

# [ HomeStreet ]

**FOURTH QUARTER  
2017**

Nasdaq:HMST

as of January 31, 2018

# 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, 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, 2017, which we expect to file on March 6, 2018. 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 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 findings or actions that may increase capital requirements or otherwise constrain our ability to do business, including restrictions that could be imposed by our regulators on certain aspects of our operations or on our growth initiatives and acquisition activities, risks related to our ability to realize the expected cost savings from our recent restructuring activities in our single family mortgage lending operations, continue to expand our commercial and consumer banking operations, grow our franchise and capitalize on market opportunities, manage our overall growth efforts cost-effectively to attain the desired operational and financial outcomes, manage the losses inherent in our loan portfolio, make accurate estimates of the value of our non-cash assets and liabilities, maintain electronic and physical security of customer data, respond to restrictive and complex regulatory environment, and attract and retain key personnel. In addition, the volume of our mortgage banking business as well as the ratio of loan lock to closed loan volume may fluctuate due to challenges our customers may face in meeting current underwriting standards, a change in interest rates, an increase in competition for such loans, changes in general economic conditions, including housing prices and inventory levels, 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 legislative or regulatory actions or reform that may 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, 2017, and is unaudited, although certain information related to the year ended December 31, 2016, 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.

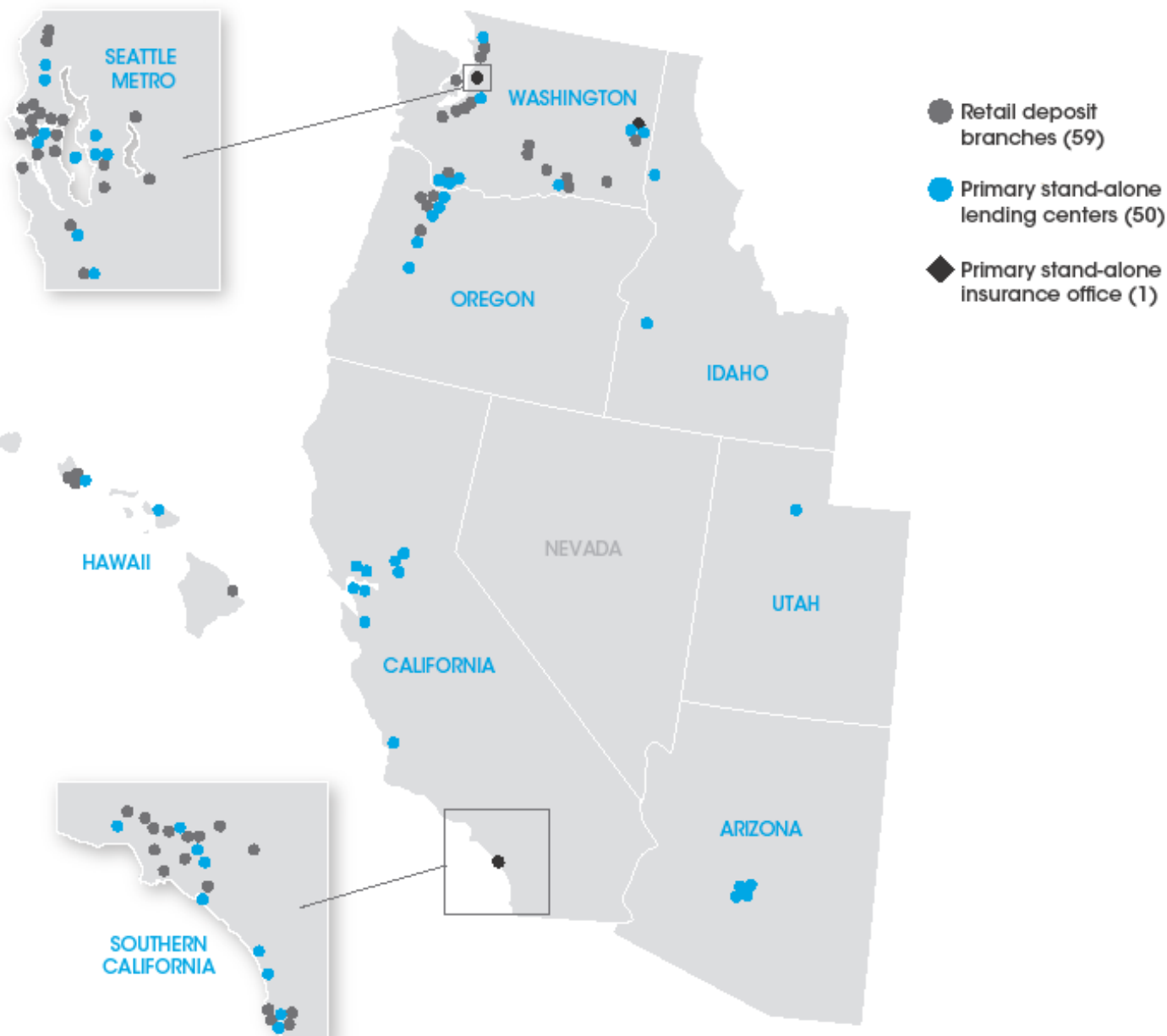
# Important Additional Information

## Important Additional Information

HomeStreet, Inc. ("HMST" or the "Company"), its directors and certain of its executive officers are participants in the solicitation of proxies from the Company's shareholders in connection with the Company's 2018 annual meeting of shareholders. The Company intends to file a proxy statement and white proxy card with the U.S. Securities and Exchange Commission (the "SEC") in connection with any such solicitation of proxies from the Company's shareholders. **SHAREHOLDERS OF THE COMPANY ARE STRONGLY ENCOURAGED TO READ SUCH PROXY STATEMENT, ACCOMPANYING WHITE PROXY CARD AND ALL OTHER DOCUMENTS FILED WITH THE SEC CAREFULLY AND IN THEIR ENTIRETY WHEN THEY BECOME AVAILABLE AS THEY WILL CONTAIN IMPORTANT INFORMATION.** Exhibit 99.2 of the Company's Current Report on Form 8-K filed with the SEC on January 25, 2018 ("Exhibit 99.2") contains information regarding the direct and indirect interest, by securities holdings or otherwise, of the Company's directors and executive officers in the Company's securities. In the event that the holdings of the Company's securities change from the amounts provided in Exhibit 99.2, such changes will be set forth in SEC filings on Forms 3, 4 and 5, which can be found through the Company's website at [www.homestreet.com](http://www.homestreet.com) in the section "Investor Relations" or through the SEC's website at [www.sec.gov](http://www.sec.gov). Information can also be found in the Company's other SEC filings, including the Company's definitive proxy statement for the 2017 annual meeting of shareholders and its Annual Report on Form 10-K for the fiscal year ended December 31, 2016. Updated information regarding the identity of potential participants, and their direct or indirect interests, by security holdings or otherwise, will be set forth in the Company's definitive proxy statement and other materials to be filed with the SEC in connection with the 2018 annual meeting of shareholders. Shareholders will be able to obtain any proxy statement, any amendments or supplements to the proxy statement and other documents filed by the Company with the SEC at no charge at the SEC's website at [www.sec.gov](http://www.sec.gov). Copies will also be available at no charge at the Company's website at [www.homestreet.com](http://www.homestreet.com) in the section "Investor Relations."

# Who is HomeStreet?

- Seattle-based diversified commercial bank - company founded in 1921
- Expanding West Coast Franchise
- Growing commercial & consumer bank with concentrations in major metropolitan areas of the West Coast and Hawaii
- 110 branches and primary offices <sup>(1)</sup> in the Western United States and Hawaii
- Market leading mortgage originator and servicer
- Total assets \$6.7 billion



(1) The number of offices listed above does not include satellite offices with a limited number of staff who report to a manager located in a separate primary office.

# Strategy

## Grow and diversify earnings with the goal of becoming a leading West Coast regional bank

### Expand Commercial & Consumer Banking Segment

- Grow and diversify loan portfolio with focus on building meaningful commercial lending platform
- Implement process improvements to gain efficiencies
- Grow core deposits to improve deposit mix and support asset growth
- Analyze and expand product offerings and technology

### Optimize Single Family Mortgage Banking & Servicing Segment

- Committed to being a leading mortgage originator and servicer in our markets with retail focus, broad product mix, and competitive pricing
- Focus on optimizing mortgage banking capacity within existing geographic footprint
- Leverage mortgage customer distribution through marketing bank products and services
- Execute on digital strategy with a focus on improved customer experience

### Disciplined expense management

- Mitigate cost of growth through operating leverage and disciplined expense control
- Target consolidated efficiency ratio of less than 75%
  - Commercial and Consumer segment <65% and Mortgage Banking segment <85%

### Efficient use of capital

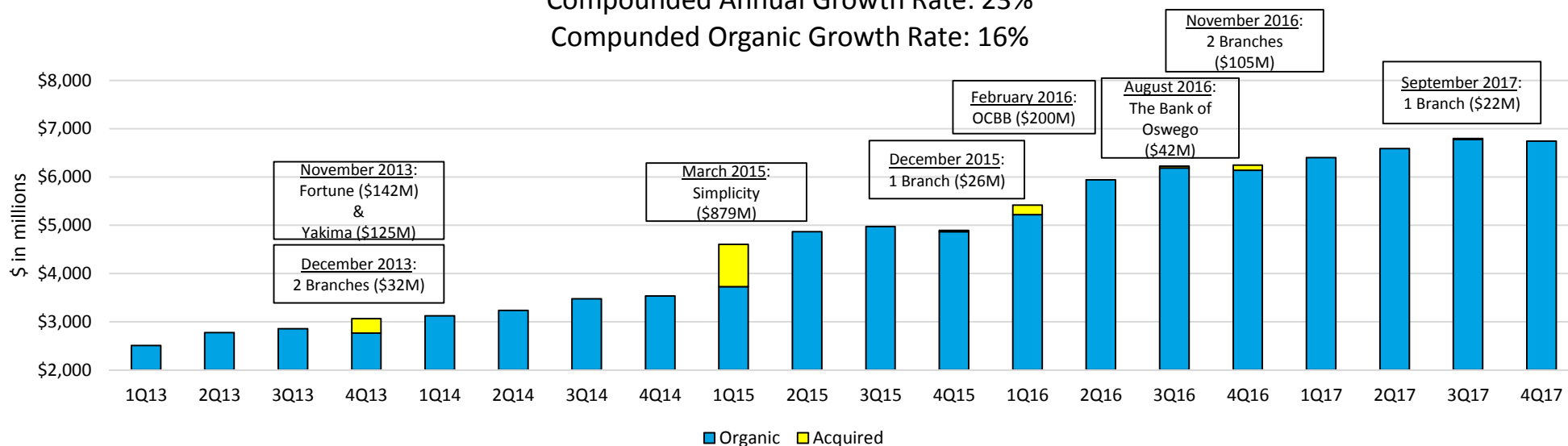
- Prudent levels of capital above regulatory requirements
- ROTE target of >12%

