Walker&Dunlop
Commercial Real Estate Finance

# Morgan Stanley Financials Conference

June 12, 2013

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# 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 that 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. 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.

**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 selected expenses related to the CWCapital acquisition:  adjusted net income, adjusted diluted earnings per share, adjusted total expenses, adjusted income from operations and adjusted operating margin.

These supplemental measures exclude acquisition and integration costs specifically related to the CWCapital acquisition, and amortization of customer contracts  and other intangible assets acquired from CWCapital.  We believe that these non-GAAP measures facilitate a review of the comparability of the our operating performance on a period-to-period basis because such costs 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 the Company's 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 slides 20 & 21

# Walker & Dunlop's Mission

## To be the premier commercial real estate finance company in the United States

### Macro Drivers

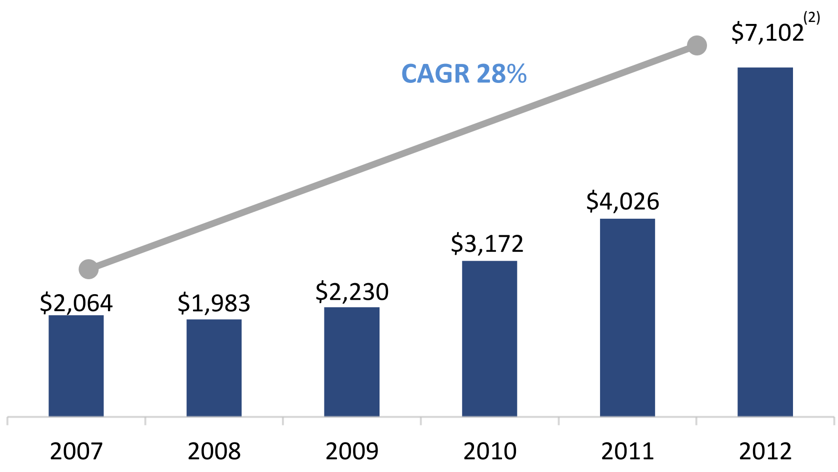
- Massive market opportunity:
  - $3.1 trillion of commercial real estate loans outstanding
  - $1.9 trillion of commercial real estate loans mature in the next 5 years, including banks
- Highly fragmented market

### W&D Strategic Initiatives

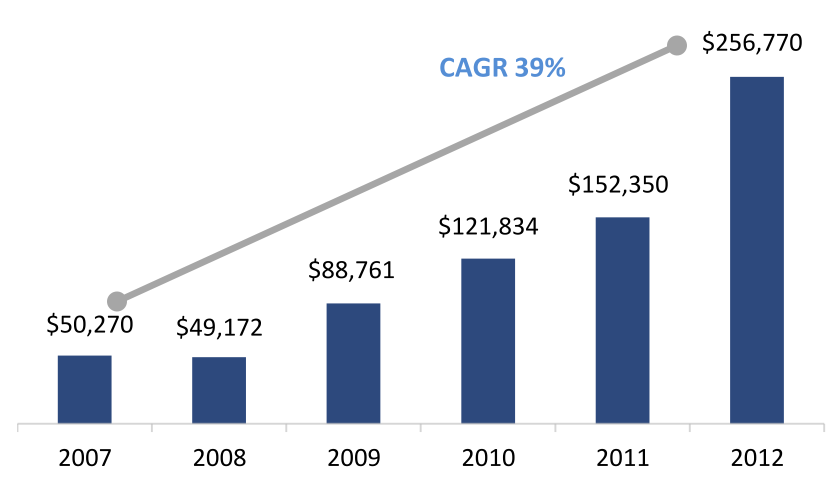
- Have built brand, footprint and deal flow to allow us to continue growing rapidly
- Creating proprietary sources of capital will allow us to meet clients' needs, enhance deal flow, and leverage our expertise

