



STONEGATETM
MORTGAGE

Q4 2013 Earnings Presentation

Three Months Ended December 31, 2013

February 24, 2014

Forward Looking Statements



FORWARD-LOOKING STATEMENTS:

Our presentation contains certain forward-looking statements. These forward-looking statements may be identified by a reference to a future period or by the use of forward-looking terminology. They involve risks and uncertainties that could cause the company's actual results to differ materially from the results discussed in the forward-looking statements. Important factors that could cause actual results to differ include, but are not limited to, our future production, revenues, income, capital spending, related general economic and market conditions, delinquency rates, trends for home prices, uncertainties related to acquisitions, including our ability to integrate the systems, procedures and personnel from other companies, as well as other risks discussed in the "Risk Factors" section within our Registration Statement on Form S-1, as amended, which has been filed with the U.S. Securities and Exchange Commission. The forward-looking statements speak only as of the date they are made and except for our ongoing obligations under the U.S. federal securities laws, we undertake no obligation to update or revise forward-looking statements whether as a result of new information, future events or otherwise.

NON-GAAP MEASURES:

Our presentation contains non-GAAP performance measures, such as our references to "adjusted net income", "adjusted EPS", and "adjusted net income per diluted share". We believe these non-GAAP performance measures provide additional meaningful comparisons between current results and results in prior periods. Non-GAAP performance measures should be viewed in addition to, and not as an alternative for, the Company's reported results under accounting principles generally accepted in the United States. In addition, our calculations of non-GAAP performance measures may be different from the calculations used by other companies and, therefore, comparability may be limited. Please refer to the Appendix of this presentation for a reconciliation of these non-GAAP performance measures to the most comparable GAAP measure.

Stonegate Overview



- Founded in 2005
- Publically traded (NYSE: SGM) with a market capitalization of \$390 million⁽¹⁾
- Positioned to be a significant player in the emerging mortgage market



(1) As of February 21, 2014

2013 Year In Review

- Began 2013 with \$55 million in equity
- Raised additional equity capital of approximately \$225 million
 - Completed 144A in May raising \$105 million
 - Completed IPO in October on the NYSE under ticker SGM, raising \$120 million
- GAAP ROAE⁽¹⁾ was 20%
- Origination volume of \$8.7 billion - grew 152% from 2012
- Ending servicing unpaid principal balance of \$11.9 Billion – grew 188% from 2012
- Completed two acquisitions in December

SGM
LISTED
NYSE®

(1) Based on weighted average monthly equity

Q4 2013 Stonegate Highlights



Financial

- GAAP Revenue: \$43.8 million
- GAAP diluted EPS of \$0.08 on net income of \$2.1 million
- Adjusted EPS⁽¹⁾ of \$0.11 on adjusted net income of \$2.7 million
 - Adjustments include \$6.2 million of non-routine expenses
- Net interest income of \$2.2 million
- Servicing fee income of \$7.9 million

Operational

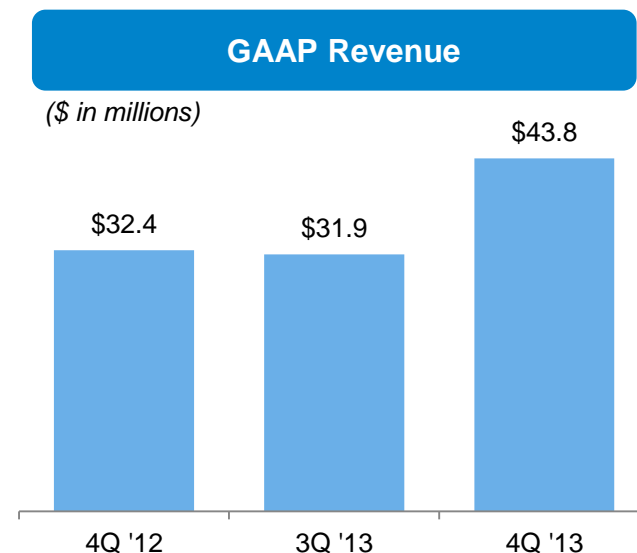
- Originations and Interest Rate Locks highest in Company history
 - Originations increased 2% from Q3 to \$2.4 billion; 72% purchase
 - Interest Rate Locks: \$3.0 billion; 74% purchase
- Servicing UPB grew 23% from previous period to \$11.9 billion
- Average warehouse outstanding: \$555 million

(1) Adjusted Net Income and adjusted EPS are key performance metrics used by management in evaluating the performance of our business. See the Appendix for GAAP to non-GAAP reconciliation

Q4 2013 Revenue

- GAAP revenue of \$43.8 million represents an increase of 38% from the previous quarter and a 35% increase from the same period last year

- Origination activity accounted for 63% of total revenue, while servicing and financing accounted for 24% and 13%, respectively
- As the servicing portfolio and NattyMac outstandings grow, a greater percentage of revenue will come from fee-based sources