# Delivering Consistent Growth

## Total Assets

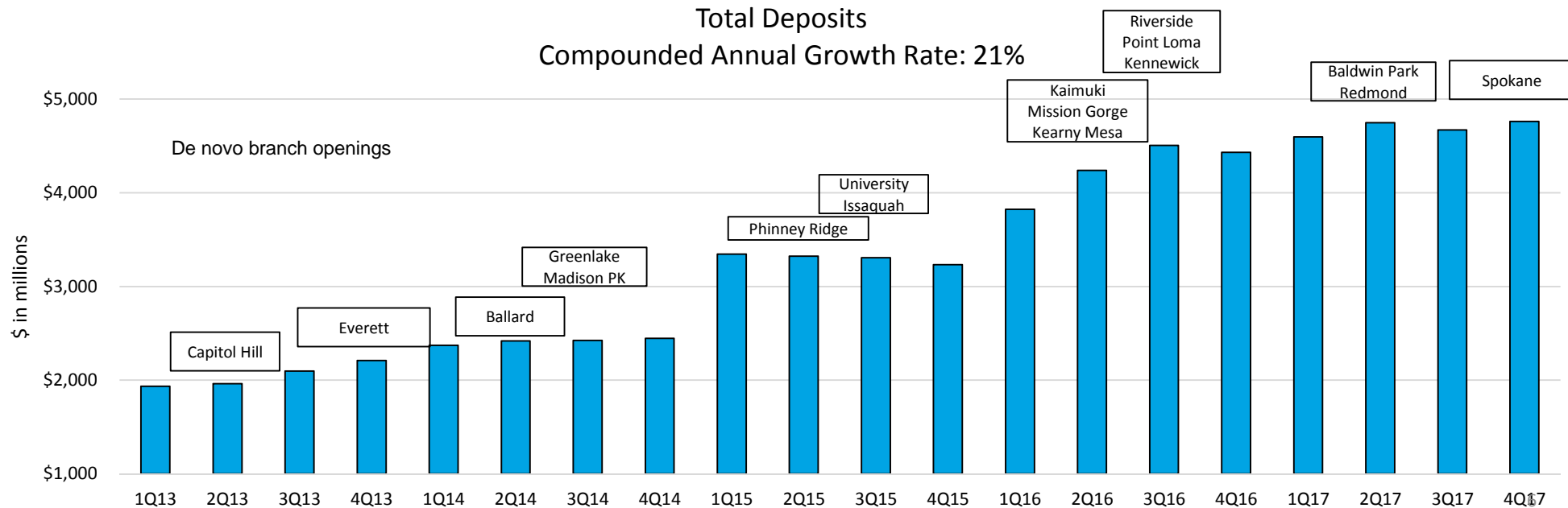
Compounded Annual Growth Rate: 23%

Compounded Organic Growth Rate: 16%



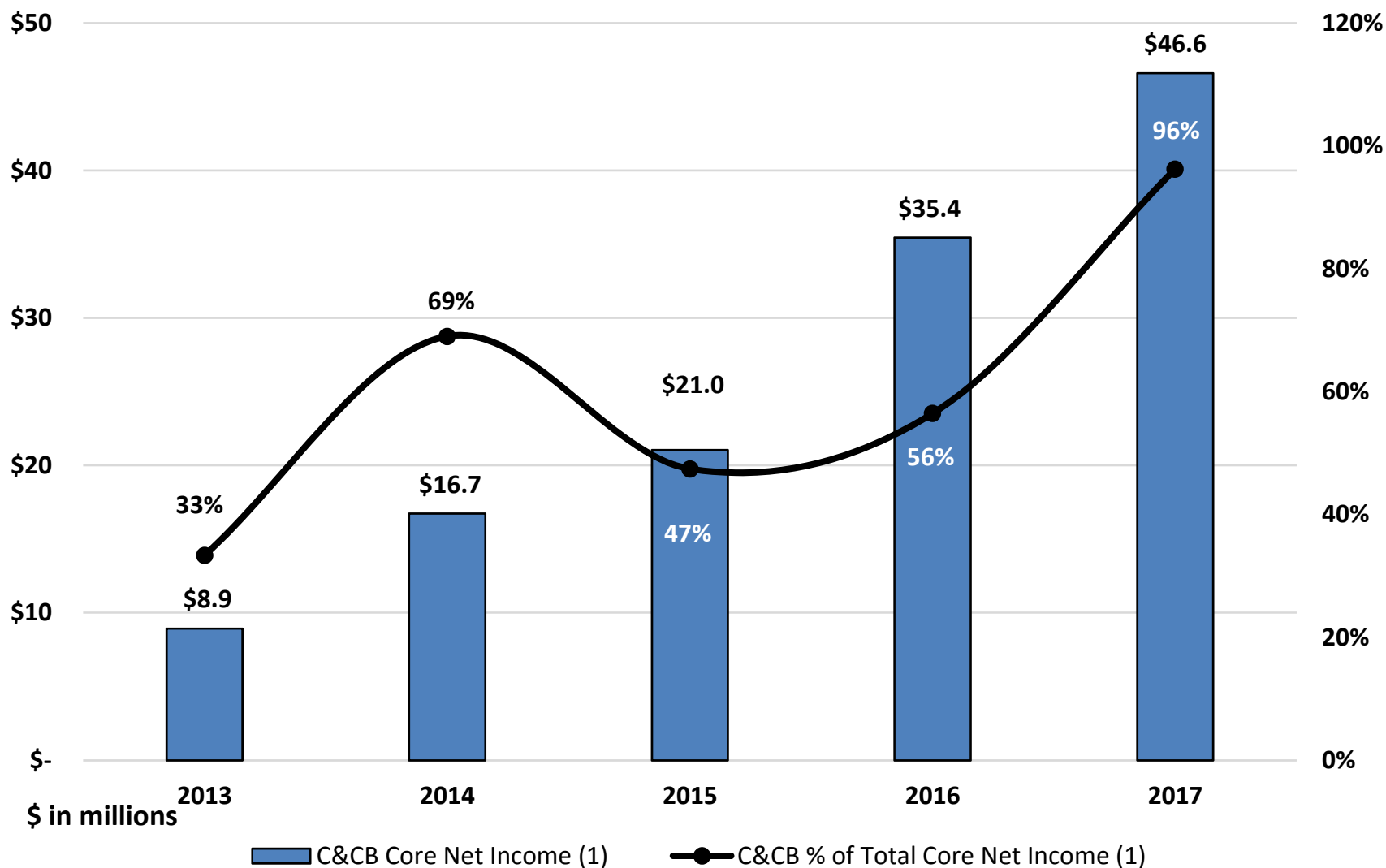
## Total Deposits

Compounded Annual Growth Rate: 21%



# Diversification

Growth in our Commercial & Consumer Banking Segment is diversifying earnings and reducing earnings volatility



# Operating Highlights

## Results of Operations

- Year-end 2017 core net income of \$48.4 million, or \$1.79 diluted EPS<sup>(1)</sup>
- Record core net income of \$46.6 million in Commercial and Consumer Banking Segment, core ROTE of 9.63% <sup>(1)</sup>
- Core net income of \$1.8 million in Mortgage Banking Segment – results challenged by West Coast market conditions
- Fourth quarter 2017 core net income of \$11.5 million, or \$0.42 diluted EPS <sup>(1)</sup>
- Results included a one-time, non-cash tax benefit of \$23.3 million, or \$0.86 per diluted share, as a result of Tax Reform
- Total assets ended Dec. 31, 2017, at \$6.7 billion, loans held for investment at \$4.5 billion, increased 4% from Sep. 30, 2017
- Loans held for investment grew organically 18% during 2017
- Total deposits of \$4.8 billion, increased 7.5% from Dec. 31, 2016
- Nonperforming asset ratio of 0.23%, the lowest level of problem assets since 2006

## Strategic Results

- Opened a retail deposit branch and commercial lending office in Spokane, WA
- Sold a portfolio of securities acquired as part of merger transactions at a net loss of \$534,000 to take advantage of the change in corporate income tax rates

## Recent Developments

- Appointed Mark Patterson to the Board of Directors replacing Timothy Chrisman. Mark was a career institutional investor with significant banking experience, public company board experience, and is now a significant individual shareholder in the Company
- Effective income tax rate, before discrete items, will decline from 31% to an estimated 21% to 22% in 2018 as a result of Tax Reform



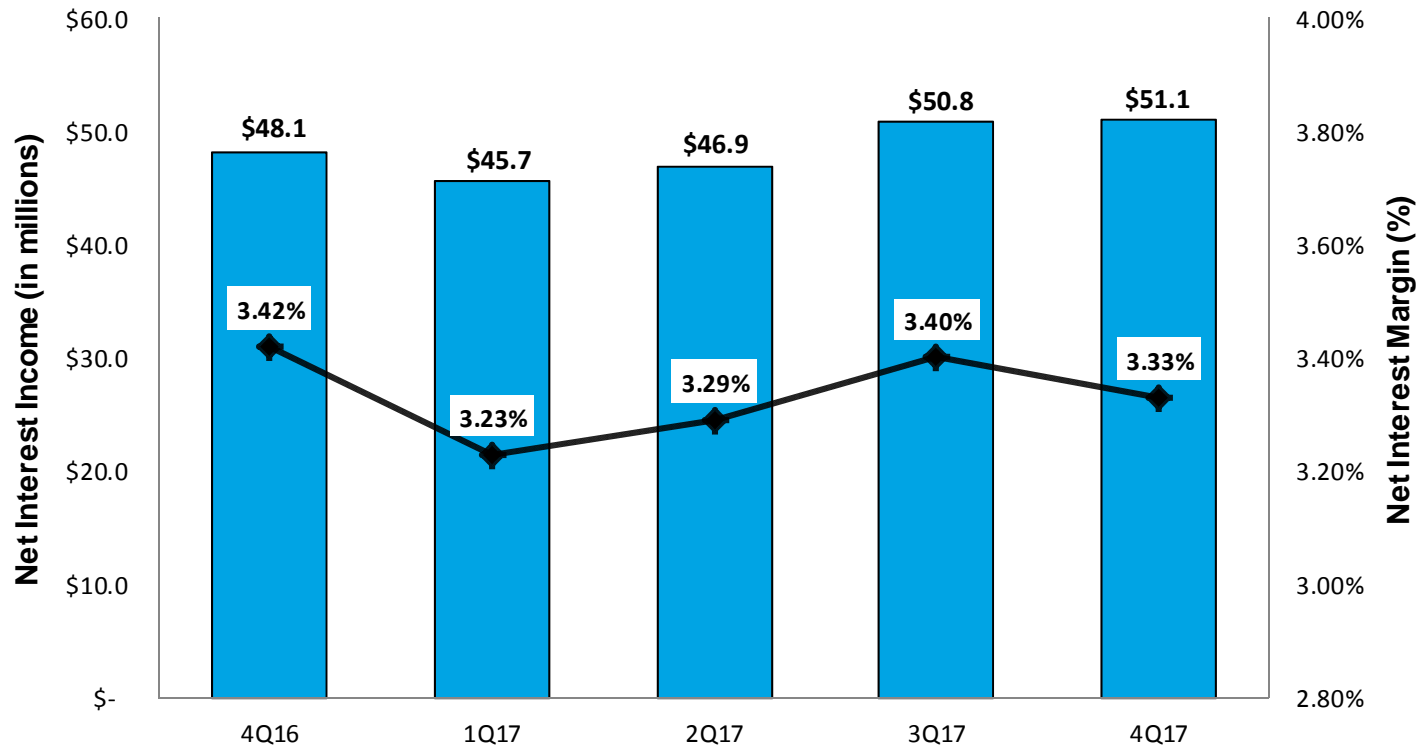
# Results of Operations

(\$ in thousands)	For the three months ended		For the twelve months ended	
	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016
Net interest income	\$ 51,079	\$ 48,074	\$ 194,438	\$ 180,049
Provision for credit losses	-	350	750	4,100
Noninterest income	72,801	73,221	312,154	359,150
Noninterest expense	106,838	117,539	439,653	444,322
Net income before taxes	17,042	3,406	66,189	90,777
Income taxes	(17,873)	1,112	(2,757)	32,626
Net income	\$ 34,915	\$ 2,294	\$ 68,946	\$ 58,151
Diluted EPS	\$ 1.29	\$ 0.09	\$ 2.54	\$ 2.34
Core net income <sup>(1)</sup>	\$ 11,467	\$ 2,555	\$ 48,429	\$ 62,789
Core EPS <sup>(1)</sup>	\$ 0.42	\$ 0.10	\$ 1.79	\$ 2.53
Tangible BV/share <sup>(2)</sup>	\$ 25.09	\$ 22.33	\$ 25.09	\$ 22.33
Core ROAA <sup>(1)</sup>	0.67%	0.16%	0.73%	1.09%
Core ROAE <sup>(1)</sup>	6.54%	1.67%	7.17%	11.09%
Core ROATE <sup>(1)</sup>	6.83%	1.74%	7.50%	11.68%
Net Interest Margin	3.33%	3.42%	3.31%	3.45%
Core efficiency ratio <sup>(1)</sup>	86.4%	96.6%	85.9%	81.1%
Tier 1 Leverage Ratio (Bank)	9.67%	10.26%	9.67%	10.26%
Total Risk-Based Capital (Bank)	14.07%	14.69%	14.07%	14.69%

<sup>(1)</sup> Excludes impact of income tax reform-related benefit and restructuring and acquisition-related expenses, net of tax. See appendix for reconciliation of non-GAAP financial measures.

