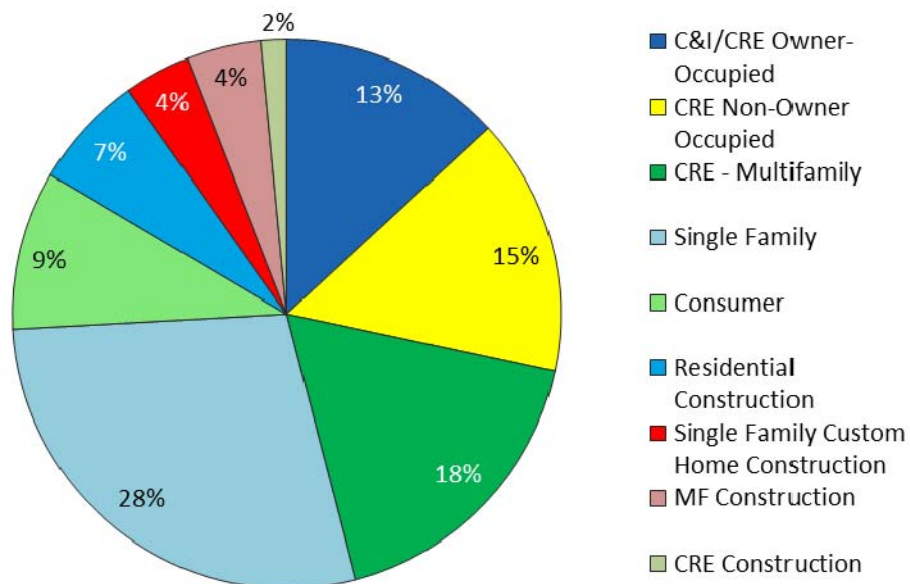
(\$ in thousands)	Dec. 31, 2016	Sept. 30, 2016	Jun. 30, 2016	Mar. 31, 2016	Dec. 31, 2015
Single Family	\$1,083,822	\$1,186,476	\$1,218,216	\$1,231,707	\$1,203,180
Single Family Custom Home Construction	\$149,835	\$143,492	\$133,947	\$119,363	\$108,228
Home Equity and other	\$359,874	\$338,155	\$309,204	\$275,405	\$256,373
<b>Total Consumer Loans</b>	<b>\$1,593,531</b>	<b>\$1,668,123</b>	<b>\$1,661,367</b>	<b>\$1,626,475</b>	<b>\$1,567,781</b>
Commercial Real Estate	\$871,563	\$810,346	\$762,170	\$661,932	\$600,703
Multifamily	\$674,219	\$562,272	\$562,728	\$543,887	\$426,557
Residential Construction	\$258,762	\$245,327	\$221,442	\$202,427	\$177,335
Commercial Real Estate/Multifamily Construction	\$227,723	\$272,994	\$284,052	\$308,030	\$297,597
Commercial Business	\$223,653	\$237,117	\$239,077	\$213,084	\$154,262
<b>Total Commercial Loans</b>	<b>\$2,255,920</b>	<b>\$2,128,056</b>	<b>\$2,069,469</b>	<b>\$1,929,360</b>	<b>\$1,656,454</b>
<b>Total Loans Held for Investment (before Deferred Fees and Allowance)</b>	<b>\$3,849,451</b>	<b>\$3,796,179</b>	<b>\$3,730,836</b>	<b>\$3,555,835</b>	<b>\$3,224,235</b>

- New loan commitments for 4Q16 were a record \$704 million and included \$523 million in commercial loans, representing 74% of all new loan commitments
- Loans held for investment balances have grown 19% year to date, 74% of this growth was organic
- 1Q16 balances included \$126 million of loans added from the acquisition of OCBB, 3Q16 included \$40 million of loans added from the acquisition of loans from The Bank of Oswego

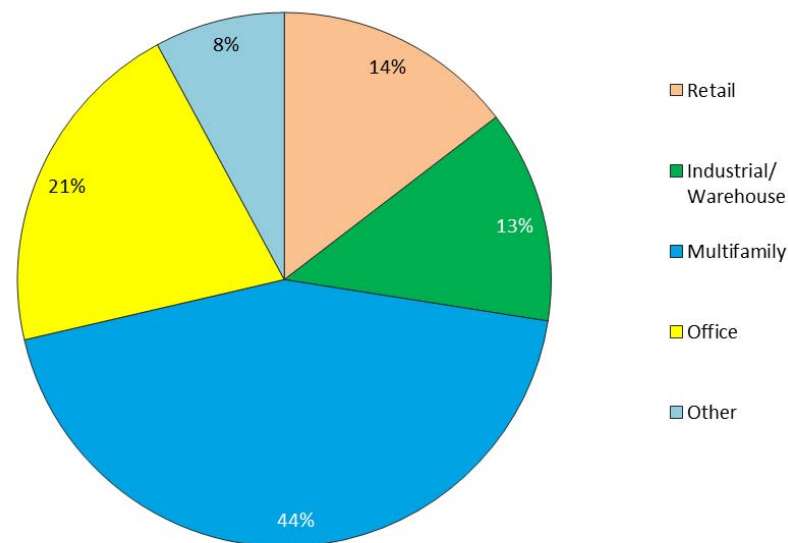
# Loan Portfolio

- Loans held for investment increased \$53.3 million, or 1.4% during the quarter to \$3.85 billion. Loan growth was impacted by the sale of approximately \$67 million of adjustable rate single family loans during the quarter
- We continue to diversify the composition of the portfolio, commercial loans make up 59% of the portfolio at 4Q16 and single family and consumer loans make up 41%
- CRE loans ended 4Q16 at \$1.55 billion or 40%<sup>(1)</sup> of the total LHFI portfolio and 69% of the commercial loan portfolio. Multifamily is the number one property type in this portfolio

