# New Residential Quarterly Supplement

*Fourth Quarter & Full Year 2013*

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**CAUTIONARY NOTE REGARDING TARGETED/EXPECTED RETURNS AND TARGETED/EXPECTED YIELDS.** Expected returns and expected yields are estimates of the annualized effective rate of return that we presently expect to be earned over the expected average life of an investment (i.e., IRR), after giving effect, in the case of returns, to existing leverage, and calculated on a weighted average basis. Expected returns and expected yields reflect our estimates of an investment's coupon, amortization of premium or discount, and costs and fees, and they contemplate our assumptions regarding prepayments, defaults and loan losses, among other things. In the case of Excess MSRs, these assumptions include, but are not limited to, the recapture rates, prepayment rates and delinquency rates. Income recognized by the Company in future periods may be significantly less than the income that would have been recognized if an expected return or expected yield were actually realized, and the estimates we use to calculate expected returns and expected yields could differ materially from actual results. Statements about expected returns and expected yields in this presentation are forward-looking statements. You should carefully read the cautionary statement above under the caption "Forward-looking Statements," which directly applies to our discussion of expected returns and expected yields.

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**INVESTMENT GUIDELINES**. Our manager has great latitude in determining which investments are appropriate for us. Our investment guidelines are purposefully broad to enable our manager to make investments in a wide array of assets on our behalf. We are not required to obtain stockholder consent to change our investment strategy or asset portfolio.

# New Residential Overview

- **New Residential is a publicly traded mortgage REIT (NYSE:NRZ) with a market capitalization of $1.7 billion[1]**
- **Focused on investing across the vast approximately $20 trillion U.S. housing market**
- **Seek to generate mid-teens returns primarily through investments in residential mortgage related assets**

New Residential Investment Corp.

***$1.7 bn market cap[1]***

| *Servicing Related Assets* | *Residential Loans & Securities* | *Other Investments* |
| --- | --- | --- |
| ▪ *Excess MSRs*<br>▪ *Servicer Advances* | ▪ *Non-Performing/Performing Loans*<br>▪ *Non-Agency/Agency RMBS* | ▪ *Consumer Loans* |

1) *Market Cap. as of March 19, 2014.*

# Evolution of New Residential

- **Initial strategy focused on acquiring Excess Mortgage Servicing Rights ("Excess MSRs") & Non-Agency RMBS**
- **Over time, NRZ diversified into other asset classes that fit within our investment profile, such as Consumer Loans & Servicer Advances**

2011 | 2012 | Q1 2013 | Q2 2013 | Q3 2013 | 4Q 2013

1. *Beginning in 2011, while part of NCT, the Company was focused on investing in **Excess MSRs & Non-Agency RMBS***
2. *In Apr. 2013, the Company strategically invested $241 mm to acquire an interest in a $3.9 bn **Consumer Loan** Portfolio*
3. *In Nov. 2013, NRZ further diversified our portfolio by purchasing a pool of **Non-Performing Loans** for $93 mm*
4. *In Dec. 2013, NRZ co-invested in $3.2 bn of **Servicer Advances***

# Robust Pipeline of Opportunities

- **Today, the potential areas for investment remain robust**
  - U.S. residential market is in an unprecedented state of flux
  - Current market dynamics drive the need for significant private capital injections

*Transformation of the GSEs*

- GSEs likely to have a different role in future (i.e. unwind certain parts of business)
- Creation of Federal Mortgage Insurance Corporation through Johnson-Crapo Bill
- Potential for many interesting opportunities as a result of transformation

*HUD & Banks Selling Non-Performing Loans*

- $660 billion face amount of non-performing loans ("NPLs")(1)
- $30 billion of NPL sales expected this year by HUD and the banks(2)
- Potential for supply to increase meaningfully if the GSEs sell NPLs

*Regulation & Reputational Issues at the Banks*

- Banks will continue to sell MSRs, although we believe these sales will likely be smaller
- Tighter lending standards at the banks – new rules restrict bank lending to Non-QM borrowers

*1) Barclays research as of March 17, 2014.*
*2) Based on HUD and broker-dealer indications for 2014 and management estimates.*