# W&D's Proven Ability to Grow and Execute

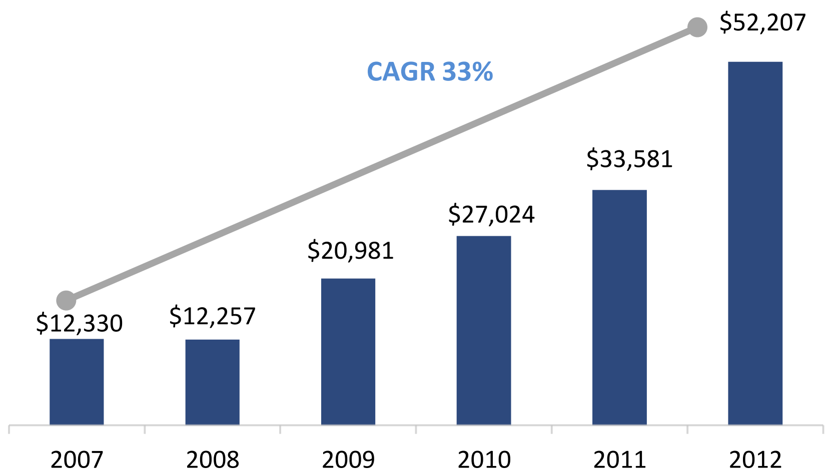
**Total Loan Originations(1)**



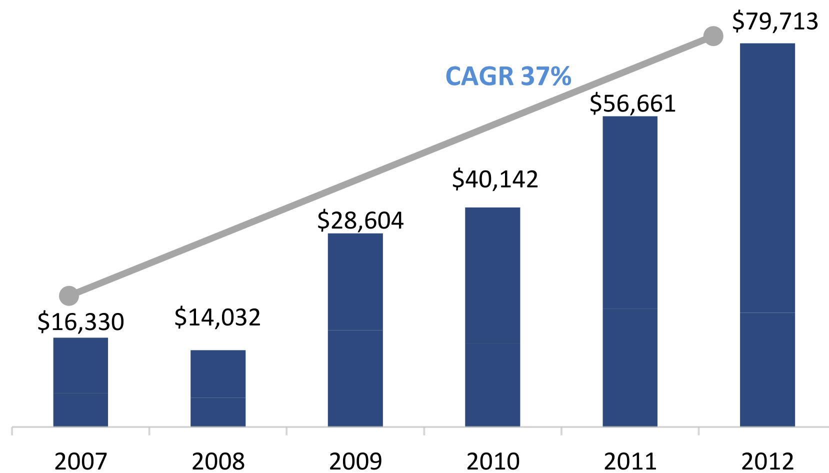

**Total Revenues(1)**




**Servicing Revenues(1)**



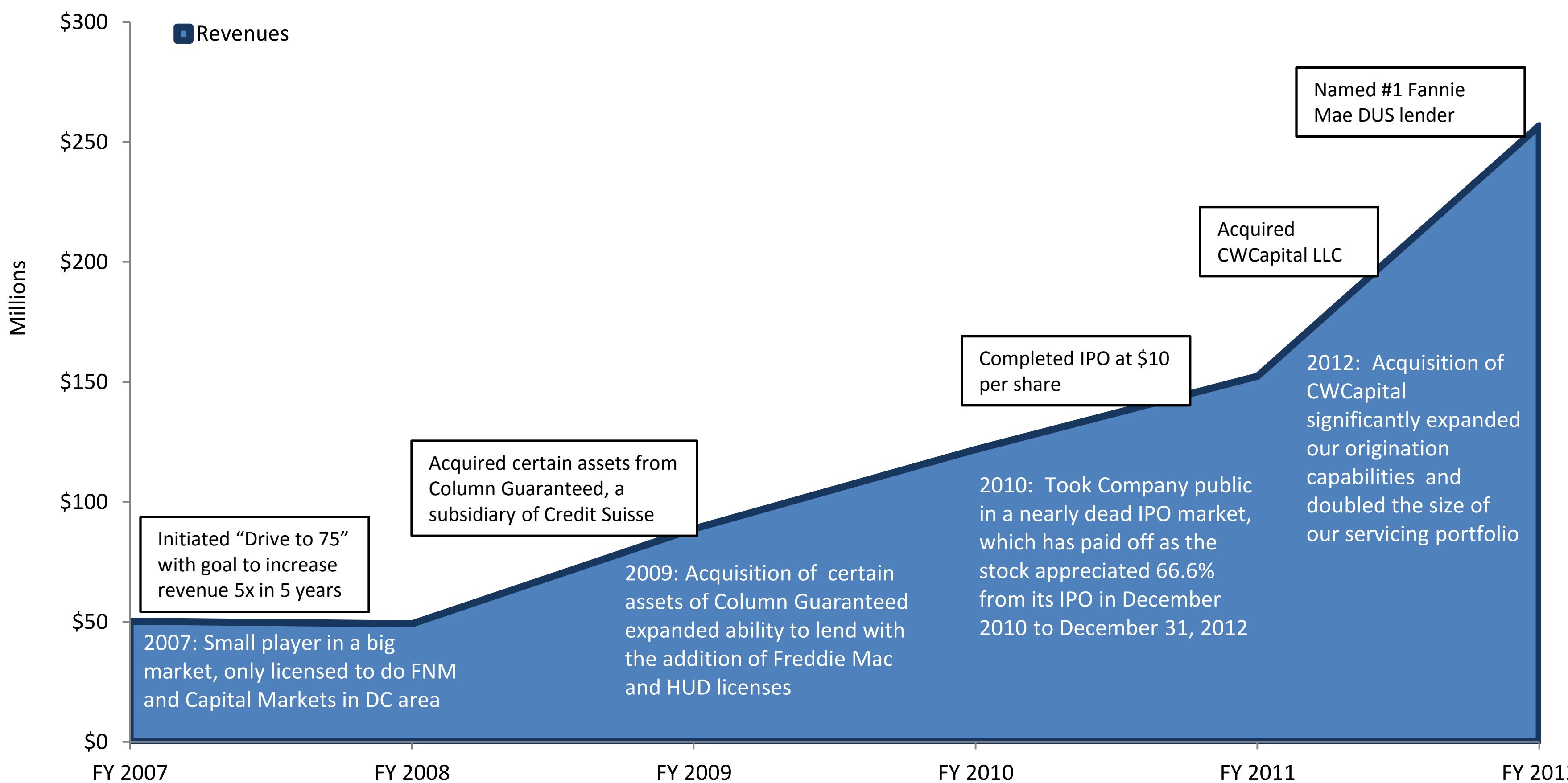

**Adjusted Income from Operations(1) (3)**



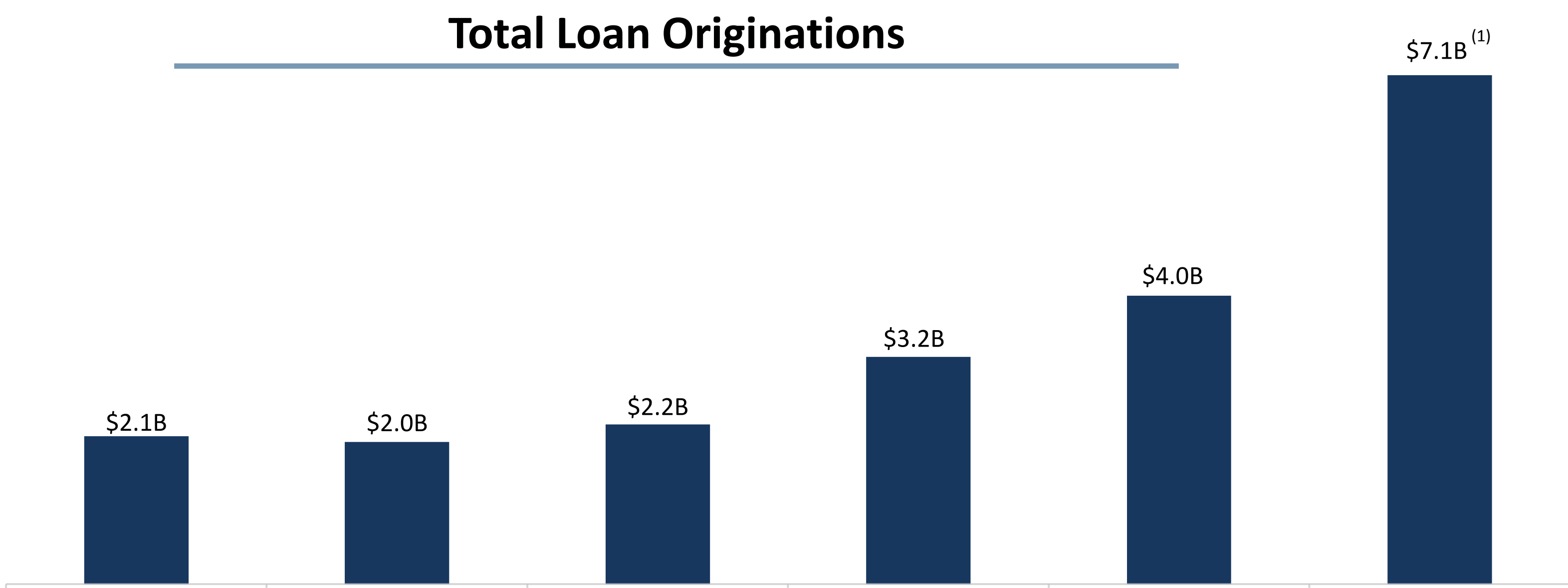

(1) Total Loan Originations shown in millions; Total Revenues, Servicing Revenues & Adjusted Income from Operations in thousands
(2) Includes loan origination volumes for eight months of W&D on a standalone basis and four months of W&D and CWCapital on a combined basis
(3) 2012 Adjusted income from operations excludes selected expenses relating to the CWCapital acquisition. See slides 20 & 21 for a reconciliation of these non-GAAP financial measures to GAAP

