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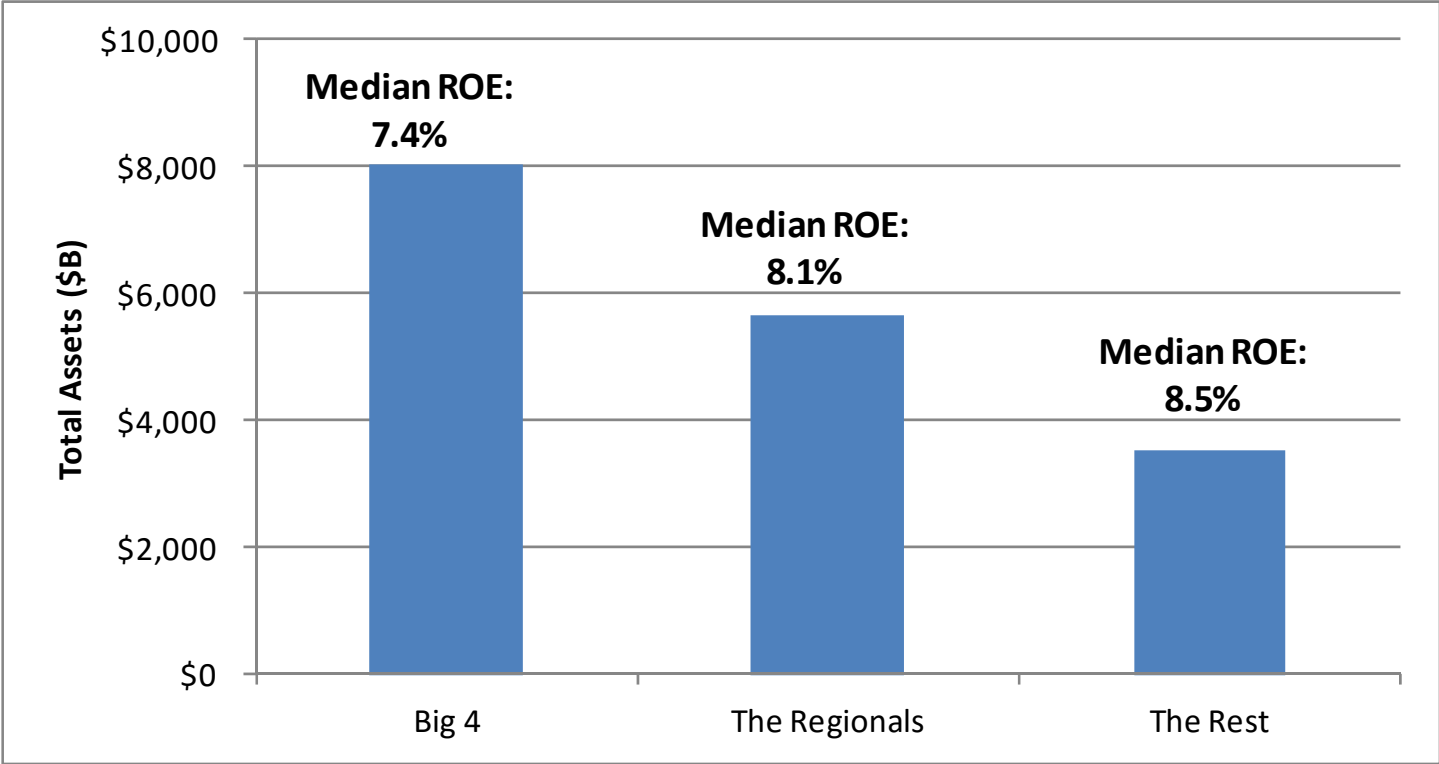
## Industry Overview

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- ▶ Increased regulation and prolonged low rates has investors asking if banks as a group can make an adequate return on their capital
- ▶ Dodd-Frank, Consumer Financial Protection Bureau (CFPB), underwriting guidelines, servicing guidelines, Comprehensive Capital Analysis and Review (CCAR) and Dodd Frank Act stress tests leave significant regulatory burden
- ▶ Basel III has a meaningful impact on the amount of capital banks have to hold and limits mortgage servicing right (MSR) capital treatment
- ▶ Increased regulatory oversight
  - Washington has a greater say in the way financial institutions operate than ever before