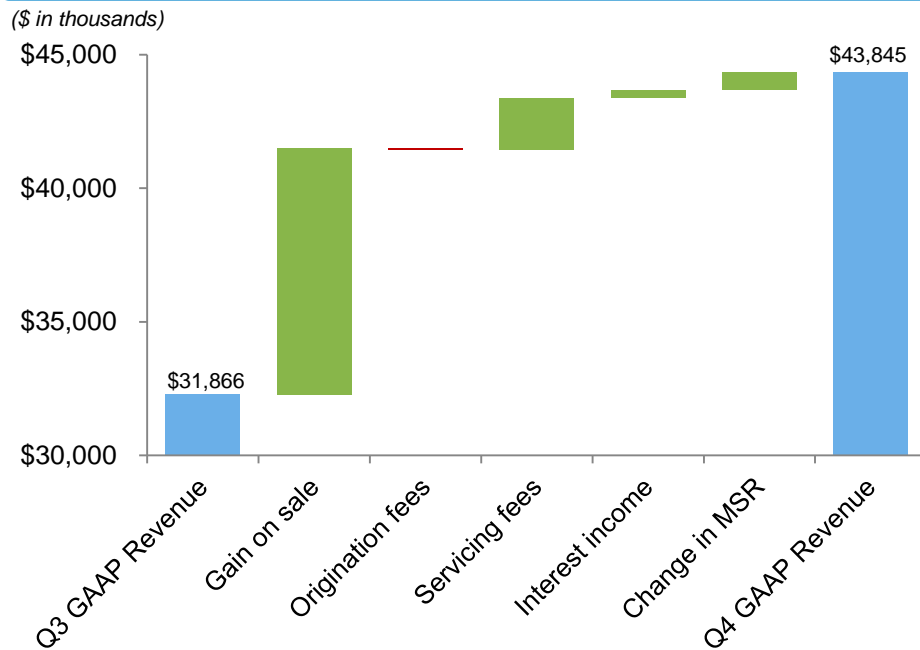
Revenues	Three Months Ended		
	12/31/2013	9/30/2013	12/31/2012
Gains on mortgage loans held for sale	\$ 21,942	\$ 12,802	\$ 24,537
Changes in mortgage servicing rights valuation	2,773	2,099	—
Loan origination and other loan fees	5,589	5,640	3,605
Loan servicing fees	7,880	5,966	2,180
Interest income	5,661	5,359	2,099
Total revenues	\$ 43,845	\$ 31,866	\$ 32,421

Q4 2013 Revenue Reconciliation

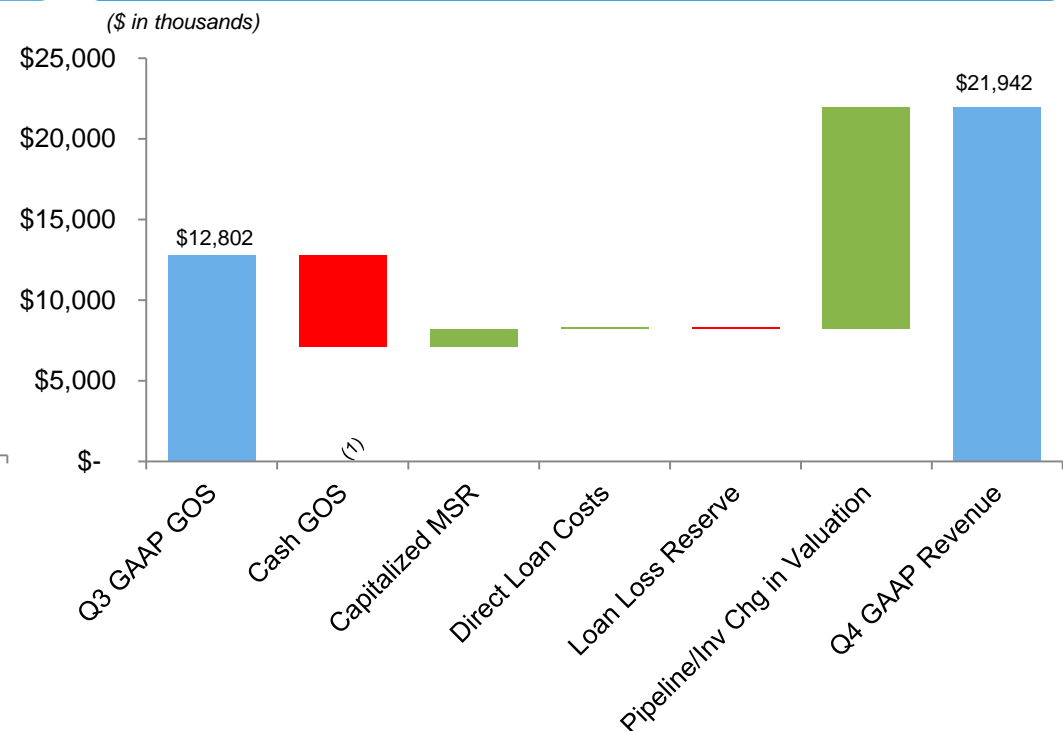


- Each line item of GAAP revenue increased from Q3 to Q4, excluding a slight reduction in origination fees, which was due to higher correspondent volume
- Gain on mortgage loans held for sale increased due to higher origination volume and a more valuable pipeline

GAAP Revenue Bridge



Gain on Sale Bridge



■ Negative Adjustment ■ Positive Adjustment

■ Lower GAAP gain on sale ■ Higher GAAP gain on sale

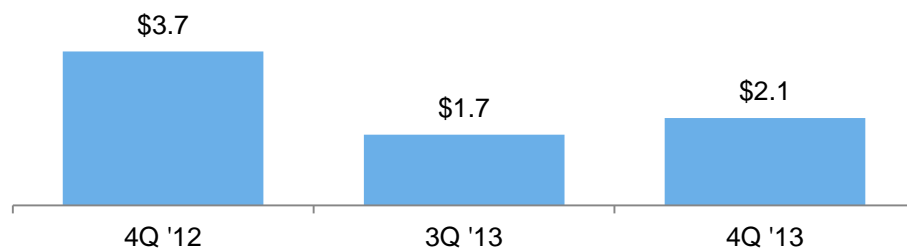
(1) Includes total gain on sale from Crossline consolidation. Please refer to slide 21 for additional details

Q4 2013 Net Income

- GAAP net income of \$2.1 million or \$0.08 per diluted share
 - Q4 net income represents a 23% increase from the previous quarter
- Adjusted net income⁽¹⁾ of \$2.7 million or \$0.11 per diluted share
 - Adjustments include the FMV change in MSR, deal expenses associated with the Crossline and Nationstar acquisitions, non-capitalized IPO expenses, and other non-recurring items
 - Non-routine expenses totaled \$6.2 million