# New Residential Today*

- **Today, NRZ's portfolio consists of $1.4 billion of net investments with a lifetime targeted yield of 19%**

| New Residential Investment Corp. | *Asset* | *Net Investment* | *Lifetime Targeted Yield* |
|---|---|---|---|
| **Excess MSRs[1]** | 677 | 677 | 17% |
| **Servicer Advances[2]** | 2,751 | 116 | 15% |
| **Residential Loans[3]** | 68 | 45 | 17% |
| **Residential Securities[4]** | 1,975 | 222 | 21% |
| **Consumer Loans[5]** | 772 | 215 | 35% |
| **Cash[6]** | 157 | 157 | 15%** |
| | | | **19%** |

**** As of December, 31, 2013 unless otherwise noted in the footnotes below. There can be no assurance that any of the investments will generate our lifetime targeted yields. Actual returns could result in materially different yields. Targeted Yields exclude general and administrative expenses, management fee to affiliate, incentive compensation to affiliate, and interest expense. See "Forward-Looking Statements" and "Cautionary Note Regarding Targeted/Expected Returns and Targeted/Expected Yields."***

*** Assumes cash is invested at a 15% targeted return.*

1) **EXCESS MSRS:** Asset and Net Investments represent carrying value of the investments. Targeted Yield is expected IRR for pools that have settled.
2) **SERVICER ADVANCES:** Asset represents carrying value of the servicer advances, including cash and restricted cash related to the servicer advances. Net Investment is net of debt, minority interest, other assets and other liabilities related to the servicer advances.
3) **RESIDENTIAL LOANS:** Asset represents carrying value of the investments, including mortgage loans accounted for as a derivative. Net investment is net of debt. Targeted Yield represents the IRR over a weighted average life of 3.7 years for reverse mortgages and 2.5 years for non-performing loans.
4) **RESIDENTIAL SECURITIES: Non-Agency RMBS –** Asset represents carrying value of securities, including $1.5mm securities accounted for as a derivative and $175 million of trades not yet settled as of December 31, 2013. Net Investment is net of debt and assumes 75% leverage on trades not yet settled as of December 31, 2013. Expected Yield represents the IRR over a weighted average life of 8.0 years assuming actual and targeted leverage. **Agency RMBS –** Asset represents carrying value of securities and includes $39 million of trades not yet settled as of December 31, 2013. Net Investment is net of debt. Targeted Yield represents the IRR over a weighted average life of 4.1 years.
5) **CONSUMER LOANS:** Asset represents 30% of the December 31, 2013 carrying value of the loans held in the Consumer Loans joint venture. Net investment reflects GAAP carrying value. Targeted Yield represents the IRR over a weighted average life of 3.2 years.
6) **CASH:** Asset represents $220 million of cash and cash equivalents (excluding cash and restricted cash related to servicer advances) as of December 31, 2013 less $63 million of common dividends payable as of January 31, 2014. Targeted yield assumes cash is invested at a 15% return. There can be no assurance that cash will be invested at targeted returns, and actual returns for all investments could differ materially.

# 2013 – New Residential Year in Review

*Spun Off from Newcastle Investment Corp.*

- **Since spin-off from Newcastle on May 15, 2013, New Residential has generated strong returns**
  - ✓ NRZ paid $0.495 per common share in dividends
  - ✓ Annualized Return On Equity ("ROE") of 29% (1)

*Servicing Related Assets*

- **Successfully capitalized on opportunities in the mortgage servicing sector**
  - ✓ Excess MSRs – Invested $394 million of equity to purchase $215 billion of UPB
  - ✓ Advances – Agreed to co-invest in $3.2 billion of advances at par related to $54 billion of UPB

*Residential Securities & Loans*

- **Diversified our platform by beginning to invest in NPLs**
  - ✓ Invested $93 million ($33 million of equity) to acquire $170 million UPB of non-performing loans
- **Continued to purchase Non-Agency RMBS, and strategically harvest gains**
  - ✓ In 4Q 2013, recognized $41 million of gains; sold $577 million at 69% of par

*Other Investments*

- **Leveraged Fortress's relationships to opportunistically acquire an interest in a consumer loan portfolio**
  - ✓ Invested approximately $241 million to acquire $3.9 billion UPB(3)

*1) Return On Equity ("ROE") is calculated by dividing annualized net income since spin by average stockholders' equity since spin.*
*2) The initial investment of the consumer loan portfolio was made by Newcastle prior to the spin-off of New Residential. Initial investment amount shown includes a purchase price adjustment received subsequent to closing the acquisition.*
*3) Includes a purchase price adjustment received subsequent to closing of acquisition.*