# Majority of Assets in Select Few, Returns Better but Still Less than Ideal at Smaller Institutions

Total Assets and Median Returns on Equity per Category

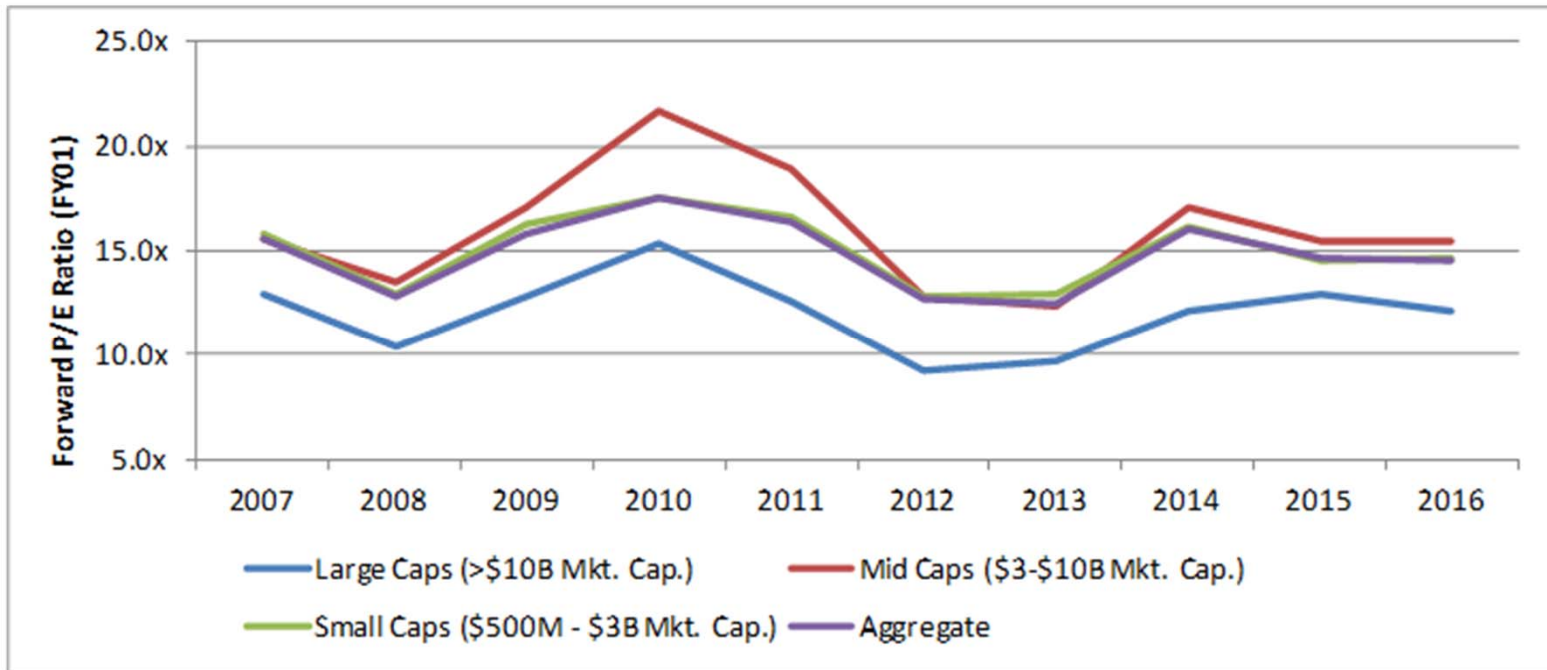


Source: SNL Financial and FBR Research



# Existing Valuations Not Necessarily Unreasonable

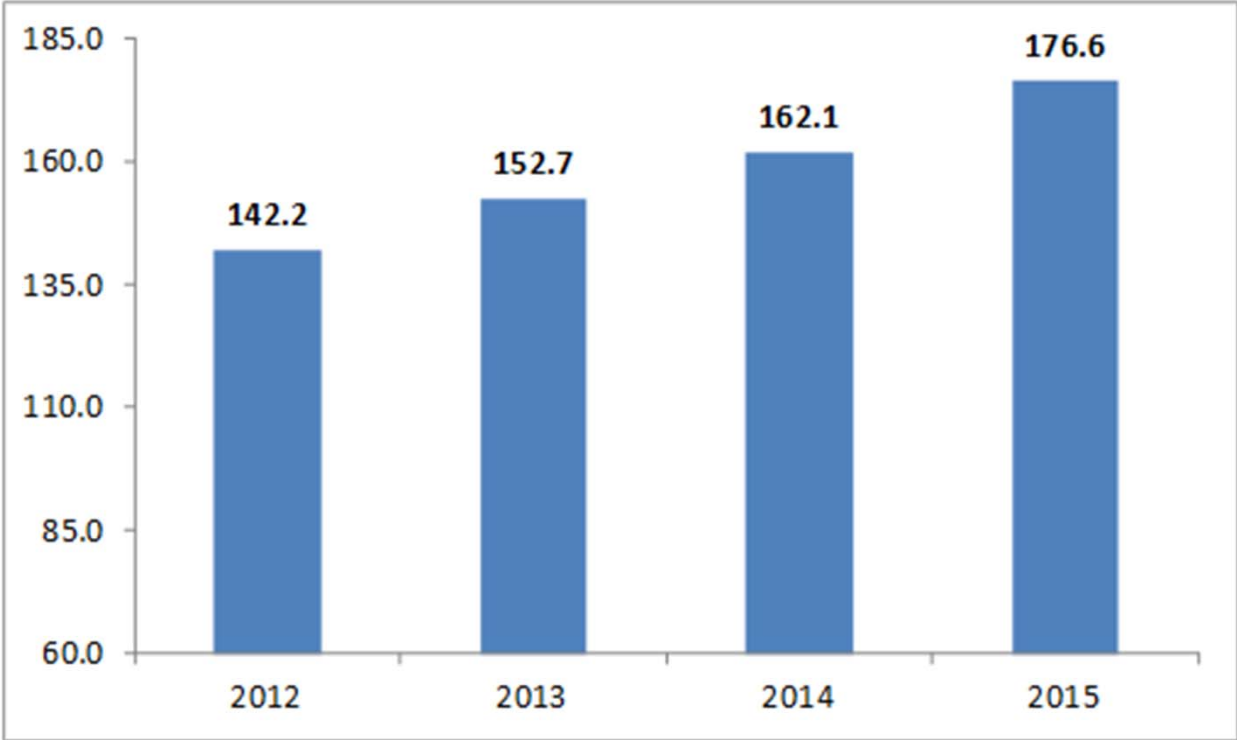
FY01 Price/Earnings Ratio versus Historical Averages



Source: SNL Financial and FBR Research

# M&A Role – Are Investors Increasingly Capturing Upside Prior to Merger Announcement?

Average Bank Purchase Multiples over Time (Price / Tangible Book Value)

