

# [ HomeStreet ]

**THIRD 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 year ended December 31, 2015, and our quarterly report on Form 10-Q for the quarter ended September 30, 2016, which we expect to file on or before November 9, 2016. Many of these 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 statements predicated on our ability to realize the expected value of our acquisition of the branches and certain assets and liabilities of The Bank of Oswego and the combined entity resulting from that transaction; complete and integrate; 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; make accurate estimates of the value of our non-cash assets and liabilities; the outcome and the effect, if any, of regulatory examinations and actions taken by our various regulators; maintain electronic and physical security of customer data; respond to an increasingly restrictive and complex regulatory environment; and attract and retain key personnel. 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

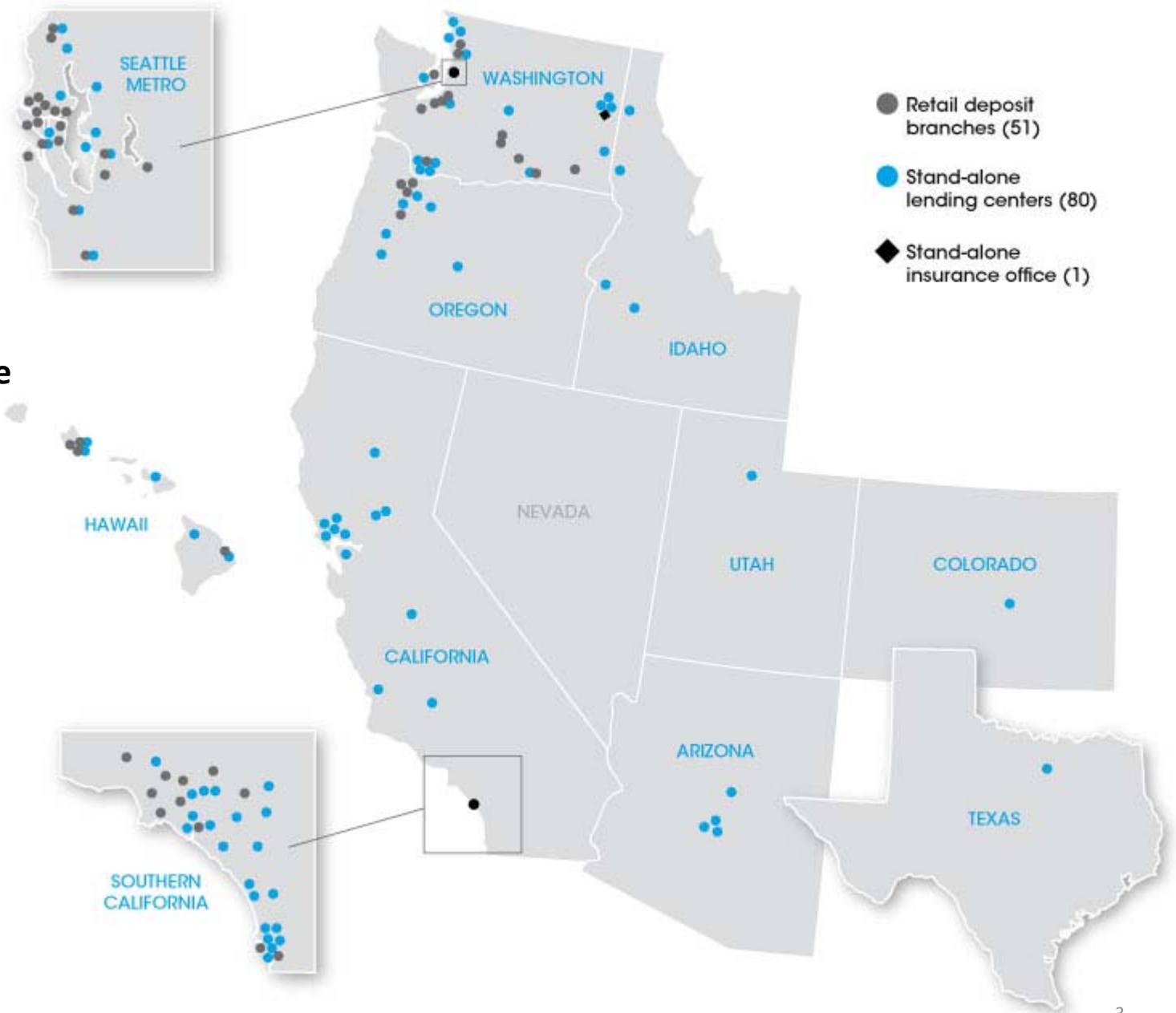
Unless noted otherwise in this presentation, all reported financial data is being presented as of the period ending September 30, 2016, and is unaudited, although certain information related to the year ended December 31, 2015, has been derived from our audited financial statements. All financial data 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
- 132 offices 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**

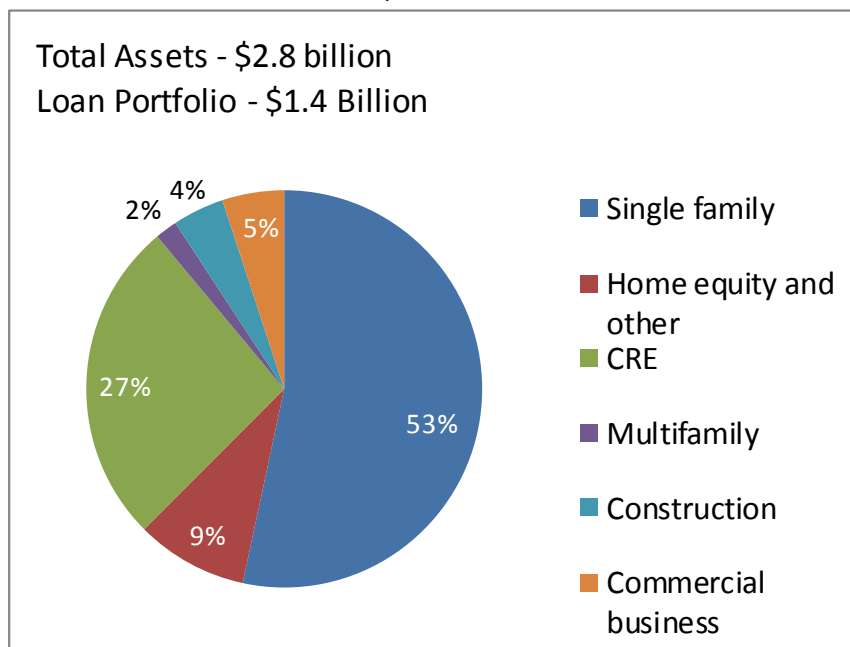
## Optimize use of capital

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

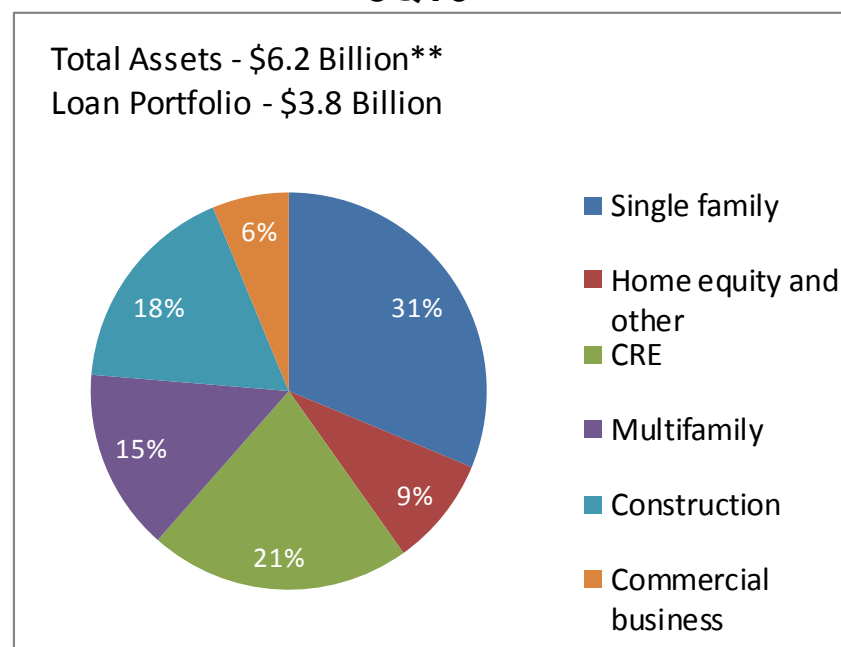
# Successful Diversification

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

2Q13



3Q16



**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** \$ 69,022  
Commercial Banking % 46%  
Mortgage Banking % 54%

**12 Month Revenue** \$523,053  
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 – Purchasing two mature branches in Los Angeles County**
- **De-Novo Branch expansion associated with Kaiser Permanente affinity relationship**
  - Kearney Mesa & Mission Gorge 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 Developments

## Results of Operations

- Third quarter net income of \$27.7 million or \$1.11 diluted EPS
- Excluding after tax acquisition-related items, core net income of \$28.0 million or \$1.12 diluted EPS <sup>(1)</sup>
- Core return on tangible equity of 20.0%<sup>(1)</sup>
- Total assets increased to \$6.2B at September 30, 2016, from \$5.9B at June 30, 2016
- Continued strong credit performance and fundamentals in all of our markets