# The Drive to 75

***"In 2007, we were a small company with a small market position that needed to grow. And grow we did! As our 2012 earnings reflect, over five years, Walker & Dunlop grew revenues 5.1x to $257 million, adjusted income from operations 4.9x to $80 million, and adjusted net income 4.8x to $48 million."- Willy Walker, Walker & Dunlop 2012 Annual Report***



# Walker & Dunlop's Growing Market Presence




| Rankings | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|---|---|
| **Overall as a Lender[2]** | 40 | 25 | 11 | 11 | 13 | 10 |
| **Fannie Mae[3]** | 10 | 10 | 5 | 3 | 2 | 1 |
| **Freddie Mac[4]** | --- | 18 | 11 | 10 | 10 | 5 |
| **HUD[2]** | --- | --- | 9 | 8 | 11 | 6 |

(1) 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
(2) As reported by the Mortgage Bankers Association ("MBA") Annual Originations Rankings
(3) Based on Fannie Mae's Top 10 DUS producer ranking each year
(4) 2008-2011 ranking based on the MBA report, 2012 based on Freddie Mac's Top multifamily lender ranking for 2012

# Walker & Dunlop's Growing Market Presence

## MBA Annual Origination Rankings
## Total Originations as a Lender - 2012

| Rank | Company Name |
|---|---|
| 1 | Wells Fargo Bank |
| 2 | Bank of America Merrill Lynch |
| 3 | PNC Real Estate |
| 4 | Prudential Mortgage Capital Company |
| 5 | KeyBank Real Estate Capital |
| 6 | MetLife Real Estate Investors |
| 7 | J.P. Morgan (CMBS) |
| 8 | CBRE Capital Markets, Inc. |
| 9 | Goldman Sachs |
| **10** | **Walker & Dunlop, LLC** |

## Fannie Mae
## Top 10 DUS Producers in 2012

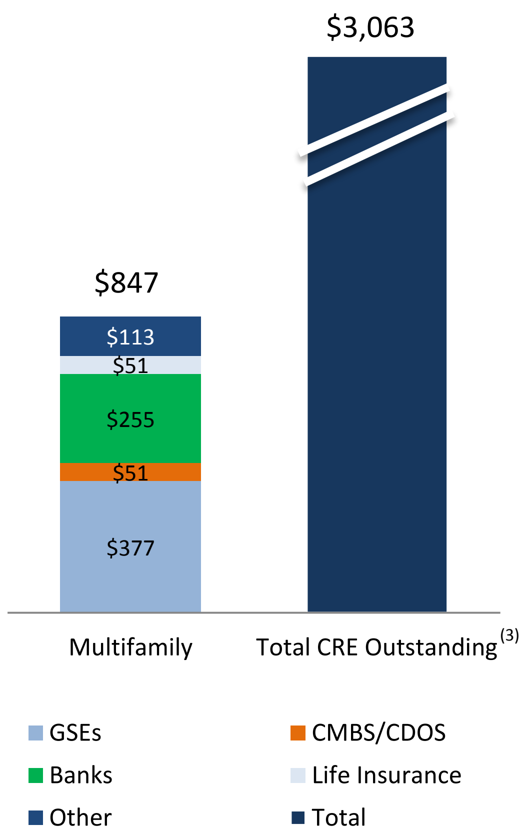
| Rank | Company Name |
|---|---|
| **1** | **Walker & Dunlop, LLC** |
| 2 | Wells Fargo Multifamily Capital |
| 3 | Beech Street Capital, LLC |
| 4 | CBRE Multifamily Capital, Inc |
| 5 | Berkeley Point Capital LLC |
| 6 | Berkadia Commercial Mortgage, LLC |
| 7 | M&T Realty Capital Corporation |
| 8 | Arbor Commercial Funding, LLC |
| 9 | PNC Real Estate |
| 10 | Greystone Servicing Corporation, Inc |

## Freddie Mac
## Top Multifamily Lenders in 2012

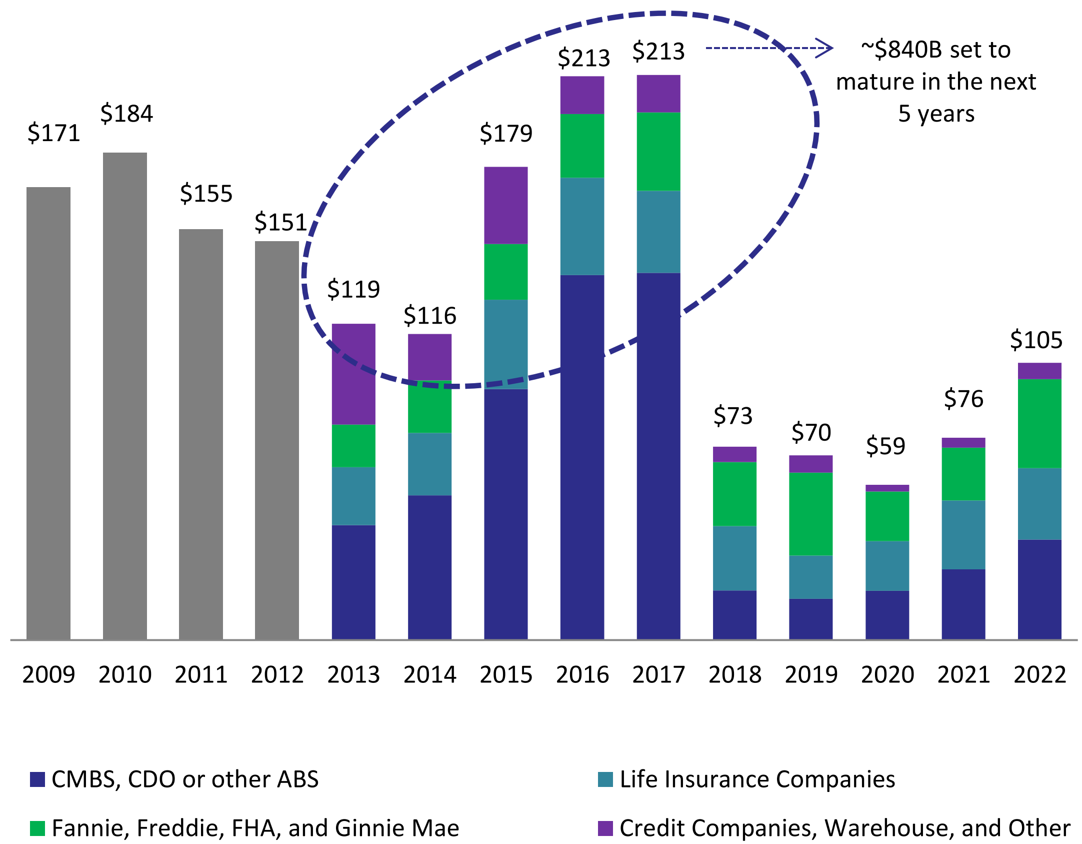
| Rank | Company Name |
|---|---|
| 1 | CBRE Capital Markets |
| 2 | Berkadia Commercial Mortgage |
| 3 | Wells Fargo Multifamily Capital |
| 4 | Holliday Fenoglio Fowler, L.P. |
| **5** | **Walker & Dunlop, LLC** |
| 6 | NorthMarq Capital, LLC |