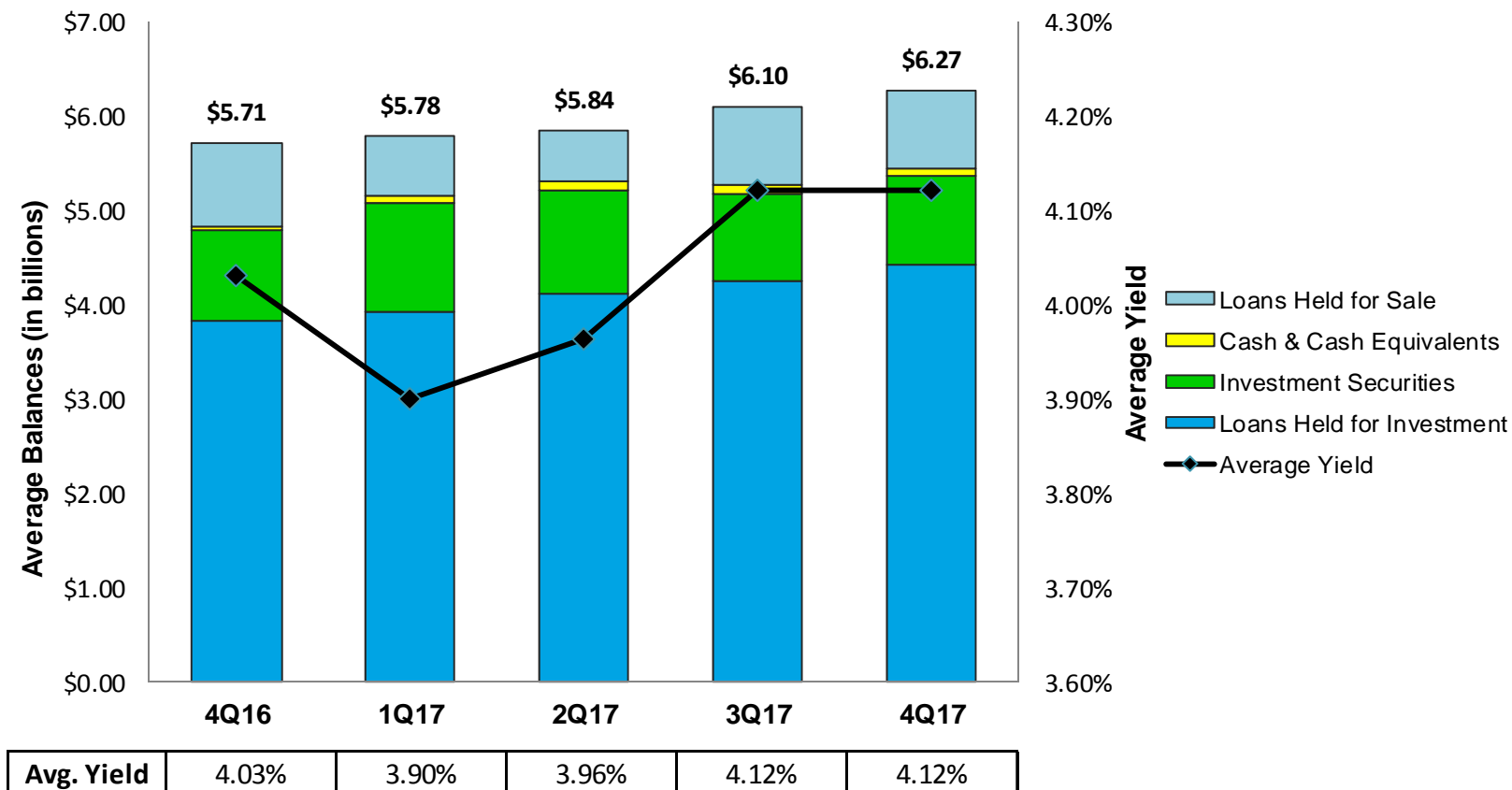
<sup>(2)</sup> See appendix for reconciliation of non-GAAP financial measures.

# Net Interest Income & Margin



- 4Q17 Net Interest Margin declined 7 bps and net interest income increased \$0.3 million compared to the prior quarter
- Net interest income growth primarily due to growth in average loans held for investment balances
- NIM contracted primarily due to changes in the composition and cost of interest-bearing liabilities – primarily higher rates on FHLB borrowings

# Interest-Earning Assets

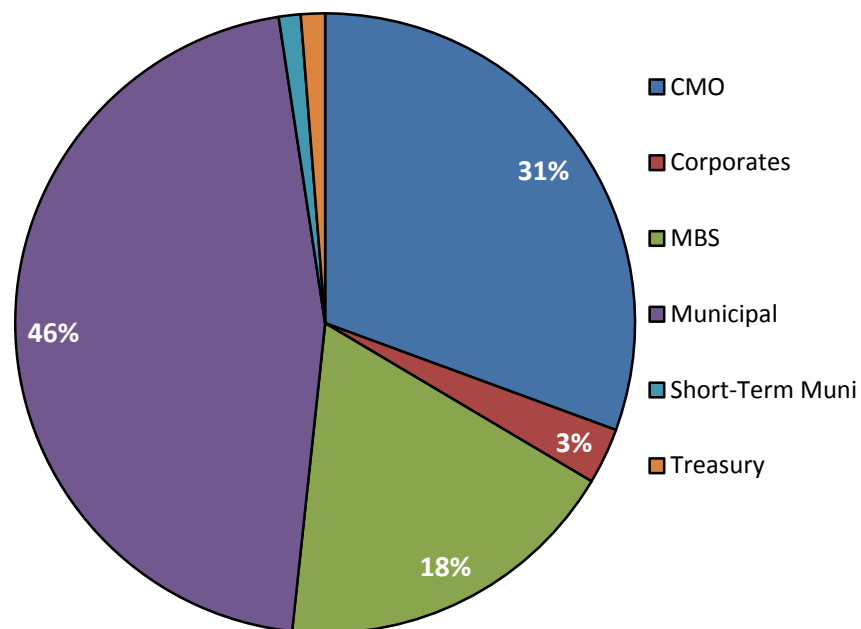


- Average total interest-earning assets increased \$172 million or 3% in 4Q
- Loans held for investment ending balances increased \$193 million or 4% during the quarter

# HomeStreet Available for Sale Portfolio

As of 12/31/2017	2017 YTD Total Return <sup>(1)</sup>	Yield <sup>(2)</sup>	Duration <sup>(2)</sup>
HomeStreet Investment Portfolio	3.97	3.21	5.11
Composition Adjusted Barclays US Aggregate Index <sup>(3)</sup>	3.91	3.08	4.96

## Investment portfolio composition as of 12/31/2017



- AFS Investment security portfolio market value is \$846m
- The investment portfolio has an average credit rating of Aa2

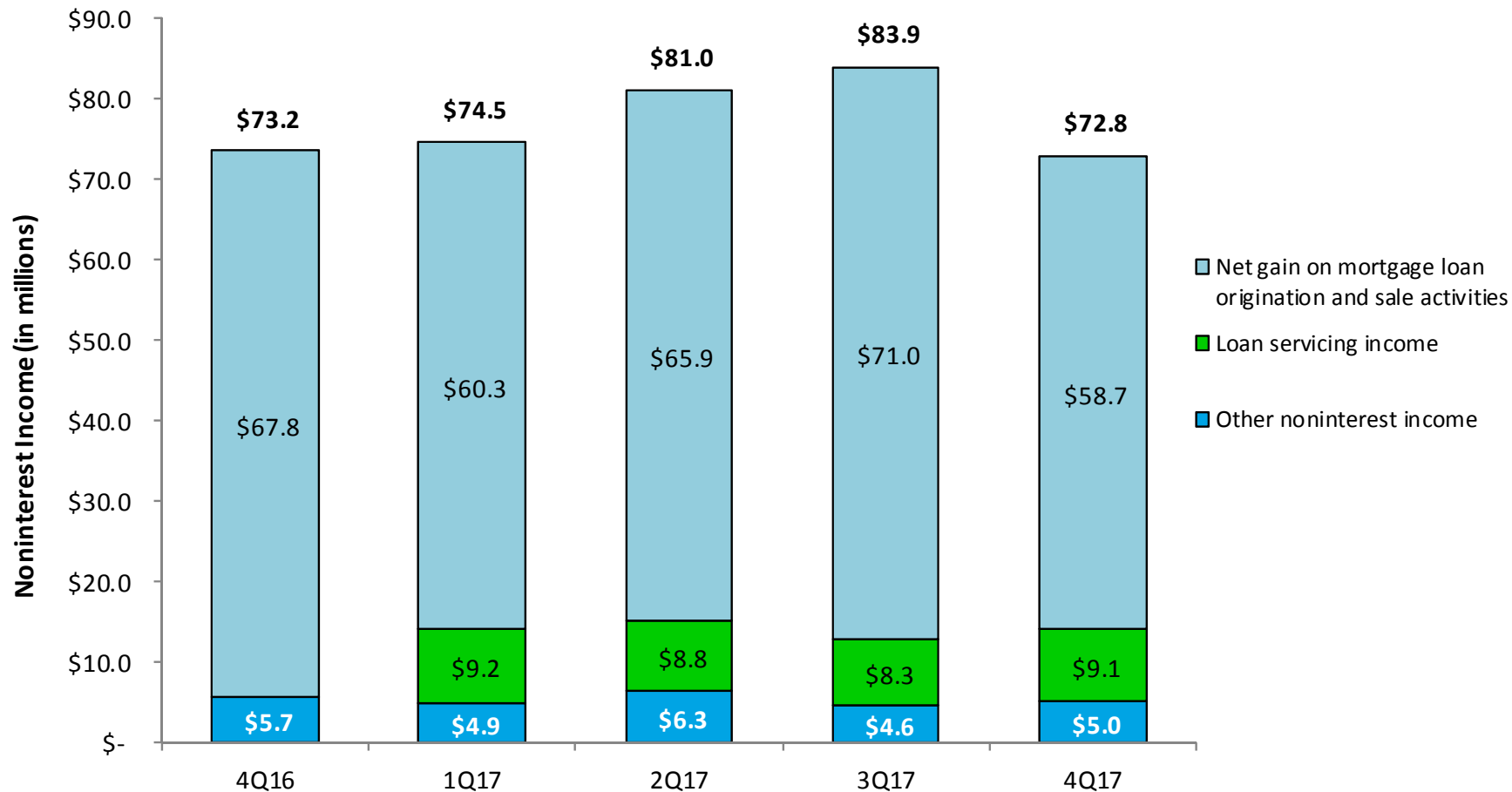
HMST performance data: Bloomberg PORT+

<sup>(1)</sup> As of December 31, 2017

<sup>(2)</sup> Yield and duration include FTE adjustment. Yields are at current market prices, not book. Duration adjusted using 35% effective tax rate

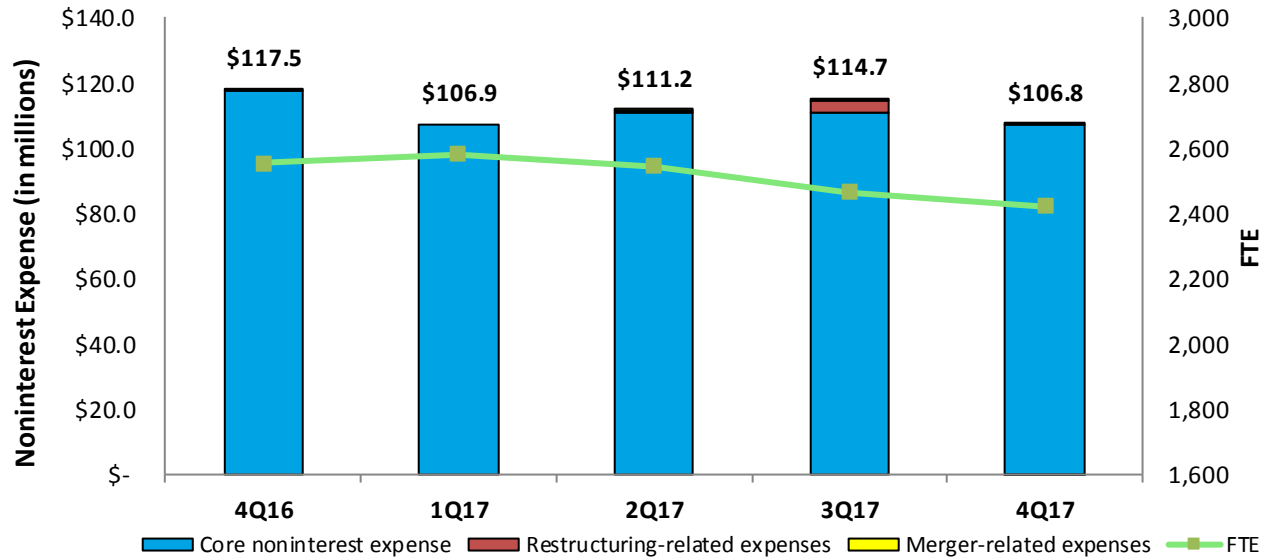
<sup>(3)</sup> Barclays US Aggregate Index Adjusted to reflect HMST portfolio composition