## Strategic Growth Activity in 3Q16

- Completed the acquisition of loans and other assets, deposits, and the two branches from The Bank of Oswego in the Portland, Oregon area on August 12, 2016
- Opened one de-novo retail deposit branch in Riverside, CA, near a Kaiser Permanente medical center
- Opened three single family home loan centers in Sherman Oaks, CA, Payson, AZ, and Scottsdale, AZ, offset by the closing of one single family home loan center in San Rafael, CA
- Relocated our existing insurance agency staff to a separate office in Spokane, WA

# Results of Operations

(\$ in thousands)	For the three months ended		For the nine months ended	
	Sept. 30, 2016	Sept. 30, 2015	Sept. 30, 2016	Sept. 30, 2015
Net interest income	\$ 46,802	\$ 39,634	\$ 131,975	\$ 108,598
Provision for loan losses	1,250	700	3,750	4,200
Noninterest income	111,745	67,468	285,929	215,828
Noninterest expense	114,399	92,026	326,783	273,843
Net income before taxes	42,898	14,376	87,371	46,383
Income taxes	15,197	4,415	31,514	13,742
Net income	\$ 27,701	\$ 9,961	\$ 55,857	\$ 32,641
Diluted EPS	\$ 1.11	\$ 0.45	\$ 2.27	\$ 1.58
Core net income <sup>(1)</sup>	\$ 28,034	\$ 9,449	\$ 60,234	\$ 35,550
Core EPS <sup>(1)</sup>	\$ 1.12	\$ 0.42	\$ 2.45	\$ 1.72
Tangible BV/share <sup>(2)</sup>	\$ 22.45	\$ 19.95	\$ 22.45	\$ 19.95
Core ROAA <sup>(1)</sup>	1.81%	0.78%	1.43%	1.07%
Core ROAE <sup>(1)</sup>	19.07%	8.21%	14.62%	11.05%
Core ROATE <sup>(1)</sup>	20.04%	8.59%	15.41%	11.57%
Net Interest Margin	3.34%	3.67%	3.46%	3.63%
Core efficiency ratio <sup>(1)</sup>	71.8%	86.2%	76.6%	81.4%
Tier 1 Leverage Ratio (Bank)	9.91%	9.69%	9.91%	9.69%
Total Risk-Based Capital (Bank)	14.41%	14.15%	14.41%	14.15%

<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

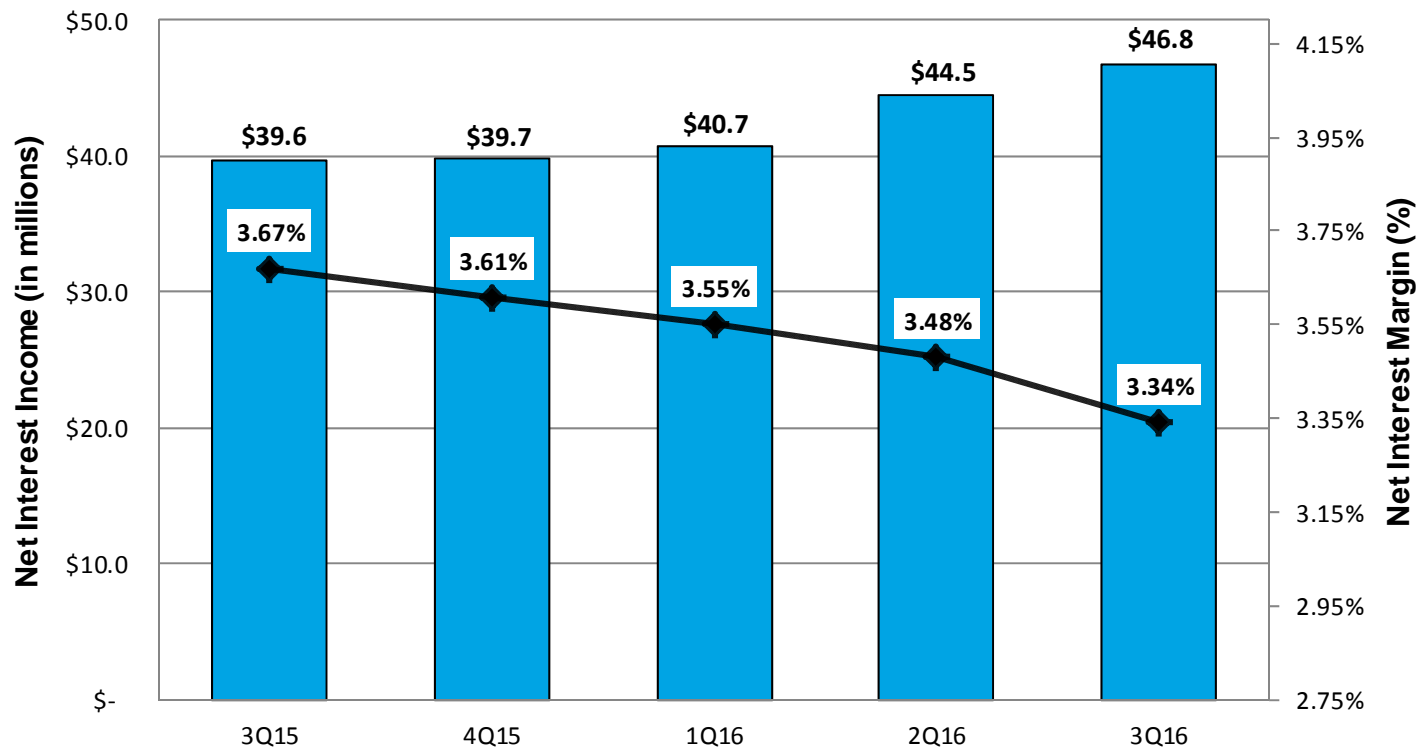
	<i>For the three months ended</i>					
(\$ in thousands)	Sept. 30, 2016	Jun. 30, 2016	Mar. 31, 2016 <sup>(1)</sup>	Dec. 31, 2015	Sept. 30, 2015	
Net interest income	\$ 46,802	\$ 44,482	\$ 40,691	\$ 39,740	\$ 39,634	
Provision for loan losses	1,250	1,100	1,400	1,900	700	
Noninterest income	111,745	102,476	71,708	65,409	67,468	
Noninterest expense	114,399	111,031	101,353	92,725	92,026	
Net income before taxes	42,898	34,827	9,646	10,524	14,376	
Income taxes	15,197	13,078	3,239	1,846	4,415	
Net income	\$ 27,701	\$ 21,749	\$ 6,407	\$ 8,678	\$ 9,961	
Diluted EPS	\$ 1.11	\$ 0.87	\$ 0.27	\$ 0.39	\$ 0.45	
Core net income <sup>(2)</sup>	\$ 28,034	\$ 22,415	\$ 9,785	\$ 8,787	\$ 9,449	
Core EPS <sup>(2)</sup>	\$ 1.12	\$ 0.90	\$ 0.41	\$ 0.39	\$ 0.42	
Tangible BV/share <sup>(3)</sup>	\$22.45	\$ 21.38	\$ 20.37	\$ 20.16	\$ 19.95	
Core ROAA <sup>(2)</sup>	1.81%	1.59%	0.78%	0.72%	0.78%	
Core ROAE <sup>(2)</sup>	19.07%	16.36%	7.66%	7.47%	8.21%	
Core ROATE <sup>(2)</sup>	20.04%	17.27%	8.08%	7.80%	8.59%	
Net Interest Margin	3.34%	3.48%	3.55%	3.61%	3.67%	
Core efficiency ratio <sup>(2)</sup>	71.8%	74.9%	85.6%	87.8%	86.2%	
Tier 1 Leverage Ratio (Bank)	9.91%	10.28%	10.17%	9.46%	9.69%	
Total Risk-Based Capital (Bank)	14.41%	14.33%	13.93%	13.92%	14.15%	

<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.