# The Market Opportunity - Refinancing

**Real Estate Debt Outstanding[1]**
**($ in billions)**



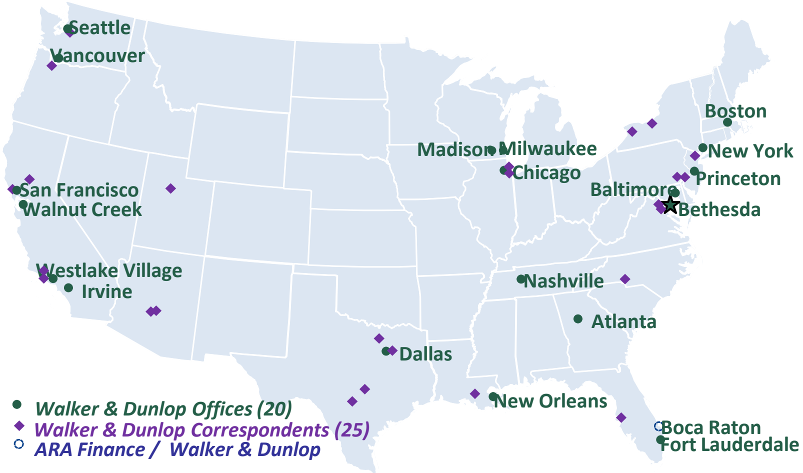

**Non-Bank Commercial / Multifamily Loan Maturities[2]**
**($ in billions)**




[1] Federal Reserve Flow of Funds Accounts of the United States as reported on March 7, 2013
[2] Mortgage Bankers Association Survey of Loan Maturity Volumes as of December 31, 2012
[3] "CRE" refers to Commercial Real Estate

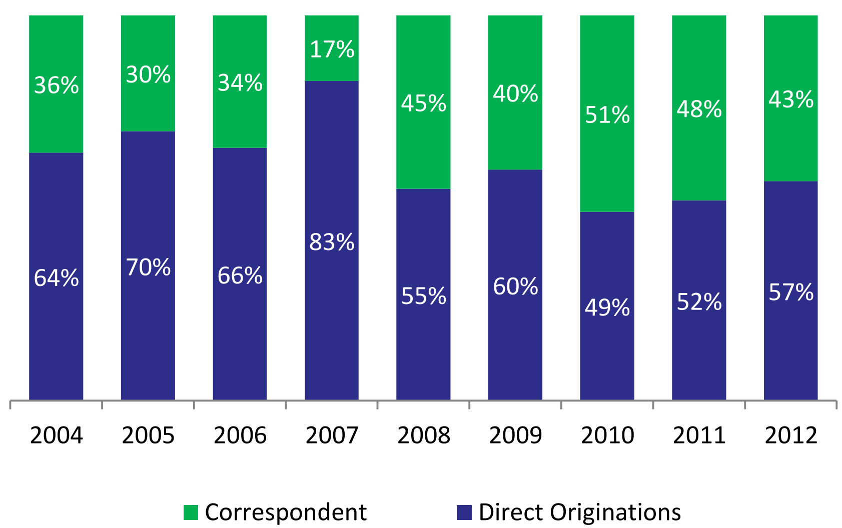
# Walker & Dunlop's Established National Platform

## Lending Platform




- 25 correspondent relationships in 14 states[1]
- Over 450 employees in 20 offices
- Ability to build out our current offices with more origination talent

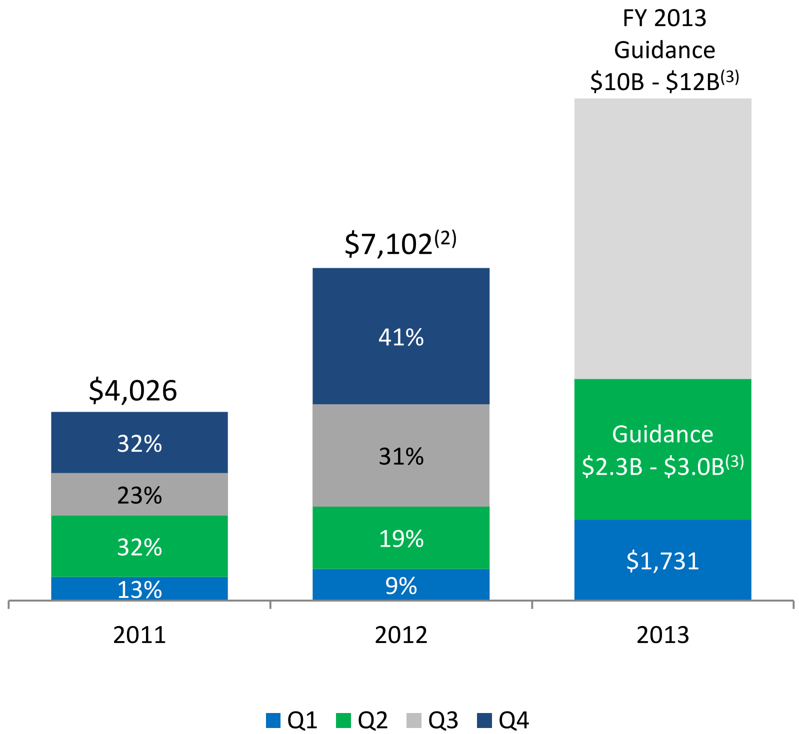
## Sourcing Loans – Direct vs. Correspondent



