Walker&Dunlop

Commercial Real Estate Finance

Fourth Quarter & Full Year 2013 Earnings Results

February 13, 2014

www.walkerdunlop.com

Forward Looking Statements and Non-GAAP Financial Measures

Forward-Looking Statements

Some of the statements contained in this presentation constitute forward-looking statements within the meaning of the federal securities laws. Forward-looking statements relate to expectations, projections, plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts. In some cases, you can identify forward-looking statements by the use of forward-looking terminology such as ''may,'' ''will,'' ''should,'' ''expects,'' ''intends,'' ''plans,'' ''anticipates,'' ''believes,'' ''estimates,'' ''predicts,'' or ''potential'' or the negative of these words and phrases or similar words or phrases that are predictions of or indicate future events or trends and which do not relate solely to historical matters. You can also identify forward-looking statements by discussions of strategy, plans or intentions.

The forward-looking statements contained in this presentation reflect our current views about future events and are subject to numerous known and unknown risks, uncertainties, assumptions and changes in circumstances that may cause actual results to differ significantly from those expressed or contemplated in any forward-looking statement.

While forward-looking statements reflect our good faith projections, assumptions and expectations, they are not guarantees of future results. Furthermore, we disclaim any obligation to publicly update or revise any forward-looking statement to reflect changes in underlying assumptions or factors, new information, data or methods, future events or other changes, except as required by applicable law. Factors that could cause our results to differ materially include, but are not limited to: (1) general economic conditions and multifamily and commercial real estate market conditions, (2) regulatory and or legislative changes to Freddie Mac, Fannie Mae or HUD, (3) our ability to retain and attract loan originators and other professionals, and (4) changes in federal government fiscal and monetary policies, including any constraints or cuts in federal funds allocated to HUD for loan originations.

For a further discussion of these and other factors that could cause future results to differ materially from those expressed or contemplated in any forward-looking statements, see the section entitled ''Risk Factors" in our most recent Annual Report on Form 10-K and in our subsequent SEC filings. Such filings are available publicly on our Investor Relations web page at www.walkerdunlop.com.

Non-GAAP Financial Measures

To supplement the financial statements presented in accordance with United States generally accepted accounting principles (GAAP), we present the following non-GAAP financial measures, each of which excludes certain revenues and expenses that are not reflective of our ongoing operations: adjusted net income, adjusted diluted earnings per share, adjusted total expenses, adjusted income from operations and adjusted operating margin. These supplemental measures exclude acquisition, integration and amortization costs related specifically to the CWCapital acquisition, severance and lease restructuring charges related to our fourth quarter 2013 expense reduction efforts, early extinguishment of our term loan facility, and revenues from the termination fee related to the transfer of servicing for a portion of the Fannie Mae small loan portfolio.

In addition, we present adjusted EBITDA which is not a recognized measurement under GAAP. When analyzing our operating performance, readers should use adjusted EBITDA in addition to, and not as an alternative for, GAAP net income. Adjusted EBITDA represents GAAP net income before income taxes, interest expense on our term loan facility, depreciation and amortization, provision for credit losses net of write-offs, stock based incentive compensation charges, and removes the benefit of non-cash revenues such as gains attributable to MSRs. In addition, adjusted EBITDA further excludes the impact of the aforementioned acquisition, integration and restructuring costs, severance and lease restructuring charges related to our fourth quarter 2013 expense reduction efforts, early extinguishment of our term loan facility, and revenues from the termination fee related to the transfer of servicing for a portion of the small loan portfolio that are not considered part of our ongoing operations. Because not all companies use identical calculations, our presentation of adjusted EBITDA may not be comparable to similarly titled measures of other companies. Furthermore, adjusted EBITDA is not intended to be a measure of free cash flow for our management's discretionary use, as it does not reflect certain cash requirements such as tax and debt service payments. The amounts shown for adjusted EBITDA may also differ from the amounts calculated under similarly titled definitions in our debt instruments, which are further adjusted to reflect certain other cash and non-cash charges, that are used to determine compliance with financial covenants.

We believe that adjusted EBITDA, adjusted net income, adjusted diluted earnings per share, adjusted total expenses, adjusted income from operations and adjusted operating margin facilitate a review of the comparability of our operating performance on a period-to-period basis because such costs and revenues are not, in our view, related to our ongoing operational performance. We use these non-GAAP measures to evaluate the operating performance of our business, for comparison with forecasts and strategic plans, and for benchmarking performance externally against competitors. Since we find these measures to be useful, we believe that investors benefit from seeing results "through the eyes" of management in addition to seeing GAAP results. We believe that these non-GAAP measures, when read in conjunction with our GAAP financials, provide useful information to investors by offering:

- the ability to make more meaningful period-to-period comparisons of our on-going operating results;
- the ability to better identify trends in our underlying business and perform related trend analyses; and
- a better understanding of how management plans and measures our underlying business.

These non-GAAP measures are not in accordance with or an alternative for GAAP, and may be different from non-GAAP measures used by other companies. We believe that these non-GAAP measures have limitations in that they do not reflect all of the amounts associated with our results of operations as determined in accordance with GAAP and that these measures should only be used to evaluate our results of operations in conjunction with the corresponding GAAP measures. The presentation of this additional information is not meant to be considered in isolation or as a substitute for the most directly comparable GAAP measures. We compensate for the limitations of non-GAAP financial measures by relying upon GAAP results to gain a complete picture of our performance.

For a reconciliation of these non-GAAP financial measures, refer to the appendix of this presentation.