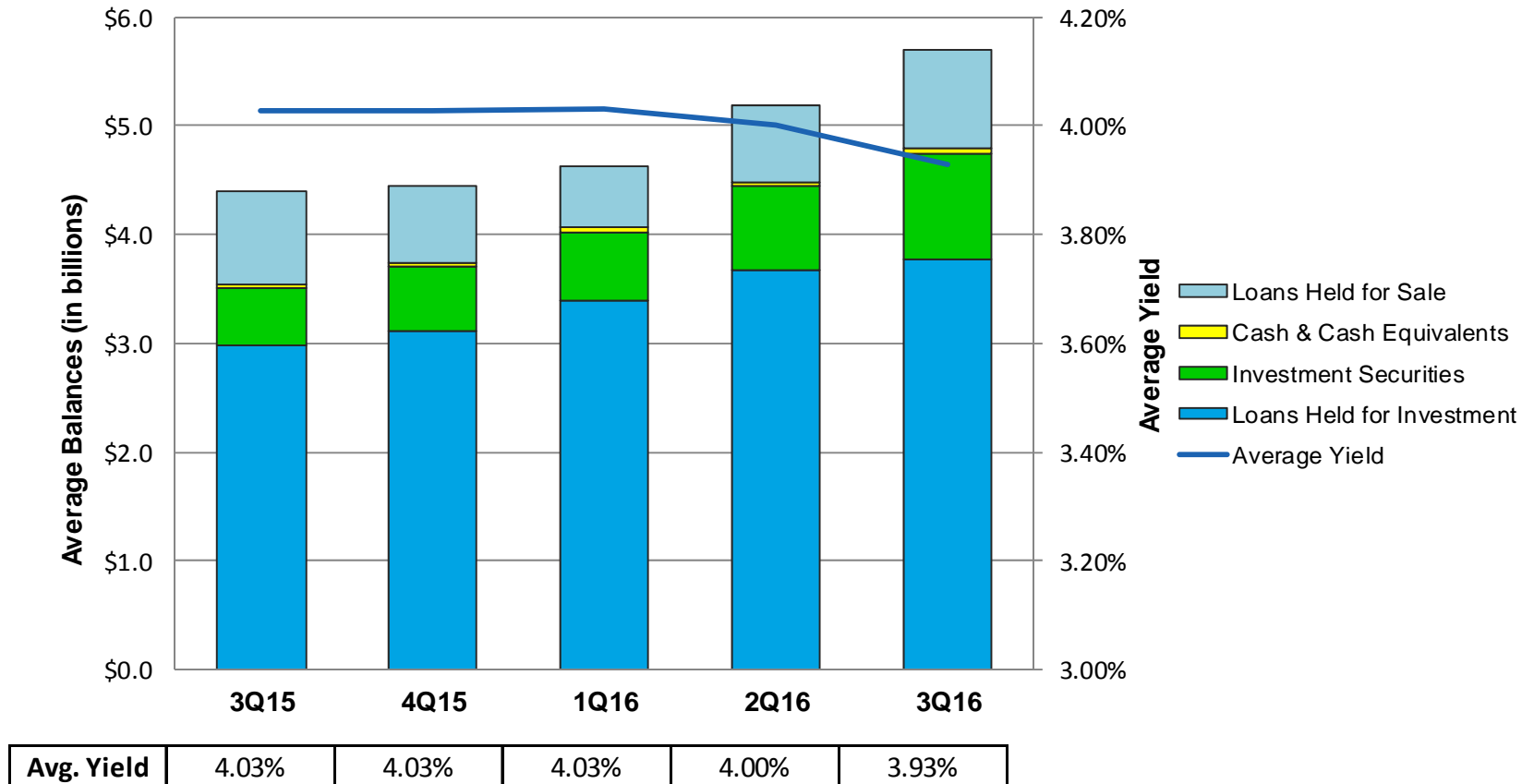
<sup>(3)</sup> See appendix for reconciliation of non-GAAP financial measures.

# Net Interest Income & Margin



- 3Q NIM declined 14 bps while net interest income increased \$2 million
  - NIM decline primarily due to higher cost of interest-bearing funds – mostly resulting from the impact of the first full quarter of expense from private placement of \$65 million senior debt issued in May – as well as due to asset mix shifts resulting from growth in lower yielding loans held for sale and investment securities as we temporarily invest the proceeds from the senior debt offering in these products
  - Higher net interest income due to 9.7% growth in average interest-earning assets during the quarter that offset the decline in margin

# Interest-Earning Assets

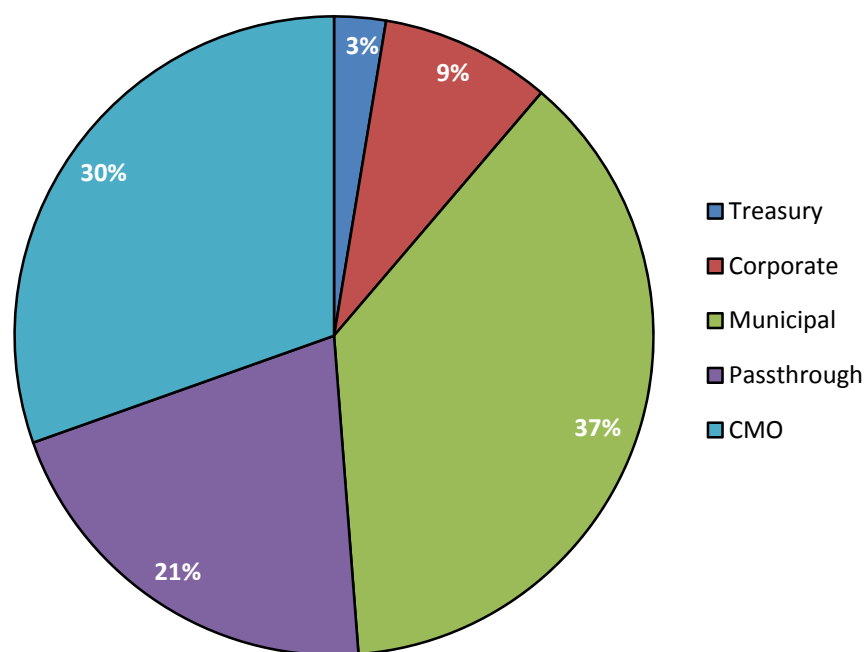


- Average total interest-earning assets increased \$507 million or 10% in 3Q primarily from \$215 million increase in average investment securities balances and \$198 million increase in average loans held for sale balances
- Loans held for investment, net, ending balances increased \$65 million or 2% in 3Q
  - New commitments of \$661 million in mortgage, commercial lending, commercial real estate and residential construction

# HomeStreet Investment Securities Portfolio Yield

As of 09/30/2016	2016 YTD Total Return <sup>(1)</sup>	Yield <sup>(2)</sup>	Duration <sup>(2)</sup>
HomeStreet Investment Portfolio	4.47	2.42	3.98
Composition Adjusted Barclays US Aggregate Index <sup>(4)</sup>	5.00	2.34	4.14

## Investment portfolio composition as of 09/30/2016



- Investment security portfolio market value is \$998m.
- The investment portfolio has an average credit rating of Aa1.
- The portfolio total return ranks in the 92<sup>nd</sup> percentile compared to other banks <sup>(3)</sup>