# Noninterest Income



- Noninterest income decreased 13% to \$72.8 million in 4Q primarily due to lower net gain on loan origination and sale activities related to a decline in single family rate lock volume
- Net gain on loan origination and sale activities decreased \$12.3 million primarily due to 18% lower single family rate lock volume

# Noninterest Expense



<b>Total noninterest expense</b>	<b>\$117.5</b>	<b>\$106.9</b>	<b>\$111.2</b>	<b>\$114.7</b>	<b>\$106.8</b>
Restructuring-related expenses	\$0.0	\$0.0	\$0.1	\$3.9	(\$0.3)
Merger-related expenses	\$0.4	\$0.0	\$0.2	\$0.4	\$0.1
<b>Core noninterest expense <sup>(1)</sup></b>	<b>\$117.1</b>	<b>\$106.9</b>	<b>\$111.0</b>	<b>\$110.5</b>	<b>\$107.0</b>
Core salaries & related costs <sup>(1)</sup>	\$81.7	\$71.3	\$76.3	\$74.8	\$70.8
Core general & administrative <sup>(1)</sup>	\$15.9	\$17.1	\$15.9	\$16.1	\$15.9
Core other noninterest expense <sup>(1)</sup>	\$19.5	\$18.5	\$18.8	\$19.6	\$20.3
<b>FTE</b>	<b>2,552</b>	<b>2,581</b>	<b>2,542</b>	<b>2,463</b>	<b>2,419</b>
Core efficiency ratio <sup>(1)</sup>	96.6%	89.0%	86.8%	82.0%	86.4%

- Excluding restructuring and acquisition-related expenses, core noninterest expense declined \$3.5 million in 4Q, primarily due to decreased commissions resulting from lower closed loan volume and cost savings related to restructuring plans implemented in 2Q and 3Q
- Noninterest expense will continue to vary primarily based on headcount and mortgage origination volume

# **Commercial & Consumer Banking**

# Commercial & Consumer Banking Segment Overview

## Overview

- Commercial Banking
  - Commercial lending, including SBA
  - All CRE property types with multifamily focus
  - FNMA DUS lender / servicer
  - Residential and commercial construction
  - Commercial deposit, treasury and cash management services
- Consumer Banking
  - Consumer loan and deposit products
  - Consumer investment, insurance and private banking products and services

## Strategic Objectives

- Strategic focus on major coastal markets of Western U.S
- Diversify and grow loan portfolio average of 2-4% per quarter<sup>(1)</sup>
- Manage revenue growth to exceed non-interest expense growth, creating operating leverage
- Credit strategy of generally competing on price and not on credit terms
- Manage credit risk by monitoring portfolio and geographic early warning indicators
- Long-term efficiency ratio target of <65%
- Long-term targeted ROE > 10%



# Commercial & Consumer Banking Segment

(\$ in thousands)	For the three months ended		For the twelve months ended	
	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016
Net interest income	\$ 45,876	\$ 40,637	\$ 174,542	\$ 154,015
Provision for credit losses	-	350	750	4,100
Noninterest income	12,697	13,087	42,360	35,682
Noninterest expense	38,716	35,482	148,976	138,386
Net income before taxes	19,857	17,892	67,176	47,211
Income taxes	10,496	5,846	25,114	16,412
Net income	\$ 9,361	\$ 12,046	\$ 42,062	\$ 30,799
Core net income <sup>(1)</sup>	\$ 13,568	\$ 12,307	\$ 46,612	\$ 35,438
Core ROAA <sup>(1)</sup>	0.91%	0.95%	0.82%	0.74%
Core ROAE <sup>(1)</sup>	9.55%	9.89%	8.65%	7.64%
Core ROATE <sup>(1)</sup>	10.08%	10.54%	9.16%	8.14%
Core efficiency ratio <sup>(1)</sup>	66.0%	65.3%	68.4%	69.2%
Net Interest Margin	3.26%	3.37%	3.25%	3.42%
Total average earning assets	\$5,492,058	\$4,832,575	\$ 5,281,784	\$ 4,535,603
FTE	1,068	998	1,068	998

<sup>(1)</sup> Excludes impact of income tax reform-related expense and acquisition-related expenses, net of tax. See appendix for reconciliation of non-GAAP financial measures.

# Commercial & Consumer Banking Segment – Quarter Trend

(\$ in thousands)	For the three months ended				
	Dec. 31, 2017	Sept. 30, 2017	Jun. 30, 2017	Mar. 31, 2017	Dec. 31, 2016
Net interest income	\$ 45,876	\$ 45,314	\$ 42,448	\$ 40,904	\$ 40,637
Provision for credit losses	-	250	500	-	350
Noninterest income	12,697	11,962	8,276	9,425	13,087
Noninterest expense	38,716	37,160	36,631	36,470	35,482
Net income before taxes	19,857	19,866	13,593	13,859	17,892
Income taxes	10,496	5,904	4,147	4,567	5,846
Net income	\$ 9,361	\$ 13,962	\$ 9,446	\$ 9,292	\$ 12,046
Core net income <sup>(1)</sup>	\$ 13,568	\$ 14,191	\$ 9,561	\$ 9,292	\$ 12,307
Core ROAA <sup>(1)</sup>	0.91%	1.00%	0.69%	0.69%	0.95%
Core ROAE <sup>(1)</sup>	9.55%	10.35%	7.16%	7.38%	9.89%
Core ROATE <sup>(1)</sup>	10.08%	10.94%	7.59%	7.85%	10.54%
Core efficiency ratio <sup>(1)</sup>	66.0%	64.3%	71.9%	72.5%	65.3%
Net Interest Margin	3.26%	3.33%	3.22%	3.19%	3.37%
Total average earning assets	\$5,492,058	\$5,305,367	\$5,229,120	\$5,095,982	\$4,832,575
FTE	1,068	1,071	1,055	1,022	998

# Loan Production/Loan Balance Trend

## Commitments

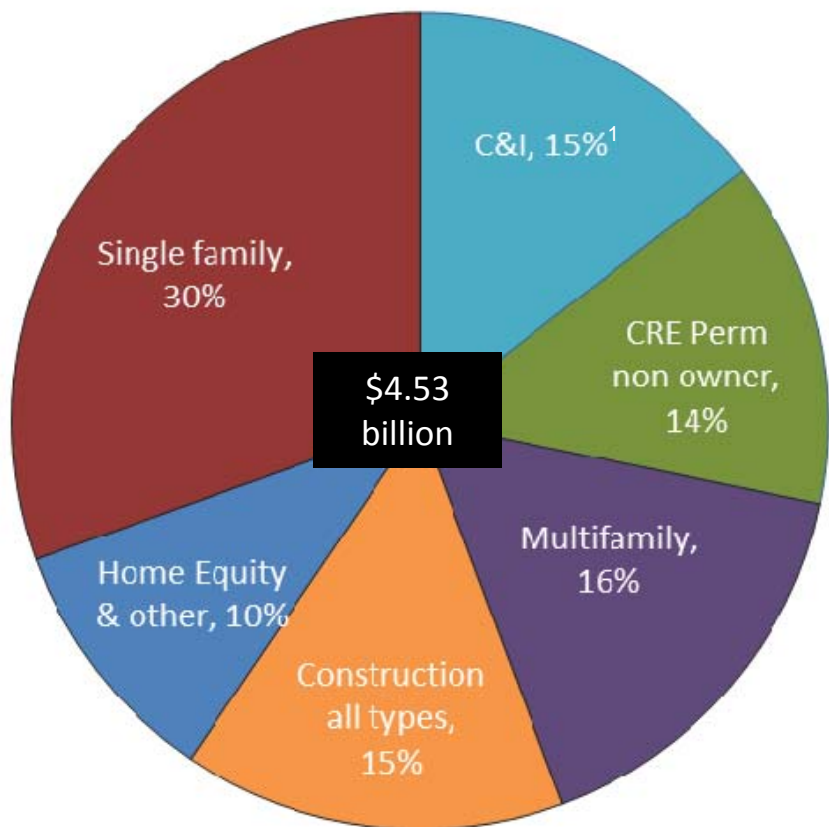
(\$ in millions)	Dec. 31, 2017		Sept. 30, 2017		Jun. 30, 2017		Mar. 31, 2017		Dec. 31, 2016	
Single Family	\$207	28%	\$188	23%	\$143	18%	\$75	14%	\$55	8%
Single Family Custom Home Construction	\$53	7%	\$61	8%	\$63	8%	\$48	9%	\$58	8%
Home Equity and other	\$98	13%	\$81	10%	\$92	11%	\$80	15%	\$68	10%
Total Consumer Loans	\$358	48%	\$330	41%	\$298	37%	\$203	37%	\$181	26%
Non-owner occupied commercial real estate	\$45	6%	\$54	7%	\$80	10%	\$29	5%	\$79	11%
Multifamily	\$55	7%	\$122	15%	\$122	15%	\$107	20%	\$140	20%
Residential Construction	\$167	23%	\$167	21%	\$154	19%	\$133	24%	\$132	19%
Commercial Real Estate/Multifamily Construction	\$64	8%	\$72	9%	\$65	8%	\$21	4%	\$95	13%
Total Commercial Real Estate Loans <sup>(1)</sup>	\$331	44%	\$415	52%	\$421	52%	\$291	53%	\$447	63%
Owner occupied commercial real estate	\$29	4%	\$31	4%	\$27	3%	\$22	4%	\$47	7%
Commercial business	\$28	4%	\$29	4%	\$62	8%	\$28	5%	\$29	4%
Total Commercial and Industrial Loans	\$57	8%	\$60	7%	\$89	11%	\$50	9%	\$76	11%
Total	\$746	100%	\$805	100%	\$808	100%	\$544	100%	\$704	100%

## Balances

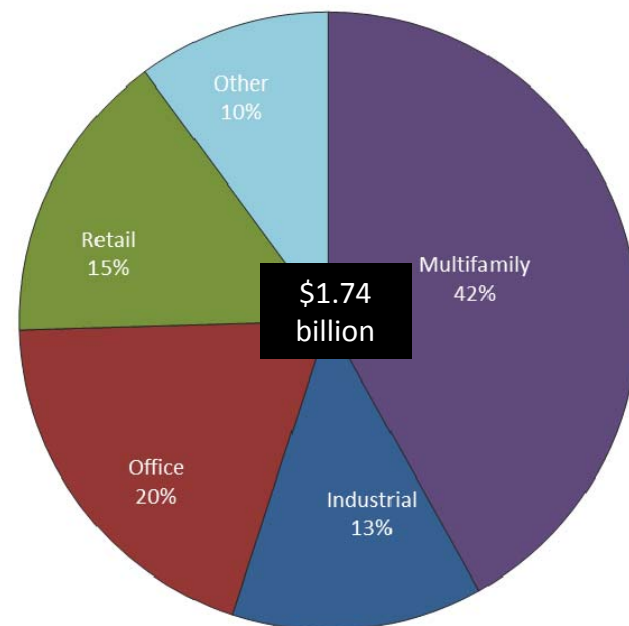
(\$ in millions)	Dec. 31, 2017		Sept. 30, 2017		Jun. 30, 2017		Mar. 31, 2017		Dec. 31, 2016	
Single Family	\$1,381	30%	\$1,269	29%	\$1,148	27%	\$1,100	28%	\$1,083	28%
Single Family Custom Home Construction	\$145	3%	\$138	3%	\$149	4%	\$134	3%	\$150	4%
Home Equity and other	\$454	10%	\$437	10%	\$414	10%	\$381	10%	\$360	9%
Total Consumer Loans	\$1,980	43%	\$1,844	42%	\$1,711	41%	\$1,615	41%	\$1,593	41%
Non-owner occupied commercial real estate	\$623	14%	\$651	15%	\$617	15%	\$600	15%	\$588	15%
Multifamily	\$728	16%	\$747	17%	\$781	19%	\$748	19%	\$674	18%
Residential Construction	\$310	7%	\$285	7%	\$281	7%	\$263	7%	\$259	7%
Commercial Real Estate/Multifamily Construction	\$232	5%	\$231	5%	\$219	5%	\$214	5%	\$228	6%
Total Commercial Real Estate Loans	\$1,893	42%	\$1,914	44%	\$1,898	45%	\$1,825	46%	\$1,749	45%
Owner occupied commercial real estate	\$392	9%	\$335	8%	\$325	8%	\$323	8%	\$283	7%
Commercial business	\$265	6%	\$246	6%	\$249	6%	\$223	6%	\$224	6%
Total Commercial and Industrial Loans	\$657	15%	\$581	14%	\$574	14%	\$546	14%	\$507	13%
Total Loans Held for Investment (before Deferred Fees and Allowance)	\$4,530	100%	\$4,339	100%	\$4,183	100%	\$3,986	100%	\$3,849	100%