**Loan Composition**  
**\$3.85 billion**



**CRE by Property Type**  
**\$1.55 billion**



<sup>(1)</sup> A portion of the C&I/CRE Owner-Occupied category includes CRE balances

# Commercial Real Estate Perm Lending Overview

HomeStreet lends within the full spectrum of commercial real estate lending types, but is deliberate in achieving diversification among property types and geographic areas to mitigate concentration risk

Commercial Real Estate Property Types				
Multifamily	Industrial/ Warehouse	Office	Retail	Other
Loan Characteristics				
<ul style="list-style-type: none"> <li>• 5-10 Year Term</li> <li>• \$30MM Loan Amt. Max</li> <li>• ≥ 1.20 DSCR</li> <li>• Avg. LTV @ Orig. ~ 61%</li> </ul>	<ul style="list-style-type: none"> <li>• 5-10 Year Term</li> <li>• \$30MM Loan Amt. Max</li> <li>• ≥ 1.25 DSCR</li> <li>• Avg. LTV @ Orig. ~ 61%</li> </ul>	<ul style="list-style-type: none"> <li>• 5-10 Year Term</li> <li>• \$30MM Loan Amt. Max</li> <li>• ≥ 1.25 DSCR</li> <li>• Avg. LTV @ Orig. ~ 67%</li> </ul>	<ul style="list-style-type: none"> <li>• 5-10 Year Term</li> <li>• \$30MM Loan Amt. Max</li> <li>• ≥ 1.25 DSCR</li> <li>• Avg. LTV @ Orig. ~ 62%</li> </ul>	<ul style="list-style-type: none"> <li>• Additional property types are reviewed on a case by case basis</li> <li>• Includes acquired loan types</li> <li>• Examples include: Self Storage &amp; Hotel</li> </ul>
12/31/16 Balances Outstanding				
Balance: \$677M % of Balances: 44% Portfolio Avg. LTV ~ 56% <sup>(1)</sup> Portfolio Avg. DSCR ~ 1.51x Avg. Loan Size: \$1.4M Largest Dollar Loan: \$24.1M	Balance: \$194M % of Balances: 13% % Owner Occupied: 47% Portfolio LTV ~ 49% <sup>(1)</sup> Portfolio Avg. DSCR ~ 1.68x Avg. Loan Size: \$1.8M Largest Dollar Loan: \$10.8M	Balance: \$324M % of Balances: 21% % Owner Occupied: 23% Portfolio LTV ~ 56% <sup>(1)</sup> Portfolio Avg. DSCR ~ 1.66x Avg. Loan Size: \$1.7M Largest Dollar Loan: \$25.7M	Balance: \$244M % of Balances: 16% % Owner Occupied: 25% Portfolio LTV ~ 52% <sup>(1)</sup> Portfolio Avg. DSCR ~ 1.73x Avg. Loan Size: \$1.7M Largest Dollar Loan: \$19.8M	Balance: \$107M % of Balances: 7% % of Owner Occupied: 54% Portfolio LTV ~ 43% <sup>(1)</sup> Portfolio Avg. DSCR ~ 1.69x Avg. Loan Size: \$688K Largest Dollar Loan: \$21.3M
Geographical Distribution (balances)				

# Construction Lending Overview

Construction lending is a broad category that includes many different loan types, which are often characterized by different risk profiles. HomeStreet lends within the full spectrum of construction lending types, but is deliberate in achieving diversification among the types to mitigate risk. Additionally, recent geographic expansion has provided an opportunity to increase diversification.

Construction Lending Types				
Custom Home Construction	Multifamily	Commercial	Residential Construction	Land & Lots
Loan Characteristics				
<ul style="list-style-type: none"> <li>• 12 Month Term</li> <li>• Consumer Owner Occupied</li> <li>• Borrower Underwritten similar to Single Family</li> </ul>	<ul style="list-style-type: none"> <li>• 18-36 Month Term</li> <li>• ≤ 80% LTC</li> <li>• Minimum 15% Cash Equity</li> <li>• ≥ 1.15 DSC</li> <li>• Portfolio LTV ~ 61%</li> </ul>	<ul style="list-style-type: none"> <li>• 18-36 Month Term</li> <li>• ≤ 80% LTC</li> <li>• Minimum 15% Cash Equity</li> <li>• ≥ 1.25 DSC</li> <li>• ≥ 50% pre-leased office/retail</li> <li>• Portfolio LTV ~ 48%</li> </ul>	<ul style="list-style-type: none"> <li>• 12-18 Month Term</li> <li>• LTC: ≤ 95% Presale &amp; Spec</li> <li>• Leverage, Liquid. &amp; Net Worth Covenants as appropriate</li> <li>• Portfolio LTV ~ 79%</li> </ul>	<ul style="list-style-type: none"> <li>• 12-24 Month Term</li> <li>• ≤ 50% -80% LTC</li> <li>• Strong, experienced, vertically integrated builders</li> <li>• Portfolio LTV ~ 65%</li> </ul>
12/31/16 Balances and Commitments				
Balance: \$150M Unfunded Commitments: \$114M % of Balances: 24% % of Unfunded Commitments: 19% Avg. Loan Size: \$457K Largest Dollar Loan: \$1.9M	Balance: \$165M Unfunded Commitments: \$209M % of Balances: 26% % of Unfunded Commitments: 35% Avg. Loan Size: \$5.2M Largest Dollar Loan: \$25.4M	Balance: \$66M Unfunded Commitments: \$30M % of Balances: 10% % of Unfunded Commitments: 5% Avg. Loan Size: \$11.0M Largest Dollar Loan: \$22.3M	Balance: \$187M Unfunded Commitments: \$232M % of Balances: 29% % of Unfunded Commitments: 38% Avg. Loan Size: \$267K Largest Dollar Loan: \$8.3M	Balance: \$68M Unfunded Commitments: \$20M % of Balances: 11% % of Commitments: 3% Avg. Loan Size: \$1.2M Largest Dollar Loan: \$3.3M
Geographical Distribution (balances)				