# Excess MSRs – Overview & Performance

- **As of 4Q 2013, NRZ invested $683 million in 13 loan pools with $300 billion initial UPB**
  - Weighted average WAC of 4.8%, LTV of 94%, 30+ DQ of 27%; FICO of 665; WALA of 6.8 years
  - CPR slowed to 16%, versus 19% in 3Q 2013 and outperformed NRZ's 4Q 2013 underwritten expectation of 21%
- **Generated <u>$187 million</u> of total LTD cash flows, including $41 million in 4Q**
  - 28% of initial investment returned over average of 10 months
  - Current carrying value of $677 million

| *Loan Type* | *Initial Inv. ($mm)* | *Initial UPB ($bn)* | *Current UPB ($bn)* | *Cash Flows ($mm)* | | *CPR* | | *Recapture Rate[3]* | | *Lifetime IRR[1]* | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | *Total LTD* | *Carrying Value[2]* | *LTD* | *4Q* | *LTD* | *4Q* | *U/W* | *Actual* |
| **Agency / Govt.** | $382 | $162 | $133 | $119 | $390 | 20% | 20% | 20% | 31% | 16% | 18% |
| | | | | | | | | *CDR* | | | |
| **Non-Agency** | $301 | $138 | $120 | $68 | $287 | 12% | 13% | 6% | 6% | 15% | 15% |
| **TOTAL / WA** | **$683** | **$300** | **$253** | **$187** | **$677** | **16%** | **16%** | **--** | **--** | **16%** | **17%** |

1) *Potential future lifetime IRRs are forward-looking statements that are inherently uncertain, based on a number of factors beyond our control and may not be realized. See "Forward-Looking Statements" and "Cautionary Note Regarding Targeted/Expected Returns and Targeted/Expected Yields." Actual Lifetime IRRs include life-to-date results plus our underwritten expectations for the future.*
2) *Carrying Value represents cost basis plus adjustment for mark.*
3) *Recapture rate not meaningful for Non-Agency portfolios because of lower amount of voluntary prepayment activity compared to Agency portfolios. We view default rate as a primary performance measurement for our Non-Agency portfolio.*

NEW RESIDENTIAL INVESTMENT CORP.

# Servicer Advances – Overview

- **Transaction 1 – In Dec., NRZ & co-investors ("Buyer") agreed to acquire $3.2 billion of advances from Nationstar**
  - Expected funding amount of $2.8 billion of debt and $0.4 billion of equity(1)
- **Transaction 2 – In Feb., Buyer agreed to acquire approximately $2.8 billion of advances from Nationstar(2)**
  - Acquisition expected to be funded with $2.5 billion of debt and $0.3 billion of equity(1)
- **On Mar. 13, successfully closed new $2.16 billion securitization to improve financing terms**

***At Acquisition Summary***

| | Advance Balance *($bn)* | Gross Debt *($bn)* | Gross LTV(3) | COF | UPB *($bn)* | Adv. to UPB | Equity *($mm)* | Working Capital *($mm)* | Total *($mm)* |
|---|---|---|---|---|---|---|---|---|---|
| *Transaction 1* | $3.2 | $2.8 | 90% | 2.4% | $54 | 5.8% | $389 | $57 | $446 |
| *Transaction 2* | $2.8 | $2.5 | 90% | 2.5% | $70 | 3.9% | $309 | $46 | $356(4) |
| **Total** | **$6.0** | **$5.3** | **90%** | **2.4%** | **$124** | **4.8%** | **$694** | **$103** | **$798** |