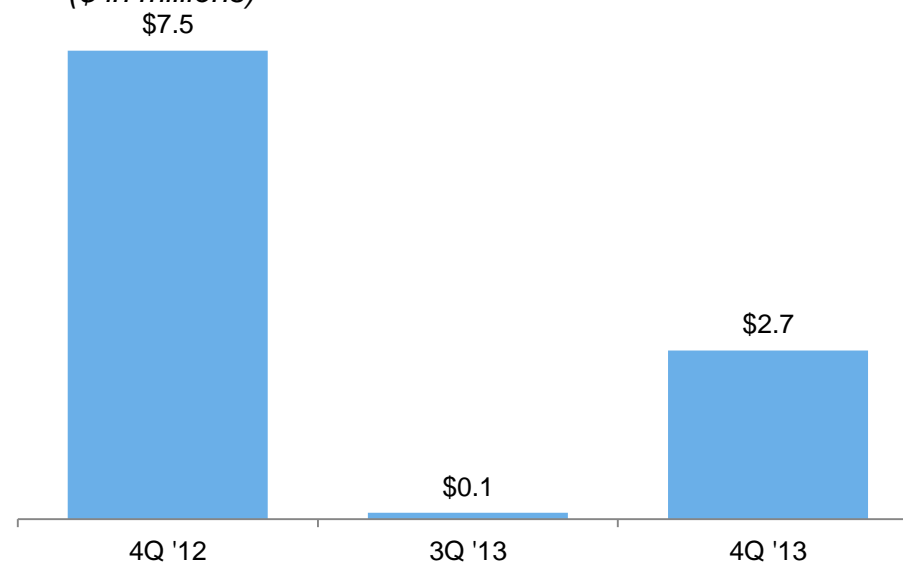
GAAP Net Income

(\$ in millions)



Adjusted Net Income⁽¹⁾

(\$ in millions)



(1) Adjusted Net Income is a key performance metric used by management in evaluating the performance of our business. See the Appendix for Adjusted Net Income reconciliation

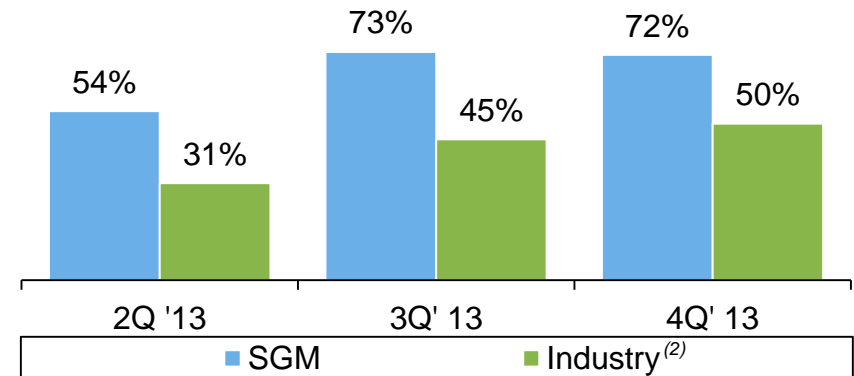
Stonegate Mortgage Origination Business



- Despite the continued contraction in industry origination volume, Stonegate continued its trend of origination volume growth
 - Origination volume grew 2% over 3Q '13 and 70% over 4Q '12
 - Gain on sale margins increased 37 bps over 3Q '13⁽¹⁾
- Purchases are expected to increase 16%⁽²⁾ in 2014, outpacing refinances for the first time since the financial crisis

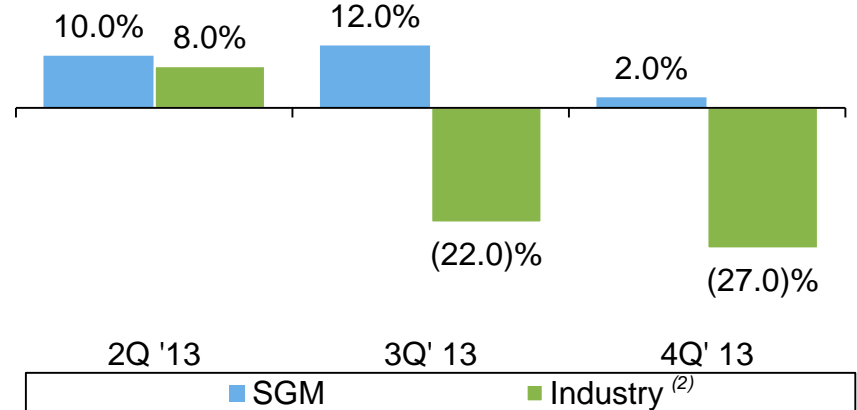
Focus on Purchase...

(Purchase as a % of Total Origination Volume)

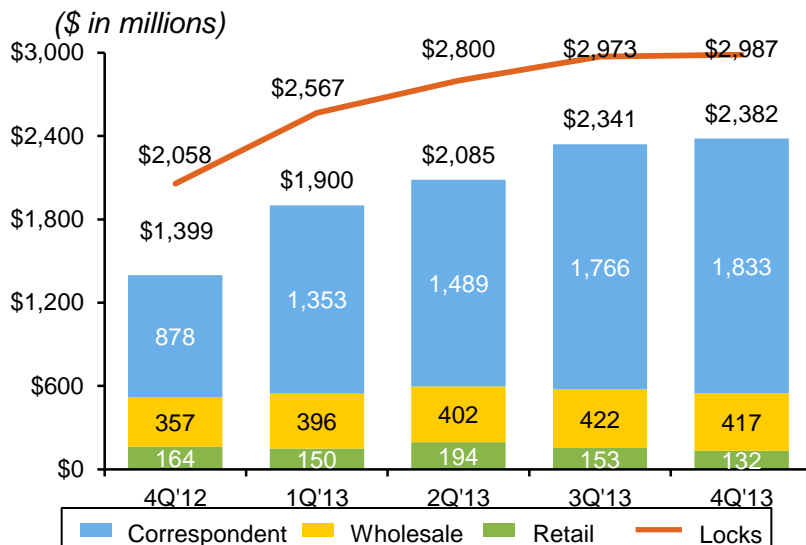


...Leads to Increasing Originations

(Q-o-Q % Change of Origination Volume)