# Credit Quality

(\$ in thousands)	Dec. 31, 2016		Sept. 30, 2016		Jun. 30, 2016		Mar. 31, 2016		Dec. 31, 2015	
	HMST	Peer Mdn	HMST	Peer Mdn	HMST	Peer Mdn	HMST	Peer Mdn	HMST	Peer Mdn
Nonperforming assets <sup>(1)</sup>	\$25,785	--	\$32,361	--	\$26,443	--	\$23,285	--	\$24,699	--
Nonperforming loans	\$20,542	--	\$25,921	--	\$15,745	--	\$16,012	--	\$17,168	--
OREO	\$5,243	--	\$6,440	--	\$10,698	--	\$7,273	--	\$7,531	--
Nonperforming assets/total assets <sup>(1)</sup>	0.41%	(3)	0.52%	0.46%	0.45%	0.45%	0.43%	0.49%	0.50%	0.60%
Nonperforming loans/total loans	0.53%	(3)	0.68%	0.41%	0.42%	0.40%	0.45%	0.43%	0.53%	0.39%
Total delinquencies/total loans	1.88%	(3)	1.89%	0.81%	1.59%	0.73%	1.94%	0.74%	2.05%	0.71%
Total delinquencies/total loans - adjusted <sup>(2)</sup>	0.58%	(3)	0.77%	0.78%	0.45%	0.73%	0.64%	0.72%	0.65%	0.71%
ALLL / total loans	0.88%	(3)	0.89%	1.04%	0.88%	1.04%	0.88%	1.05%	0.91%	1.05%
ALLL / Nonperforming loans (NPLs)	165.52%	(3)	131.07%	220.15%	207.41%	236.59%	195.51%	224.60%	170.54%	252.66%
ALLL / total loans, excluding purchased loans	1.00%	--	1.05%	--	1.03%	--	1.07%	--	1.10%	--
Purchased Discount & Reserves/Gross Purchased Loans <sup>(4)</sup>	2.96%	--	2.92%	--	3.03%	--	3.01%	--	3.03%	--

- Credit Quality continues to reflect excellent loan quality:
  - Nonperforming assets declined 20% to 0.41% of total assets compared to 0.52% in 3Q16
  - Nonperforming loans declined 21% to \$20.5 million compared to \$25.9 million in 3Q16
  - OREO balances declined 19% to \$5.2 million compared to \$6.4 million in 3Q16
  - Total delinquencies (adjusted<sup>2</sup>) declined to 0.58% compared to 0.77% in 3Q16

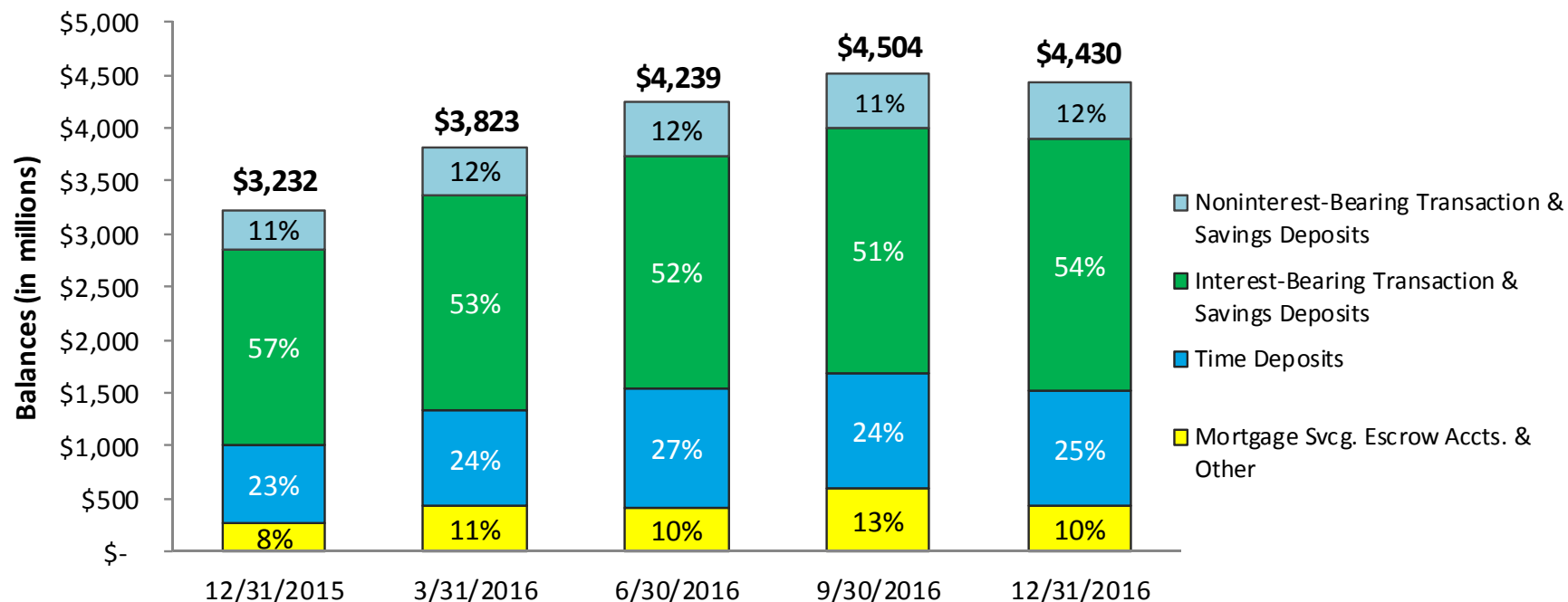
<sup>(1)</sup> Nonperforming assets includes nonaccrual loans and OREO, excludes performing TDRs and SBAs