# Loan Portfolio

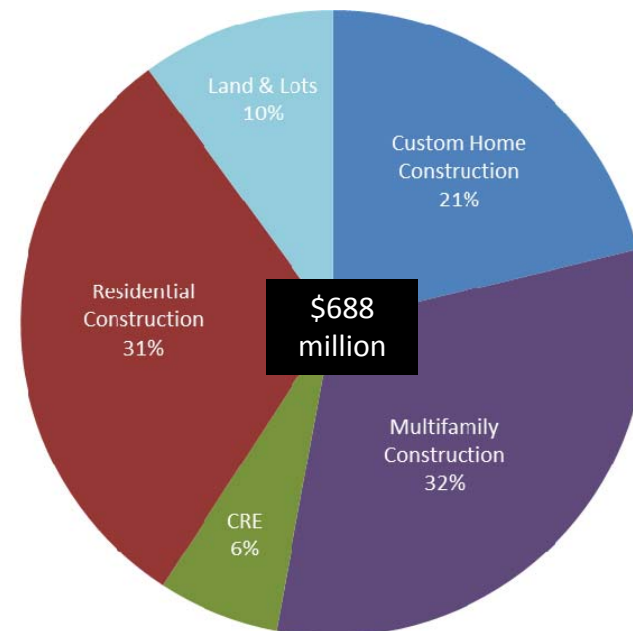
Highly diversified loan portfolio by product and geography



CRE by property type



Construction by property type



# 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>• Up To 30 Year Term</li> <li>• \$30MM Loan Amt. Max</li> <li>• <math>\geq 1.15</math> DSCR</li> <li>• Avg. LTV @ Orig. ~ 61%</li> </ul>	<ul style="list-style-type: none"> <li>• Up To 15 Year Term</li> <li>• \$30MM Loan Amt. Max</li> <li>• <math>\geq 1.25</math> DSCR</li> <li>• Avg. LTV @ Orig. ~ 68%</li> </ul>	<ul style="list-style-type: none"> <li>• Up To 15 Year Term</li> <li>• \$30MM Loan Amt. Max</li> <li>• <math>\geq 1.25</math> DSCR</li> <li>• Avg. LTV @ Orig. ~ 68%</li> </ul>	<ul style="list-style-type: none"> <li>• Up To 15 Year Term</li> <li>• \$30MM Loan Amt. Max</li> <li>• <math>\geq 1.25</math> 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>	
12/31/17 Balances Outstanding totaling \$1.74 billion					
Balance: \$727M % of Balances: 42% Portfolio Avg. LTV ~ 55% <sup>(1)</sup> Portfolio Avg. DSCR ~ 1.53x Avg. Loan Size: \$3.5M Largest Dollar Loan: \$26.0M	Balance: \$229M % of Balances: 13% % Owner Occupied: 51% Portfolio LTV ~ 56% <sup>(1)</sup> Portfolio Avg. DSCR ~ 1.61x Avg. Loan Size: \$1.3M Largest Dollar Loan: \$12.1M	Balance: \$340M % of Balances: 20% % Owner Occupied: 25% Portfolio LTV ~ 59% <sup>(1)</sup> Portfolio Avg. DSCR ~ 1.73x Avg. Loan Size: \$3.9M Largest Dollar Loan: \$25.3M	Balance: \$268M % of Balances: 15% % Owner Occupied: 24% Portfolio LTV ~ 52% <sup>(1)</sup> Portfolio Avg. DSCR ~ 1.73x Avg. Loan Size: \$3.8M Largest Dollar Loan: \$19.4M	Balance: \$179M % of Balances: 10% % Owner Occupied: 25% Portfolio LTV ~ 45% <sup>(1)</sup> Portfolio Avg. DSCR ~ 1.77x Avg. Loan Size: \$2.7M Largest Dollar Loan: \$27.3M	
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 ~ 65%</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 ~ 66%</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>
12/31/17 Balances and Commitments totaling \$688 million				
Balance: \$145M Unfunded Commitments: \$126M % of Balances: 21% % of Unfunded Commitments: 18% Avg. Loan Size: \$481K Largest Dollar Loan: \$2.3M	Balance: \$218M Unfunded Commitments: \$214M % of Balances: 32% % of Unfunded Commitments: 30% Avg. Loan Size: \$3.5M Largest Dollar Loan: \$23.4M	Balance: \$40M Unfunded Commitments: \$76M % of Balances: 6% % of Unfunded Commitments: 11% Avg. Loan Size: \$9.7M Largest Dollar Loan: \$14.5M	Balance: \$212M Unfunded Commitments: \$273M % of Balances: 31% % of Unfunded Commitments: 39% Avg. Loan Size: \$634K Largest Dollar Loan: \$6.2M	Balance: \$72M Unfunded Commitments: \$18M % of Balances: 10% % of Commitments: 3% Avg. Loan Size: \$1.4M Largest Dollar Loan: \$4.3M
Geographical Distribution (balances)				

# Credit Quality

(\$ in thousands)	Dec. 31, 2017		Sept. 30, 2017		Jun. 30, 2017		Mar. 31, 2017		Dec. 31, 2016	
	HMST	Peer Mdn <sup>(5)</sup>	HMST	Peer Mdn <sup>(5)</sup>	HMST	Peer Mdn <sup>(5)</sup>	HMST	Peer Mdn <sup>(5)</sup>	HMST	Peer Mdn <sup>(5)</sup>
Nonperforming assets <sup>(1)</sup>	\$15,705	--	\$18,827	--	\$20,073	--	\$24,322	--	\$25,785	--
Nonperforming loans	\$15,041	--	\$15,123	--	\$15,476	--	\$18,676	--	\$20,542	--
OREO	\$664	--	\$3,704	--	\$4,597	--	\$5,646	--	\$5,243	--
Nonperforming assets/total assets <sup>(1)</sup>	0.23%	<sup>(3)</sup>	0.28%	0.32%	0.30%	0.33%	0.38%	0.31%	0.41%	0.35%
Nonperforming loans/total loans	0.33%	<sup>(3)</sup>	0.35%	0.37%	0.37%	0.33%	0.47%	0.28%	0.53%	0.35%
Total delinquencies/total loans	1.52%	<sup>(3)</sup>	1.60%	0.67%	1.56%	0.69%	1.67%	0.67%	1.88%	0.74%
Total delinquencies/total loans - adjusted <sup>(2)</sup>	0.37%	<sup>(3)</sup>	0.44%	0.61%	0.45%	0.67%	0.50%	0.67%	0.58%	0.74%
ALLL / total loans	0.83%	<sup>(3)</sup>	0.85%	1.08%	0.86%	1.09%	0.87%	1.19%	0.88%	1.20%
ALLL / Nonperforming loans (NPLs)	251.63%	<sup>(3)</sup>	245.02%	263.34%	233.50%	277.19%	185.99%	345.22%	165.52%	334.43%
ALLL / total loans, excluding purchased loans	0.90%	--	0.93%	--	0.95%	--	0.97%	--	1.00%	--
Purchased Discount & Reserves/Gross Purchased Loans <sup>(4)</sup>	2.87%	--	2.98%	--	3.03%	--	2.93%	--	2.96%	--

- Credit Quality continues to reflect excellent loan quality:
  - Nonperforming assets declined to 0.23% of total assets compared to 0.28% in 3Q17
  - Nonperforming loans declined to \$15.0 million compared to \$15.1 million in 3Q17
  - OREO balances decreased to \$0.7 million compared to \$3.7 million in 3Q17
  - Total delinquencies (adjusted<sup>2</sup>) declined to 0.37% compared to 0.44% in 3Q17

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

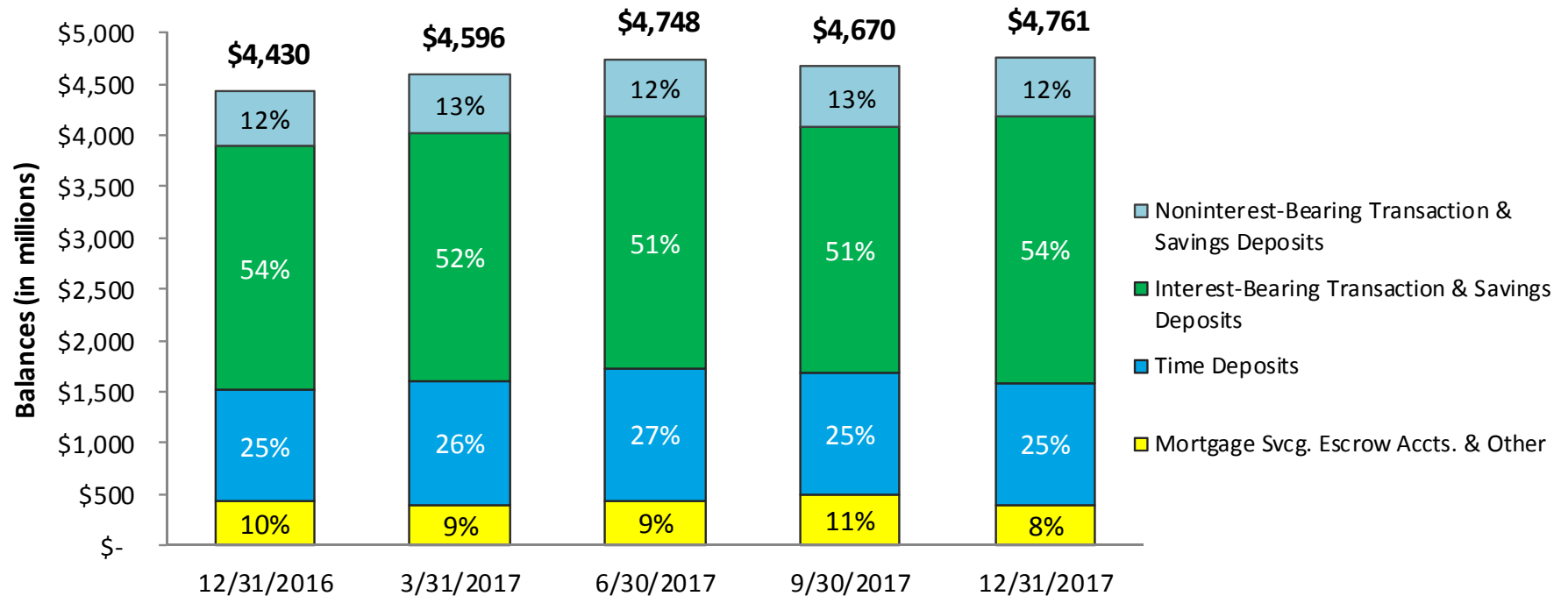
<sup>(2)</sup> Total delinquencies and total loans - adjusted (net of Ginnie Mae EBO loans (FHA/VA loans) and guaranteed portion of SBA loans)

<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

<sup>(5)</sup> Credit peer group selected in consultation with our regulators comprising banks with similar loan portfolio characteristics

# Deposits



Total Cost of Deposits	12/31/2016	3/31/2017	6/30/2017	9/30/2017	12/31/2017
	0.51%	0.52%	0.52%	0.53%	0.57%

- Total deposits of \$4.76 billion at December 31, 2017 increased \$90 million or 2% from September 30, 2017 and increased \$331 million or 7% from December 31, 2016
- Transaction and savings accounts increased 6% from the prior quarter, primarily due to growth in business money market deposit balances
- Deposit growth during the quarter of 6% in our de novo branches, those opened within five years. Opened 19 branches, or 32% of our total network, since 2012





**Mortgage Banking**

# Mortgage Banking Segment Overview

## Overview

- Regional Single Family mortgage origination and servicing platform
- Retail origination platform
- Majority of production sold into secondary market
- Fannie Mae, Freddie Mac, FHA, VA lender since programs' inceptions
- Portfolio products: jumbo, HELOC and custom home construction
- Servicing retained on majority of originated loans sold to secondary markets
- Optimize existing investment in infrastructure and personnel

## Strategic Objectives

- Optimize operations and origination capacity to match market conditions
- Leverage new loan origination system to drive operational efficiency, provide stronger compliance management controls and improve customer service
- Use retail focus, broad product mix, technology, and competitive pricing to increase market share
- Long-term efficiency ratio target of <85%
- Long-term targeted ROE of >20%

# Mortgage Banking Segment

(\$ in thousands)	For the three months ended		For the twelve months ended	
	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016
Net interest income	\$ 5,203	\$ 7,437	\$ 19,896	\$ 26,034
Noninterest income	60,104	60,134	269,794	323,468
Noninterest expense	68,122	82,057	290,676	305,937
Net income (loss) before taxes	(2,815)	(14,486)	(986)	43,565
Income taxes	(28,369)	(4,734)	(27,871)	16,214
Net income (loss)	\$ 25,554	\$ (9,752)	\$ 26,885	\$ 27,351
Core net income (loss) <sup>(1)</sup>	\$ (2,101)	\$ (9,752)	\$ 1,817	\$ 27,351
Core ROAA <sup>(1)</sup>	(0.84)%	(3.55)%	0.20%	2.79%
Core ROATE <sup>(1)</sup>	(5.88)%	(31.91)%	1.31%	26.78%
Core efficiency ratio <sup>(1)</sup>	104.7%	121.4%	99.1%	87.5%
FTE	1,351	1,554	1,351	1,554

<sup>(1)</sup> Excludes impact of income tax reform-related benefit and restructuring-related expenses, net of tax. See appendix for reconciliation of non-GAAP financial measures.