Origination Volume

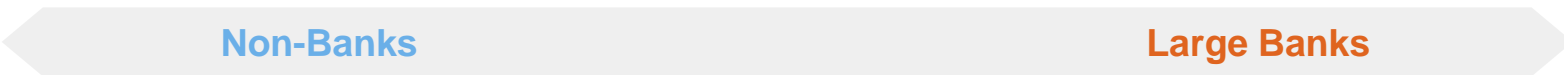
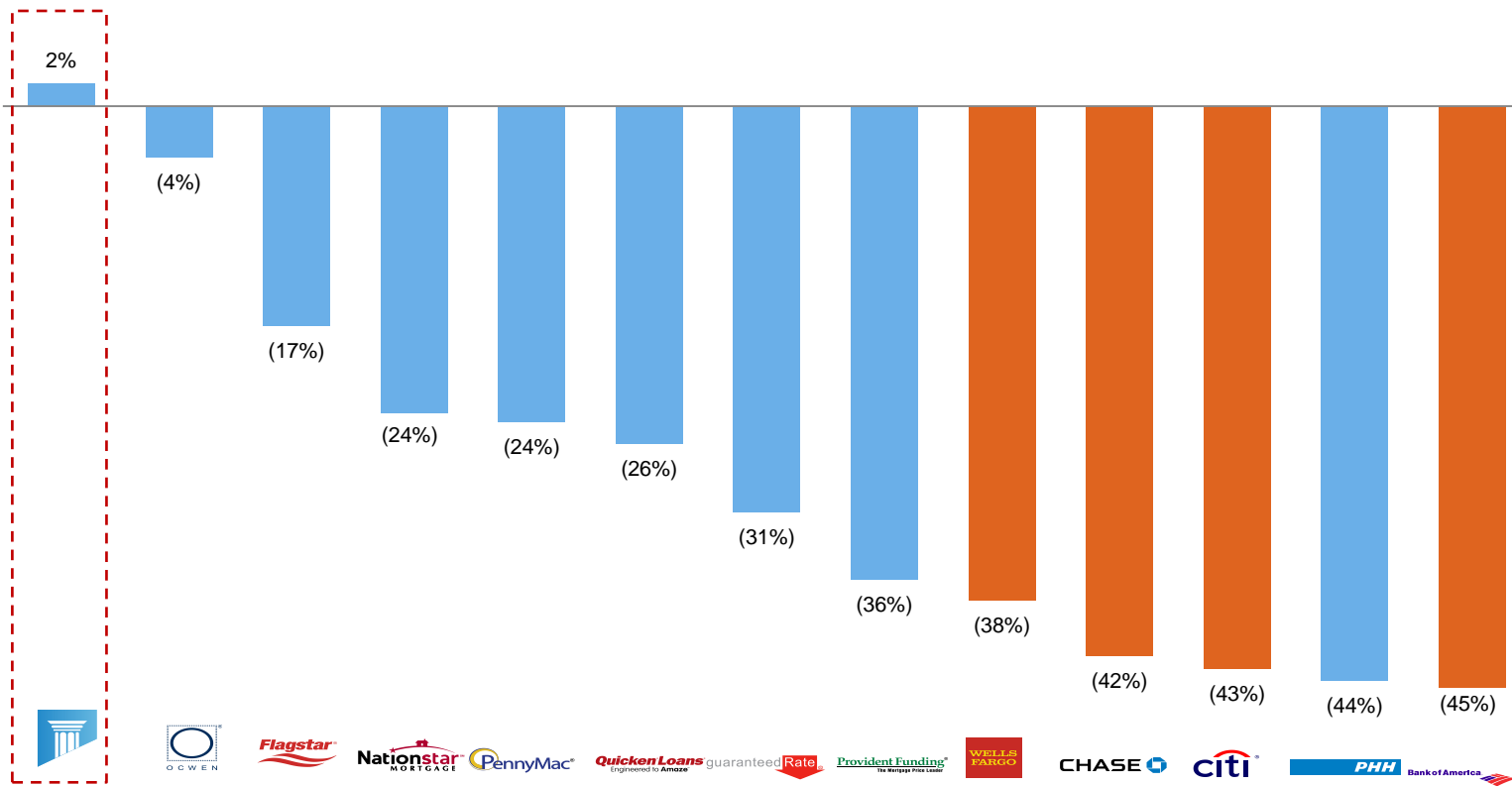


(1) Gain on mortgage loans held for sale as a percentage of origination volume
 (2) Source: Freddie Mac, Fannie Mae and MBA as of January 2014.

Outperforming the Industry

- Stonegate was the only top 30 bank or non-bank originator to grow origination volume in the 4th quarter

Q4'13 Origination Volume Growth⁽¹⁾



Source: Inside Mortgage Finance.