HMST performance data: BondEdge

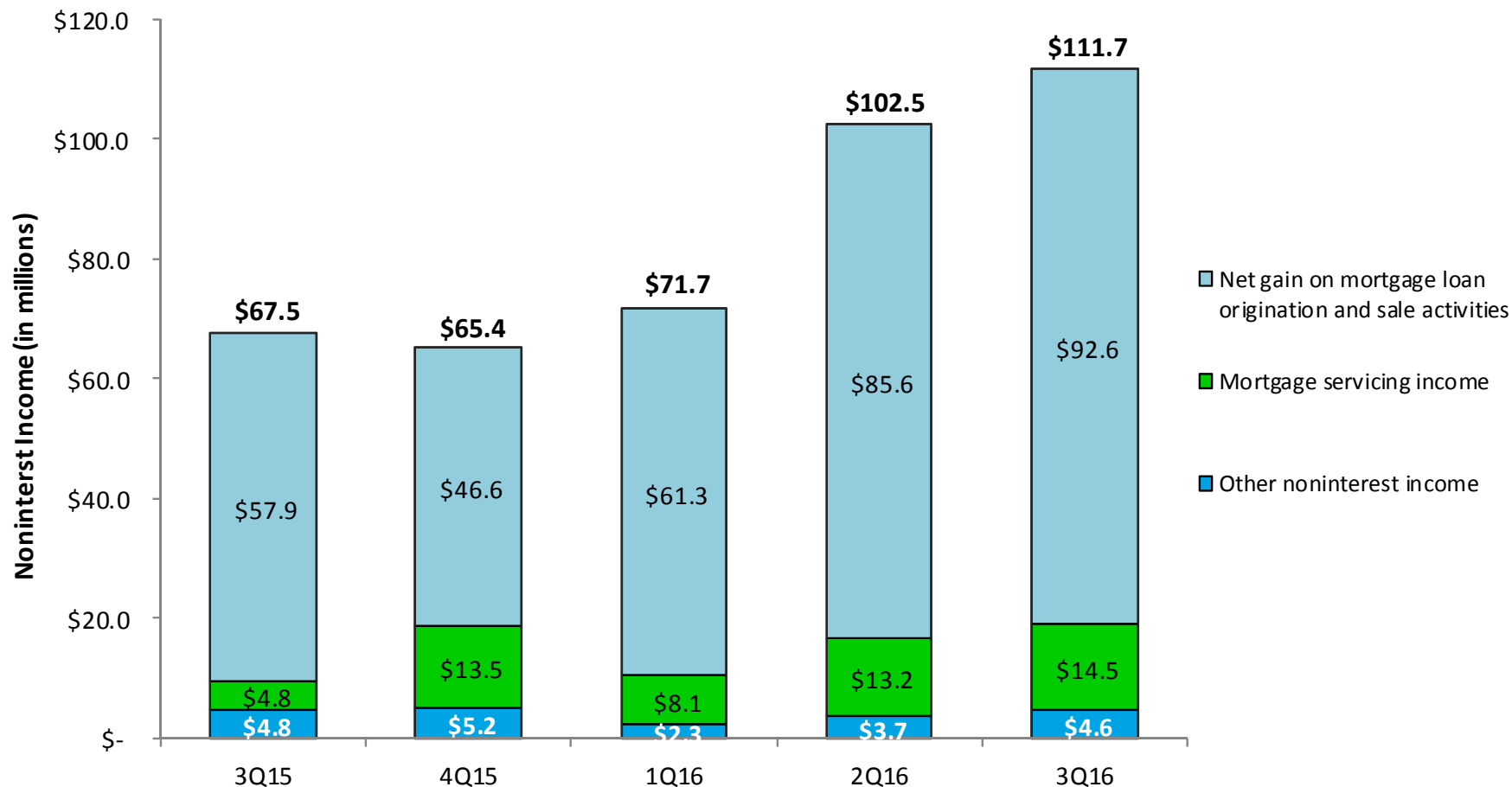
<sup>(1)</sup> As of September 30, 2016

<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 03/31/16, YOY

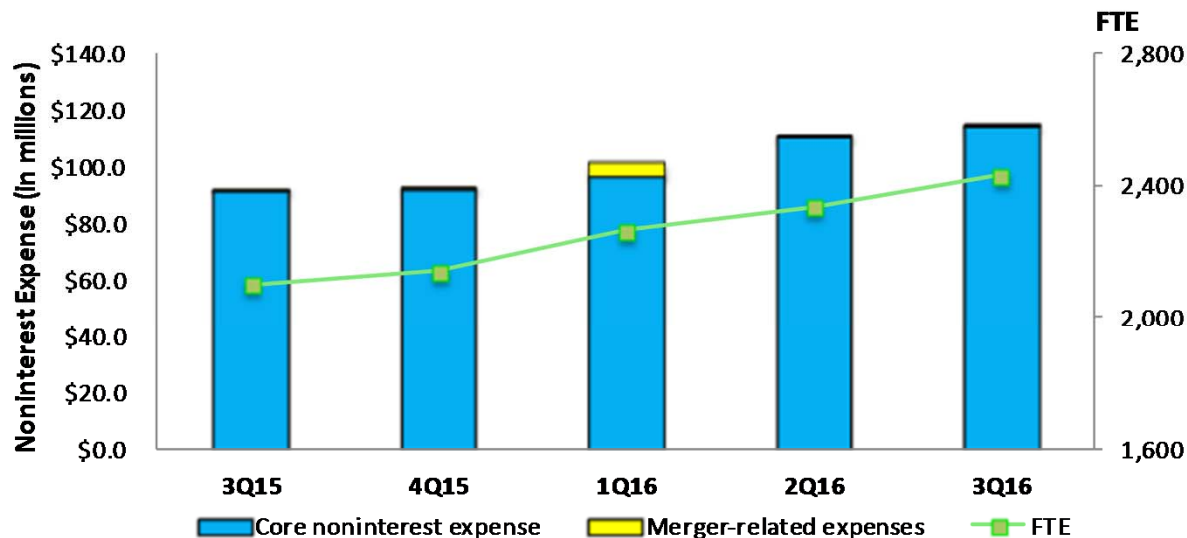
<sup>(4)</sup> Barclays US Aggregate Index Adjusted to reflect HMST portfolio composition

# Noninterest Income



- Noninterest income increased 9% to \$111.7 million in 3Q primarily due to higher net gain on mortgage loan origination and sale activities
- Net gain on mortgage loan origination and sale activities increased \$7.0 million primarily due to 14% higher single family rate lock and forward sale commitments volume
- Mortgage servicing income increased \$1.4 million primarily due to prepayment penalty fees received on payoff of commercial loans

# Noninterest Expense



<b>Total noninterest expense</b>	<b>\$92.0</b>	<b>\$92.7</b>	<b>\$101.4</b>	<b>\$111.0</b>	<b>\$114.4</b>
Merger-related expenses	\$0.4	\$0.8	\$5.2	\$1.0	\$0.5
<b>Core noninterest expense <sup>(1)</sup></b>	<b>\$91.6</b>	<b>\$92.0</b>	<b>\$96.2</b>	<b>\$110.0</b>	<b>\$113.9</b>
Salaries & related costs <sup>(1)</sup>	\$61.0	\$60.3	\$63.8	\$74.5	\$79.2
General & administrative <sup>(1)</sup>	\$14.9	\$16.0	\$15.7	\$17.1	\$15.5
Other noninterest expense <sup>(1)</sup>	\$15.7	\$15.7	\$16.7	\$18.4	\$19.2
<b>FTE</b>	<b>2,100</b>	<b>2,139</b>	<b>2,264</b>	<b>2,335</b>	<b>2,431</b>
Core efficiency ratio <sup>(1)</sup>	86.2%	87.8%	85.5%	74.9%	71.8%

- Excluding acquisition-related expenses, salaries and related costs increased by 6% in 3Q, primarily influenced by increased commissions on higher closed loan volume and 4% increase in full-time equivalent employees
- Core efficiency ratio improved in both operating segments
- 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>– 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 4-6% or more per quarter <sup>(1)</sup></li> <li>• Manage non-interest expense increase to approximately 3% 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 nine months ended	
	Sept. 30, 2016	Sept. 30, 2015	Sept. 30, 2016	Sept. 30, 2015
Net interest income	\$ 39,339	\$ 31,509	\$ 113,378	\$ 87,261
Provision for loan losses	1,250	700	3,750	4,200
Noninterest income	9,771	6,884	22,595	20,589
Noninterest expense	32,171	28,110	102,904	93,056
Net income before taxes	15,689	9,583	29,319	10,594
Income taxes	5,557	2,783	10,566	953
Net income	\$ 10,132	\$ 6,800	\$ 18,753	\$ 9,641
Core net income <sup>(1)</sup>	\$ 10,465	\$ 6,288	\$ 23,130	\$ 12,549
Core ROAA <sup>(1)</sup>	0.83%	0.66%	0.66%	0.49%
Core ROAE <sup>(1)</sup>	8.57%	7.39%	6.81%	5.64%
Core ROATE <sup>(1)</sup>	9.10%	7.87%	7.26%	6.04%
Core efficiency ratio <sup>(1)</sup>	64.5%	73.6%	70.7%	76.9%
Net Interest Margin	3.33%	3.62%	3.42%	3.58%
Total average earning assets	\$4,793,035	\$3,514,496	\$ 4,436,608	\$ 3,244,317
FTE	948	807	948	807

- Year over year net income is up, reflecting the success of strategic growth initiatives, both M&A and organic
- Year to date net interest income increased 30% primarily due to 37% 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				
	Sept. 30, 2016	Jun. 30, 2016	Mar. 31, 2016 <sup>(1)</sup>	Dec. 31, 2015	Sept. 30, 2015
Net interest income	\$ 39,339	\$ 38,393	\$ 35,646	\$ 32,759	\$ 31,509
Provision for loan losses	1,250	1,100	1,400	1,900	700
Noninterest income	9,771	8,181	4,643	8,778	6,884
Noninterest expense	32,171	34,103	36,630	29,542	28,110
Net income before taxes	15,689	11,371	2,259	10,095	9,583
Income taxes	5,557	4,292	717	1,718	2,783
Net income	\$ 10,132	\$ 7,079	\$ 1,542	\$ 8,377	\$ 6,800
Core net income <sup>(2)</sup>	\$ 10,465	\$ 7,745	\$ 4,920	\$ 8,486	\$ 6,288
Core ROAA <sup>(2)</sup>	0.83%	0.66%	0.46%	0.85%	0.66%
Core ROAE <sup>(2)</sup>	8.57%	6.87%	4.71%	9.11%	7.39%
Core ROATE <sup>(2)</sup>	9.10%	7.34%	5.03%	9.64%	7.87%
Core efficiency ratio <sup>(2)</sup>	64.5%	71.0%	78.0%	70.0%	73.6%
Net Interest Margin	3.33%	3.47%	3.54%	3.51%	3.62%
Total average earning assets	\$4,793,035	\$4,476,524	\$4,039,023	\$3,708,342	\$3,514,496
FTE	948	926	903	828	807

- Core net income improved over the prior quarter due to higher noninterest income (+\$1.6 million) primarily driven by prepayment fees and higher net interest income (+\$946 thousand) resulting from 7% growth in average 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)	Sept. 30, 2016	Jun. 30, 2016	Mar. 31, 2016	Dec. 31, 2015	Sept. 30, 2015
Single Family	\$60,356	\$66,194	\$74,048	\$99,621	\$62,702
Single Family Custom Home Construction	\$54,575	\$53,736	\$47,519	\$73,978	\$41,944
Home Equity and other	\$70,914	\$75,452	\$55,269	\$54,047	\$37,716
Total Consumer Loans	\$185,845	\$195,382	\$176,836	\$227,646	\$142,362
Commercial Real Estate/Multifamily	\$147,130	\$220,592	\$146,563	\$136,370	\$99,487
Residential Construction	\$173,255	\$172,285	\$105,847	\$114,531	\$114,425
Commercial Real Estate/Multifamily Construction	\$68,740	\$48,750	\$27,420	\$77,815	\$33,605
Commercial Business	\$26,026	\$32,100	\$12,582	\$18,572	\$26,697
Total Commercial Loans	\$415,151	\$473,727	\$292,412	\$347,288	\$274,214
Total	\$600,996	\$669,109	\$469,248	\$574,934	\$416,576