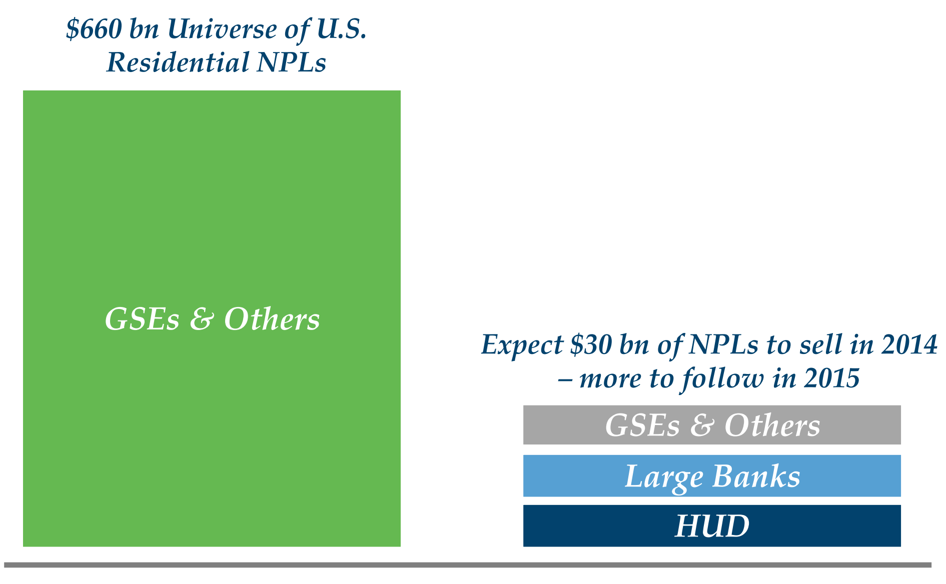
1) *Equity amounts exclude working capital. Buyer's 14% return will be calculated on equity plus working capital. Actual amount of working capital may differ from expected amount.*
2) *Buyer is under no obligation to close on the entire amount of advances subject to the call option, and there can be no assurance that buyer will actually do so.*
3) *LTV represents "Loan-to-Value". COF represents Cost of Funds less facility fees. At Acquisition figures do not reflect the securitization done in March.*
4) *Total amount of capital required. Buyer is only committing to purchase $260 million of the $356 million. An additional $96mm remains as an option for Buyer; however, it is yet to be determined whether NRZ or a third-party will fund this amount, or if it will be funded at all.*

New Residential Investment Corp.

# Non-Performing Loans – Overview & Performance

- **In Nov., NRZ invested $93 million ($33 million of equity) to acquire $170 million UPB of non-performing loans**
- **At the end of 4Q 2013, actual results were better than initial underwritten targets**
  - The first month of performance was very strong with 30 liquidations, represents an implied 21% cash-on-cash yield
  - Generated $2.9 million of cash flows(1)

## Robust 2014 NPL Pipeline (2)




*1) Actual cash flows include expenses associated with servicing fee and other expenses associated with recovery efforts.*
*2) Based on HUD and broker-dealer indications for 2014.*

# Non-Agency RMBS – Overview & Performance

- **$873 million face amount of Non-Agency RMBS – carrying value of $570 million**
- **In 4Q 2013 NRZ:**
  - Recognized $41 million of gains – sold $577 million of face for $399 million (average price of 69% of par)
  - Purchased $626 million of face for $386 million (average price of 62% of par)
- **NRZ owns the call rights to 96% of the underlying deals in its portfolio – 800 deals and $96 billion of UPB**
  - Approximately 12% of the current outstanding Non-Agency universe[3]

| | | | | | | | Security Information(WA) | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Collateral | | | | Performance[2] | | |
| *Vintage* | *Collateral Type* | *# of Securities* | *Current Face (mm)* | *Amortized Cost Basis (mm)* | *% of Amortized Cost Basis* | *Carrying Value (mm)* | *WAC* | *60+ DQ* | *12mo PP[1]* | *Upd. LTV* | *CRR* | *CDR* | *SEV* |
| **Pre 2005** | *Subprime* | 37 | $126 | $99 | 18% | $101 | 6.12% | 20.7% | 60.7% | 66.8% | 5.9% | 3.6% | 67.7% |
| | *Alt-A* | 19 | $15 | $13 | 2% | $13 | 5.38% | 12.3% | 81.7% | 43.2% | 20.4% | 1.5% | 23.5% |
| **2005 & Later** | *Subprime* | 22 | $355 | $226 | 40% | $225 | 5.78% | 40.5% | 43.7% | 97.8% | 1.8% | 8.0% | 72.0% |
| | *Alt-A* | 19 | $269 | $152 | 27% | $155 | 5.25% | 21.6% | 69.2% | 99.7% | 4.1% | 7.5% | 64.3% |
| | *Option Arm* | 3 | $107 | $77 | 14% | $77 | 3.24% | 29.8% | 58.7% | 95.2% | 2.3% | 9.5% | 57.3% |
| **TOTAL** | | **100** | **$873** | **$567** | **100%** | **$570** | **5.35%** | **30.0%** | **56.6%** | **97.2%** | **3.5%** | **7.3%** | **66.3%** |

*1) Represents 12 month perfect pay securities, where no delinquencies in past 12 months.*
*2) Performance based on 12 month average. SEV represents Severities.*
*3) Inside Mortgage Finance, 2013.*

New Residential Investment Corp.