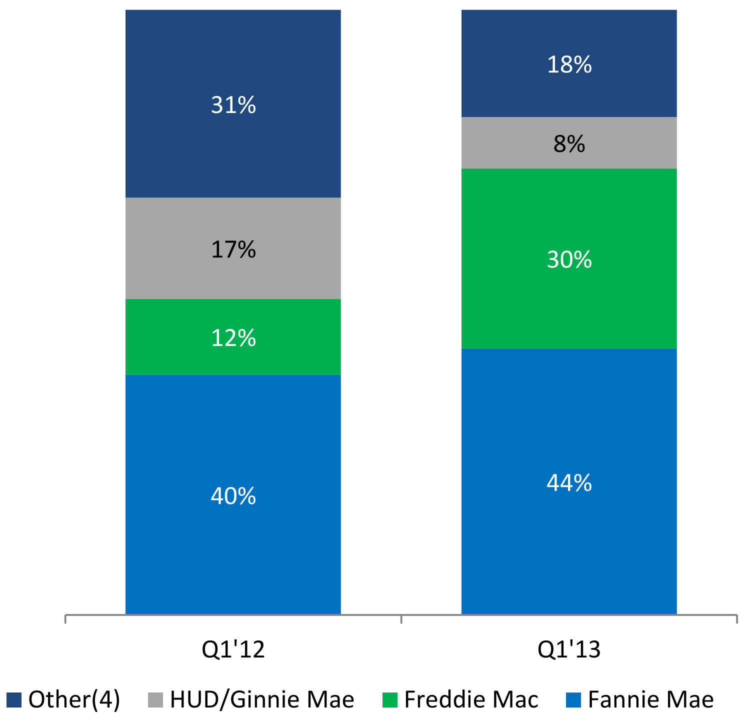

(1) Data as of May 6, 2013

# Quarterly and Annual Loan Originations

## Loan Origination Volume by Quarter[1]




## Mix of Loan Originations




(1) Historical volumes shown as a quarterly percentage of full year. 2011, 2012 & Q1'13 volume in millions, and guidance in billions
(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) Guidance provided on May 8, 2013 and not updated since
(4) Other includes CMBS, life insurance, commercial banks and interim loans

# Key Points on Q1'13

| | |
|---|---|
| **Loan Origination Volume** | - $1.7 billion of loans originated in first quarter 2013, reflecting very strong growth of 157% over first quarter 2012<br>- Loan origination guidance[1]:<br>    - Q2'13: $2.3 billion - $3.0 billion<br>    - FY 2013: $10.0 billion - $12.0 billion |
| **Key Financial Highlights** | - Total revenues of $69.2 million, up 101% over first quarter 2012<br>- Gains from mortgage banking activities as a percentage of loan origination volumes was 248 bps, slightly below historical average due to the mix of loans originated and a large Fannie Mae loan with a lower than average MSR<br>- Total expenses increased 128% to $56.9 million, due to increase in personnel and amortization and depreciation<br>- Adjusted net income[2] of $8.5 million, or $0.25 per diluted share, up 46% over first quarter 2012<br>- Adjusted operating margin[2] of 20%, consistent with typical first quarter performance on a normalized basis |
| **Servicing Portfolio** | - Servicing fees of $21.1 million, up 125% over first quarter 2012<br>- Servicing portfolio of $36.8 billion at March 31, 2013, up 118% over March 31, 2012 |

(1) Guidance provided on May 8, 2013

(2) Adjusted net income, adjusted diluted earnings per share and adjusted operating margin for Q1'13 exclude selected expenses relating to the CWCapital acquisition. See slides 20 & 21 for a reconciliation of these non-GAAP financial measures to GAAP

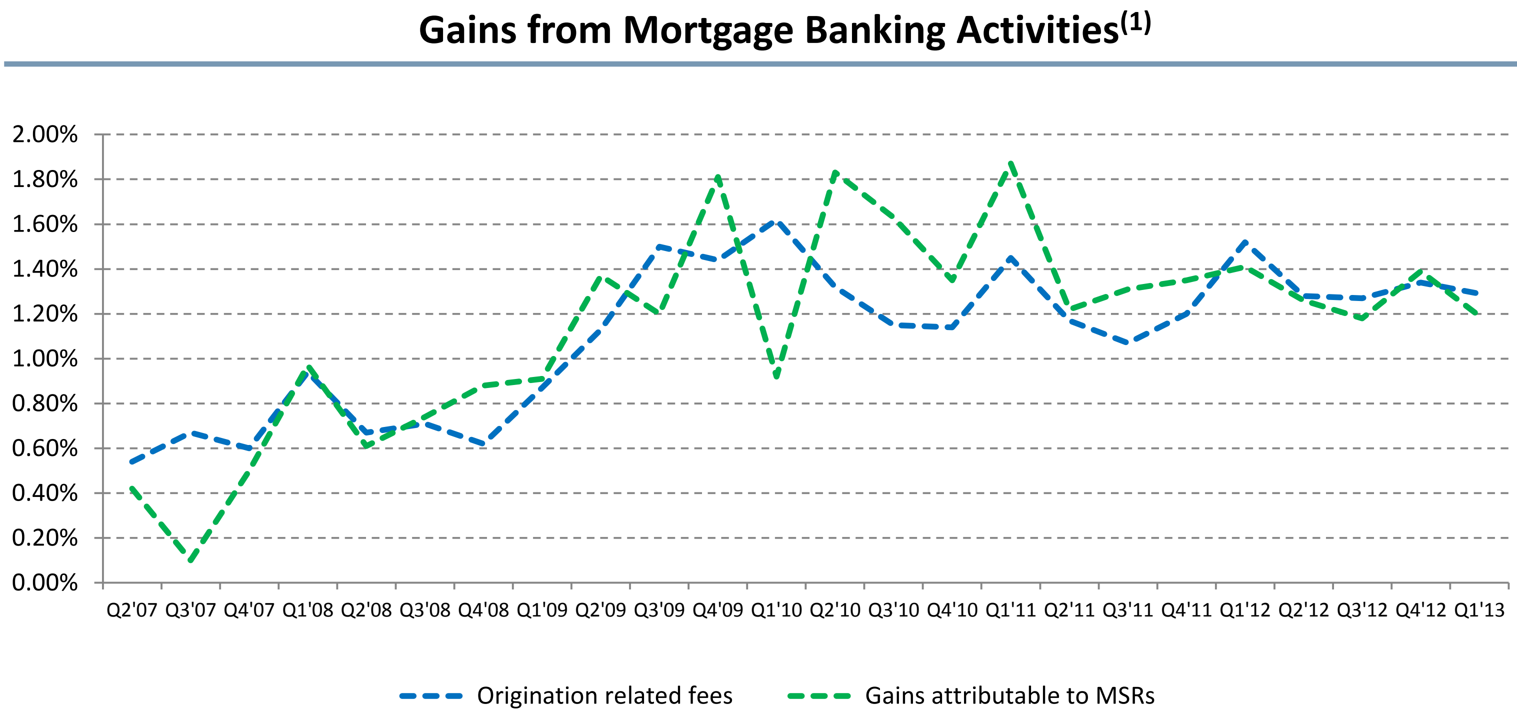
# Q1'13 - Financial Highlights

| **Financial Performance** ($ in thousands) | **Q1'13** | **Q1'12** | **% Change** |
|---|---|---|---|
| Total loan origination volume | $1,731,352 | $674,456 | 157% |
| Gains from mortgage banking activities | $42,931 | $19,802 | 117% |
| Servicing fees | $21,141 | $9,379 | 125% |
| Adjusted income from operations(1) | $13,608 | $9,494 | 43% |
| Adjusted operating margin(1) | 20% | 28% | -29% |
| Adjusted net income(1) | $8,507 | $5,839 | 46% |

| **Servicing Portfolio and Credit** | **At March 31, 2013** | **At March 31, 2012** | **Change** |
|---|---|---|---|
| Servicing portfolio *(in thousands)* | $36,760,520 | $16,850,945 | 118% |
| Weighted-average servicing fee rate | 24 bps | 23 bps | 1 bp |
| 60+ day delinquencies as a % of the at risk portfolio | 0.00% | 0.08% | -100% |