## Balances

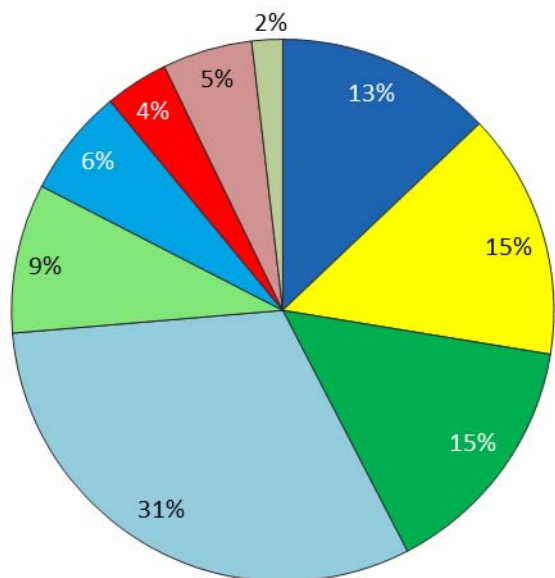
(\$ in thousands)	Sept. 30, 2016	Jun. 30, 2016	Mar. 31, 2016	Dec. 31, 2015	Sept. 30, 2015
Single Family	\$1,186,476	\$1,218,216	\$1,231,707	\$1,203,180	\$1,171,967
Single Family Custom Home Construction	\$143,492	\$133,947	\$119,363	\$108,228	\$81,554
Home Equity and other	\$338,155	\$309,204	\$275,405	\$256,373	\$237,491
Total Consumer Loans	\$1,668,123	\$1,661,367	\$1,626,475	\$1,567,781	\$1,491,012
Commercial Real Estate	\$810,346	\$762,170	\$661,932	\$600,703	\$563,241
Multifamily	\$562,272	\$562,728	\$543,887	\$426,557	\$382,392
Residential Construction	\$245,327	\$221,442	\$202,427	\$177,335	\$153,212
Commercial Real Estate/Multifamily Construction	\$272,994	\$284,052	\$308,030	\$297,597	\$295,105
Commercial Business	\$237,117	\$239,077	\$213,084	\$154,262	\$158,135
Total Commercial Loans	\$2,128,056	\$2,069,469	\$1,929,360	\$1,656,454	\$1,552,085
Total Loans Held for Investment (before Deferred Fees and Allowance)	\$3,796,179	\$3,730,836	\$3,555,835	\$3,224,235	\$3,043,097

- New loan commitments for 3Q16 increased 44% from a year ago and included \$415 million in commercial loans, representing 69% of all new loan commitments
- Loans held for investment balances have grown 18% year to date, 71% 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, deposits, and branches of The Bank of Oswego

# Loan Portfolio

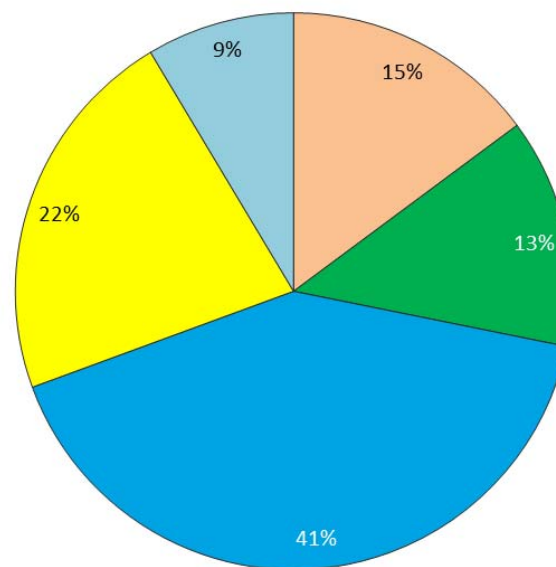
- Loans held for investment increased \$66.5 million, or 1.8% during the quarter to \$3.8 billion
- We continue to diversify the composition of the portfolio, commercial loans make up 60% of the portfolio at 3Q16 and single family and consumer loans make up 40%
- CRE loans ended 3Q16 at \$1.37 billion or 36% of the total LHFI portfolio and 65% of the commercial loan portfolio. Multifamily is the number one property type in this portfolio

**Loan Composition**  
**\$3.80 billion**



- C&I/CRE Owner-Occupied
- CRE Non-Owner Occupied
- CRE - Multifamily
- Single Family
- Consumer
- Residential Construction
- Single Family Custom Home Construction
- MF Construction
- CRE Construction

**CRE by Property Type**  
**\$1.37 billion**



- Retail
- Indust./Warehouse
- Multifamily
- Office
- Other

# 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>
9/30/16 Balances Outstanding				
Balance: \$564M % of Balances: 41% Portfolio Avg. LTV ~ 56% <sup>(1)</sup> Portfolio Avg. DSCR ~ 1.68x Avg. Loan Size: \$1.1M Largest Dollar Loan: \$24.1M	Balance: \$179M % of Balances: 13% % Owner Occupied: 51% Portfolio LTV ~ 49% <sup>(1)</sup> Portfolio Avg. DSCR ~ 1.68x Avg. Loan Size: \$1.7M Largest Dollar Loan: \$10.9M	Balance: \$305M % of Balances: 22% % Owner Occupied: 26% Portfolio LTV ~ 56% <sup>(1)</sup> Portfolio Avg. DSCR ~ 1.61x Avg. Loan Size: \$1.6M Largest Dollar Loan: \$25.8M	Balance: \$205M % of Balances: 15% % Owner Occupied: 17% Portfolio LTV ~ 52% <sup>(1)</sup> Portfolio Avg. DSCR ~ 1.70x Avg. Loan Size: \$1.5M Largest Dollar Loan: \$19.9M	Balance: \$120M % of Balances: 9% % of Owner Occupied: 64% Portfolio LTV ~ 44% <sup>(1)</sup> Portfolio Avg. DSCR ~ 1.83x Avg. Loan Size: \$788K 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 reduce concentrations in any particular market.

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 ~ 65%</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 ~ 70%</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 ~ 55%</li> </ul>
9/30/16 Balances and Commitments				
Balance: \$143M Unfunded Commitments: \$109M % of Balances: 22% % of Unfunded Commitments: 20% Avg. Loan Size: \$447K Largest Dollar Loan: \$1.6M	Balance: \$199M Unfunded Commitments: \$173M % of Balances: 30% % of Unfunded Commitments: 32% Avg. Loan Size: \$6.6M Largest Dollar Loan: \$24.9M	Balance: \$79M Unfunded Commitments: \$10M % of Balances: 12% % of Unfunded Commitments: 2% Avg. Loan Size: \$11.3M Largest Dollar Loan: \$22.2M	Balance: \$177M Unfunded Commitments: \$232M % of Balances: 27% % of Unfunded Commitments: 42% Avg. Loan Size: \$251K Largest Dollar Loan: \$9.6M	Balance: \$63M Unfunded Commitments: \$22M % of Balances: 10% % of Commitments: 4% Avg. Loan Size: \$554K Largest Dollar Loan: \$3.8M
Geographical Distribution (balances)				

# Credit Quality

(\$ in thousands)	Sept. 30, 2016		Jun. 30, 2016		Mar. 31, 2016		Dec. 31, 2015		Sept. 30, 2015	
	HMST	Peer Mdn <sup>(3)</sup>	HMST	Peer Mdn <sup>(3)</sup>	HMST	Peer Mdn <sup>(3)</sup>	HMST	Peer Mdn <sup>(3)</sup>	HMST	Peer Mdn <sup>(3)</sup>
Nonperforming assets <sup>(1)</sup>	\$32,361	--	\$26,443	--	\$23,285	--	\$24,699	--	\$27,743	--
Nonperforming loans	\$25,921	--	\$15,745	--	\$16,012	--	\$17,168	--	\$19,470	--
OREO	\$6,440	--	\$10,698	--	\$7,273	--	\$7,531	--	\$8,273	--
Nonperforming assets/total assets <sup>(1)</sup>	0.52%	<sup>(4)</sup>	0.45%	0.45%	0.43%	0.49%	0.50%	0.60%	0.56%	0.53%
Nonperforming loans/total loans	0.68%	<sup>(4)</sup>	0.42%	0.40%	0.45%	0.43%	0.53%	0.39%	0.64%	0.51%
Total delinquencies/total loans	1.89%	<sup>(4)</sup>	1.59%	0.73%	1.94%	0.74%	2.05%	0.71%	2.40%	0.92%
Total delinquencies/total loans - adjusted <sup>(2)</sup>	0.77%	<sup>(4)</sup>	0.45%	0.73%	0.64%	0.72%	0.65%	0.71%	1.04%	0.92%
ALLL / total loans	0.89%	<sup>(4)</sup>	0.88%	1.04%	0.88%	1.05%	0.91%	1.05%	0.89%	1.07%
ALLL / Nonperforming loans (NPLs)	131.07%	<sup>(4)</sup>	207.41%	236.59%	195.51%	224.60%	170.54%	252.66%	138.27%	189.83%
ALLL / total loans, excluding purchased loans	1.05%	--	1.03%	--	1.07%	--	1.10%	--	1.11%	--
Purchased Discount & Reserves/Gross Purchased Loans	2.92%	--	3.03%	--	3.01%	--	3.03%	--	3.17%	--

- Credit Quality continues to reflect excellent loan quality:
  - Nonperforming assets increased to 0.52% of total assets
    - The increase was primarily due to an increase in single family and commercial nonaccrual loans offset somewhat by a decrease in OREO
  - Delinquencies increased to 1.89% of total loans compared to 1.59% in 2Q16
  - Adjusted delinquencies ended the quarter at 0.77%