# Agency ARM RMBS – Overview & Performance

- **$1.3 billion face amount of hybrid (fixed to floating) and other adjustable rate mortgage securities (“ARMS”)(1)**
- **$59 million of equity(2), carrying value of $1.39 billion financed with $1.33 billion of debt**
- **During the quarter, NRZ generated $7.7 million of net cash flow and value increased $5.8 million, or 0.44 points**

| *Months to Next Reset* | *# of Securities* | *Current Face (mm)* | *Amortized Cost Basis(2)* | *% of Amortized Cost Basis* | *Carrying Value(2) (mm)* |
|---|---|---|---|---|---|
| **1 – 12** | 73 | $648 | $689 | 49% | $688 |
| **13 – 24** | 30 | $376 | $398 | 29% | $398 |
| **25 – 36** | 10 | $278 | $293 | 21% | $293 |
| **Over 36** | 1 | $12 | $13 | 1% | $13 |
| **TOTAL** | **114** | **$1,314** | **$1,393** | **100%** | **$1,392** |

| *Security Information(WA)* | | | | | | |
|---|---|---|---|---|---|---|
| | | *Periodic Cap* | | | | |
| *Coupon* | *Margin* | *1st Coupon Adj.(3)* | *Sub. Coupon Adj.(4)* | *Lifetime Cap(5)* | *Duration (yrs)* | *Mths to Next Reset* |
| 2.99% | 1.82% | N/A(6) | 1.98% | 9.88% | 0.6 | 7 |
| 3.51% | 1.81% | 5.02% | 2.00% | 8.52% | 0.8 | 18 |
| 3.17% | 1.83% | 4.91% | 2.00% | 8.17% | 1.2 | 29 |
| 3.61% | 1.82% | 5.00% | 2.00% | 8.61% | 1.9 | 39 |
| **3.18%** | **1.82%** | **4.97%** | **1.99%** | **9.12%** | **0.8** | **15** |

1) *Reset index: 90% reset over 12 month-LIBOR, 2% reset over 6 month-LIBOR, 7% over 1 year Treasury Constant Maturity Rate, and 1% over 1 month-LIBOR.*
2) *Excludes $10.6 million of principal receivables and includes $39mm of trades not yet settled as of December 31, 2013.*
3) *Represents the maximum change in the coupon at the end of the fixed rate period.*
4) *Represents the maximum change in the coupon at each reset date subsequent to the first coupon adjustment.*
5) *Represents the maximum coupon on the underlying security over its life.*
6) *Not applicable as 57 of the securities (72% of the current face of this category) are past the first coupon adjustment period. The remaining 16 securities (28% of the current face of this category) have a maximum change in the coupon of 5.0% at the end of the fixed rate period.*

New Residential Investment Corp.

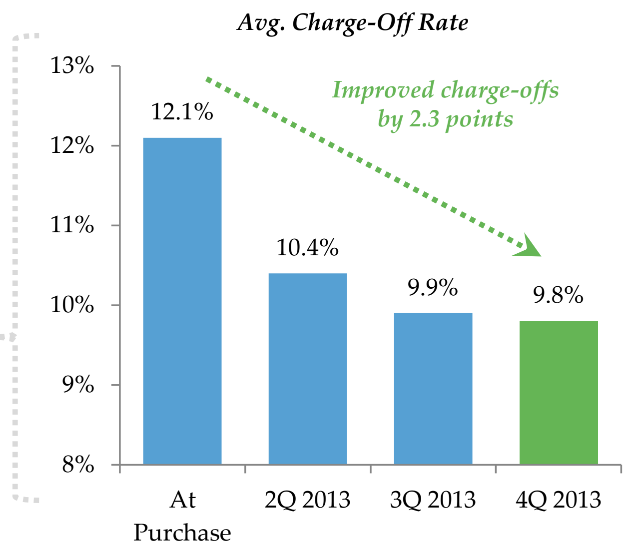
# Consumer Loans – Overview & Performance