<sup>(2)</sup> Total delinquencies and total loans - adjusted (net of Ginnie Mae EBO loans (FHA/VA loans) guaranteed portion of SBA loans)

<sup>(3)</sup> Not available at time of publishing

<sup>(4)</sup> While not a loss reserve, purchase discounts are available to absorb credit related losses on loans purchased with discounts

# Deposits



Total Cost of Deposits	12/31/2015	3/31/2016	6/30/2016	9/30/2016	12/31/2016
	0.44%	0.42%	0.46%	0.50%	0.51%

- Total deposits of \$4.43 billion at December 31, 2016 declined \$74 million or 2% from September 30, 2016
- Transaction and savings accounts increased 3% during the quarter while servicing and escrow balances declined 27% during the quarter. The decline in servicing and escrow balances reflects seasonal changes in mortgage loan servicing activity.
- Deposit growth during the quarter of 16.8% in our de-novo branches opened since 2012. Opened 16 branches, or 29% of our total network, since 2012. Deposits in our acquired branches increased 12.6% during the quarter.
- The acquisition of two branches in Los Angeles from Boston Private Bank and Trust added \$105 million of deposits during the quarter



# **Mortgage Banking**

# Mortgage Banking Segment

(\$ in thousands)	For the three months ended		For the twelve months ended	
	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2015
Net interest income	\$ 7,437	\$ 6,981	\$ 26,034	\$ 28,318
Noninterest income	60,134	56,631	323,468	251,870
Noninterest expense	82,056	63,183	305,937	243,970
Net income before taxes	(14,485)	429	43,565	36,218
Income taxes	(4,733)	128	16,214	12,916
Net income	\$ (9,752)	\$ 301	\$ 27,351	\$ 23,302
ROAA	(3.55)%	0.12%	2.79%	2.36%
ROATE	(31.91)%	1.28%	26.78%	18.81%
Efficiency Ratio	121.4%	99.3%	87.5%	87.1%
FTE	1,554	1,311	1,554	1,311

- Full year 2016 net income increased 17% as a result of our investment in growth
- Interest rate lock and forward sale commitments increased 24% year-over-year and our balance of single-family loans serviced for others increased 27% resulting in increased gain-on-sale income and servicing income, respectively
- During the year, we have had a higher proportion of support staff relative to sales staff due to the implementation of TRID, and we opened thirteen stand-alone single-family offices, which contributed to growth in non-interest expense

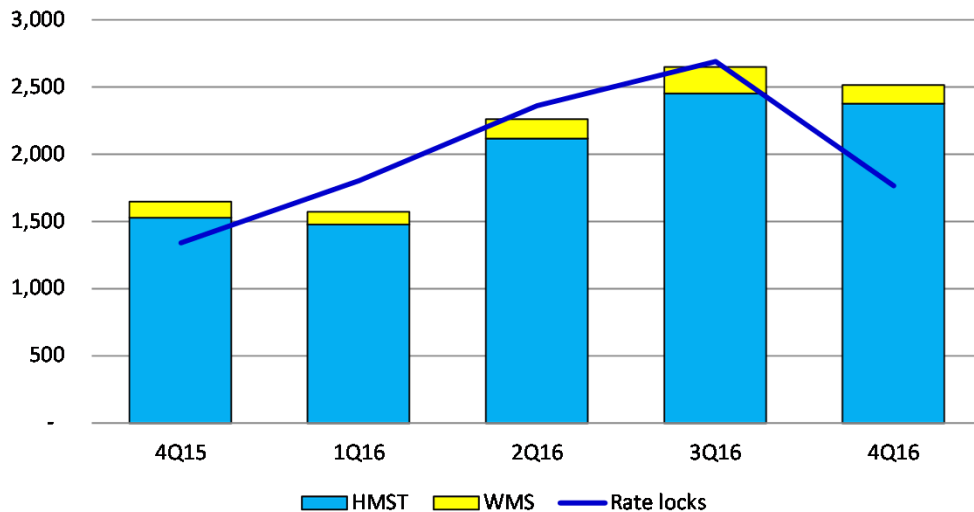
# Mortgage Banking Segment – Quarter Trend