Strategic Outlook and Market Position

W&D's Market Position	‣ Largest Fannie Mae DUS® lender in the United States for the second year in a row ‣ Third largest Freddie Mac Program Plus® Seller, up from fourth largest last year ‣ Fifth largest HUD lender, up from sixth largest last year ‣ Increased brokerage originations 117%
W&D's Diversification	‣ 319% increase in on-balance sheet interim lending ‣ Launched large loan bridge program to invest in multifamily and senior housing loans of $30+ million, made the first loan of $44 million in Q4'13 ‣ Fannie Mae and Freddie Mac accounted for 53% of total originations, down from 71% in 2012 ‣ Announced partnership with Fortress on a CMBS platform, expect to be fully operational in the first quarter
Strategic Outlook	‣ Expand our origination salesforce and proprietary capital solutions in 2014 to grow and diversify our lending operations ‣ Expand Capital Markets into other geographies with goal to originate $3 billion - $5 billion annually through this channel ‣ Goal is 50% of revenues from servicing and asset management fees by 2017 ‣ Grow market share in high margin Agency origination and servicing businesses

FY 2013 Financial Highlights

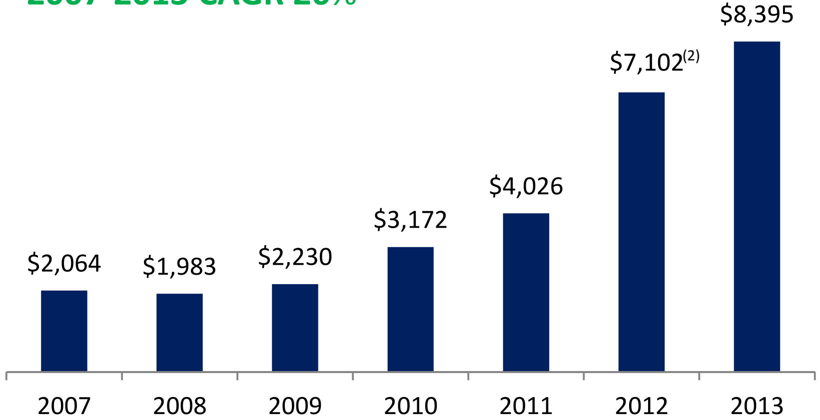
Loan Origination Volume	‣ $8.4 billion of loans originated in 2013, up 18% over 2012 ‣ Interim loan originations of $192 million, up 444% over 2012 ‣ Brokered originations of $2.6 billion, up 117% over 2012
Financial Results	‣ Total revenues of $319.0 million, up 24% over 2012 ‣ Gains from mortgage banking activities of $203.7 million, up 9% over 2012 ‣ Adjusted net income[1] of $44.0 million, or $1.28 per diluted share, down 9% from 2012 ‣ Adjusted operating margin[1] of 22% compared to 31% for same period last year ‣ Adjusted EBITDA[1] of $56.8 million, up from $29.4 million for the prior year, a 93% increase
Servicing Portfolio	‣ Servicing fees of $90.2 million, up 73% over 2012 and comprising 28% of total revenues ‣ Servicing portfolio totaled $38.9 billion at December 31, 2013, up 11% over portfolio of $35.2 billion at December 31, 2012

[1] This is a non-GAAP financial measure, which excludes certain items that are not reflective of our ongoing operations. The Company presents this metric in order to help investors better understand our operating performance. For a reconciliation of the metric to GAAP, refer to the appendix of this presentation.

CAGRs of Key Financial Metrics

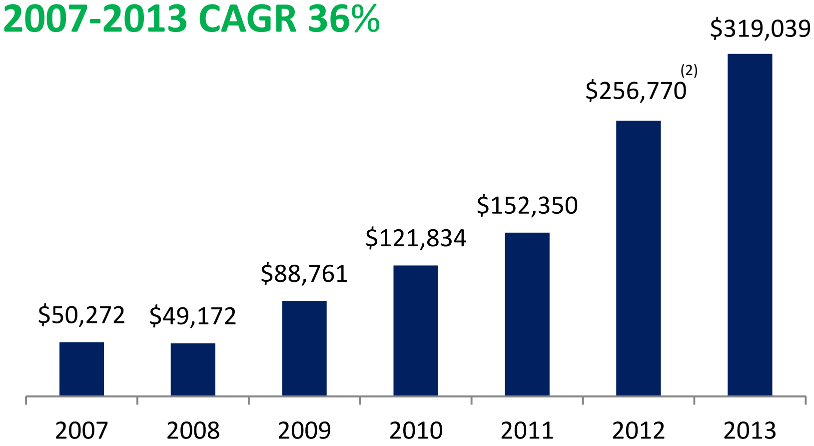
Total Loan Originations[(1)]

2007-2013 CAGR 26%



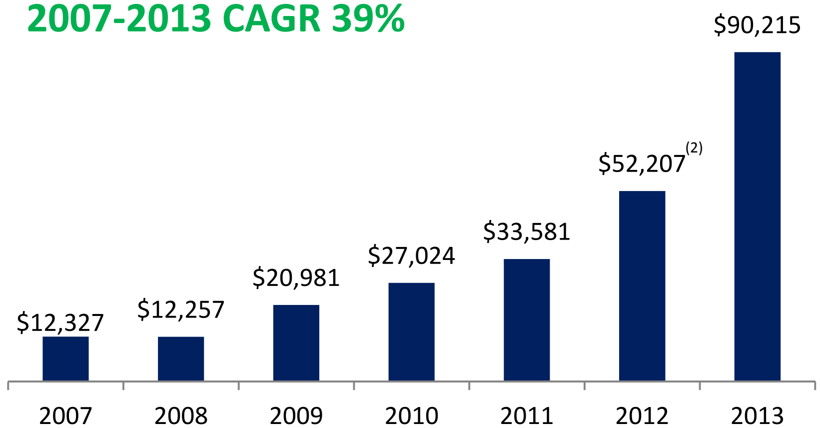
Total Revenues[(1)]