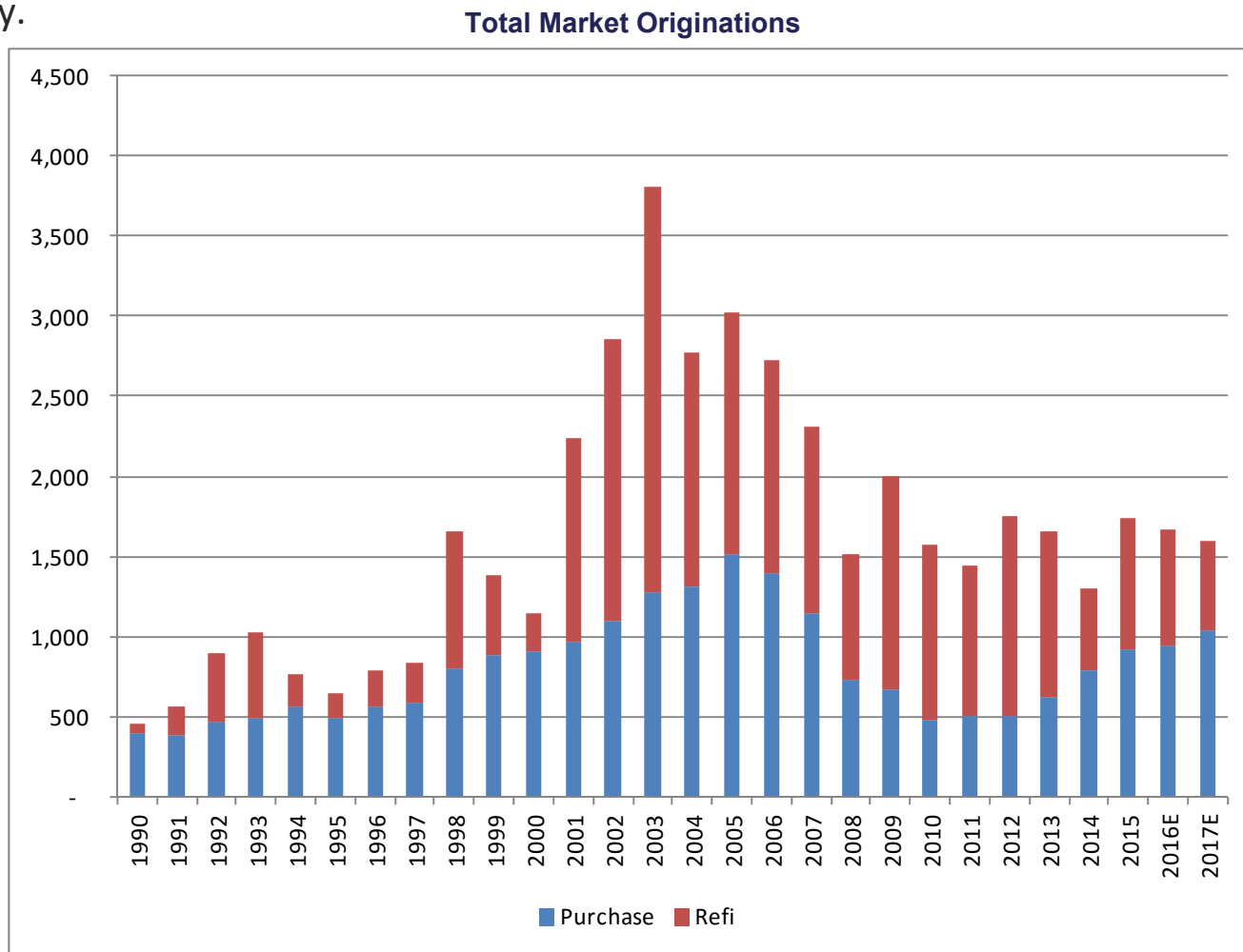


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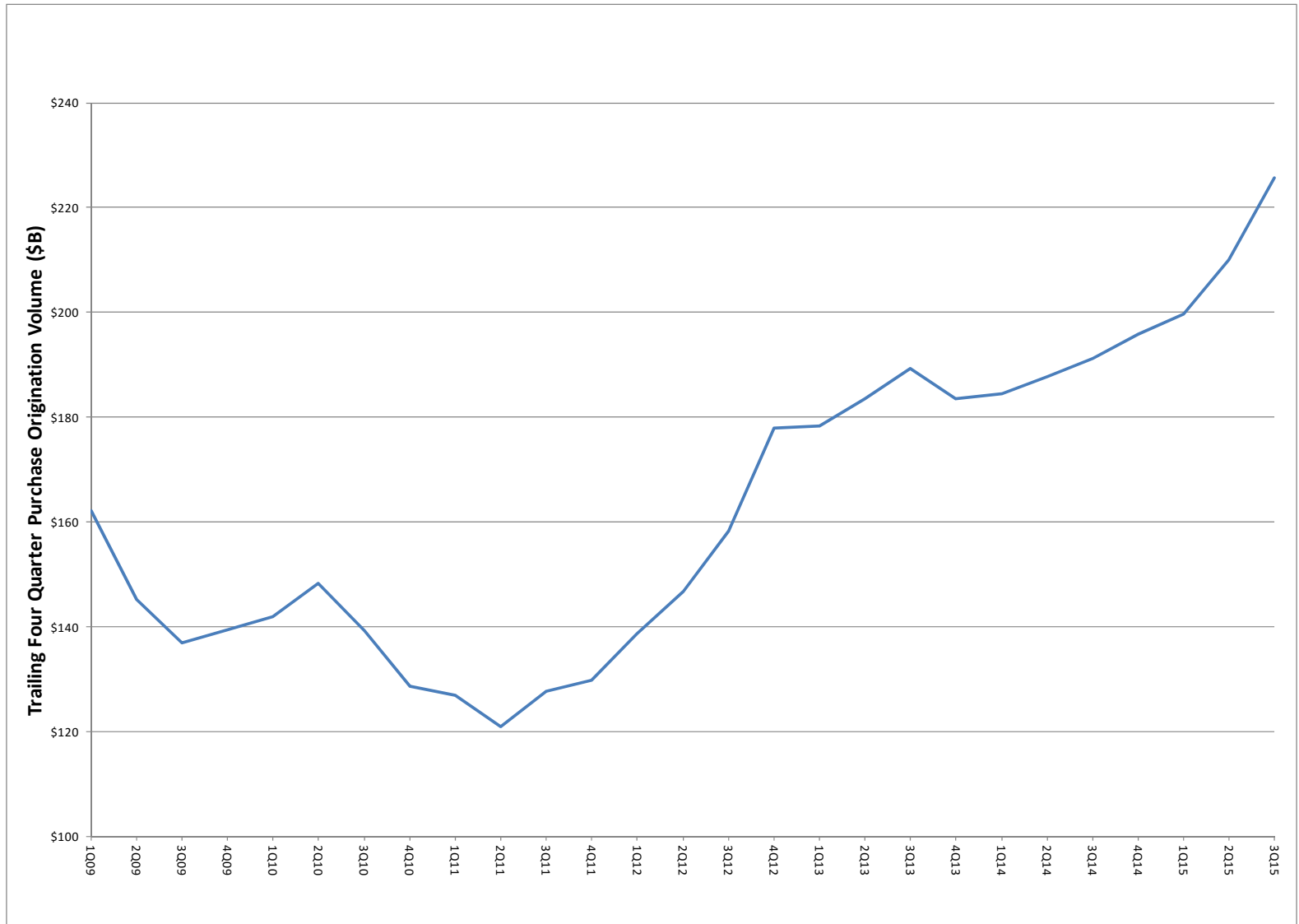
# Originations Boomed, Recent Pace is Sustainable Given Size of Housing Market

- ▶ Many investors plotting the demise of refinancings have been wrong the past couple of years.
- ▶ Size of housing market debt more than supports existing origination market size relative to history.