(\$ in thousands)	For the three months ended				
	Dec. 31, 2016	Sept. 30, 2016	Jun. 30, 2016	Mar. 31, 2016	Dec. 31, 2015
Net interest income	\$ 7,437	\$ 7,463	\$ 6,089	\$ 5,045	\$ 6,981
Noninterest income	60,134	101,974	94,295	67,065	56,631
Noninterest expense	82,056	82,229	76,928	64,723	63,183
Net income before taxes	(14,485)	27,208	23,456	7,387	429
Income taxes	(4,733)	9,640	8,786	2,522	128
Net income	\$ (9,752)	\$ 17,568	\$ 14,670	\$ 4,865	\$ 301
ROAA	(3.55)%	6.04%	6.67%	2.50%	0.12%
ROATE	(31.91)%	68.36%	62.45%	21.74%	1.28%
Efficiency Ratio	121.4%	75.1%	76.6%	89.8%	99.3%
FTE	1,554	1,483	1,409	1,361	1,311

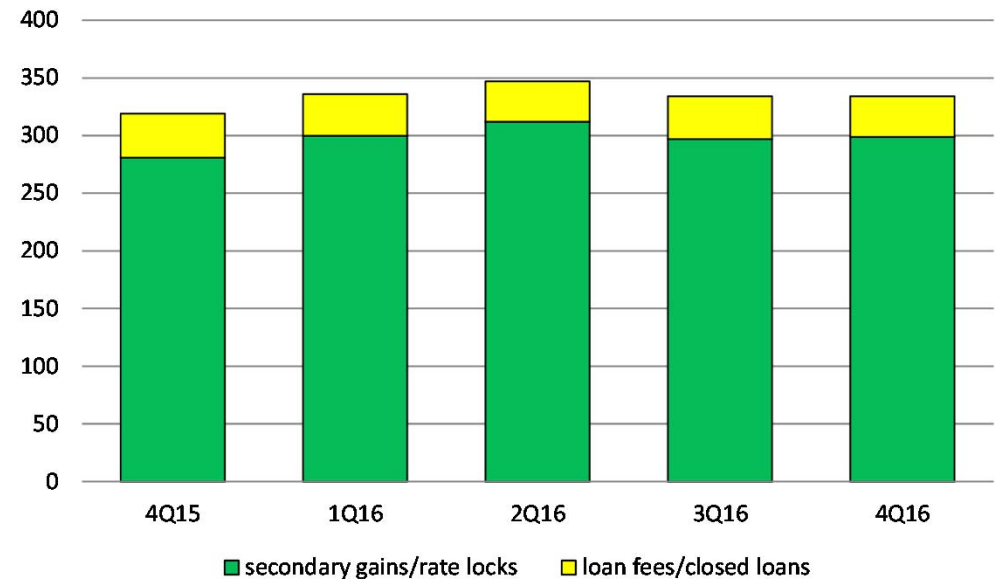
- Net income decreased \$27.3 million from 3Q, which was primarily driven by \$41.8 million lower noninterest income
- Gain on mortgage loan origination and sale activities of \$61.1 million, coming in \$27.8 million or 31% below 3Q due to 34% decline in rate lock volume
- Interest rate lock commitment volume in 4Q of \$1.77 billion was 42% below closed loan volume, which negatively affects reported earnings
- Mortgage servicing loss of \$984 thousand declined from \$11.8 million income in 3Q primarily due to lower risk management results

# Mortgage Origination

**Held for Sale Closed Loan Production**  
(\$ in millions)



**Single Family Composite Margin**  
(bps)



	4Q15	1Q16	2Q16	3Q16	4Q16
HMST	\$1,530	\$1,479	\$2,118	\$2,451	\$2,376
WMS	\$119	\$94	\$144	\$197	\$138
Closed Loans	\$1,649	\$1,573	\$2,262	\$2,648	\$2,515
Purchase %	70%	62%	69%	64%	57%
Refinance %	30%	38%	31%	36%	43%
Rate locks	\$1,340	\$1,804	\$2,362	\$2,690	\$1,766
Purchase %	67%	59%	65%	53%	63%
Refinance %	33%	41%	35%	47%	37%