(1) Adjusted income from operations, adjusted operating margin, and adjusted net income for Q1'13 exclude selected expenses relating to the CWCapital acquisition. See slides 20 & 21 for a reconciliation of these non-GAAP financial measures to GAAP

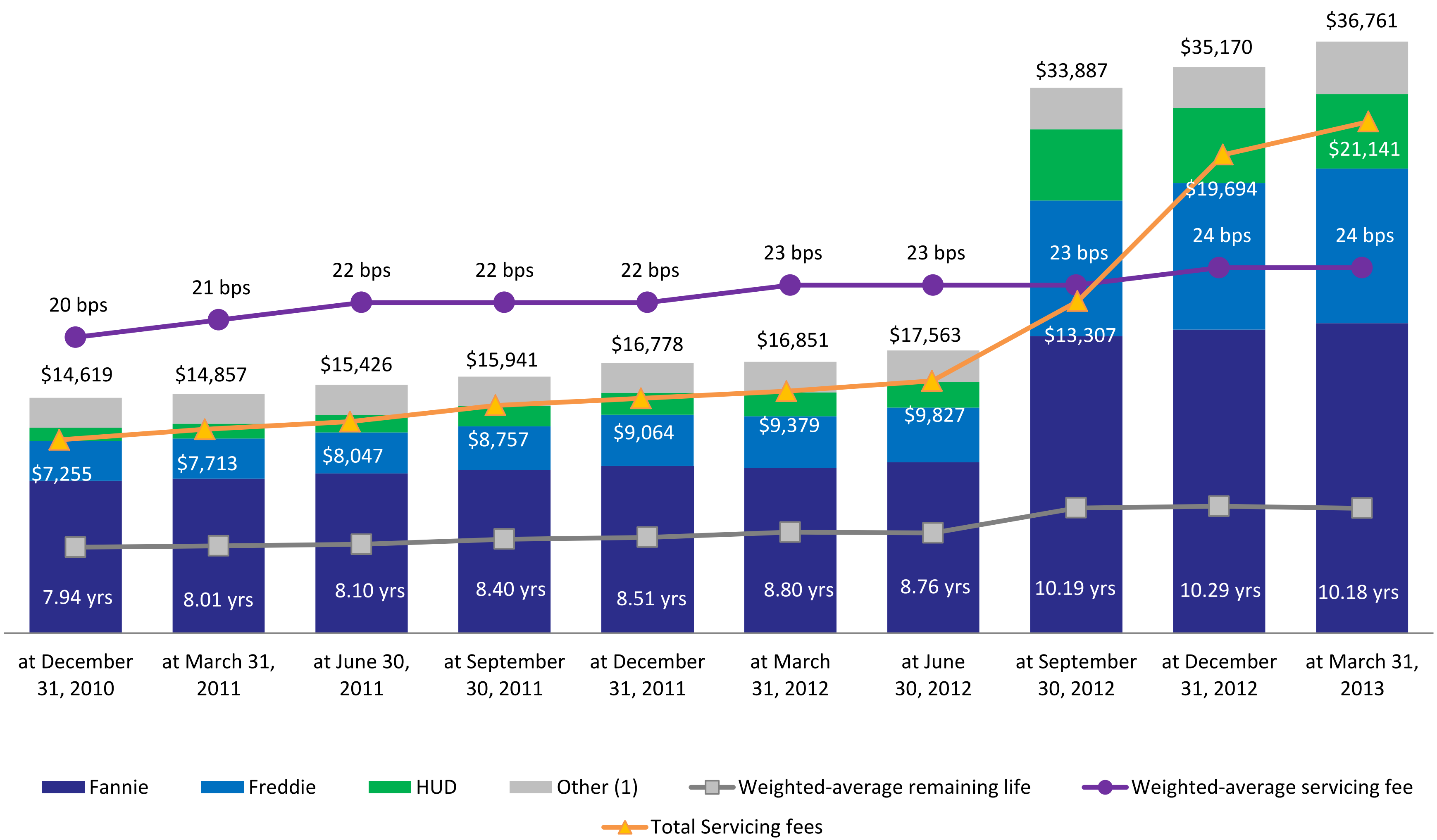
# Origination Related Revenues, Historical Trend




| Gains from Mortgage Banking Activities[1]: | Q1'12 | Q1'13 |
|---|---|---|
| Origination related fees | 1.52% | 1.29% |
| Gains attributable to MSRs | 1.41% | 1.19% |
| Total gain on sale margin | 2.93% | 2.48% |