Source: Inside Mortgage Finance and FBR Research

# Purchase Originations Have Recently Gained Momentum

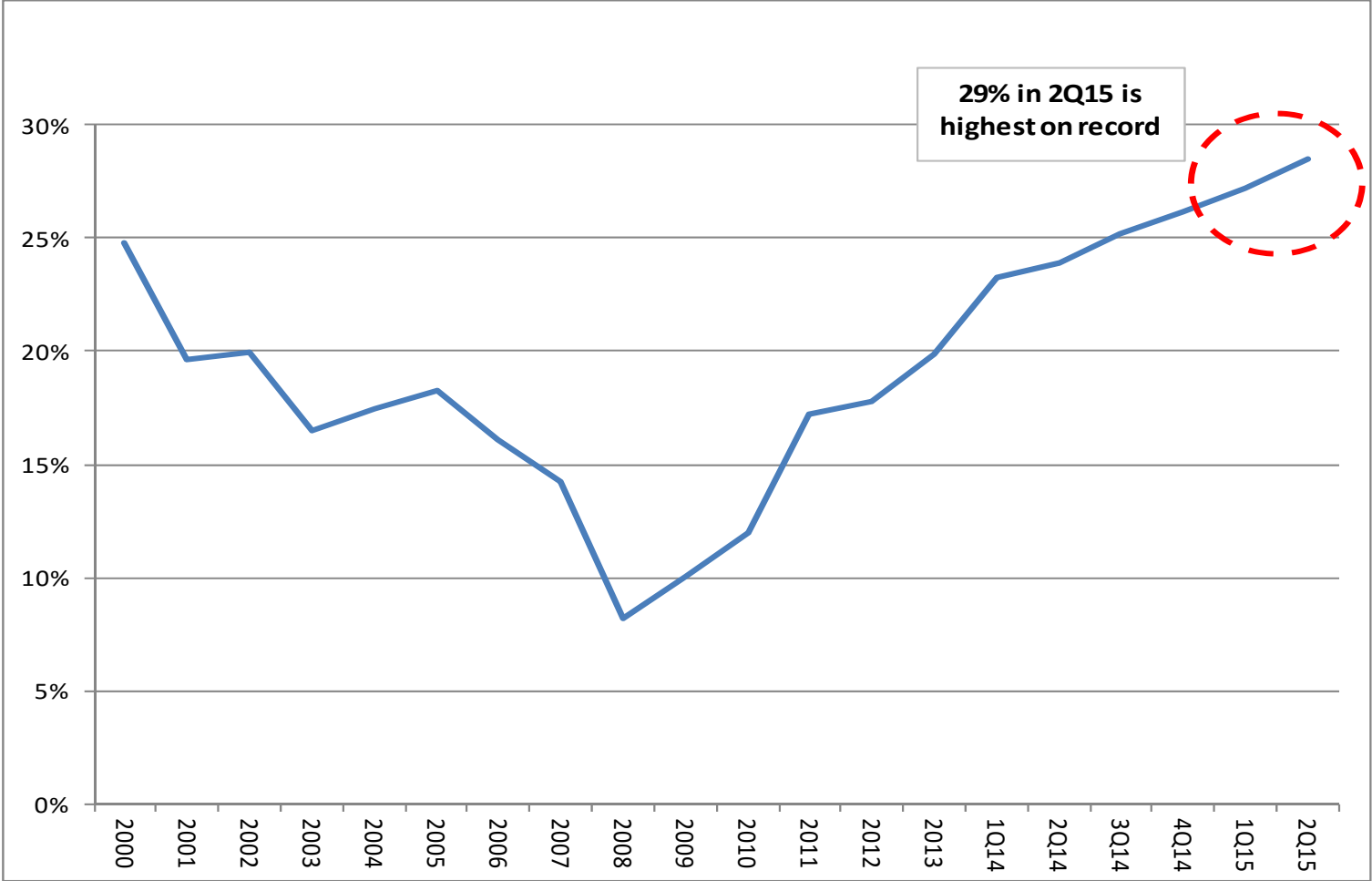


Source: Inside Mortgage Finance and FBR Research





# Jumbo Mortgage Originations As a % of Total Market Volume

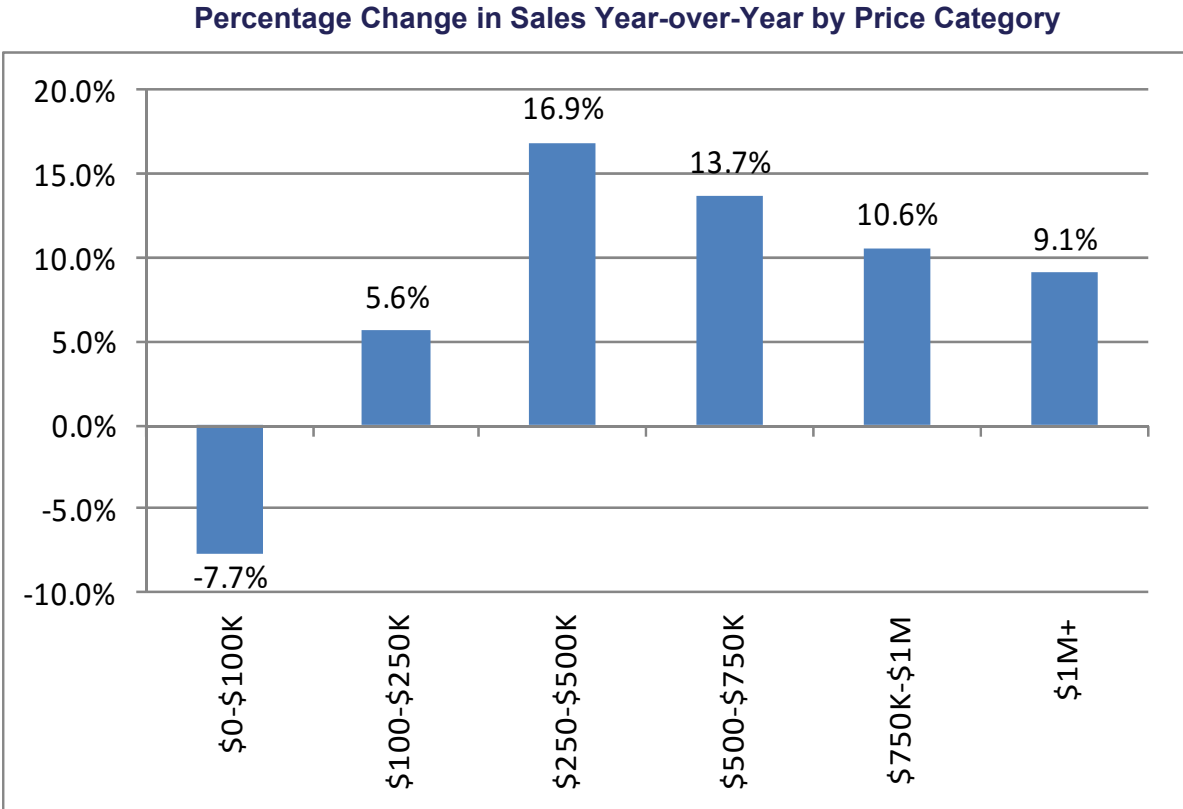


Source: Inside Mortgage Finance and FBR Research



# Expensive Home Sales Growing Faster than Lower Priced Home Sales

- ▶ Home sales growth skewed to higher end buyers throughout 2015



Source: Inside Mortgage Finance and FBR Research



# Industry Risks

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- ▶ Forecasting the future is a perilous endeavor. The pace of future economic growth and the level of interest rates in the future may turn out to be either higher or lower than the forecasts presented herein.