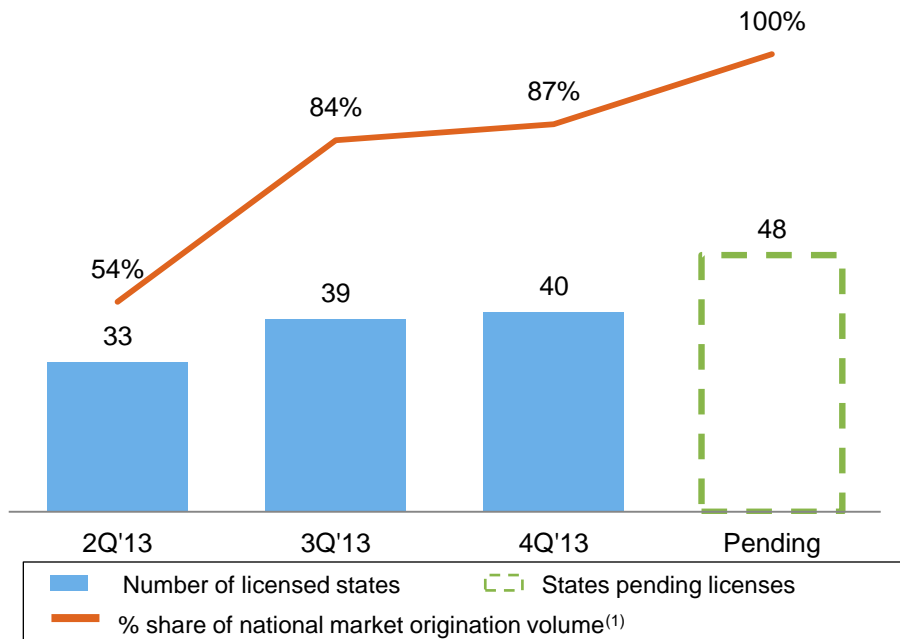
(1) Represents growth for select comparables for Q4'13 compared to Q3'13.

Growth through Geographic & Wallet Share Expansion



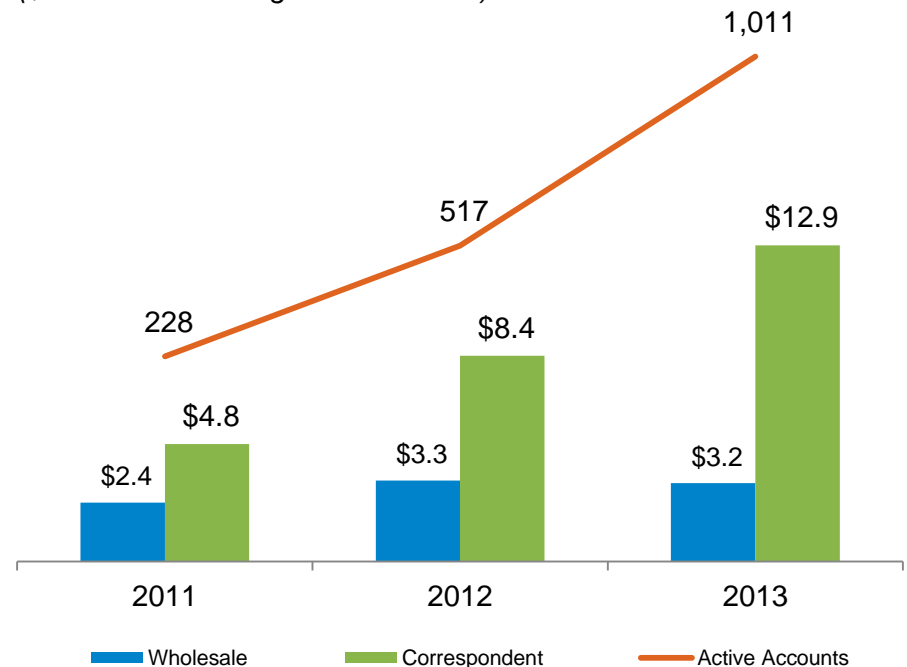
- Stonegate is currently licensed in 41 states and the District of Columbia representing 87%⁽¹⁾ of the total US mortgage market
 - Geographic expansion opportunities provide a hedge against the decreasing market size
 - The expansion into higher-balance states provides a growing opportunity for non-agency product originations

Stonegate Market Opportunity



Growing "Wallet Share"

(\$ in millions for Origination Volume)



(1) Source: Mortgage Bankers Association. Origination volume as of 2012. Received one state license in Q1 '14.