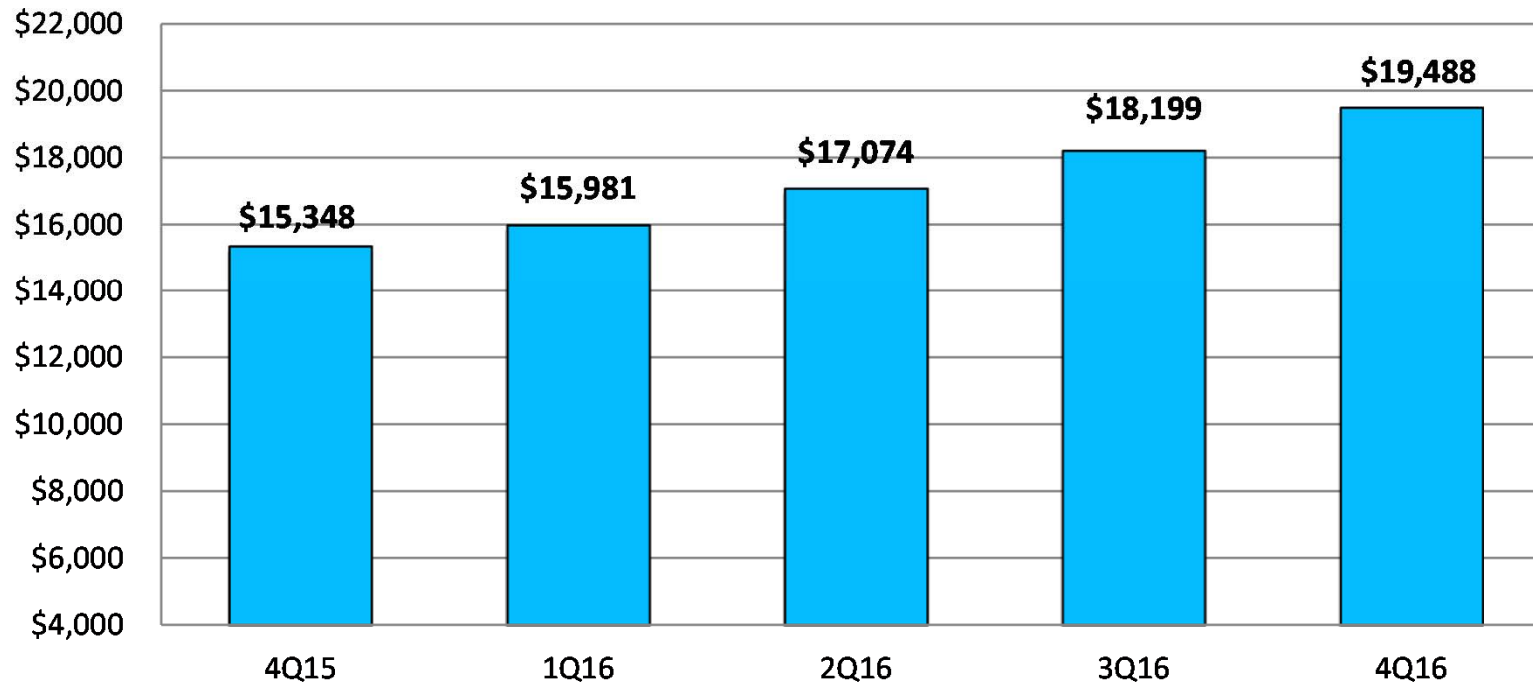
	4Q15	1Q16	2Q16	3Q16	4Q16
Secondary gains/rate locks <sup>(1)</sup>	281	300	312	297	299
Loan fees/closed loans <sup>(2)</sup>	38	36	35	37	35
Composite Margin	319	336	347	334	334

<sup>(1)</sup> Represents combined value of secondary market gains and originated mortgage servicing rights stated as a percentage of interest rate lock commitments.

<sup>(2)</sup> Loan origination and funding fees stated as a percentage of mortgage originations from the retail channel and excludes loans purchased from WMS.

# Mortgage Servicing

## Mortgage Servicing Portfolio (\$ in millions)



### As of December 31, 2016

- Constant Prepayment Rate (CPR) – 19.9% for 4Q 2016
- W.A. servicing fee - 28.4 bps
- MSRMs represent 1.16% of ending UPB – 4.1 W.A. servicing fee multiple
- W.A. age – 26.3 months
- W.A. expected life – 73 months as of 12/31/16
- Composition of government – 25.7%
- Total delinquency - 1.2% (including foreclosures)
- W.A. note rate – 3.90%

# Mortgage Market & Competitive Landscape

## Mortgage Market

- MBA estimated fourth quarter mortgage origination nationally to decrease 16% over third quarter. By contrast, HomeStreet's originations decreased only 5% over the prior quarter.
- The most recent Mortgage Bankers Association monthly forecast projects total loan originations to decrease 17.3% in 2017 over the past year, but to increase by 1.6% in 2018.
- Despite the recent increase in mortgage rates, rates remain historically low on an absolute basis. Nationally, purchases are expected to increase by 10.3% from 2016 and comprise 70% of volume in 2017.
- Housing starts for this year are expected to be up 8.3% over 2016 levels.

## Competitive Landscape

- Purchases comprised 49% of originations nationally and 44% in the Pacific Northwest in the fourth quarter. HomeStreet continues to perform above the national and regional averages, with purchases accounting for 57% of our closed loans and 63% of our interest rate lock commitments in the quarter.
- Purchase demand continues to remain strong in many of our our markets, however limited inventory continues to be a significant constraining issue.
- The Pacific Northwest and the major markets in western United States are expected to continue to grow more quickly than the rest of the country, consistent with the past three years.

# Key Drivers Guidance

- Currently anticipating mortgage loan lock and forward sale commitments volume of approximately \$1.8 billion and \$2.8 billion in the first and second quarter of 2017, respectively
- Projecting mortgage loan held for sale closing volumes of \$1.9 billion and \$2.7 billion in the first and second quarter of 2017, respectively
- We expect mortgage loan lock and forward sale commitments and mortgage loan held for sale closing volumes to each total \$9.3 billion and \$9.4 billion, respectively, for 2017, subject to market interest rates, home prices, and other economic conditions
- Gain on sale composite margin expected to range between 315 and 325 basis points through the end of 2017
- In our Commercial and Consumer Banking segment, we expect average quarterly net loan portfolio growth of 4% to 6% during 2017
- Reflecting the increase in interest rates and temporary investment of the proceeds of our common stock offering in lower yielding securities, we generally expect our consolidated net interest margin to trend in the 3.20% to 3.25% level during the next first and second quarters of 2017 and increase to between 3.35% and 3.40% in the second half of 2017, absent changes in market rates and prepayment speeds
- During 2017, we expect our non-interest expenses will grow approximately 2% per quarter on average, reflecting the continued investment in our growth and infrastructure, subject to seasonality in closed loan volumes and the timing of further investments in growth