2007-2013 CAGR 36%



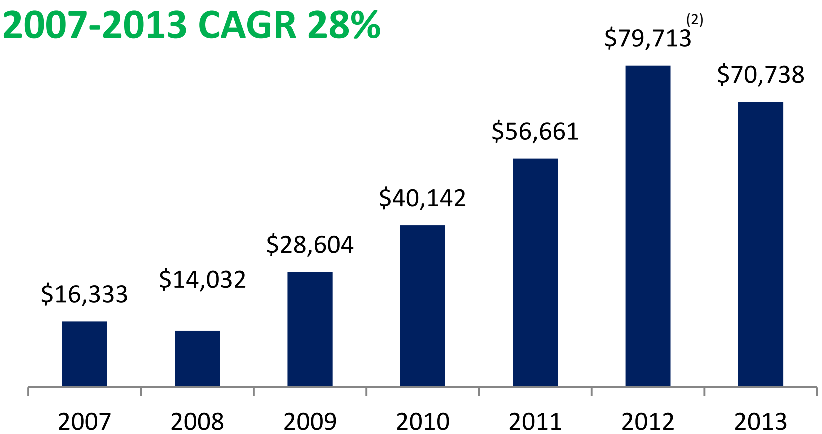
Servicing Revenues[(1)]

2007-2013 CAGR 39%



Adjusted Income from Operations[(1) (3) (4)]

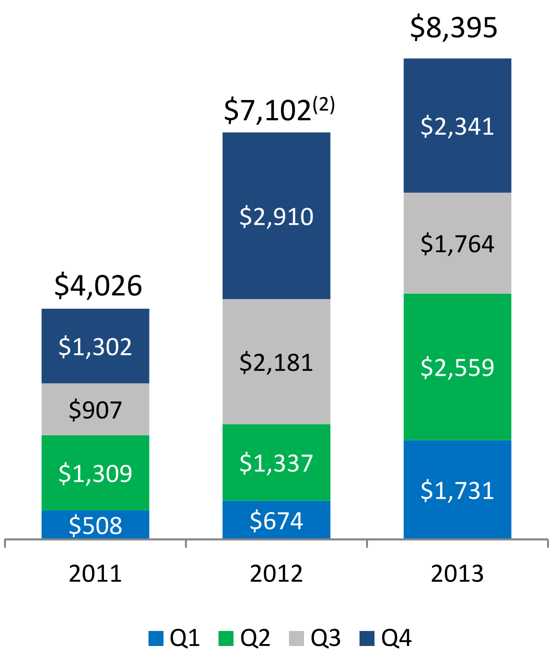
2007-2013 CAGR 28%



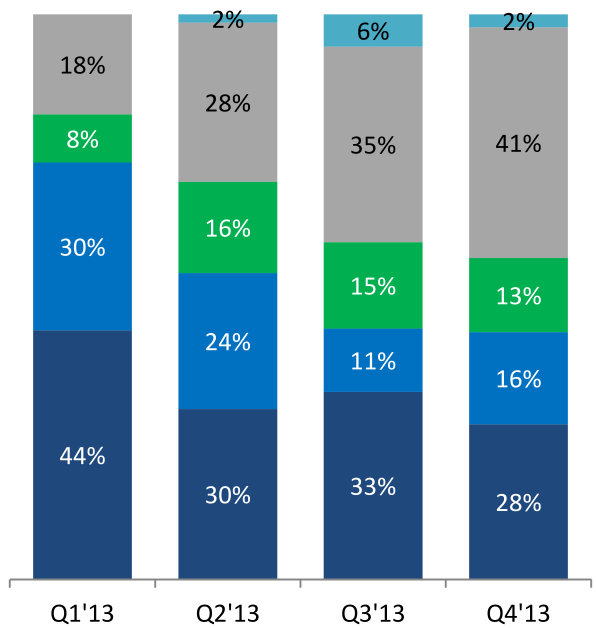
[(1)] Total loan originations shown in millions; total revenues, servicing revenues & adjusted income from operations in thousands
[(2)] Includes eight months of W&D on a standalone basis and four months of W&D and CWCapital on a combined basis
[(3)] 2012 and 2013 adjusted income from operations excludes certain items. See the appendix of this presentation for a reconciliation of this non-GAAP financial measure to GAAP
[(4)] 2009 adjusted income from operations excludes gain on bargain purchase

Quarterly and Annual Loan Originations

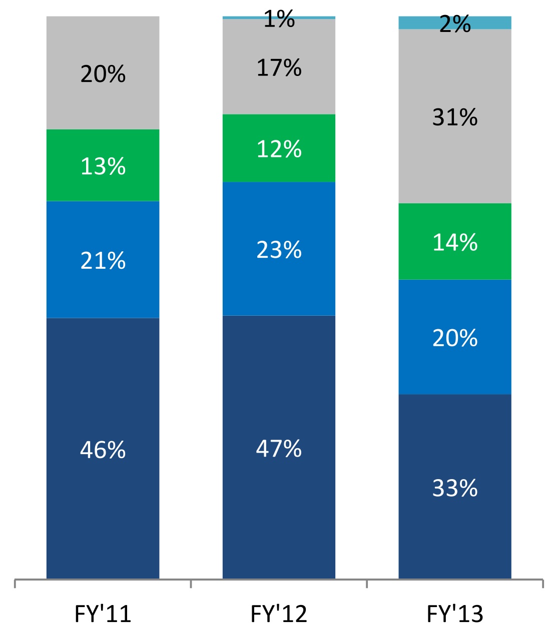
Loan Origination Volume by Quarter(1)



Mix of Loans Originated by Quarter



Mix of Loans Originated by Year



Fannie Mae Freddie Mac HUD/Ginnie Mae Brokered(3) Interim (4)

(1) Volume in millions
(2) Includes loan origination volumes for eight months of W&D on a standalone basis and four months of W&D and CWCapital on a combined basis
(3) Includes loans brokered to CMBS, life insurance companies and commercial banks
(4) Includes our on-balance sheet interim loans and loans made through our large loan bridge program