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

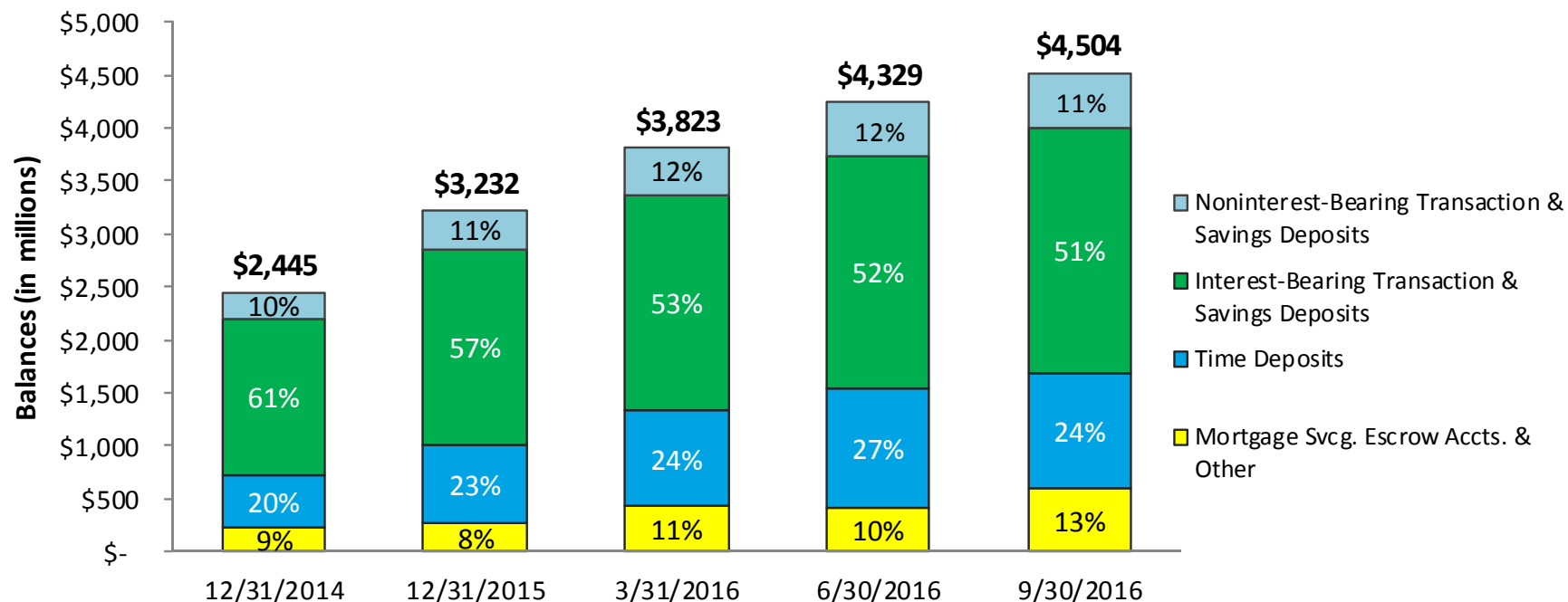
<sup>(2)</sup> Total delinquencies and total loans - adjusted (net of Ginnie Mae EBO loans (FHA/VA loans) and starting in 4Q15 guaranteed portion of SBA loans

<sup>(3)</sup> Peer group revised 1Q15. Source: SNL

<sup>(4)</sup> Not available at time of publishing

<sup>(5)</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	12/31/2014	12/31/2015	3/31/2016	6/30/2016	9/30/2016
	0.39%	0.44%	0.42%	0.46%	0.50%

- Total deposits of \$4.5 billion at September 30, 2016 increased \$265 million or 6% from June 30, 2016
- Transaction and savings accounts increased 5% during the quarter while CD balances declined 4% during the quarter
- 34.6% deposit growth during the quarter in our de-novo branches opened since 2012. Opened 14 branches, or 27% of our total network since 2012. Deposits in our acquired branches increased 11.1% during the quarter
- The previously announced agreement to acquire two retail branches located in Southern California and certain related deposits from Boston Private Bank and Trust scheduled to close in November 2016





# **Mortgage Banking**

# Mortgage Banking Segment

(\$ in thousands)	For the three months ended		For the nine months ended	
	Sept. 30, 2016	Sept. 30, 2015	Sept. 30, 2016	Sept. 30, 2015
Net interest income	\$ 7,463	\$ 8,125	\$ 18,597	\$ 21,336
Noninterest income	101,974	60,584	263,334	195,239
Noninterest expense	82,228	63,916	223,880	180,786
Net income before taxes	27,209	4,793	58,051	35,789
Income taxes	9,640	1,632	20,948	12,788
Net income	\$ 17,569	\$ 3,161	\$ 37,103	\$ 23,001
ROAA	6.04%	1.11%	5.26%	3.06%
ROATE	68.36%	10.28%	51.85%	23.96%
Efficiency Ratio	75.1%	93.0%	79.4%	83.5%
FTE	1,483	1,293	1,483	1,293

- Year-to-date net income increased 61.3% as a result of our investment in growth and improved operating efficiency
- Average interest rate lock and forward sale commitments increased 22.6% year-over-year and our average balance of single-family loans serviced for others increased 30.9% resulting in increased gain-on-sale income and servicing income, respectively
- During the period, we have had a higher proportion of support staff relative to sales staff due to the implementation of TRID and we increased the number of stand-alone single-family offices by six, which contributed to growth in non-interest expense

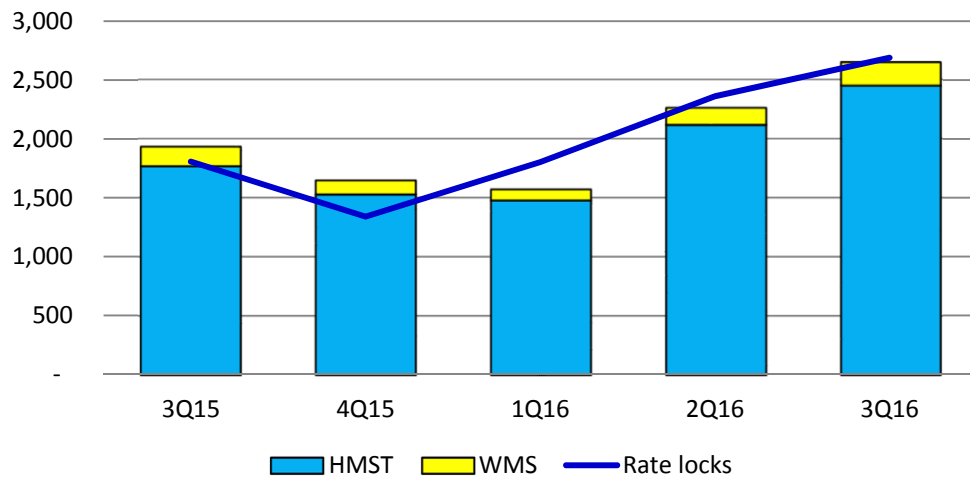
# Mortgage Banking Segment – Quarter Trend

(\$ in thousands)	For the three months ended				
	Sept. 30, 2016	Jun. 30, 2016	Mar. 31, 2016	Dec. 31, 2015	Sept. 30, 2015
Net interest income	\$ 7,463	\$ 6,089	\$ 5,045	\$ 6,981	\$ 8,125
Noninterest income	101,974	94,295	67,065	56,631	60,584
Noninterest expense	82,228	76,928	64,723	63,183	63,916
Net income before taxes	27,209	23,456	7,387	429	4,793
Income taxes	9,640	8,786	2,522	128	1,632
Net income	\$ 17,569	\$ 14,670	\$ 4,865	\$ 301	\$ 3,161
ROAA	6.04%	6.67%	2.50%	0.12%	1.11%
ROATE	68.36%	62.45%	21.74%	1.28%	10.28%
Efficiency Ratio	75.1%	76.6%	89.8%	99.3%	93.0%
FTE	1,483	1,409	1,361	1,311	1,293

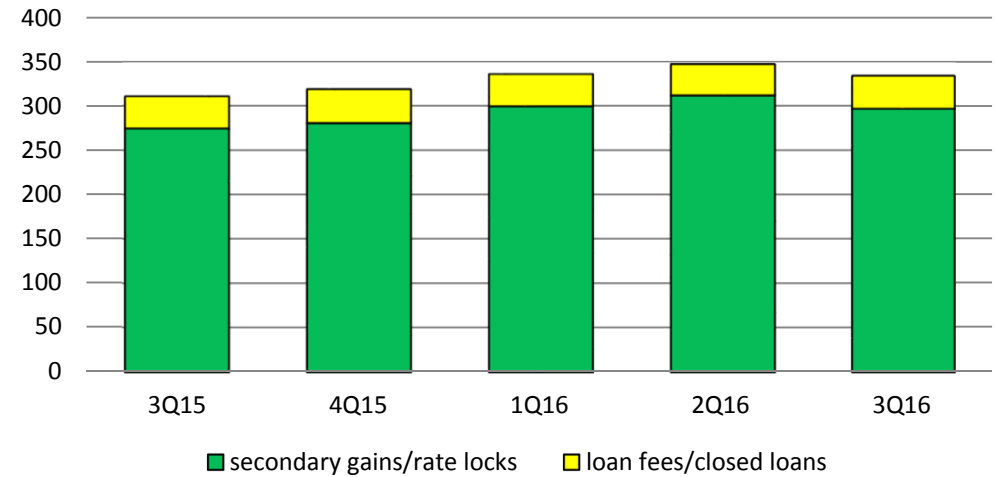
- Net income increased \$2.9 million from 2Q, which was primarily driven by \$7.7 million higher noninterest income
- 14% higher rate lock volume was the primary driver of net gain on mortgage loan origination and sale activities of \$88.9 million coming in \$7.9 million or 10% above 2Q
- Interest rate lock commitment volume in 3Q of \$2.69 billion was 14% higher than in 2Q and HFS closed loan volume of \$2.65 billion was up 17% from the prior quarter
- Mortgage servicing income of \$11.8 million declined slightly from 12.0 million in 2Q primarily from higher MSR value decay