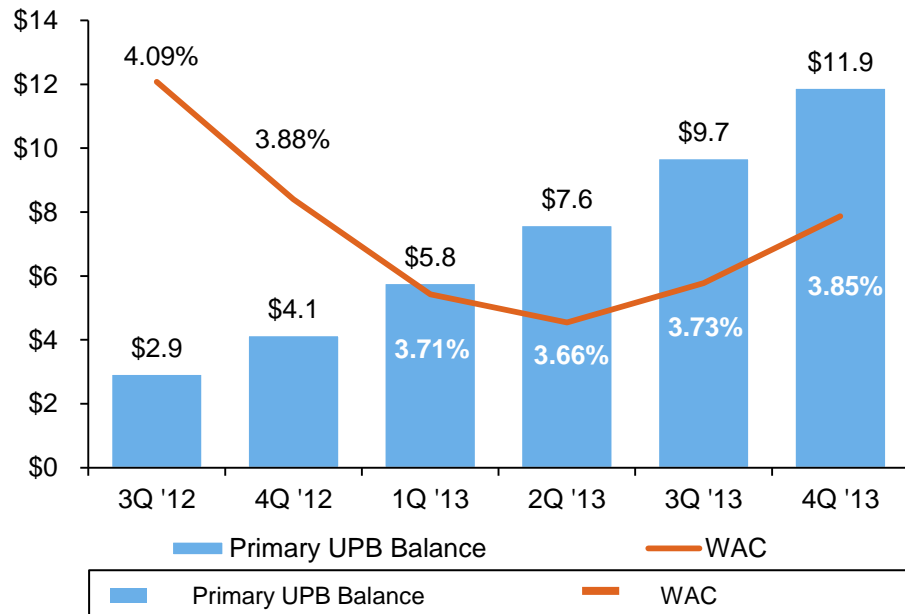
Stonegate Mortgage Servicing Business



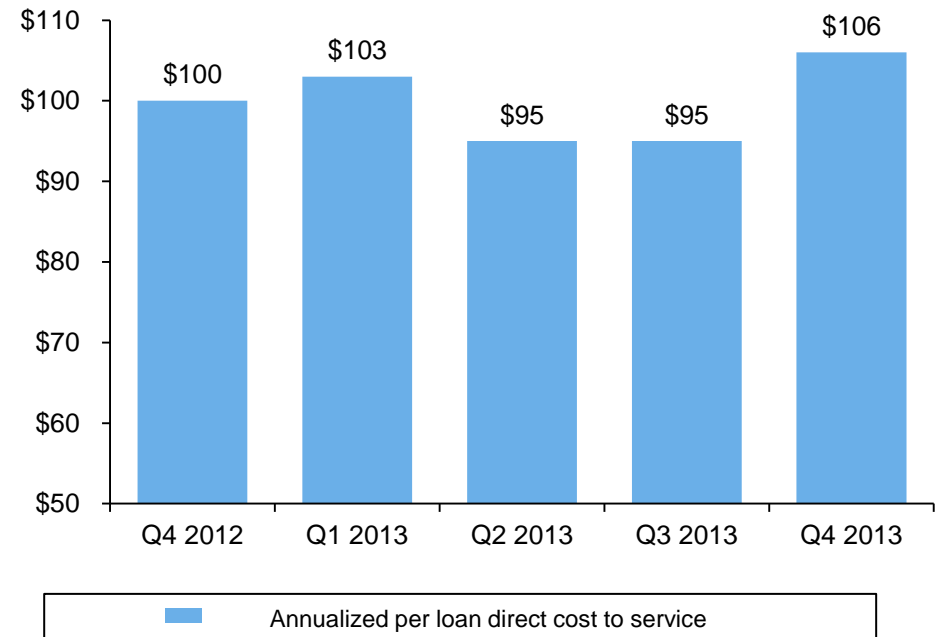
- Servicing UPB grew 23% from 3Q '13 and 188% from 4Q '12
 - As of 4Q'13, the 90+ day delinquency rate was 0.35% and the average CPR under 5%
- Loan servicing fees grew 32% from 3Q '13 and 261% from 4Q '12
- Direct cost to service increased to \$106 per loan due to the build out of Dallas servicing center; initiatives are in place to decrease the direct servicing costs by end of year 2014

Servicing UPB and WAC

(\$ in millions)