Diversification Strategy Progress

In 2012, we articulated a diversification strategy to <u>grow our capital markets business</u> to gain access to deal flow and to <u>raise proprietary capital</u> to feed into our distribution network

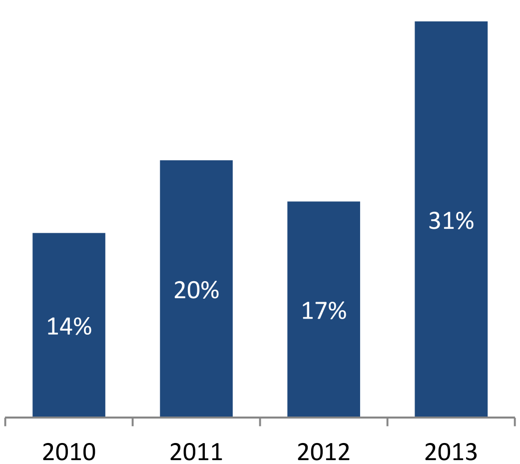
Growth of Capital Markets & Brokered Originations

- Hired 17 producers in 2012-2013 to build national footprint
- Brokered originations grew 117% over 2012
- Since 2010, brokered originations have grown at a CAGR of 54%

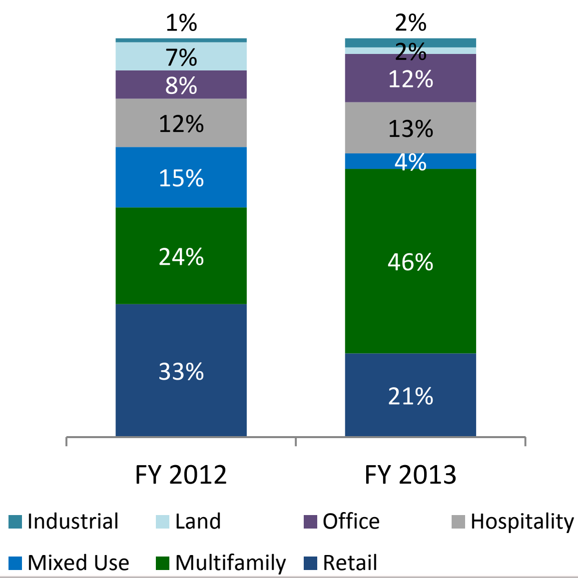
Proprietary Capital Initiatives

- Interim on-balance sheet lending grew 319% over 2012
- Launched large loan bridge program in Q3'13 and originated first loan in Q4'13
- Announced JV to form a CMBS lending platform in Q4'13

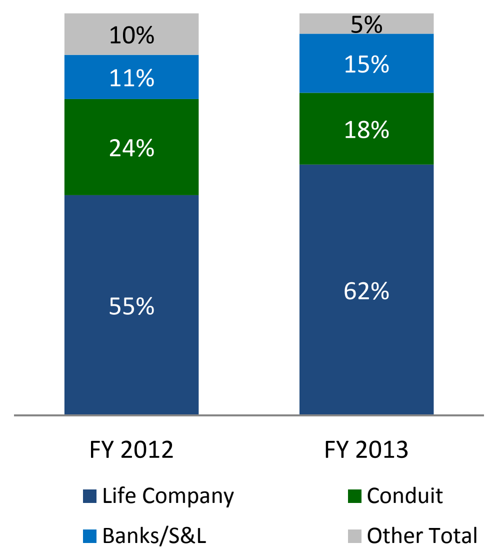
<u>Brokered % of Total Originations</u>



<u>Breakout of Brokered Originations</u>

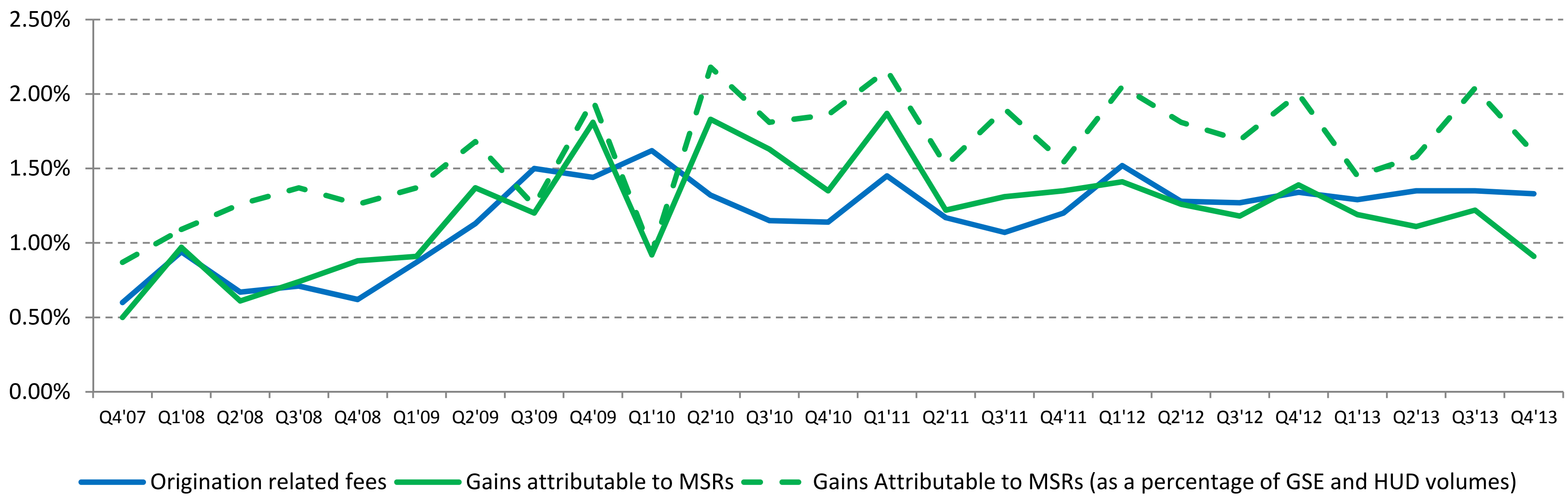


<u>Brokered Volume By Fund Type</u>



Origination Related Revenues - Historical Trend

Gains from Mortgage Banking Activities[1]