- **In April 2013, NRZ invested $241 million[1] to purchase an interest in a $3.9 billion UPB consumer loan portfolio**
  - At year-end, NRZ had received approximately $109 million in LTD cash flows and the current investment basis is $132 million
- **Portfolio continues to perform very well – charge-off rate of 9.8%, versus 12.1% at acquisition**

## Acquisition Summary and Performance Update

| *($mm, except otherwise noted)* | *At Acquisition* | *September 30, 2013* | *December 31, 2013* |
|---|---|---|---|
| **UPB** | $3.9 bn | $3.4 bn | $3.3 bn |
| **WAC** | 18.3% | 18.3% | 18.3% |
| **Accounts (#000)** | 415 | 364 | 344 |
| **Avg. Loan Balance** | $9,456 | $9,600 | $9,588 |
| **Avg. Charge-Off Rate** | **12.1%** | **9.9%** | **9.8%** |
| **Outstanding Debt** *(Class A & B)* | $2.6 bn | $2.2 bn | $2.0 bn |

## Improved Credit Performance




1) *Includes a purchase price adjustment received subsequent to closing of acquisition.*

# Financial Highlights – Fourth Quarter & Full Year 2013

- **For the fourth quarter:**
  - ✓ GAAP Income of $81 million, or $0.31 per diluted share
  - ✓ Core Earnings of $37 million, or $0.14 per diluted share(1)
  - ✓ Paid $63 million of common dividends, or $0.25 per share

- **For the year since spin-off *(5/16/13 to 12/31/13)*(2):**
  - ✓ GAAP Income of $228 million, or $0.89 per diluted share
  - ✓ Core Earnings of $95 million, or $0.37 per diluted share(1)
  - ✓ **Paid $125 million of common dividends, or $0.495 per share**
  - ✓ Generated annualized ROE of 29% (3)

| | *4Q 2013* | | *3Q 2013* | | *12M Ended 4Q 2013(2)* | | *Since Spin-Off (5/16/13 – 12/31/13)* | |
|---|---|---|---|---|---|---|---|---|
| | *($mm)* | *($/ diluted share)(4)* | *($mm)* | *($/ diluted share)(4)* | *($mm)* | *($/ diluted share)(4)* | *($mm)* | *($/ diluted share)(4)* |
| ***GAAP Income*** | $80.5 | $0.31 | $63.1 | $0.24 | $265.9 | $1.03 | $228.3 | $0.89 |
| ***Core Earnings(1)*** | $36.8 | $0.14 | $37.9 | $0.15 | $130.0 | $0.51 | $94.5 | $0.37 |
| ***Common Dividend*** | $63.3 | $0.25 | $44.3 | $0.175 | $125.3 | $0.495 | $125.3 | $0.495 |

*1) Core Earnings is a Non-GAAP measure. See Reconciliation pages in Appendix for a reconciliation to the most comparable GAAP measure.*
*2) "12M Ended 4Q 2013" includes results for Newcastle Investment Corp. ("Newcastle"), which New Residential spun off from on May 15, 2013.*
*3) Return On Equity ("ROE") is calculated by dividing annualized net income since spin by average stockholders' equity since spin.*
*4) Except for Common Dividend which is based on shares outstanding. The "Since Spin-Off" GAAP Income and Core Earnings per share are based on the full-year average diluted share count. The "Since Spin-Off" Common Dividend is based on the average common shares outstanding for the full year.*

# Appendices

1) Financial Statements
2) GAAP Reconciliation & Other

# 1) Financial Statements

# Unaudited Consolidated Balance Sheet

| *($000, except where otherwise noted)* | | **As of 12/31/13** |
|---|---|---|
| ***ASSETS*** | | |
| Investments in: | | |
| Excess mortgage servicing rights, at fair value | $ | 324,151 |
| Excess mortgage servicing rights, equity method investees, at fair value | | 352,766 |
| Servicer advances | | 2,665,551 |
| Real estate securities, available-for-sale | | 1,973,189 |
| Residential mortgage loans, held-for-investment | | 33,539 |
| Consumer loans, equity method investees | | 215,062 |
| Cash and cash equivalents | | 271,994 |
| Restricted cash | | 33,338 |
| Derivative assets | | 35,926 |
| Other assets | | 53,142 |
| **Total Assets** | **$** | **5,958,658** |
| ***LIABILITIES*** | | |
| Repurchase agreements | $ | 1,620,711 |
| Notes payable | | 2,488,618 |
| Trades payable | | 246,931 |
| Due to affiliates | | 19,169 |
| Dividends payable | | 63,297 |
| Accrued expenses and other liabilities | | 6,857 |
| **Total Liabilities** | **$** | **4,445,583** |
| Noncontrolling interest in equity of consolidated subsidiaries | | 247,225 |
| **Book Value** | **$** | **1,265,850** |
| *Per share* | *$* | *5.00* |