# [ Appendix ]



# Statements of Financial Condition

(\$ in thousands)	Dec. 31, 2016	Sept. 30, 2016	Jun. 30, 2016	Mar. 31, 2016	Dec. 31, 2015
Cash and cash equivalents	\$ 53,932	\$ 55,998	\$ 45,229	\$ 46,356	\$ 32,684
Investment securities	1,043,851	991,325	928,364	687,081	572,164
Loans held for sale	714,559	893,513	772,780	696,692	650,163
Loans held for investment, net	3,819,027	3,764,178	3,698,959	3,523,551	3,192,720
Mortgage servicing rights	245,860	167,501	147,266	148,851	171,255
Other real estate owned	5,243	6,440	10,698	7,273	7,531
Federal Home Loan Bank stock, at cost	40,347	39,783	40,414	40,548	44,342
Premises and equipment, net	77,636	72,951	67,884	67,323	63,738
Goodwill	22,175	19,900	19,846	20,366	11,521
Other assets	221,070	215,012	209,738	179,211	148,377
<b>Total assets</b>	<b>\$ 6,243,700</b>	<b>\$ 6,226,601</b>	<b>\$ 5,941,178</b>	<b>\$ 5,417,252</b>	<b>\$ 4,894,495</b>
Deposits	\$ 4,429,701	\$ 4,504,560	\$ 4,239,155	\$ 3,823,027	\$ 3,231,953
Federal Home Loan Bank advances	868,379	858,923	878,987	883,574	1,018,159
Accounts payable and other liabilities	191,189	151,968	138,307	119,662	117,251
Long-term debt	125,147	125,122	125,126	61,857	61,857
<b>Total liabilities</b>	<b>5,614,416</b>	<b>5,640,573</b>	<b>5,381,575</b>	<b>4,888,120</b>	<b>4,429,220</b>
Preferred stock	-	-	-	-	-
Common stock	511	511	511	511	511
Additional paid-in capital	336,149	276,844	276,303	273,168	222,328
Retained earnings	303,036	300,742	273,041	251,292	244,885
Accumulated other comprehensive income (loss)	(10,412)	7,931	9,748	4,161	(2,449)
<b>Total shareholders' equity</b>	<b>629,284</b>	<b>586,028</b>	<b>559,603</b>	<b>529,132</b>	<b>465,275</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 6,243,700</b>	<b>\$ 6,226,601</b>	<b>\$ 5,941,178</b>	<b>\$ 5,417,252</b>	<b>\$ 4,894,495</b>

# Non-GAAP Financial Measures

## Tangible Book Value:

	Quarter Ended				Twelve Months Ended	
	Dec. 31, 2016	Sept. 30, 2016	Jun. 30, 2016	Mar. 31, 2016	Dec. 31, 2015	Dec. 31, 2015
(dollars in thousands, except share data)						
Shareholders' equity	\$629,284	\$586,028	\$559,603	\$529,132	\$465,275	\$629,284
Less: Goodwill and other intangibles	(30,789)	(28,573)	(28,861)	(29,126)	(20,266)	(30,789)
Tangible shareholders' equity	\$598,495	\$557,455	\$530,742	\$500,006	\$445,009	\$598,495
Common shares outstanding	26,800,183	24,833,008	24,821,349	24,550,219	22,076,534	26,800,183
Book value per share	\$23.48	\$23.60	\$22.55	\$21.55	\$21.08	\$23.48
Impact of goodwill and other intangibles	(1.15)	(1.15)	(1.17)	(1.18)	(0.92)	(1.15)
Tangible book value per share	\$22.33	\$22.45	\$21.38	\$20.37	\$20.16	\$22.33
Average shareholders' equity	\$616,497	\$588,335	\$548,080	\$510,883	\$470,635	\$566,148
Less: Average goodwill and other intangibles	(29,943)	(28,769)	(28,946)	(26,645)	(20,195)	(28,580)
Average tangible shareholders' equity	\$586,554	\$559,566	\$519,134	\$484,238	\$450,440	\$537,568
Return on average shareholders' equity	1.49%	18.83%	15.87%	5.02%	7.38%	10.27%
Impact of goodwill and other intangibles	0.07%	0.97%	0.89%	0.27%	0.33%	0.55%
Return on average tangible shareholders' equity	1.56%	19.80%	16.76%	5.29%	7.71%	10.82%