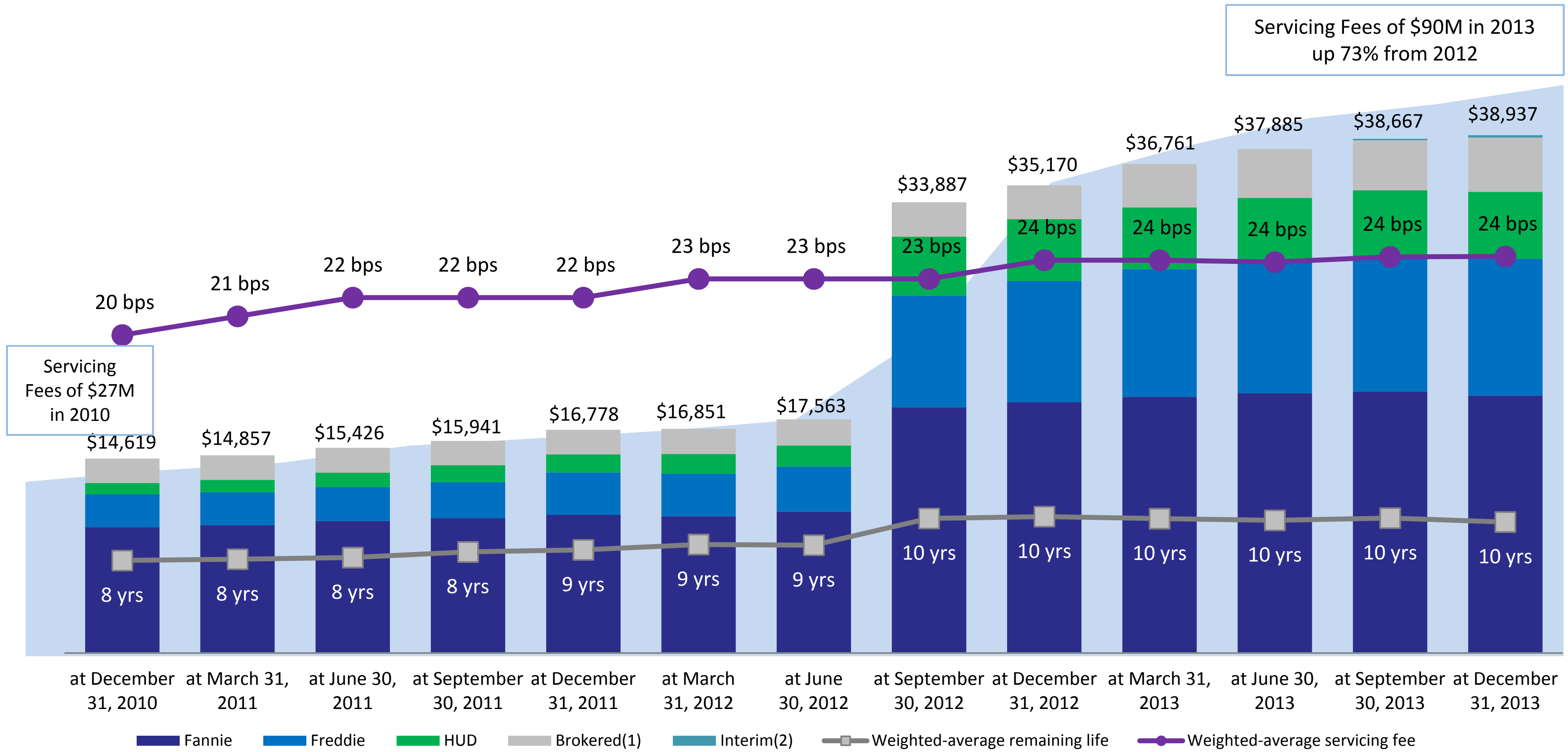


Gains from Mortgage Banking Activities:

	2008	2009	2010	2011	2012	2013
Origination related fees[1]	0.71%	1.24%	1.33%	1.20%	1.32%	1.33%
Gains attributable to MSRs[1]	0.77%	1.35%	1.36%	1.35%	1.30%	1.10%
Total gain on sale margin	1.48%	2.59%	2.69%	2.55%	2.62%	2.43%
Gains attributable to MSRs as a % of GSEs and HUD	1.24%	1.60%	1.59%	1.69%	1.58%	1.64%

[1] Origination related fees and gains attributable to MSRs presented as a percentage of quarterly origination volume