# Unaudited Consolidated Income Statement

| ($ 000s) | Ending December 31, 2013 3 months | 12 months |
|---|---|---|
| Interest Income | 26,492 | 87,567 |
| Interest Expense | 8,031 | 15,024 |
| **Net Interest Income** | **18,461** | **72,543** |
| | | |
| **Impairment** | **$ 1,698** | **$ 5,454** |
| | | |
| **Other Income** | | |
| Change in fair value of investments in excess MSRs | 9,433 | 53,332 |
| Change in fair value of investments in excess MSRs, equity method investees | 8,602 | 50,343 |
| Earnings from investments in consumer loans, equity method investees | 22,563 | 82,856 |
| Gain on settlement of securities | 41,386 | 52,657 |
| Other income | 1,820 | 1,820 |
| | **$ 83,804** | **$ 241,008** |
| **Operating Expenses** | | |
| General and administrative expenses | 4,425 | 10,284 |
| Management fee allocated by Newcastle | - | 4,134 |
| Management fee to affiliate | 4,462 | 11,209 |
| Incentive compensation to affiliate | 11,499 | 16,847 |
| | **$ 20,386** | **$ 42,474** |
| | | |
| Net Income (Loss) | 80,181 | 265,623 |
| | | |
| Noncontrolling Interests in Income (Loss) of Consolidated Subsidiaries | (326) | (326) |
| | | |
| **Net Income (Loss) Attributable to Common Stockholders** | **$ 80,507** | **$ 265,949** |

# 2) GAAP Reconciliation & Other

# GAAP Reconciliation of Core Earnings

- *Management uses core earnings, which is a Non-GAAP measure, as one measure of operating performance.*
- *Please see the next page for the definition of Core Earnings.*

| *($000, except per share data)* | | 4Q 2013 | 3Q 2013 | Full Year 2013 |
|---|---|---|---|---|
| ***Reconciliation of Core Earnings*** | | | | |
| Net income (loss) attributable to common stockholders | $ | **80,507 $** | **63,145 $** | **265,949** |
| Impairment | $ | 1,698 $ | - $ | 5,454 |
| Other Income | | (83,804) | (56,195) | (241,008) |
| Incentive compensation to affiliate | | 11,499 | 4,470 | 16,847 |
| Non-capitalized deal inception costs | | 1,369 | 107 | 5,698 |
| Core earnings of equity method investees | | | | |
| Excess mortgage servicing rights | | 9,861 | 8,091 | 23,361 |
| Consumer loans | | 15,643 | 18,260 | 53,696 |
| **Core Earnings** | **$** | **36,773 $** | **37,878 $** | **129,997** |
| ***Per diluted share*** | **$** | **0.14 $** | **0.15 $** | **0.51** |

# Reconciliation of Non-GAAP Measures

- *New Residential has four primary variables that impact its operating performance: (i) the current yield earned on its investments, (ii) the interest expense incurred on the debt used to finance its investments, (iii) its operating expenses and (iv) its realized and unrealized gain or losses, including any impairment, on its investments. "Core earnings" is a non-GAAP measure of the Company's operating performance excluding the fourth variable above and adjusting the earnings from the consumer loan investment to a level yield basis. It is used by management to gauge the Company's current performance without taking into account: (i) realized and unrealized gains and losses, which although they represent a part of the Company's recurring operations, are subject to significant variability and are only a potential indicator of future economic performance; (ii) incentive compensation paid to the Company's Manager; and (iii) non-capitalized deal inception costs.*