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

# Servicing Portfolio & Associated Fee Growth



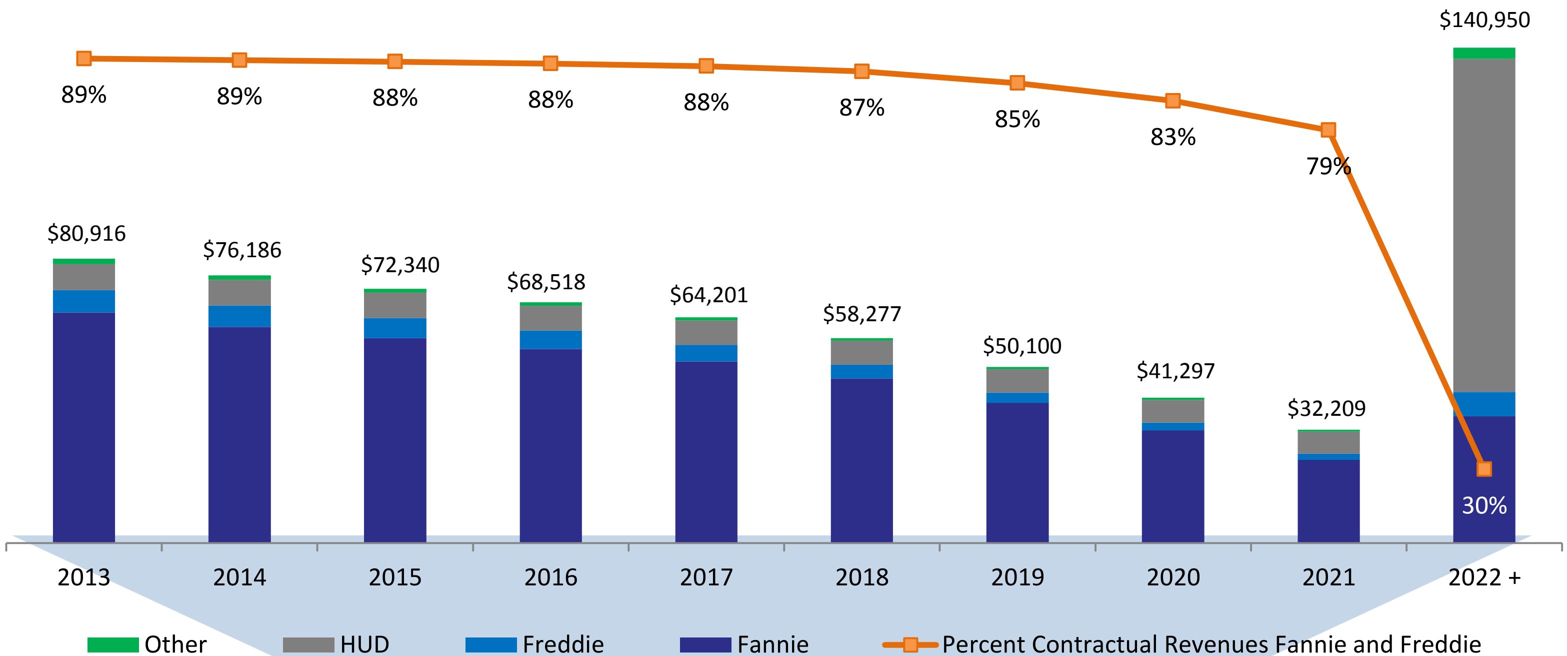

Total servicing portfolio presented in millions, servicing fees in thousands

(1) Other includes CMBS, life insurance, commercial banks and interim loans

# Contractual Revenues on Servicing Portfolio

**Servicing Portfolio at December 31, 2012: $35 billion**

The current servicing portfolio will provide $680 million in total contractual servicing revenues over the remaining life of the portfolio, without consideration of escrow benefits, servicing costs, prepayments, loan defaults or future loan production.




**Total Contractual Servicing Revenues:**
$680 million

**Amortized Book Value of MSRs:**
$316 million

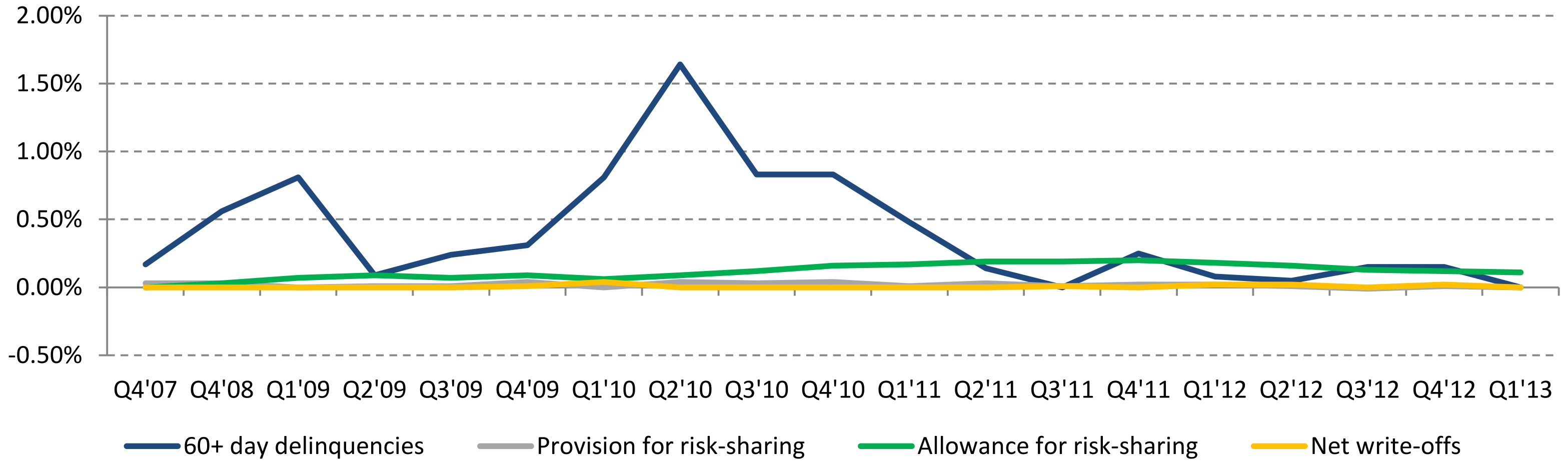
**Estimated Fair Value of MSRs:**
$351 million

Note: Total contractual servicing revenues presented in thousands

# Risk Management is a Core Competency

## Credit Remains a Strength of W&D[(1)]

(as of and for the periods then ended)




| **Walker & Dunlop Key Credit Metrics**[(2)] (as a percentage of the at risk servicing portfolio) | **Q1'12** | **Q4'12** | **Q1'13** |
|---|---|---|---|
| **As of period end:** | | | |
| 60+ day delinquencies | 0.08% | 0.15% | 0.00% |
| Allowance for risk-sharing | 0.18% | 0.12% | 0.11% |
| **For the period ended:** | | | |
| Provision for risk-sharing | 0.02% | 0.01% | < 0.01% |
| Net write-offs | 0.02% | 0.02% | 0.00% |

(1) As a percentage of the at risk servicing portfolio
(2) Quarterly data, not annualized

# Proprietary Capital Initiatives

## Bridge Loan Program

- Will invest in multifamily and senior housing loans of $30+ million
- In final negotiations with foreign pension fund and large US real estate investment firm to commit combined $380 million
- W&D will serve as managing member and co-invest up to $20 million
- Expect total equity commitments of up to $400 million, with ~65% leverage for $1.2 billion initial lending capacity
- Typical transactions will be rehab or repo acquisitions in which bridge financing is needed
- Expect to be in full operation in the coming weeks

## CMBS Loan Origination Platform

- In process of securing capital to establish a joint venture CMBS platform
- Subsidiary will serve as a minority partner, aggregating loans (up to $200 million) for a limited period of time (up to 90 days) prior to securitization
- W&D plans to invest $15 to $20 million of capital
- Will execute one securitization per quarter totaling $650+ million per year of loan sales when fully operational

## Commercial Mortgage REIT

- Continuing to explore a commercial mortgage REIT strategy with our advisors

## Separate Account

- Focused on raising a separate account to provide long-term fixed rate capital to our borrowers
- Attractive to long term pension funds and life insurance companies due to W&D's access to deal flow, platform and track record