Servicing Portfolio & Associated Revenue Growth

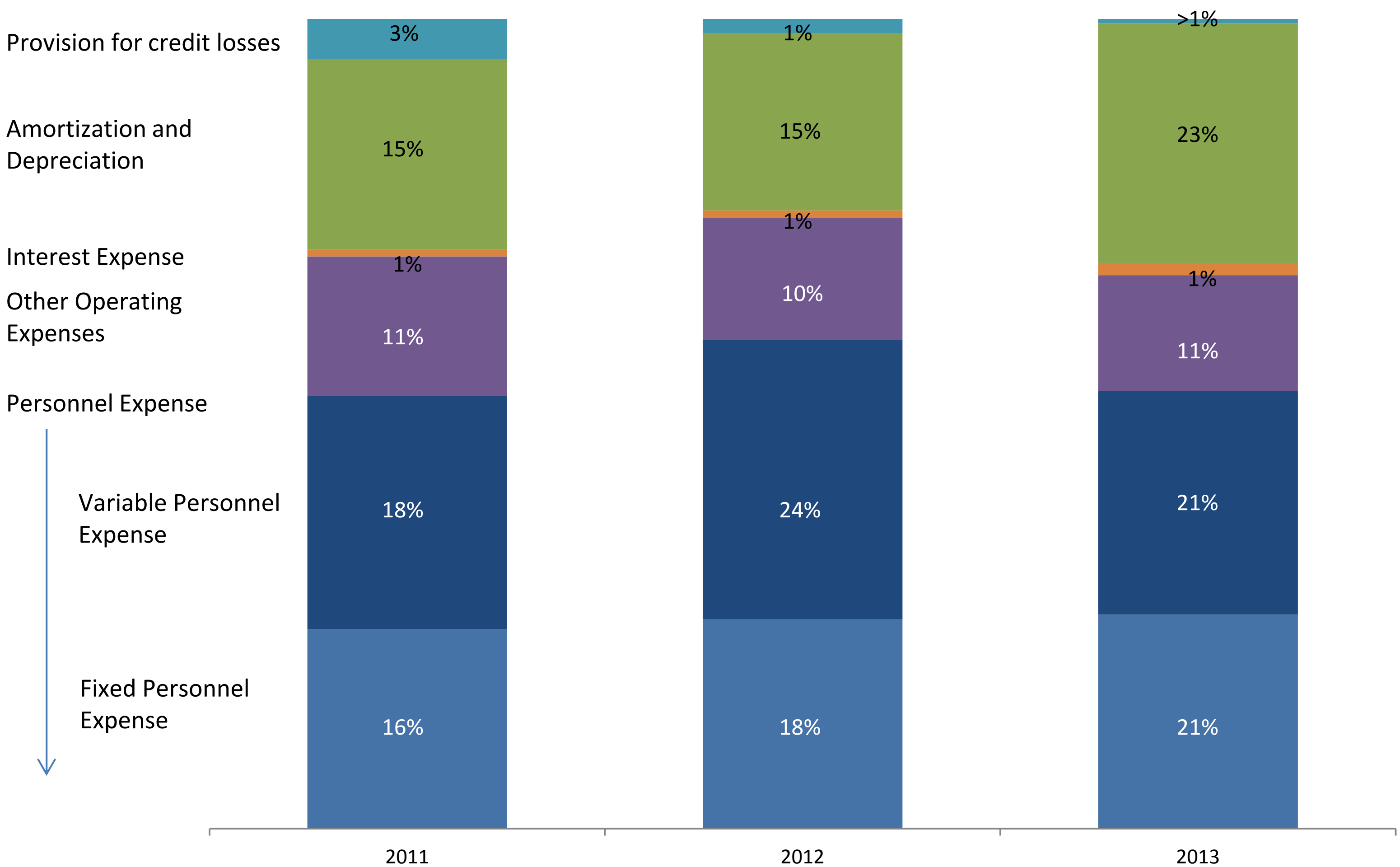


Servicing fees are illustrated by the light blue background

Note: Total servicing portfolio presented in millions
[1] Brokered originations include CMBS, life insurance and commercial banks
[2] Includes our on-balance sheet interim loans and loans made through our large loan bridge program

Breakout of Adjusted Total Expenses

Components of Adjusted Total Expenses as a % of Revenue(1)

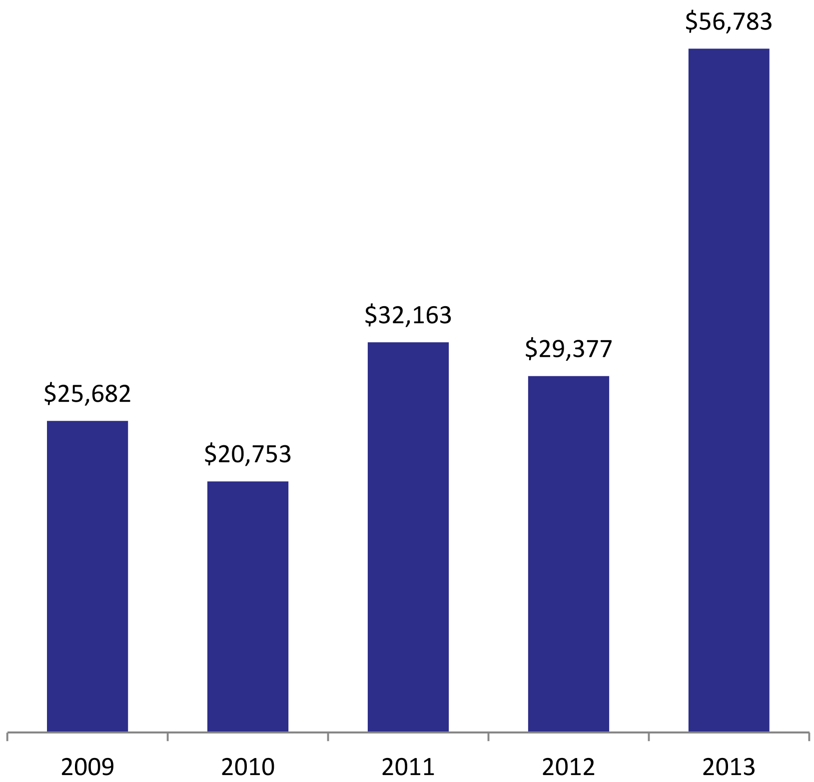


(1) This is a non-GAAP financial measure, which excludes certain items that are not reflective of our ongoing operations. The Company presents this metric in order to help investors better understand our operating performance. For a reconciliation of the metric to GAAP expenses, refer to the appendix of this presentation.