Direct Servicing Cost

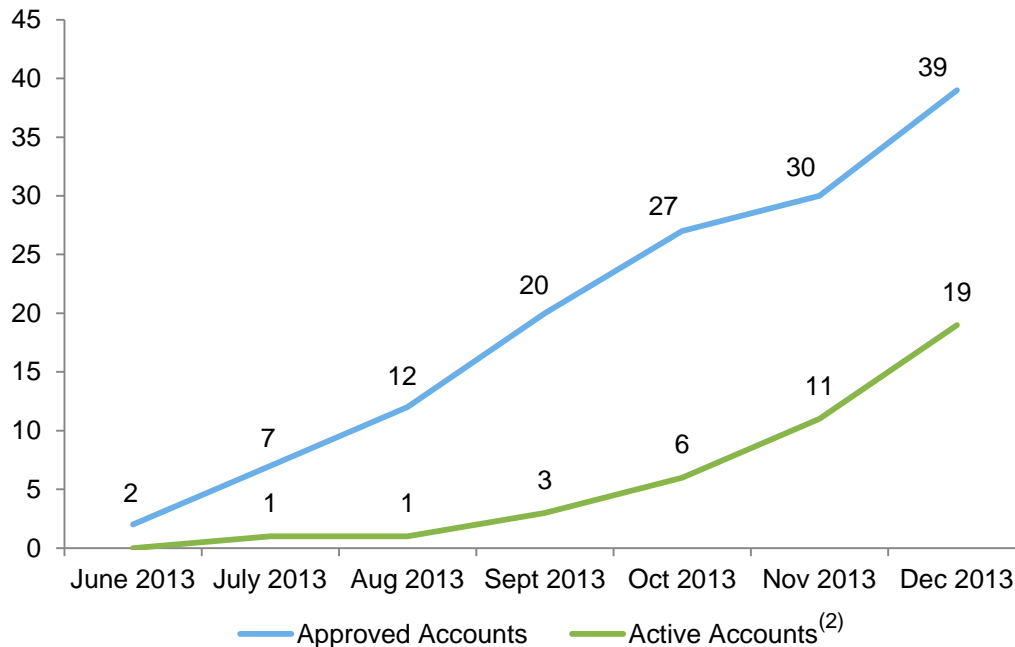


Stonegate Mortgage Financing Business

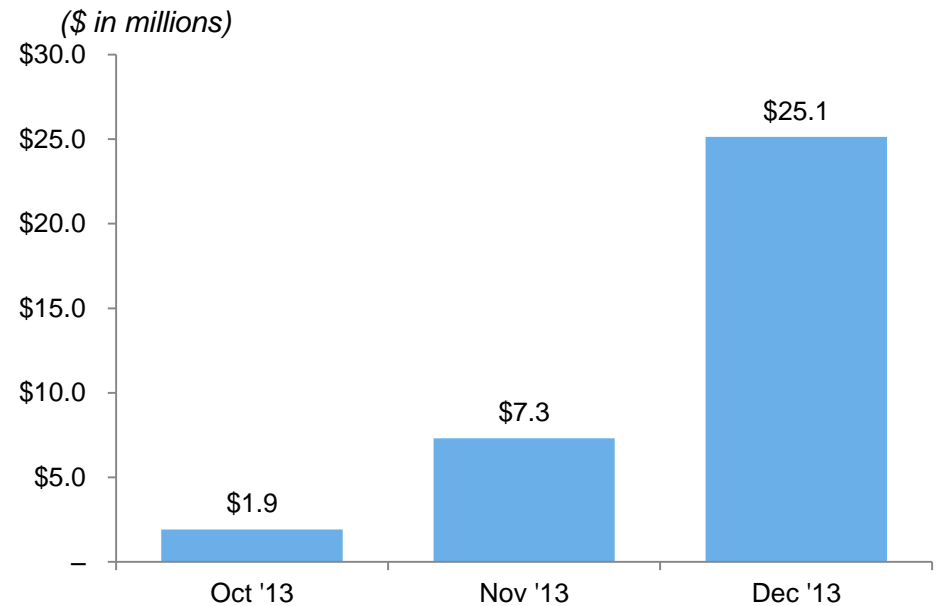


- Number of NattyMac customers and commitments starting to accelerate
 - Current commitments⁽¹⁾ total \$254 million to 60 approved accounts
- Stonegate generated \$2.2 million in net interest income in 4Q

NattyMac Customers



NattyMac Average Outstandings



(1) As of February 14, 2014

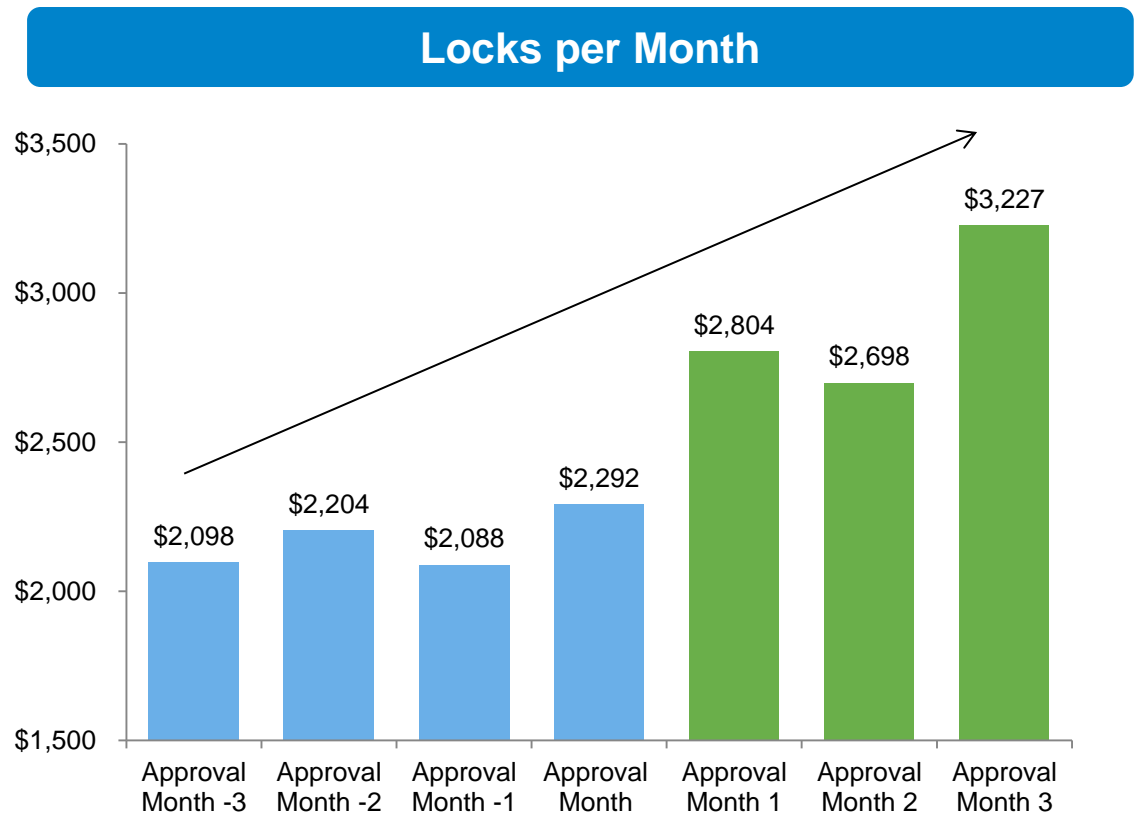
(2) Funded at least one loan through on a NattyMac warehouse line

NattyMac Creates Sticky Business



- NattyMac clients' locks increase 52% on average three months after receiving a warehouse line compared to the three months average prior
- NattyMac was the number 3 warehouse provider that Stonegate purchased loans from in January, compared to number 7 in Q4

- Stonegate's Net Cost of Origination decreases as a higher percentage of loans are funded through NattyMac.
- Annualized lock volume for NattyMac clients is \$38.7 million three months after receiving a warehouse line, compared to annual lock average of \$16.4 million for all correspondents in 2013.



Nationstar

- Added 333 new wholesale third party originators
 - 188 in CA supporting geographic expansion
 - Hired 30 account executives
 - Hired and trained approximately 100 retail loan officers
-

Crossline

- Crossline Capital completed acquisition of Medallion Mortgage Company, a California company that funded approximately \$400 million in residential mortgages in 2013
 - Crossline produced \$50.8 million interest rate lock commitments in January
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Pipeline

- Continue to pursue additional retail tuck-in acquisitions at attractive multiples
 - Robust pipeline of acquisition targets
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Q1 2014 Recent Developments



Origination Volume & Channel Mix

- January locks per day increased 6% from Q4 to \$52.8 million
 - Retail and wholesale locks in January were 9% and 19%, respectively; up from 6% and 17% in Q4'13
- Increased number of Retail loan officers by 158⁽¹⁾ from the end of Q3'13
- Increased number of Account Executives by 32 from end of Q3'13

Geographic Expansion

- California represents 16% of total locks in January compared to 8% in Q4'13
- Remaining 7 states expected to fuel continued growth