# Mortgage Origination

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



## Single Family Composite Margin (bps)



	3Q15	4Q15	1Q16	2Q16	3Q16
HMST	\$1,768	\$1,530	\$1,479	\$2,118	\$2,451
WMS	\$166	\$119	\$94	\$144	\$197
Closed Loans	\$1,934	\$1,649	\$1,573	\$2,262	\$2,648
Purchase %	75%	70%	62%	69%	64%
Refinance %	25%	30%	38%	31%	36%
Rate locks	\$1,807	\$1,340	\$1,804	\$2,362	\$2,690
Purchase %	70%	67%	59%	65%	53%
Refinance %	30%	33%	41%	35%	47%

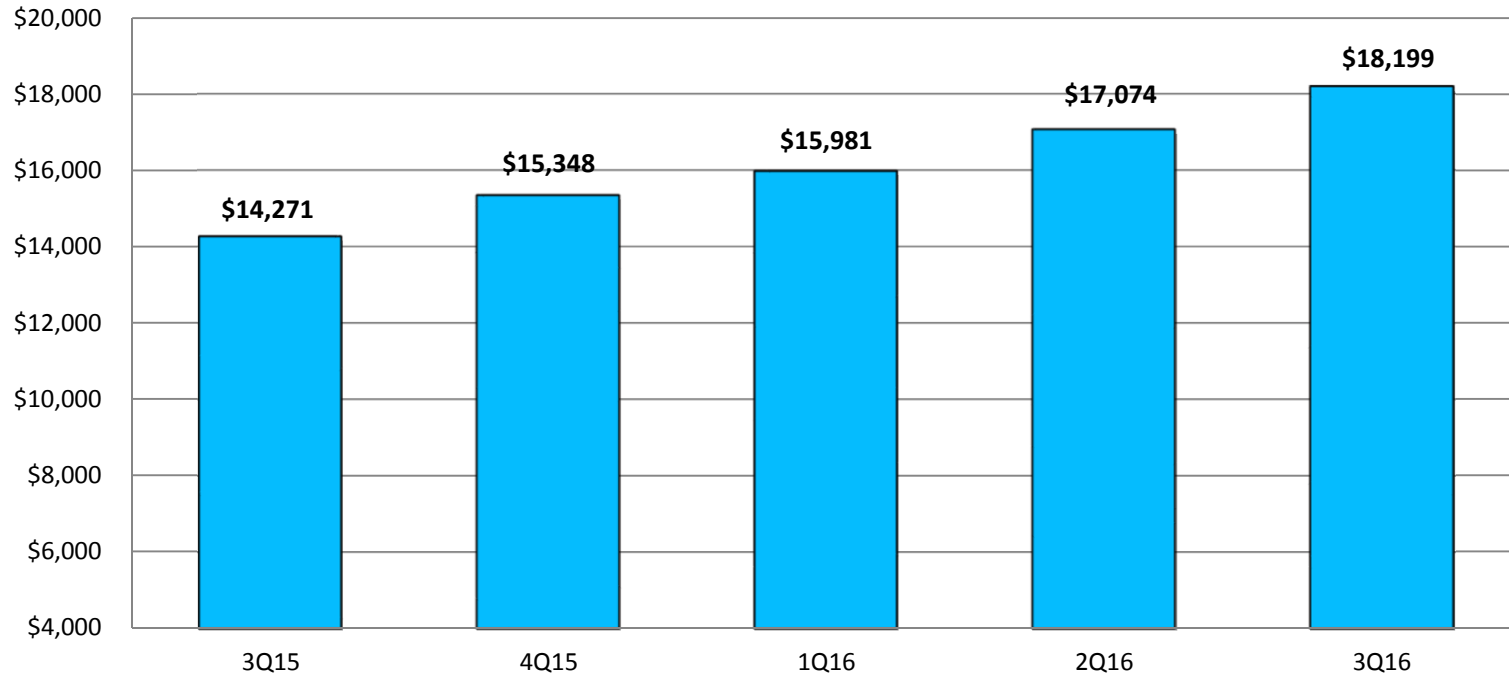
	3Q15	4Q15	1Q16	2Q16	3Q16
Secondary gains/rate locks <sup>(1)</sup>	275	281	300	312	297
Loan fees/closed loans <sup>(2)</sup>	36	38	36	35	37
Composite Margin	311	319	336	347	334

<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 September 30, 2016

- Constant Prepayment Rate (CPR) – 21.6% for 3Q 2016
- W.A. servicing fee - 28.7 bps
- MSR's represent 0.82% of ending UPB – 2.87 W.A. servicing fee multiple
- W.A age – 26.8 months
- W.A. expected life – 48.2 months as of 9/30/16
- Composition of government – 26.8%
- Total delinquency - 1.2% (including foreclosures)
- W.A. note rate – 3.99%

# Mortgage Market & Competitive Landscape

## Mortgage Market

- MBA estimates third quarter mortgage origination nationally to increase 10% over second quarter. HomeStreet's originations increased 17% over the prior quarter.
- The most recent Mortgage Bankers Association monthly forecast projects total loan originations to increase 12.8% in 2016 over the past year, an upward revision from its prior quarter forecast of a 6.8% decrease.
- Mortgage rates continue near historic lows, and nationally purchases are expected to increase by 11.4% from 2015 and comprise 53% of volume in 2016.
- Housing starts for this year are expected to be up 6.7% over 2015 levels.

## Competitive Landscape

- Purchases comprised 53% of originations nationally and 51% in the Pacific Northwest in the third quarter. HomeStreet continues to perform above the national and regional averages, with purchases accounting for 64% of our closed loans and 53% 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 two and half years.

# Earnings Guidance

- Currently anticipating mortgage loan lock and forward sale commitments volume of approximately \$2.0 billion and \$2.1 billion in the fourth quarter of 2016 and first quarter of 2017, respectively
- Projecting mortgage loan held for sale closing volumes of \$2.4 billion and \$1.8 billion in the fourth of 2016 and first 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 net loan portfolio growth to approximate 4% to 6% quarterly during 2017
- Reflecting the continued flattening of the yield curve since last quarter, we generally expect our consolidated net interest margin to trend in the 3.30% to 3.35% level and remain in that range through 2017, absent changes in market rates and prepayment speeds
- We believe that non-interest expense growth in the 3rd quarter represented a peak for the year. Therefore, we do not expect our non-interest expense to meaningfully increase during the fourth quarter
- 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

# [ Appendix ]



# Statements of Financial Condition

(\$ in thousands)	Sept. 30, 2016	Jun. 30, 2016	Mar. 31, 2016	Dec. 31, 2015	Sept. 30, 2015
Cash and cash equivalents	\$ 55,998	\$ 45,229	\$ 46,356	\$ 32,684	\$ 37,303
Investment securities	991,325	928,364	687,081	572,164	602,018
Loans held for sale	893,513	772,780	696,692	650,163	882,319
Loans held for investment, net	3,764,178	3,698,959	3,523,551	3,192,720	3,012,943
Mortgage servicing rights	167,501	147,266	148,851	171,255	146,080
Other real estate owned	6,440	10,698	7,273	7,531	8,273
Federal Home Loan Bank stock, at cost	39,783	40,414	40,548	44,342	44,652
Premises and equipment, net	72,951	67,884	67,323	63,738	60,544
Goodwill	19,900	19,846	20,366	11,521	11,945
Other assets	215,012	209,738	179,211	148,377	169,576
Total assets	<u>\$ 6,226,601</u>	<u>\$ 5,941,178</u>	<u>\$ 5,417,252</u>	<u>\$ 4,894,495</u>	<u>\$ 4,975,653</u>
Deposits	\$ 4,504,560	\$ 4,239,155	\$ 3,823,027	\$ 3,231,953	\$ 3,307,693
Federal Home Loan Bank advances	858,923	878,987	883,574	1,018,159	1,025,745
Accounts payable and other liabilities	151,968	138,307	119,662	117,251	119,900
Long-term debt	125,122	125,126	61,857	61,857	61,857
Total liabilities	<u>5,640,573</u>	<u>5,381,575</u>	<u>4,888,120</u>	<u>4,429,220</u>	<u>4,515,195</u>
Preferred stock	-	-	-	-	-
Common stock	511	511	511	511	511
Additional paid-in capital	276,844	276,303	273,168	222,328	222,047
Retained earnings	300,742	273,041	251,292	244,885	236,207
Accumulated other comprehensive income (loss)	7,931	9,748	4,161	(2,449)	1,693
Total shareholders' equity	<u>586,028</u>	<u>559,603</u>	<u>529,132</u>	<u>465,275</u>	<u>460,458</u>
Total liabilities and shareholders' equity	<u>\$ 6,226,601</u>	<u>\$ 5,941,178</u>	<u>\$ 5,417,252</u>	<u>\$ 4,894,495</u>	<u>\$ 4,975,653</u>