Adjusted EBITDA & Return on Equity

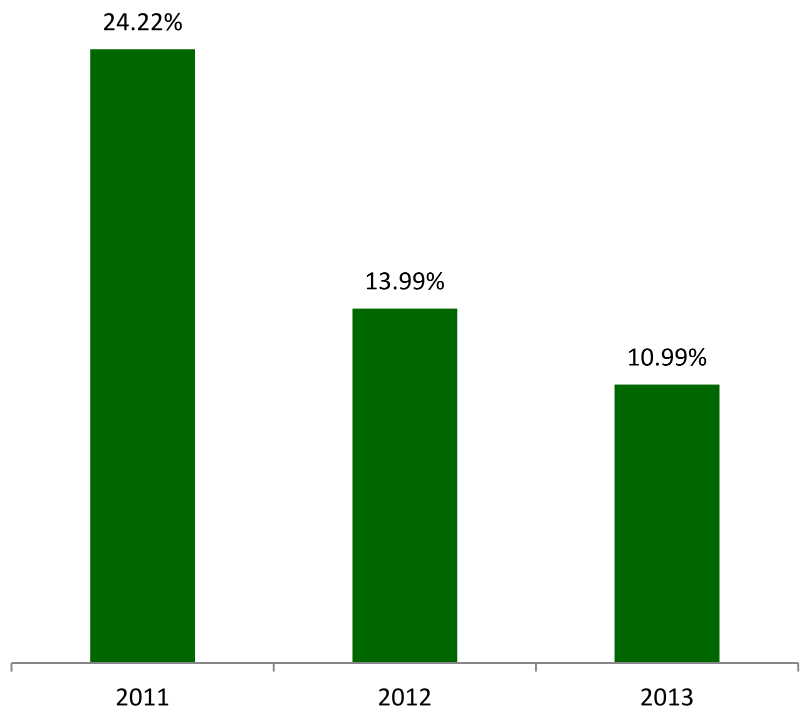
Adjusted EBITDA[1]

- Expect Adjusted EBITDA to increase as we grow our servicing and asset management businesses



Return on Equity

- Historically ROE has decreased as we have invested in the business and increased the capital on our balance sheet
- Expect a low-to-mid teens ROE over time as more revenue comes from servicing and asset management fees which are less capital intensive

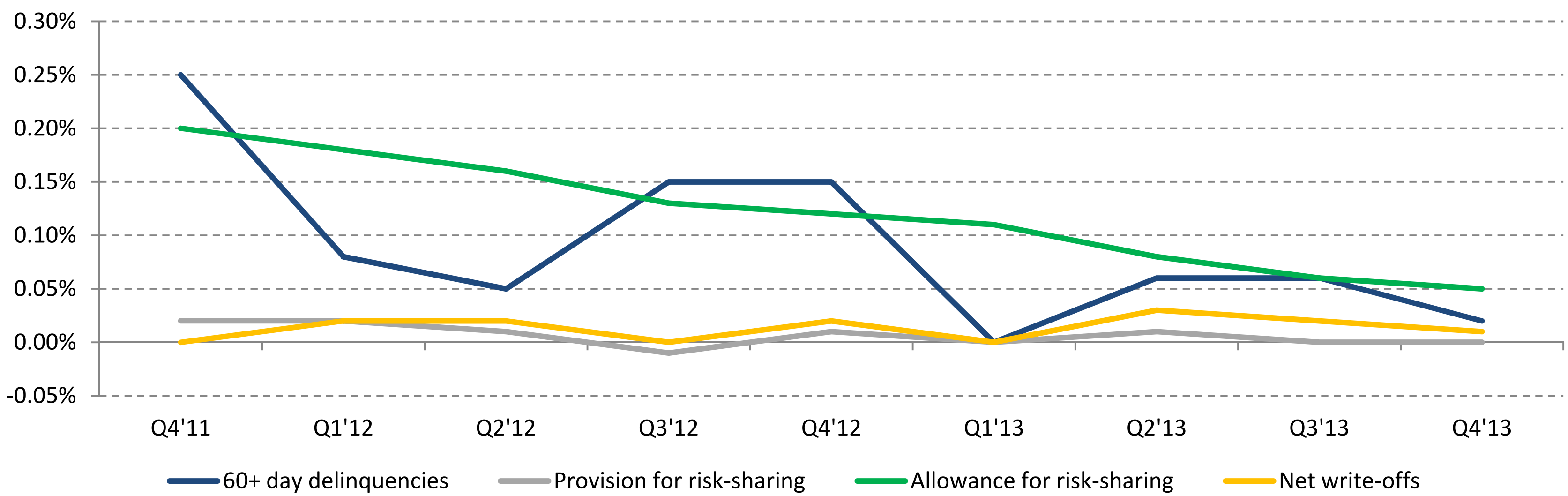


[1] This is a non-GAAP financial measure, which excludes certain items that are not reflective of our ongoing operations. The Company presents this metric in order to help investors better understand our operating performance. For a reconciliation of the metric to GAAP net income, refer to the appendix of this presentation.

Key Credit Metrics

Credit Remains a Strength of W&D

(as of and for the periods then ended)



Walker & Dunlop Key Credit Metrics[1] (as a percentage of the at risk servicing portfolio)	**Q4'12**	**Q3'13**	**Q4'13**
As of period end:			
60+ day delinquencies	0.15%	0.06%	0.02%
Allowance for risk-sharing	0.12%	0.06%	0.05%
For the period ended:			
Provision for risk-sharing	0.01%	0.00%	0.00%
Net write-offs	0.02%	0.02%	0.01%

(1)Quarterly data, not annualized

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Appendix

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Balance Sheets

(in thousands)	As of December 31, 2013 (unaudited)		As of December 31, 2012 (unaudited)	
Assets				
Cash and cash equivalents	$	170,563	$	65,027
Pledged securities, at fair value		49,651		33,481
Loans held for sale, at fair value		281,477		1,101,561
Loans held for investment, net		134,656		9,468
Mortgage servicing rights		353,024		315,524
Goodwill and other intangibles		61,777		64,379
Other assets		76,242		99,193
Total assets	$	1,127,390	$	1,688,633
Liabilities and Stockholders' Equity				
Liabilities				
Notes payable	$	173,258	$	80,925
Warehouse notes payable		373,107		1,084,539
Allowance for risk-sharing obligations		7,363		15,670
Accounts payable and other liabilities		170,821		154,323
Total liabilities	$	724,549	$	1,335,457
Total stockholders' equity	$	402,841	$	353,176
Total liabilities and stockholders' equity	$	1,127,390	$	1,688,633