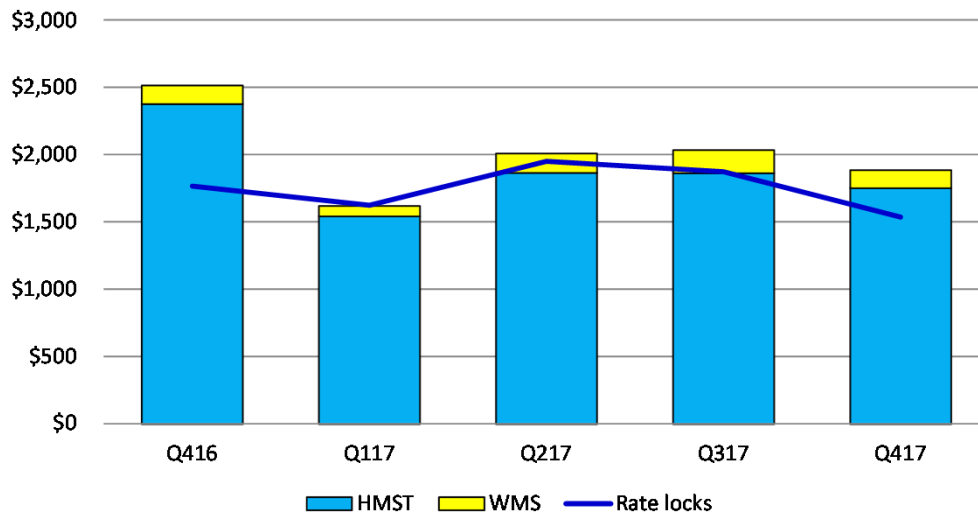
# Mortgage Banking Segment – Quarter Trend

(\$ in thousands)	For the three months ended				
	Dec. 31, 2017	Sept. 30, 2017	Jun. 30, 2017	Mar. 31, 2017	Dec. 31, 2016
Net interest income	\$ 5,203	\$ 5,526	\$ 4,420	\$ 4,747	\$ 7,437
Noninterest income	60,104	71,922	72,732	65,036	60,134
Noninterest expense	68,122	77,537	74,613	70,404	82,057
Net income (loss) before taxes	(2,815)	(89)	2,539	(621)	(14,486)
Income taxes	(28,369)	34	776	(312)	(4,734)
Net income (loss)	\$ 25,554	\$ (123)	\$ 1,763	\$ (309)	\$ (9,752)
Core net income (loss) <sup>(1)</sup>	\$ (2,101)	\$ 2,397	\$ 1,830	\$ (309)	\$ (9,752)
Core ROAA <sup>(1)</sup>	(0.84)%	0.92%	0.83%	(0.14)%	(3.55)%
Core ROATE <sup>(1)</sup>	(5.88)%	6.82%	5.52%	(0.90)%	(31.91)%
Core efficiency ratio <sup>(1)</sup>	104.7%	95.1%	96.6%	100.9%	121.4%
FTE	1,351	1,392	1,487	1,558	1,554

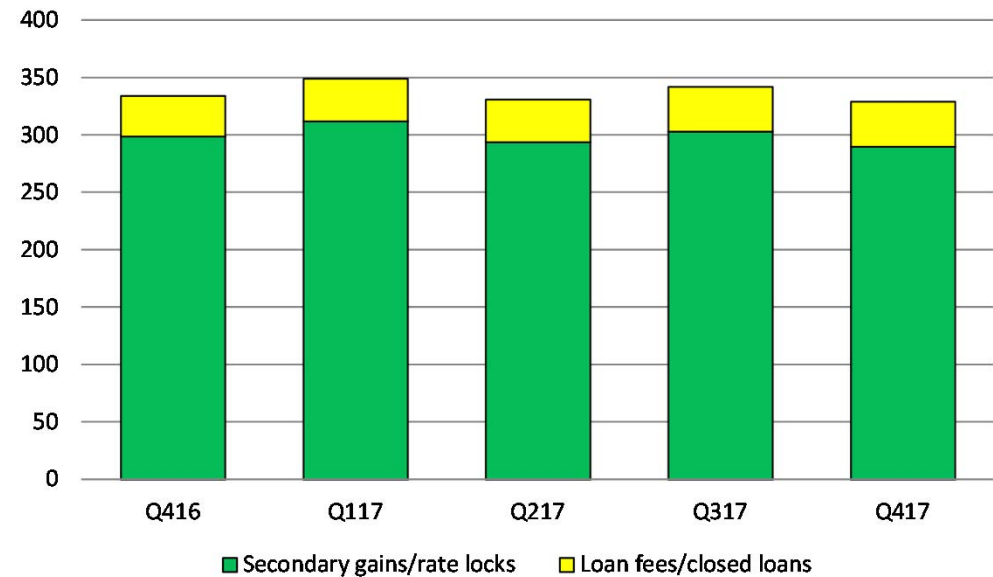
<sup>(1)</sup> Excludes impact of income tax reform-related benefit and restructuring-related expenses, net of tax. See appendix for reconciliation of non-GAAP financial measures.

# Mortgage Origination

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



**Single Family Composite Margin**  
(bps)



	Q416	Q117	Q217	Q317	Q417
HMST	\$2,377	\$1,544	\$1,866	\$1,863	\$1,753
WMS	\$138	\$77	\$145	\$172	\$134
Closed Loans	\$2,515	\$1,621	\$2,011	\$2,035	\$1,887
Purchase %	57%	67%	78%	77%	68%
Refinance %	43%	33%	22%	23%	32%
Rate locks	\$1,766	\$1,623	\$1,950	\$1,873	\$1,535
Purchase %	63%	73%	77%	71%	68%
Refinance %	37%	27%	23%	29%	32%

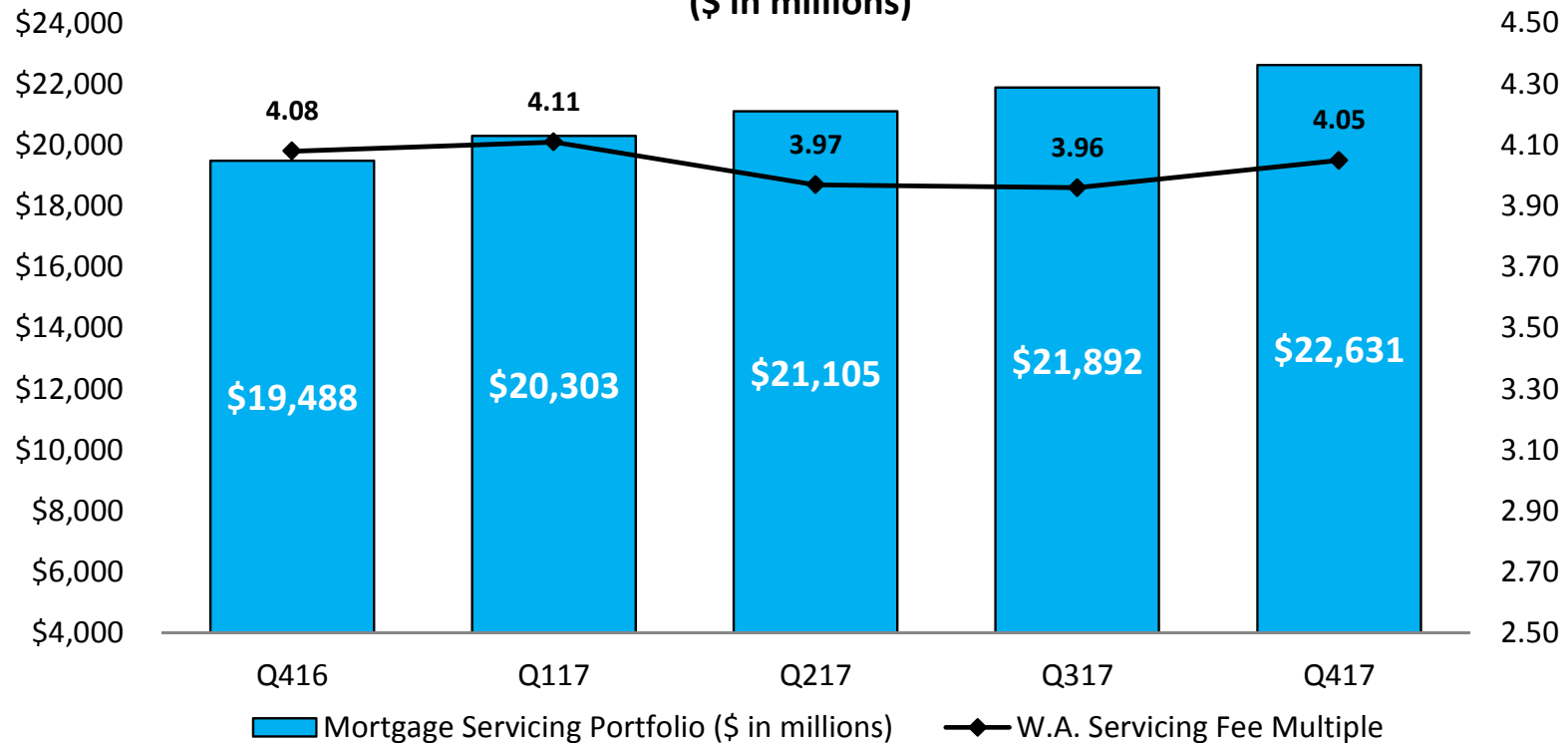
	Q416	Q117	Q217	Q317	Q417
Secondary gains/rate locks <sup>(1)</sup>	299	312	294	303	290
Loan fees/closed loans <sup>(2)</sup>	35	37	37	39	39
Composite Margin	334	349	331	342	329

<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, 2017

- Constant Prepayment Rate (CPR) – 13.5% for Q4 2017
- W.A. servicing fee – 28.2 bps
- MSR's represent 1.14% of ending UPB – 4.05 W.A. servicing fee multiple
- W.A. age – 29.2 months
- W.A. expected life – 70.9 months as of 12/31/17
- Composition of government – 24.4%
- Total delinquency – 1.4% (including foreclosures)
- W.A. note rate – 4.00%

# Mortgage Market & Competitive Landscape

## Mortgage Market

- Despite the recent increase in mortgage rates, rates remain historically low on an absolute basis
- The most recent Mortgage Bankers Association monthly forecast projects total loan originations to decrease 5.91% in 2018 over last year, and then increase 2.24% in 2019.
- Low rates should continue to support housing affordability. Nationally, purchases are expected to increase by 6.58% from 2017 and comprise 74% of volume in 2018.
- Purchases comprised 63% of originations nationally and 54% in the Pacific Northwest in the fourth quarter. HomeStreet continues to perform above the national and regional averages, with purchases accounting for 68% of our closed loans and interest rate lock commitments in the quarter.

## Competitive Landscape

- HomeStreet maintained its position as the number one loan originator by volume of purchase mortgages in the Puget Sound region, and increased market share to number one for total originations in the same areas.
- Purchase demand continues to remain strong in many of our markets, however limited inventory continues to be a significant constraining issue. Months supply of inventory and time on the market are both down significantly in most of our major markets.
- New home construction in our markets is constrained by the geography of the West Coast and the lingering effects of the last recession.