# Onward to 80

- “Drive to 75”catapulted the Company to the top of the league tables
- Currently have the scale, brand, and market position to compete with all market participants
- Core business of multifamily lending still dominated by GSEs & HUD, where W&D has strong market position
- Origination platform, credit track record, and scale make W&D a fantastic partner for capital looking to be deployed in CRE space
- Proprietary Capital initiatives well under way and will add origination, servicing, and asset management revenue over coming quarters and years
- “Onward to 80” focused on 50% of revenues from servicing and asset management fees by 2017, all in an effort to build the Premier Commercial Real Estate Finance Company in the United States

Walker&Dunlop

Commercial Real Estate Finance

# APPENDIX

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# Adjusted Financial Metrics Reconciliation to GAAP

| (in thousands, except per share amounts) | For the three months ended March 31, 2013 (unaudited) | 2012 (unaudited) |
|---|---|---|
| **Reconciliation of GAAP Net Income and GAAP Diluted Earnings Per Share to Adjusted Net Income and Adjusted Diluted Earnings Per Share** | | |
| GAAP net income | $ 7,726 | $ 5,839 |
| Shares [1] | 34,157 | 21,848 |
| GAAP diluted earnings per share | $ 0.23 | $ 0.27 |
| | | |
| GAAP net income | $ 7,726 | $ 5,839 |
| Adjustments: | | |
| Amortization of intangibles | 1,278 | — |
| Income tax impact of adjustments | (497) | — |
| Adjusted net income | $ 8,507 | $ 5,839 |
| Shares [1] | 34,157 | 21,848 |
| Adjusted diluted earnings per share | $ 0.25 | $ 0.27 |

[1] Diluted weighted average shares outstanding

# Adjusted Financial Metrics Reconciliation to GAAP

| (in thousands) | For the three months ended March 31, 2013 (unaudited) | For the three months ended March 31, 2012 (unaudited) |
|---|---|---|
| **Reconciliation of GAAP Income from Operations and GAAP Operating Margin to Adjusted Income from Operations and Adjusted Operating Margin** | | |
| GAAP income from operations | $ 12,330 | $ 9,494 |
| Total revenues | 69,185 | 34,402 |
| GAAP operating margin | 18% | 28% |
| | | |
| GAAP income from operations | $ 12,330 | $ 9,494 |
| Adjustments: | | |
| Amortization of intangibles | 1,278 | — |
| Adjusted income from operations | $ 13,608 | $ 9,494 |
| Total revenues | 69,185 | 34,402 |
| Adjusted operating margin | 20% | 28% |
| **Reconciliation of GAAP Total Expenses to Adjusted Total Expenses** | | |
| GAAP total expenses | $ 56,855 | $ 24,908 |
| Adjustments: | | |
| Amortization of intangibles | 1,278 | — |
| Adjusted total expenses | $ 55,577 | $ 24,908 |

# W&D Income Statement Quarterly Comparison

| | For the three months ended March 31, (1) | | |
|---|---|---|---|
| | 2013 *(unaudited)* | 2012 *(unaudited)* | % Change |
| **Revenues** | | | |
| Gains from mortgage banking activities | $ 42,931 | $ 19,802 | 117% |
| Servicing fees | 21,141 | 9,379 | 125% |
| Net warehouse interest income | 1,623 | 937 | 73% |
| Escrow earnings and other interest income | 942 | 539 | 75% |
| Other | 2,548 | 3,745 | -32% |
| Total revenues | $ 69,185 | $ 34,402 | 101% |
| **Expenses** | | | |
| Personnel | $ 28,283 | $ 11,641 | 143% |
| Amortization and depreciation | 17,256 | 7,241 | 138% |
| Amortization of intangible assets | 1,296 | 18 | 7100% |
| Provision for risk-sharing obligations | 401 | 1,224 | -67% |
| Interest expense on corporate debt | 968 | 168 | 476% |
| Other operating expenses | 8,651 | 4,616 | 87% |
| Total expenses | $ 56,855 | $ 24,908 | 128% |
| **Income from operations** | $ 12,330 | $ 9,494 | 30% |
| Income tax expense | 4,604 | 3,655 | 26% |
| **Net income** | $ 7,726 | $ 5,839 | 32% |

| **Gains from Mortgage Banking Activities:** | | | |
|---|---|---|---|
| Origination related fees | $ 22,260 | $ 10,279 | 117% |
| Gains attributable to MSRs | 20,671 | 9,523 | 117% |
| Total | $ 42,931 | $ 19,802 | 117% |

(1) Dollars in thousands

# Balance Sheet

| (in thousands, except share data) | | As of March 31, 2013 (unaudited) | | As of December 31, 2012 |
|---|---|---|---|---|
| Assets | | | | |
| Cash and cash equivalents | $ | 65,405 | $ | 65,027 |
| Restricted cash | | 7,750 | | 7,130 |
| Pledged securities, at fair value | | 34,581 | | 33,481 |
| Loans held for sale, at fair value | | 477,779 | | 1,101,561 |
| Loans held for investment | | 9,487 | | 9,468 |
| Servicing fees and other receivables, net | | 29,416 | | 40,933 |
| Derivative assets | | 8,306 | | 21,258 |
| Mortgage servicing rights | | 336,397 | | 315,524 |
| Goodwill | | 59,969 | | 59,735 |
| Intangible assets | | 3,348 | | 4,644 |
| Other assets | | 25,117 | | 29,872 |
| Total assets | $ | 1,059,555 | $ | 1,688,633 |
| Liabilities and Stockholders' Equity | | | | |
| Liabilities | | | | |
| Accounts payable and other accrued expenses | $ | 36,346 | $ | 66,763 |
| Performance deposits from borrowers | | 6,694 | | 9,503 |
| Derivative liabilities | | 3,936 | | 867 |
| Guaranty obligation, net of accumulated amortization | | 22,352 | | 21,155 |
| Allowance for risk-sharing obligations | | 16,071 | | 15,670 |
| Deferred tax liability | | 56,035 | | 56,035 |
| Warehouse notes payable | | 476,221 | | 1,084,539 |
| Notes payable | | 78,850 | | 80,925 |
| Total liabilities | $ | 696,505 | $ | 1,335,457 |
| Stockholders' Equity: | | | | |
| Preferred shares, authorized 50,000,000, none issued | $ | — | $ | — |
| Common stock, $0.01 par value. Authorized 200,000,000; issued and outstanding 33,613,832 shares in 2013 and 33,657,730 shares in 2012 | | 336 | | 336 |
| Additional paid-in capital | | 238,971 | | 236,823 |
| Retained earnings | | 123,743 | | 116,017 |
| Total stockholders' equity | $ | 363,050 | $ | 353,176 |
| Commitments and contingencies | | | | |
| Total liabilities and stockholders' equity | $ | 1,059,555 | $ | 1,688,633 |