- ▶ Commentary, predictions, and opinions expressed herein regarding the future direction of financial indicators or markets are, by nature, speculative and uncertain. Actual outcomes may differ substantially from the opinions herein expressed.
- ▶ Earnings are sensitive to local economic, national, and international economic conditions. Economic recession would tend to restrict asset growth while adversely affecting credit quality, with a negative implication for future earnings and revenue growth.
- ▶ Earnings and the market value of assets and liabilities are sensitive to changes in interest rates, to yield curve shifts, and to interest rate spread relationships.
- ▶ Operations are subject to regulation. Compliance costs can be material and can reduce earnings or competitiveness with other financial services companies that are not regulated or are less regulated.

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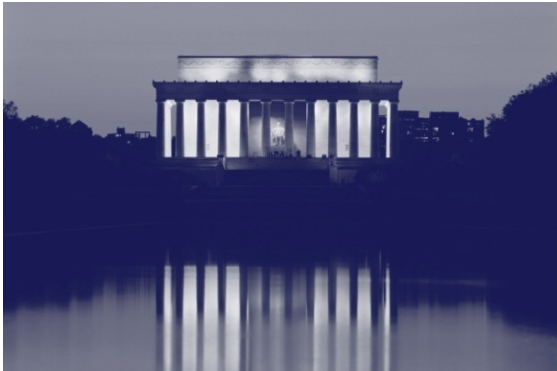




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