# Outlook





# Outlook

## Revenue Growth Outpacing Expense Growth, Driving Operating Efficiencies and Strong Returns

- Locations in the high-growth markets of the Western United States and Hawaii
- Above average loan growth while containing credit risk
- Grow core, relationship-based deposits
- Optimizing existing investment in Mortgage Banking segment

## Key Drivers Guidance

Metric	1Q18	2Q18	2018
Mortgage loan locks and forward sale commitments	\$1.7B	\$2.1B	\$7.2B
Mortgage loan held for sale closing volume	\$1.5B	\$2.1B	\$7.4B
Mortgage banking gain on sale composite margin	315-325 bps	315-325 bps	315-325 bps
Average quarterly net loan portfolio growth	2% - 4%	2% - 4%	2% - 4%
Net interest margin	3.25% - 3.35%	3.25% - 3.35%	3.30% - 3.40%
Average noninterest expense growth <sup>(1)</sup>	(1%)	5% - 8%	1.0%

# [ Appendix ]

# Statements of Financial Condition

(\$ in thousands)	Dec. 31, 2017	Sept. 30, 2017	Jun. 30, 2017	Mar. 31, 2017	Dec. 31, 2016
Cash and cash equivalents	\$ 72,718	\$ 55,050	\$ 54,447	\$ 61,492	\$ 53,932
Investment securities	904,304	919,459	936,522	1,185,654	1,043,851
Loans held for sale	610,902	851,126	784,556	537,959	714,559
Loans held for investment, net	4,506,466	4,313,225	4,156,424	3,957,959	3,819,027
Mortgage servicing rights	284,653	268,072	258,222	257,421	245,860
Other real estate owned	664	3,704	4,597	5,646	5,243
Federal Home Loan Bank stock, at cost	46,639	52,486	41,769	41,656	40,347
Premises and equipment, net	104,654	104,389	101,797	97,349	77,636
Goodwill	22,564	22,564	22,175	22,175	22,175
Other assets	188,477	206,271	226,048	233,832	221,070
Total assets	<u>\$ 6,742,041</u>	<u>\$ 6,796,346</u>	<u>\$ 6,586,557</u>	<u>\$ 6,401,143</u>	<u>\$ 6,243,700</u>
Deposits	\$ 4,760,952	\$ 4,670,486	\$ 4,747,771	\$ 4,595,809	\$ 4,429,701
Federal Home Loan Bank advances	979,201	1,135,245	867,290	862,335	868,379
Accounts payable and other liabilities	172,234	193,866	190,421	176,891	191,189
Long-term debt	125,274	125,280	125,234	125,189	125,147
Total liabilities	<u>6,037,661</u>	<u>6,124,877</u>	<u>5,930,716</u>	<u>5,760,224</u>	<u>5,614,416</u>
Preferred stock	-	-	-	-	-
Common stock	511	511	511	511	511
Additional paid-in capital	339,009	338,283	337,515	336,875	336,149
Retained earnings	371,982	337,067	323,228	312,019	303,036
Accumulated other comprehensive income (loss)	(7,122)	(4,392)	(5,413)	(8,486)	(10,412)
Total shareholders' equity	<u>704,380</u>	<u>671,469</u>	<u>655,841</u>	<u>640,919</u>	<u>629,284</u>
Total liabilities and shareholders' equity	<u>\$ 6,742,041</u>	<u>\$ 6,796,346</u>	<u>\$ 6,586,557</u>	<u>\$ 6,401,143</u>	<u>\$ 6,243,700</u>

# Results of Operations – Quarter Trend

(\$ in thousands)	For the three months ended				
	Dec. 31, 2017	Sept. 30, 2017	Jun. 30, 2017	Mar. 31, 2017	Dec. 31, 2016
Net interest income	\$ 51,079	\$ 50,840	\$ 46,868	\$ 45,651	\$ 48,074
Provision for credit losses	-	250	500	-	350
Noninterest income	72,801	83,884	81,008	74,461	73,221
Noninterest expense	106,838	114,697	111,244	106,874	117,539
Net income before taxes	17,042	19,777	16,132	13,238	3,406
Income taxes	(17,873)	5,938	4,923	4,255	1,112
Net income	\$ 34,915	\$ 13,839	\$ 11,209	\$ 8,983	\$ 2,294
Diluted EPS	\$ 1.29	\$ 0.51	\$ 0.41	\$ 0.33	\$ 0.09
Core net income <sup>(1)</sup>	\$ 11,467	\$ 16,588	\$ 11,391	\$ 8,983	\$ 2,555
Core EPS <sup>(1)</sup>	\$ 0.42	\$ 0.61	\$ 0.42	\$ 0.33	\$ 0.10
Tangible BV/share <sup>(2)</sup>	\$ 25.09	\$ 23.86	\$ 23.30	\$ 22.73	\$ 22.33
Core ROAA <sup>(1)</sup>	0.67%	0.99%	0.71%	0.57%	0.16%
Core ROAE <sup>(1)</sup>	6.54%	9.71%	6.82%	5.53%	1.67%
Core ROATE <sup>(1)</sup>	6.83%	10.15%	7.14%	5.81%	1.74%
Net Interest Margin	3.33%	3.40%	3.29%	3.23%	3.42%
Core efficiency ratio <sup>(1)</sup>	86.4%	82.0%	86.8%	89.0%	96.6%
Tier 1 Leverage Ratio (Bank)	9.67%	9.86%	10.13%	9.98%	10.26%
Total Risk-Based Capital (Bank)	14.07%	13.65%	14.01%	14.02%	14.69%

<sup>(1)</sup> Excludes impact of income tax reform-related benefit and restructuring and acquisition-related expenses, net of tax. See appendix for reconciliation of non-GAAP financial measures.

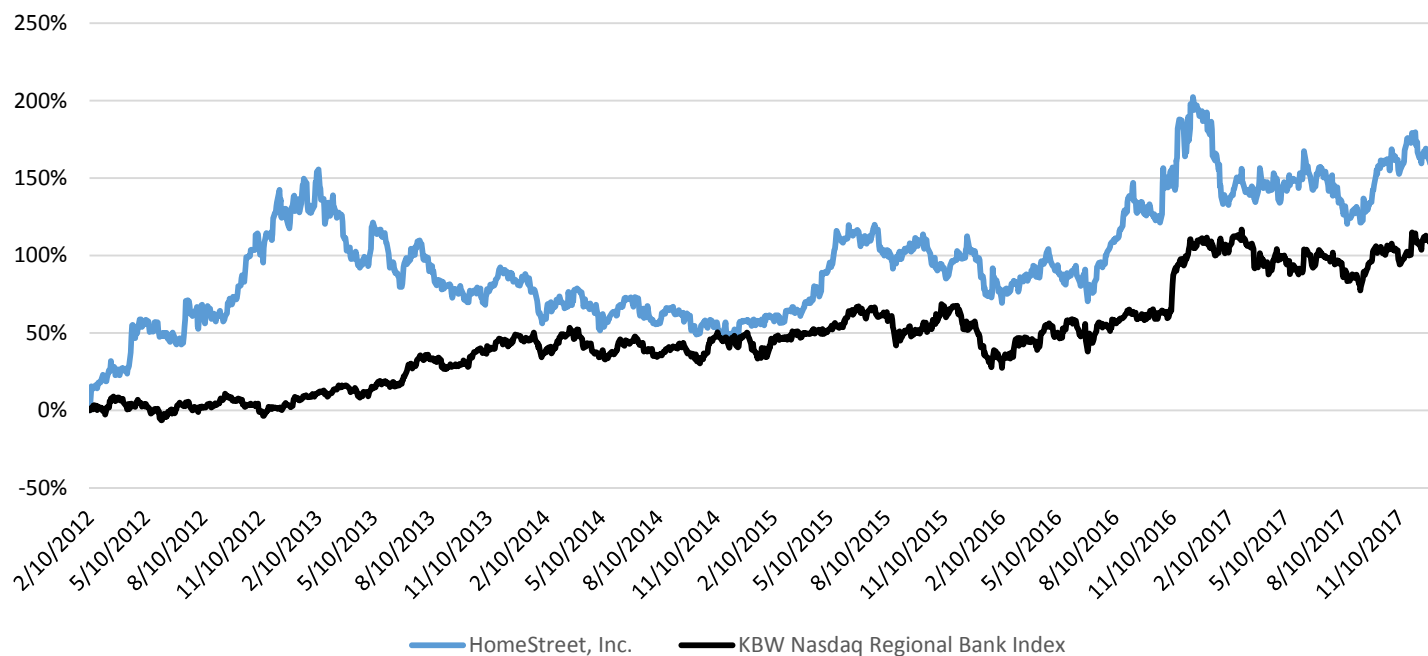
<sup>(2)</sup> See appendix for reconciliation of non-GAAP financial measures.

# Segment Core Earnings Contribution

(\$ in thousands)	For the twelve months ended						Aggregate Earnings & Avg. Returns
	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2017	1/1/12 - 12/31/17
<b>Commercial &amp; Consumer Banking</b>							
Core net income (loss) <sup>(1)</sup>	\$ (14,494)	\$ 8,930	\$ 16,734	\$ 21,035	\$ 35,438	\$ 46,612	\$ 114,256
Core ROATE <sup>(1)</sup>	(6.70)%	4.03%	7.78%	7.11%	8.14%	9.63%	5.00%
Core ROAA <sup>(1)</sup>	(0.67)%	0.40%	0.65%	0.59%	0.74%	0.82%	0.42%
Core efficiency ratio <sup>(1)</sup>	107.7%	82.9%	76.3%	74.9%	69.2%	68.4%	79.9%
<b>Mortgage Banking</b>							
Core net income <sup>(1)</sup>	\$ 96,620	\$ 17,836	\$ 7,510	\$ 23,302	\$ 27,351	\$ 1,817	\$ 174,436
Core ROATE <sup>(1)</sup>	173.83%	28.36%	10.00%	18.81%	26.78%	1.37%	43.19%
Core ROAA <sup>(1)</sup>	18.98%	2.84%	1.18%	2.36%	2.79%	0.20%	4.72%
Core efficiency ratio <sup>(1)</sup>	50.1%	85.6%	93.8%	87.1%	87.5%	99.1%	83.9%
<b>HomeStreet Consolidated</b>							
Core net income <sup>(1)</sup>	\$ 82,126	\$ 26,766	\$ 24,245	\$ 44,337	\$ 62,789	\$ 48,429	\$ 288,692
Core ROATE <sup>(1)</sup>	38.86%	10.86%	8.81%	10.50%	11.68%	7.50%	14.70%
Core ROAA <sup>(1)</sup>	3.42%	0.98%	0.76%	0.97%	1.09%	0.73%	1.33%
Core efficiency ratio <sup>(1)</sup>	61.5%	84.8%	87.6%	83.0%	81.1%	85.9%	80.6%

<sup>(1)</sup> Excludes impact of income tax reform-related (benefit ) expense and restructuring and acquisition-related expenses, net of tax.

# Stock Price Performance Since IPO



	<b>1 Year Ending</b>	<b>3 Year Ending</b>	<b>5 Year Ending</b>	<b>Since IPO Ending</b>
	<b>12/29/2017</b>	<b>12/29/2017</b>	<b>12/29/2017</b>	<b>2/10/12 - 12/29/17</b>
HomeStreet, Inc.	-8.5%	67.4%	10.7%	163.2%
KBW Nasdaq Regional Bank Index	-0.4%	41.5%	93.8%	107.3%
	<b>9/29/2017</b>	<b>9/29/2017</b>	<b>9/29/2017</b>	<b>9/29/2017</b>
HomeStreet, Inc.	6.6%	18.0%	43.0%	145.5%
KBW Nasdaq Regional Bank Index	27.3%	34.3%	92.3%	103.9%
	<b>6/30/2017</b>	<b>6/30/2017</b>	<b>6/30/2017</b>	<b>6/30/2017</b>
HomeStreet, Inc.	39.4%	19.2%	72.2%	151.6%
KBW Nasdaq Regional Bank Index	35.2%	20.2%	91.4%	99.3%
	<b>3/31/2017</b>	<b>3/31/2017</b>	<b>3/31/2017</b>	<b>3/31/2017</b>
HomeStreet, Inc.	31.3%	50.1%	99.9%	154.1%
KBW Nasdaq Regional Bank Index	37.6%	33.8%	85.7%	99.5%