NattyMac

- Current commitments totaling \$254 million to 60 customers
- January average outstandings totaled \$31.4 million, a 25% increase from Q4'13

Non-Agency

- Non-agency locks totaled \$28 million in January compared to \$5 million in Q4'13

(1) Includes 66 loan officers from Crossline

Appendix

Income Statement



(In thousands, except per share data)

Revenues

	Three Months Ended		
	12/31/2013	9/30/2013	12/31/2012
Gains on mortgage loans held for sale	\$ 21,942	\$ 12,802	\$ 24,537
Changes in mortgage servicing rights valuation	2,773	2,099	–
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Loan servicing fees	7,880	5,966	2,180
Interest income	5,661	5,359	2,099
Total revenues	<u>\$ 43,845</u>	<u>\$ 31,866</u>	<u>\$ 32,421</u>

Expenses

Salaries, commissions and benefits	\$ 23,871	\$ 16,477	\$ 11,534
General and administrative expense	8,059	6,131	3,277
Interest expense	3,454	3,297	2,505
Occupancy, equipment and communication	3,740	2,980	1,273
Impairment of mortgage servicing rights	–	–	6,176
Amortization of mortgage servicing rights	–	–	1,096
Provision for mortgage repurchases and indemnifications	610	–	–
Depreciation and amortization expense	830	466	294
Loss on disposal of property and equipment	80	25	11
Total expenses	<u>\$ 40,644</u>	<u>\$ 29,376</u>	<u>\$ 26,166</u>

Income before income tax expense

	\$ 3,201	\$ 2,490	\$ 6,255
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Income tax expense	\$ 1,136	\$ 807	\$ 2,514
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Net income	\$ 2,065	\$ 1,683	\$ 3,741
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Less: preferred stock dividends	\$ –	\$ –	\$ (20)
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Net income attributable to common stockholders	<u>\$ 2,065</u>	<u>\$ 1,683</u>	<u>\$ 3,721</u>
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Earnings per share

Basic	\$ 0.08	\$ 0.10	\$ 1.18
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Diluted	\$ 0.08	\$ 0.10	\$ 0.38
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Balance Sheet



<i>(in thousands)</i>	12/31/2013	12/31/2012
Assets		
Cash and cash equivalents	\$ 43,104	\$ 15,056
Restricted cash	730	3,445
Mortgage loans held for sale, at fair value	683,080	218,624
Servicing advances	4,177	938
Derivative assets	19,673	11,989
Mortgage servicing rights	170,294	42,202
Property and equipment, net	12,640	4,026
Other Assets	56,191	13,326
Total assets	\$ 989,889	\$ 309,606
Liabilities and stockholders' equity		
Secured borrowings/warehouse lines of credit	\$ 572,562	\$ 202,976
Operating lines of credit	6,499	5,131
Accounts payable and accrued expenses	37,052	18,606
Derivative liabilities	3,520	1,787
Reserve for mortgage repurchases and indemnification	3,709	1,917
Deferred income liabilities, net	28,379	14,381
Other liabilities	30,667	9,559
Total liabilities	682,388	254,357
Stockholders' equity		
Preferred stock	–	33,000
Common stock	264	35
Treasury Stock	–	(1,820)
Additional paid-in-capital	263,830	3,198
Retained earnings	43,407	20,836
Total stockholders' equity	307,501	55,249
Total liabilities and stockholders' equity	\$ 989,889	\$ 309,606

Non-GAAP Financial Reconciliation



<i>(in thousands)</i>	Three Months Ended		
	<u>12/31/2013</u>	<u>9/30/2013</u>	<u>12/31/2012</u>
Net income:	\$ 2,065	\$ 1,683	\$ 3,741
Adjust for:			
Interest expense associated with term loan	-	-	-
Changes in mortgage servicing rights valuation	(5,169)	(4,279)	-
Impairment of mortgage servicing rights	-	-	6,176
Stock-based compensation expense	837	829	6
Marketing/rebranding campaign	-	27	-
Ramp-up and other non-recurring expenses	5,247	799	-
Crossline/Nationstar acquisition expenses	146	-	-
NattyMac acquisition expenses	-	-	-
NattyMac bargain purchase	-	-	-
Tax effect of adjustments	(423)	992	(2,417)
Adjusted net income ¹	<u><u>\$ 2,703</u></u>	<u><u>\$ 51</u></u>	<u><u>\$ 7,506</u></u>
Adjusted net income per share	\$0.11	-	\$0.77

(1) Adjusted net income is a key performance metric used by management in evaluating the performance of our business. In Q4 '13, we revised our non-GAAP net income calculation to be more consistent with industry peers. The revisions include removing the adjustment for the change in inventory/pipeline valuation and not adding back the MSR fair value adjustments associated with portfolio runoff.

Gain on Sale Economics

- Gain on sale consists of cash and non-cash items:
 - Cash gain on sale
 - Direct Loan Expenses
 - Loan loss reserve
 - Capitalized MSR asset
 - Pipeline/Inventory fair value

Gain on Sale Economics

(\$ in thousands)

	<u>12/31/2013</u>	<u>9/30/2013</u>	<u>12/31/2012</u>
Cash GOS	\$ (12,731)	\$ (6,444)	\$ 11,876
Capitalized MSR	\$ 32,716	\$ 31,597	\$ 16,220
Direct Loan Costs	\$ (4,265)	\$ (4,359)	\$ (2,576)
Loan Loss Reserve	\$ (492)	\$ (414)	\$ (1,091)
Pipeline/Inventory Chg in Valuation	\$ 6,135	\$ (7,577)	\$ (25)
GAAP GOS-SGM Only	\$ 21,363	\$ 12,802	\$ 24,405
Crossline - GOS	\$ 580	\$ -	\$ -
Total GOS - Consolidated	<u>\$ 21,943</u>	<u>\$ 12,802</u>	<u>\$ 24,405</u>

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