# Non-GAAP Financial Measures

## Tangible Book Value:

	Quarter Ended				Nine Months Ended		
	Sept. 30, 2016	Jun. 30, 2016	Mar. 31, 2016	Dec. 31, 2015	Sept. 30, 2015	Sept. 30, 2015	
(dollars in thousands, except share data)							
Shareholders' equity	\$586,028	\$559,603	\$529,132	\$465,275	\$460,458	\$586,028	\$460,458
Less: Goodwill and other intangibles	(28,573)	(28,861)	(29,126)	(20,266)	(20,250)	(28,573)	(20,250)
Tangible shareholders' equity	\$557,455	\$530,742	\$500,006	\$445,009	\$440,208	\$557,455	\$440,208
Common shares outstanding	24,833,008	24,821,349	24,550,219	22,076,534	22,061,702	24,833,008	22,061,702
Book value per share	\$23.60	\$22.55	\$21.55	\$21.08	\$20.87	\$23.60	\$20.87
Impact of goodwill and other intangibles	(1.15)	(1.17)	(1.18)	(0.92)	(0.92)	(1.15)	(0.92)
Tangible book value per share	\$22.45	\$21.38	\$20.37	\$20.16	\$19.95	\$22.45	\$19.95
Average shareholders' equity	\$588,335	\$548,080	\$510,883	\$470,635	\$460,489	\$549,242	\$429,071
Less: Average goodwill and other intangibles	(28,769)	(28,946)	(26,645)	(20,195)	(20,596)	(28,122)	(19,491)
Average tangible shareholders' equity	\$559,566	\$519,134	\$484,238	\$450,440	\$439,893	\$521,120	\$409,580
Return on average shareholders' equity	18.83%	15.87%	5.02%	7.38%	8.65%	13.56%	10.14%
Impact of goodwill and other intangibles	0.97%	0.89%	0.27%	0.33%	0.41%	0.73%	0.49%
Return on average tangible shareholders' equity	19.80%	16.76%	5.29%	7.71%	9.06%	14.29%	10.63%

# Non-GAAP Financial Measures

## Core Net Income:

(dollars in thousands)	Quarter Ended				Nine Months Ended		
	Sept. 30, 2016	Jun. 30, 2016	Mar. 31, 2016	Dec. 31, 2015	Sept. 30, 2015	Sept. 30, 2015	
Net income	\$27,701	\$21,749	\$6,407	\$8,678	\$9,961	\$55,857	\$32,641
Impact of acquisition-related items (net of tax)	333	666	3,378	109	(512)	4,377	2,909
Net income, excluding acquisition-related items (net of tax)	<u>\$28,034</u>	<u>\$22,415</u>	<u>\$9,785</u>	<u>\$8,787</u>	<u>\$9,449</u>	<u>\$60,234</u>	<u>\$35,550</u>
Noninterest expense	\$114,399	\$111,031	\$101,353	\$92,725	\$92,026	\$326,783	\$273,843
Deduct: acquisition-related expenses	(512)	(1,025)	(5,198)	(754)	(437)	(6,735)	(15,810)
Noninterest expense, excluding acquisition-related expenses	<u>\$113,887</u>	<u>\$110,006</u>	<u>\$96,155</u>	<u>\$91,971</u>	<u>\$91,589</u>	<u>\$320,048</u>	<u>\$258,033</u>
Diluted earnings per common share	\$1.11	\$0.87	\$0.27	\$0.39	\$0.45	\$2.27	\$1.58
Impact of acquisition-related items (net of tax)	0.01	0.03	0.14	-	(0.03)	0.18	0.14
Diluted earnings per common share, excluding acquisition-related items (net of tax)	<u>\$1.12</u>	<u>\$0.90</u>	<u>\$0.41</u>	<u>\$0.39</u>	<u>\$0.42</u>	<u>\$2.45</u>	<u>\$1.72</u>
Return on average assets	1.79%	1.54%	0.51%	0.71%	0.83%	1.33%	0.98%
Impact of acquisition-related items (net of tax)	0.02%	0.05%	0.27%	0.01%	(0.05)%	0.10%	0.09%
Return on average assets, excluding acquisition-related items (net of tax)	<u>1.81%</u>	<u>1.59%</u>	<u>0.78%</u>	<u>0.72%</u>	<u>0.78%</u>	<u>1.43%</u>	<u>1.07%</u>
Return on average shareholders' equity	18.83%	15.87%	5.02%	7.38%	8.65%	13.56%	10.14%
Impact of acquisition-related items (net of tax)	0.24%	0.49%	2.64%	0.09%	(0.44)%	1.06%	0.91%
Return on average shareholders' equity, excluding acquisition-related items (net of tax)	<u>19.07%</u>	<u>16.36%</u>	<u>7.66%</u>	<u>7.47%</u>	<u>8.21%</u>	<u>14.62%</u>	<u>11.05%</u>
Return on average tangible shareholders' equity	19.80%	16.76%	5.29%	7.71%	9.06%	14.29%	10.63%
Impact of acquisition-related items (net of tax)	0.24%	0.51%	2.79%	0.09%	(0.47)%	1.12%	0.94%
Return on average tangible shareholders' equity, excluding acquisition-related items (net of tax)	<u>20.04%</u>	<u>17.27%</u>	<u>8.08%</u>	<u>7.80%</u>	<u>8.59%</u>	<u>15.41%</u>	<u>11.57%</u>
Efficiency ratio	72.15%	75.55%	90.17%	88.18%	85.92%	78.20%	84.41%
Impact of acquisition-related items (net of tax)	(0.32)%	(0.69)%	(4.62)%	(0.39)%	0.24%	(1.62)%	(3.03)%
Efficiency ratio, excluding acquisition-related items (net of tax)	<u>71.83%</u>	<u>74.86%</u>	<u>85.55%</u>	<u>87.79%</u>	<u>86.16%</u>	<u>76.58%</u>	<u>81.38%</u>

# Non-GAAP Financial Measures

## Core Net Income – Commercial & Consumer Banking:

(dollars in thousands)	Quarter Ended					Nine Months Ended	
	Sept. 30, 2016	Jun. 30, 2016	Mar. 31, 2016	Dec. 31, 2015	Sept. 30, 2015	Sept. 30, 2016	Sept. 30, 2015
Commercial and Consumer Banking Segment:							
Net income	\$10,132	\$7,079	\$1,542	\$8,377	\$6,800	\$18,753	\$9,640
Impact of acquisition-related items (net of tax)	333	666	3,378	109	(512)	4,377	2,909
Net income, excluding acquisition-related items (net of tax)	<u>\$10,465</u>	<u>\$7,745</u>	<u>\$4,920</u>	<u>\$8,486</u>	<u>\$6,288</u>	<u>\$23,130</u>	<u>\$12,549</u>
ROAA	0.81%	0.60%	0.15%	0.84%	0.71%	0.54%	0.38%
Impact of acquisition-related items (net of tax)	0.03%	0.06%	0.32%	0.01%	(0.05)%	0.13%	0.11%
ROAA, excluding acquisition-related items (net of tax)	<u>0.83%</u>	<u>0.66%</u>	<u>0.46%</u>	<u>0.85%</u>	<u>0.66%</u>	<u>0.66%</u>	<u>0.49%</u>
ROAE	8.29%	6.28%	1.47%	8.99%	7.99%	5.52%	4.33%
Impact of acquisition-related items (net of tax)	0.27%	0.59%	3.23%	0.12%	(0.60)%	1.29%	1.31%
ROAE, excluding acquisition-related items (net of tax)	<u>8.57%</u>	<u>6.87%</u>	<u>4.71%</u>	<u>9.11%</u>	<u>7.39%</u>	<u>6.81%</u>	<u>5.64%</u>
ROATE	8.81%	6.71%	1.58%	9.51%	8.51%	5.89%	4.64%
Impact of acquisition-related items (net of tax)	0.29%	0.63%	3.45%	0.12%	(0.64)%	1.37%	1.40%
ROATE, excluding acquisition-related items (net of tax)	<u>9.10%</u>	<u>7.34%</u>	<u>5.03%</u>	<u>9.64%</u>	<u>7.87%</u>	<u>7.26%</u>	<u>6.04%</u>
Efficiency ratio	65.51%	73.22%	90.92%	71.12%	73.22%	75.68%	86.28%
Impact of acquisition-related items (net of tax)	(1.04)%	(2.20)%	(12.90)%	(1.17)%	0.38%	(4.95)%	(9.42)%
Efficiency ratio, excluding acquisition-related items (net of tax)	<u>64.47%</u>	<u>71.02%</u>	<u>78.02%</u>	<u>69.95%</u>	<u>73.60%</u>	<u>70.73%</u>	<u>76.86%</u>