- *While incentive compensation paid to New Residential's Manager may be a material operating expense, the Company excludes it from core earnings because (i) from time to time, a component of the computation of this expense will relate to items (such as gains or losses) that are excluded from core earnings, and (ii) it is impractical to determine the portion of the expense related to core earnings and non-core earnings, and the type of earnings (loss) that created an excess (deficit) above or below, as applicable, the incentive compensation threshold. To illustrate why it is impractical to determine the portion of incentive compensation expense that should be allocated to core earnings, note that, as an example, in a given period, New Residential may have core earnings in excess of the incentive compensation threshold but incur losses (which are excluded from core earnings) that reduce total earnings below the incentive compensation threshold. In such case, the Company would either need to (a) allocate zero incentive compensation expense to core earnings, even though core earnings exceeded the incentive compensation threshold, or (b) assign a "pro forma" amount of incentive compensation expense to core earnings, even though no incentive compensation was actually incurred. New Residential believes that neither of these allocation methodologies achieves a logical result. Accordingly, the exclusion of incentive compensation facilitates comparability between periods and avoids the distortion to the Company's non-GAAP operating measure that would result from the inclusion of incentive compensation that relates to non-core earnings. With regard to non capitalized deal inception costs, management does not view these costs as part of the Company's core operations. Non-capitalized deal inception costs are generally legal and valuation service costs, as well as other professional service fees, incurred when the Company acquires certain investments. These costs are recorded as general and administrative expenses in its statements of income. In the third quarter of 2013, New Residential changed its definition of "core earnings" to exclude incentive compensation paid to the Company's Manager and non-capitalized deal inception costs. The calculation of "core earnings" has been retroactively adjusted for all periods presented. Management believes that the adjustments to compute "core earnings" specified above allow investors and analysts to readily identify the operating performance of the assets that form the core of the Company's activity, assist in comparing the core operating results between periods, and enable investors to evaluate the Company's current performance using the same measure that management uses to operate the business.*

- *Core earnings does not represent cash generated from operating activities in accordance with GAAP and therefore should not be considered an alternative to net income as an indicator of the Company's operating performance or as an alternative to cash flow as a measure of the Company's liquidity and is not necessarily indicative of cash available to fund cash needs.*

# Abbreviations

***Abbreviations**: This Presentation may include abbreviations, which have the following meanings:*

- *30+ DQ – Percentage of loans that are delinquent by 30 days or more*
- *Age (mths) or Loan Age (mths) – Weighted average number of months loans are outstanding*
- *Cash Basis – Initial investment less cash received life to date*
- *CDR – Constant Default Rate*
- *CLTV – ratio of current loan balance to estimated current asset value.*
- *Current CLTV (Combined Loan-to-Value ratio) – projection based on original CLTV and origination data indexed using FHFA's HPA projections by zip code.*
- *CPR – Constant Prepayment Rate*
- *CRR – Constant Repayment Rate*
- *Cur UPB – UPB as of the end of the current month*
- *Excess MSRs – monthly interest payments generated by the related MSRs, net of a basic fee paid to the servicer.*
- *FHLMC – Freddie Mac / Federal Home Loan Mortgage Corporation*
- *FNMA – Fannie Mae / Federal National Mortgage Association*
- *FICO – A borrower's credit metric generated by the credit scoring model created by the Fair Isaac Corporation*
- *Flow Arrangements – contractual recurring agreements, often monthly or quarterly, to purchase servicing of newly originated or highly delinquent loans*
- *GNMA – Ginnie Mae / Government National Mortgage Association*
- *LTD Cash Flows –Actual cash flow collected from the investment as of the end of the current month*
- *LTD – Life to Date*
- *NPL – Non-Performing Loans*
- *OCI – Other comprehensive income*
- *Orig. UPB – UPB as of the investment's acquisition date*
- *PLS – Private Label Securitizations*
- *Proj. Future Cash Flows – Future cash flow projected with the Company's original underwriting assumptions*
- *Recapture Rate – Percentage of voluntarily prepaid loans that are refinanced by the servicer*
- *Uncollected Payments – Percentage of loans that missed their most recent payment*
- *UPB – Unpaid Principal Balance*
- *Updated IRR – Internal rate of return calculated based on the cash flow received to date through the current month and the projected future cash flow based on our original underwriting assumptions.*
- *U/W LTD – Underwritten life-to-date*
- *WA – Weighted Average*
- *WAL – Weighted Average Life to Maturity*
- *WAC – Weighted Average Coupon*