# Non-GAAP Financial Measures

## Core Net Income:

(dollars in thousands)	Quarter Ended				Twelve Months Ended		
	Dec. 31, 2016	Sept. 30, 2016	Jun. 30, 2016	Mar. 31, 2016	Dec. 31, 2015	Dec. 31, 2015	
Net income	\$2,294	\$27,701	\$21,749	\$6,407	\$8,678	\$58,151	\$41,319
Impact of acquisition-related items (net of tax)	261	333	666	3,378	109	4,638	3,018
Net income, excluding acquisition-related items (net of tax)	<u>\$2,555</u>	<u>\$28,034</u>	<u>\$22,415</u>	<u>\$9,785</u>	<u>\$8,787</u>	<u>\$62,789</u>	<u>\$44,337</u>
Noninterest expense	\$117,539	\$114,399	\$111,031	\$101,353	\$92,725	\$444,322	\$366,568
Deduct: acquisition-related expenses	(401)	(512)	(1,025)	(5,198)	(754)	(7,136)	(16,564)
Noninterest expense, excluding acquisition-related expenses	<u>\$117,138</u>	<u>\$113,887</u>	<u>\$110,006</u>	<u>\$96,155</u>	<u>\$91,971</u>	<u>\$437,186</u>	<u>\$350,004</u>
Diluted earnings per common share	\$0.09	\$1.11	\$0.87	\$0.27	\$0.39	\$2.34	\$1.96
Impact of acquisition-related items (net of tax)	0.01	0.01	0.03	0.14	-	0.19	0.15
Diluted earnings per common share, excluding acquisition-related items (net of tax)	<u>\$0.10</u>	<u>\$1.12</u>	<u>\$0.90</u>	<u>\$0.41</u>	<u>\$0.39</u>	<u>\$2.53</u>	<u>\$2.11</u>
Return on average assets	0.15%	1.79%	1.54%	0.51%	0.71%	1.01%	0.91%
Impact of acquisition-related items (net of tax)	0.01%	0.02%	0.05%	0.27%	0.01%	0.08%	0.06%
Return on average assets, excluding acquisition-related items (net of tax)	<u>0.16%</u>	<u>1.81%</u>	<u>1.59%</u>	<u>0.78%</u>	<u>0.72%</u>	<u>1.09%</u>	<u>0.97%</u>
Return on average shareholders' equity	1.49%	18.83%	15.87%	5.02%	7.38%	10.27%	9.35%
Impact of acquisition-related items (net of tax)	0.18%	0.24%	0.49%	2.64%	0.09%	0.82%	0.68%
Return on average shareholders' equity, excluding acquisition-related items (net of tax)	<u>1.67%</u>	<u>19.07%</u>	<u>16.36%</u>	<u>7.66%</u>	<u>7.47%</u>	<u>11.09%</u>	<u>10.03%</u>
Return on average tangible shareholders' equity	1.56%	19.80%	16.76%	5.29%	7.71%	10.82%	9.78%
Impact of acquisition-related items (net of tax)	0.18%	0.24%	0.51%	2.79%	0.09%	0.86%	0.72%
Return on average tangible shareholders' equity, excluding acquisition-related items (net of tax)	<u>1.74%</u>	<u>20.04%</u>	<u>17.27%</u>	<u>8.08%</u>	<u>7.80%</u>	<u>11.68%</u>	<u>10.50%</u>
Efficiency ratio	96.90%	72.15%	75.55%	90.17%	88.18%	82.40%	85.33%
Impact of acquisition-related items (net of tax)	(0.33)%	(0.32)%	(0.69)%	(4.62)%	(0.39)%	(1.32)%	(2.36)%
Efficiency ratio, excluding acquisition-related items (net of tax)	<u>96.57%</u>	<u>71.83%</u>	<u>74.86%</u>	<u>85.55%</u>	<u>87.79%</u>	<u>81.08%</u>	<u>82.97%</u>

# Non-GAAP Financial Measures

## Core Net Income – Commercial & Consumer Banking:

(dollars in thousands)	Quarter Ended				Twelve Months Ended		
	Dec. 31, 2016	Sept. 30, 2016	Jun. 30, 2016	Mar. 31, 2016	Dec. 31, 2015	Dec. 31, 2015	
Commercial and Consumer Banking Segment:							
Net income	\$12,046	\$10,133	\$7,079	\$1,542	\$8,377	\$30,800	\$18,017
Impact of acquisition-related items (net of tax)	261	333	666	3,378	109	4,638	3,018
Net income, excluding acquisition-related items (net of tax)	\$12,307	\$10,466	\$7,745	\$4,920	\$8,486	\$35,438	\$21,035
ROAA	0.93%	0.81%	0.60%	0.15%	0.84%	0.64%	0.51%
Impact of acquisition-related items (net of tax)	0.02%	0.03%	0.06%	0.32%	0.01%	0.10%	0.09%
ROAA, excluding acquisition-related items (net of tax)	0.95%	0.83%	0.66%	0.46%	0.85%	0.74%	0.59%
ROAE	9.68%	8.29%	6.28%	1.47%	8.99%	6.64%	5.71%
Impact of acquisition-related items (net of tax)	0.21%	0.27%	0.59%	3.23%	0.12%	1.00%	0.96%
ROAE, excluding acquisition-related items (net of tax)	9.89%	8.56%	6.87%	4.71%	9.11%	7.64%	6.67%
ROATE	10.31%	8.81%	6.71%	1.58%	9.51%	7.07%	6.09%
Impact of acquisition-related items (net of tax)	0.22%	0.29%	0.63%	3.45%	0.12%	1.07%	1.02%
ROATE, excluding acquisition-related items (net of tax)	10.54%	9.10%	7.34%	5.03%	9.64%	8.14%	7.11%
Efficiency ratio	66.04%	65.51%	73.22%	90.92%	71.12%	72.95%	82.07%
Impact of acquisition-related items (net of tax)	(0.74)%	(1.05)%	(2.20)%	(12.90)%	(1.17)%	(3.76)%	(7.22)%
Efficiency ratio, excluding acquisition-related items (net of tax)	65.30%	64.46%	71.02%	78.02%	69.95%	69.19%	74.85%