Adjusted Financial Metrics Reconciliation to GAAP

Reconciliation of GAAP Net Income and GAAP Diluted Earnings Per Share to Adjusted Net Income and Adjusted Diluted Earnings Per Share

(in thousands, except per share amounts)	For the three months ended December 31,		For the twelve months ended December 31,	
	2013	**2012**	**2013**	**2012**
GAAP net income	$ 11,206	$ 11,543	$ 41,530	$ 33,772
Shares (1)	34,434	34,028	34,336	25,845
GAAP diluted earnings per share	$ 0.33	$ 0.34	$ 1.21	$ 1.31
GAAP net income	$ 11,206	$ 11,543	$ 41,530	$ 33,772
Adjustments:				
Severance costs (2)	$ 429	$ 1,165	$ 429	$ 2,223
Amortization of intangible assets	246	7,829	3,009	15,182
Deal-related expenses (3)	—	2,200	—	6,538
Lease modification and exit charges	312	—	1,137	—
Loss on extinguishment of debt	1,214	—	1,214	—
Gain on termination of servicing (4)	(1,838)	—	(1,838)	—
Income tax impact of adjustments	(139)	(4,354)	(1,513)	(9,314)
Adjusted net income	$ 11,430	$ 18,383	$ 43,968	$ 48,401
Shares (1)	34,434	34,028	34,336	25,845
Adjusted diluted earnings per share	$ 0.33	$ 0.54	$ 1.28	$ 1.87

Adjusted Financial Metrics Reconciliation to GAAP

	For the three months ended December 31,		For the twelve months ended December 31,	
	2013	2012	2013	2012
Reconciliation of GAAP Income from Operations and GAAP Operating Margin to Adjusted Income from Operations and Adjusted Operating Margin				
GAAP income from operations	$ 17,951	$ 19,389	$ 66,787	$ 55,770
Total revenues	85,470	105,522	319,039	256,770
GAAP operating margin	21%	18%	21%	22%
GAAP income from operations	$ 17,951	$ 19,389	$ 66,787	$ 55,770
Adjustments:				
Severance costs (2)	$ 429	$ 1,165	$ 429	$ 2,223
Amortization of intangible assets	246	7,829	3,009	15,182
Deal-related expenses (3)	—	2,200	—	6,538
Lease modification and exit charges	312	—	1,137	—
Loss on extinguishment of debt	1,214	—	1,214	—
Gain on termination of servicing (4)	(1,838)	—	(1,838)	—
Adjusted income from operations	$ 18,314	$ 30,583	$ 70,738	$ 79,713
Total revenues	85,470	105,522	319,039	256,770
Adjusted operating margin	21%	29%	22%	31%
Reconciliation of GAAP Total Expenses to Adjusted Total Expenses				
GAAP total expenses	$ 67,519	$ 86,133	$ 252,252	$ 201,000
Adjustments:				
Severance costs (2)	$ 429	$ 1,165	$ 429	$ 2,223
Amortization of intangible assets	246	7,829	3,009	15,182
Deal-related expenses (3)	—	2,200	—	6,538
Lease modification and exit charges	312	—	1,137	—
Loss on extinguishment of debt	1,214	—	1,214	—
Adjusted total expenses	$ 65,318	$ 74,939	$ 246,463	$ 177,057

Adjusted Financial Metrics Reconciliation to GAAP

(dollars in thousands)	For the three months ended December 31, 2013	2012	For the year ended December 31, 2013	2012	2011	2010	2009
GAAP Net Income	$ 11,206	$ 11,543	$ 41,530	$ 33,772	$ 34,864	$ 8,227	$ 39,526
Recurring Adjustments:							
Income tax expense	6,745	7,846	25,257	21,998	21,797	31,915	-
Interest expense	1,051	929	3,743	1,649	823	1,334	1,684
Amortization and depreciation	18,468	15,093	72,946	38,743	22,514	16,959	12,917
Provision for credit losses	325	2,014	1,322	3,140	4,724	7,469	2,265
Net write-offs	(982)	(3,188)	(9,188)	(6,450)	(680)	(2,148)	(498)
Stock compensation expense	2,084	1,792	9,194	5,176	2,422	49	-
Gains attributable to mortgage servicing rights (5)	(21,356)	(40,504)	(91,972)	(92,594)	(54,301)	(43,052)	(30,212)
Other Adjustments:							
Severance costs (2)	429	1,165	429	2,223	-	-	-
Amortization of intangible assets	246	7,829	3,009	15,182	-	-	-
Deal-related expenses (3)	-	2,200	-	6,538	-	-	-
Lease modification and exit charges	312	-	1,137	-	-	-	-
Loss on extinguishment of debt	1,214	-	1,214	-	-	-	-
Gain on termination of servicing (4)	(1,838)	-	(1,838)	-	-	-	-
Adjusted EBITDA	**$ 17,904**	**$ 6,719**	**$ 56,783**	**$ 29,377**	**$ 32,163**	**$ 20,753**	**$ 25,682**

(1) Diluted weighted average shares outstanding.
(2) Severance costs incurred in connection with the CWCapital acquisition (2012) and cost reduction plan (2013).
(3) Includes legal, advisory fees, other professional fees, and a transition services agreement incurred in connection with the CWCapital acquisition.
(4) Gain attributable to the termination of the servicing rights associated with a portion of our Fannie Mae small loan portfolio.
(5) Represents the fair value of the expected net cash flows from servicing recognized at commitment, net of the expected guaranty obligation.