# Non-GAAP Financial Measures

## Tangible Book Value:

	Quarter Ended				Twelve Months Ended	
	Dec. 31, 2017	Sept. 30, 2017	Jun. 30, 2017	Mar. 31, 2017	Dec. 31, 2016	Dec. 31, 2016
(dollars in thousands, except share data)						
Shareholders' equity	\$704,380	\$671,469	\$655,841	\$640,919	\$629,284	\$704,380
Less: Goodwill and other intangibles	(29,661)	(29,893)	(29,783)	(30,275)	(30,789)	(29,661)
Tangible shareholders' equity	<u>\$674,719</u>	<u>\$641,576</u>	<u>\$626,058</u>	<u>\$610,644</u>	<u>\$598,495</u>	<u>\$674,719</u>
Common shares outstanding	26,888,288	26,884,402	26,874,871	26,862,744	26,800,183	26,888,288
Book value per share	\$26.20	\$24.98	\$24.40	\$23.86	\$23.48	\$26.20
Impact of goodwill and other intangibles	(1.11)	(1.12)	(1.10)	(1.13)	(1.15)	(1.11)
Tangible book value per share	<u>\$25.09</u>	<u>\$23.86</u>	<u>\$23.30</u>	<u>\$22.73</u>	<u>\$22.33</u>	<u>\$25.09</u>
Average shareholders' equity	\$701,849	\$683,186	\$668,377	\$649,439	\$616,497	\$675,877
Less: Average goodwill and other intangibles	(29,898)	(29,722)	(30,104)	(30,611)	(29,943)	(30,081)
Average tangible shareholders' equity	<u>\$671,951</u>	<u>\$653,464</u>	<u>\$638,273</u>	<u>\$618,828</u>	<u>\$586,554</u>	<u>\$645,796</u>
Return on average shareholders' equity	19.90%	8.10%	6.71%	5.53%	1.49%	10.20%
Impact of goodwill and other intangibles	0.88%	0.37%	0.31%	0.28%	0.07%	0.48%
Return on average tangible shareholders' equity	<u>20.78%</u>	<u>8.47%</u>	<u>7.02%</u>	<u>5.81%</u>	<u>1.56%</u>	<u>10.68%</u>

# Non-GAAP Financial Measures

## Core Net Income:

(dollars in thousands)	Quarter Ended				Twelve Months Ended		
	Dec. 31, 2017	Sept. 30, 2017	Jun. 30, 2017	Mar. 31, 2017	Dec. 31, 2016	Dec. 31, 2016	
Net income	\$34,915	\$13,839	\$11,209	\$8,983	\$2,294	\$68,946	\$58,151
Impact of income tax reform-related benefit	(23,326)	-	-	-	-	(23,326)	-
Impact of restructuring-related items (net of tax)	(169)	2,520	67	-	-	2,418	-
Impact of acquisition-related items (net of tax)	47	229	115	-	261	391	4,638
Net income, excluding income tax reform-related benefit, restructuring (net of tax) and acquisition-related items (net of tax)	<u>\$11,467</u>	<u>\$16,588</u>	<u>\$11,391</u>	<u>\$8,983</u>	<u>\$2,555</u>	<u>\$48,429</u>	<u>\$62,789</u>
Noninterest expense	\$106,838	\$114,697	\$111,244	\$106,874	\$117,539	\$439,653	\$444,322
Impact of restructuring-related expenses	260	(3,877)	(103)	-	-	(3,720)	-
Impact of acquisition-related expenses	(72)	(353)	(177)	-	(401)	(602)	(7,136)
Noninterest expense, excluding restructuring and acquisition-related expenses	<u>\$107,026</u>	<u>\$110,467</u>	<u>\$110,964</u>	<u>\$106,874</u>	<u>\$117,138</u>	<u>\$435,331</u>	<u>\$437,186</u>
Diluted earnings per common share	\$1.29	\$0.51	\$0.41	\$0.33	\$0.09	\$2.54	\$2.34
Impact of income tax reform-related benefit	(0.86)	-	-	-	-	(0.86)	-
Impact of restructuring-related items (net of tax)	(0.01)	0.09	-	-	-	0.09	-
Impact of acquisition-related items (net of tax)	-	0.01	0.01	-	0.01	0.02	0.19
Diluted earnings per common share, excluding income tax reform-related benefit, restructuring (net of tax) and acquisition-related items (net of tax)	<u>\$0.42</u>	<u>\$0.61</u>	<u>\$0.42</u>	<u>\$0.33</u>	<u>\$0.10</u>	<u>\$1.79</u>	<u>\$2.53</u>
Return on average assets	2.03%	0.83%	0.70%	0.57%	0.15%	1.05%	1.01%
Impact of income tax reform-related benefit	(1.35)%	0.00%	0.00%	0.00%	0.00%	(0.35)%	0.00%
Impact of restructuring-related items (net of tax)	(0.01)%	0.15%	0.00%	0.00%	0.00%	0.04%	0.00%
Impact of acquisition-related items (net of tax)	0.00%	0.01%	0.01%	0.00%	0.01%	(0.01)%	0.08%
Return on average assets, excluding income tax reform-related benefit, restructuring (net of tax) and acquisition-related items (net of tax)	<u>0.67%</u>	<u>0.99%</u>	<u>0.71%</u>	<u>0.57%</u>	<u>0.16%</u>	<u>0.73%</u>	<u>1.09%</u>



# Non-GAAP Financial Measures

## Core Net Income (continued):

(dollars in thousands)	Quarter Ended				Twelve Months Ended		
	Dec. 31, 2017	Sept. 30, 2017	Jun. 30, 2017	Mar. 31, 2017	Dec. 31, 2016	Dec. 31, 2016	
Return on average shareholders' equity	19.90%	8.10%	6.71%	5.53%	1.49%	10.20%	10.27%
Impact of income tax reform-related benefit	(13.29)%	0.00%	0.00%	0.00%	0.00%	(3.45)%	0.00%
Impact of restructuring-related items (net of tax)	(0.10)%	1.49%	0.04%	0.00%	0.00%	0.36%	0.00%
Impact of acquisition-related items (net of tax)	0.03%	0.12%	0.07%	0.00%	0.18%	0.06%	0.82%
Return on average shareholders' equity, excluding income tax reform-related benefit, restructuring (net of tax) and acquisition-related items (net of tax)	6.54%	9.71%	6.82%	5.53%	1.67%	7.17%	11.09%
Return on average tangible shareholders' equity	20.78%	8.47%	7.02%	5.81%	1.56%	10.68%	10.82%
Impact of income tax reform-related benefit	(13.89)%	0.00%	0.00%	0.00%	0.00%	(3.61)%	0.00%
Impact of restructuring-related items (net of tax)	(0.10)%	1.54%	0.05%	0.00%	0.00%	0.37%	0.00%
Impact of acquisition-related items (net of tax)	0.04%	0.14%	0.07%	0.00%	0.18%	0.06%	0.86%
Return on average tangible shareholders' equity, excluding income tax reform-related benefit, restructuring (net of tax) and acquisition-related items (net of tax)	6.83%	10.15%	7.14%	5.81%	1.74%	7.50%	11.68%
Efficiency ratio	86.24%	85.13%	86.99%	88.98%	96.90%	86.79%	82.40%
Impact of restructuring-related items	0.21%	(2.87)%	(0.08)%	0.00%	0.00%	(0.73)%	0.00%
Impact of acquisition-related items	(0.06)%	(0.26)%	(0.14)%	0.00%	(0.33)%	(0.13)%	(1.32)%
Efficiency ratio, excluding restructuring and acquisition-related items	86.39%	82.00%	86.77%	88.98%	96.57%	85.93%	81.08%

# Non-GAAP Financial Measures

## Core Net Income – Commercial & Consumer Banking:

	Quarter Ended				Twelve Months Ended		
	Dec. 31, 2017	Sept. 30, 2017	Jun. 30, 2017	Mar. 31, 2017	Dec. 31, 2016	Dec. 31, 2016	
(dollars in thousands)							
Commercial and Consumer Banking Segment:							
Net income	\$9,361	\$13,962	\$9,446	\$9,292	\$12,046	\$42,061	\$30,800
Impact of income tax reform-related expense	4,160	-	-	-	-	4,160	-
Impact of acquisition-related items (net of tax)	47	229	115	-	261	391	4,638
Net income, excluding income tax reform-related expense and acquisition-related items (net of tax)	<u>\$13,568</u>	<u>\$14,191</u>	<u>\$9,561</u>	<u>\$9,292</u>	<u>\$12,307</u>	<u>\$46,612</u>	<u>\$35,438</u>
ROAA	0.63%	0.98%	0.69%	0.69%	0.93%	0.74%	0.64%
Impact of income tax reform-related expense	0.28%	0.00%	0.00%	0.00%	0.00%	0.07%	0.00%
Impact of acquisition-related items (net of tax)	0.00%	0.02%	0.00%	0.00%	0.02%	0.01%	0.10%
ROAA, excluding income tax reform-related expense and acquisition-related items (net of tax)	0.91%	1.00%	0.69%	0.69%	0.95%	0.82%	0.74%
ROAE	6.59%	10.19%	7.08%	7.38%	9.68%	7.81%	6.64%
Impact of income tax reform-related expense	2.93%	0.00%	0.00%	0.00%	0.00%	0.77%	0.00%
Impact of acquisition-related items (net of tax)	0.03%	0.16%	0.08%	0.00%	0.21%	0.07%	1.00%
ROAE, excluding income tax reform-related expense and acquisition-related items (net of tax)	9.55%	10.35%	7.16%	7.38%	9.89%	8.65%	7.64%
ROATE	6.96%	10.76%	7.50%	7.85%	10.31%	8.27%	7.08%
Impact of income tax reform-related expense	3.09%	0.00%	0.00%	0.00%	0.00%	0.82%	0.00%
Impact of acquisition-related items (net of tax)	0.03%	0.18%	0.09%	0.00%	0.23%	0.07%	1.06%
ROATE, excluding income tax reform-related expense and acquisition-related items (net of tax)	10.08%	10.94%	7.59%	7.85%	10.54%	9.16%	8.14%
Efficiency ratio	66.10%	64.88%	72.22%	72.46%	66.04%	68.68%	72.95%
Impact of acquisition-related items (net of tax)	(0.12)%	(0.62)%	(0.35)%	0.00%	(0.74)%	(0.27)%	(3.76)%
Efficiency ratio, excluding acquisition-related items (net of tax)	65.98%	64.26%	71.87%	72.46%	65.30%	68.41%	69.19%

# Non-GAAP Financial Measures

## Core Net Income – Mortgage Banking:

(dollars in thousands)	Quarter Ended				Twelve Months Ended		
	Dec. 31, 2017	Sept. 30, 2017	Jun. 30, 2017	Mar. 31, 2017	Dec. 31, 2016	Dec. 31, 2016	
Mortgage Banking Segment:							
Net income	\$25,554	(\$123)	\$1,763	(\$309)	(\$9,752)	\$26,885	\$27,351
Impact of income tax reform-related benefit	(27,486)	-	-	-	-	(27,486)	-
Impact of restructuring-related items (net of tax)	(169)	2,520	67	-	-	2,418	-
Net income, excluding income tax reform-related tax benefit and restructuring-related expenses (net of tax)	<u>(\$2,101)</u>	<u>\$2,397</u>	<u>\$1,830</u>	<u>(\$309)</u>	<u>(\$9,752)</u>	<u>\$1,817</u>	<u>\$27,351</u>
ROAA	10.22%	(0.05)%	0.80%	(0.14)%	(3.55)%	2.91%	2.79%
Impact of income tax reform-related benefit	(11.00)%	0.00%	0.00%	0.00%	0.00%	(2.97)%	0.00%
Impact of restructuring-related items (net of tax)	(0.07)%	0.96%	0.03%	0.00%	0.00%	0.26%	0.00%
ROAA, excluding income tax reform-related tax benefit and restructuring-related expenses (net of tax)	<u>(0.84)%</u>	<u>0.92%</u>	<u>0.83%</u>	<u>(0.14)%</u>	<u>(3.55)%</u>	<u>0.20%</u>	<u>2.79%</u>
ROATE	71.46%	(0.35)%	5.32%	(0.90)%	(31.91)%	19.45%	26.78%
Impact of income tax reform-related benefit	(76.87)%	0.00%	0.00%	0.00%	0.00%	(19.89)%	0.00%
Impact of restructuring-related items (net of tax)	(0.47)%	7.17%	0.20%	0.00%	0.00%	1.75%	0.00%
ROATE, excluding income tax reform-related tax benefit and restructuring-related expenses (net of tax)	<u>(5.88)%</u>	<u>6.82%</u>	<u>5.52%</u>	<u>(0.90)%</u>	<u>(31.91)%</u>	<u>1.31%</u>	<u>26.78%</u>
Efficiency ratio	104.31%	100.11%	96.71%	100.89%	121.44%	100.34%	87.54%
Impact of restructuring-related items	0.40%	(5.00)%	(0.13)%	0.00%	0.00%	(1.28)%	0.00%
Efficiency ratio, excluding restructuring-related expenses (net of tax)	<u>104.71%</u>	<u>95.11%</u>	<u>96.58%</u>	<u>100.89%</u>	<u>121.44%</u>	<u>99.06%</u>	<u>87.54%</u>