

May 5, 2014

**R E D W O O D  
T R U S T**

## **Redwood Trust Reports First Quarter 2014 Results**

MILL VALLEY, Calif., May 5, 2014 /PRNewswire/ -- Redwood Trust, Inc. (NYSE:RWT) today reported net income for the first quarter of 2014 of \$12 million, or \$0.14 per fully diluted share. This compares to net income of \$25 million, or \$0.29 per fully diluted share, for the fourth quarter of 2013, and net income of \$61 million, or \$0.69 per fully diluted share, for the first quarter of 2013.

Redwood also reported estimated REIT taxable income of \$15 million, or \$0.19 per share, for the first quarter of 2014. This compares to estimated REIT taxable income of \$20 million, or \$0.24 per share, for the fourth quarter of 2013 and REIT taxable income of \$16 million, or \$0.20 per share, for the first quarter of 2013.

At March 31, 2014, Redwood reported a book value per share of \$15.14, as compared to \$15.10 at December 31, 2013.

Additional information on Redwood's business, financial results, and taxable income can be found in The Redwood Review, a quarterly publication available on Redwood's website at [www.redwoodtrust.com](http://www.redwoodtrust.com). In order to complete the formatting of its Quarterly Report on Form 10-Q with eXtensible Business Reporting Language (XBRL) tags, Redwood plans to file this Quarterly Report with the Securities and Exchange Commission by Thursday, May 8, 2014, and make it available on Redwood's website.

Redwood will host an earnings call today, May 5, 2014, at 2:00 p.m. Pacific Time / 5:00 p.m. Eastern Time to discuss its first quarter 2014 financial results. The number to dial in order to listen to the conference call is 1-800-311-6662 in the U.S. and Canada. International callers must dial 1-719-325-2421. Callers should reference call ID# 8799295. A replay of the call will be available through midnight on May 19, 2014, and can be accessed by dialing 1-877-870-5176 in the U.S. and Canada or 1-858-384-5517 internationally and entering access code 8799295. Live audio of the conference call will also be accessible over the internet at [www.redwoodtrust.com](http://www.redwoodtrust.com), where a link to the call will be posted on Redwood's home page. To listen to the call over the internet, go to the Redwood website at least 15 minutes before the call to register and to download and install any needed audio software. An audio replay of the call will also be available on Redwood's website following the call.

*Cautionary Statement: This press release and the related conference call contains forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, including statements related to estimates of taxable income and the filing of our Quarterly Report on Form 10-Q. Forward-looking statements involve numerous risks and uncertainties. Our actual results may differ from our beliefs,*

expectations, estimates, and projections and, consequently, you should not rely on these forward-looking statements as predictions of future events. Forward-looking statements are not historical in nature and can be identified by words such as "anticipate," "estimate," "will," "should," "expect," "believe," "intend," "seek," "plan" and similar expressions or their negative forms, or by references to strategy, plans, or intentions. These forward-looking statements are subject to risks and uncertainties, including, among other things, those described in our most recent Annual Report on Form 10-K under the caption "Risk Factors." Other risks, uncertainties, and factors that could cause actual results to differ materially from those projected may be described from time to time in reports we file with the Securities and Exchange Commission, including reports on Forms 10-Q and 8-K. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

# **REDWOOD TRUST, INC.**

## Consolidated Income Statements <sup>(1)</sup> (\$ in millions, except share data)

|                                                       | First<br>Quarter<br>2014 | Fourth<br>Quarter<br>2013 | Third<br>Quarter<br>2013 | Second<br>Quarter<br>2013 | First<br>Quarter<br>2013 |
|-------------------------------------------------------|--------------------------|---------------------------|--------------------------|---------------------------|--------------------------|
| Interest income                                       | \$ 55                    | \$ 57                     | \$ 58                    | \$ 58                     | \$ 54                    |
| Interest expense                                      | (19)                     | (20)                      | (22)                     | (21)                      | (18)                     |
| Net interest income                                   | 36                       | 38                        | 36                       | 36                        | 35                       |
| (Provision for) reversal of provision for loan losses | (1)                      | (4)                       | (2)                      | 3                         | (2)                      |
| Net interest income after provision                   | 35                       | 34                        | 34                       | 39                        | 33                       |
| Noninterest income                                    |                          |                           |                          |                           |                          |
| Mortgage banking activities, net                      | (1)                      | 17                        | (9)                      | 48                        | 46                       |
| MSR income, net                                       | 1                        | 6                         | 3                        | 11                        | 1                        |
| Other market valuation adjustments, net               | (6)                      | 1                         | -                        | (6)                       | -                        |
| Realized gains, net                                   | 1                        | 2                         | 11                       | -                         | 12                       |
| Total noninterest income (loss), net                  | (5)                      | 25                        | 5                        | 53                        | 59                       |
| Operating expenses                                    | (20)                     | (19)                      | (22)                     | (23)                      | (20)                     |
| Other expense                                         | -                        | (12)                      | -                        | -                         | -                        |
| Benefit from (provision for) income taxes             | 2                        | (2)                       | 5                        | (3)                       | (11)                     |
| Net income                                            | \$ 12                    | \$ 25                     | \$ 22                    | \$ 66                     | \$ 61                    |
|                                                       |                          |                           |                          |                           |                          |
| Average diluted shares (thousands)                    | 84,941                   | 84,395                    | 84,422                   | 96,172                    | 87,345                   |
| Diluted earnings per share                            | \$ 0.14                  | \$ 0.29                   | \$ 0.25                  | \$ 0.71                   | \$ 0.69                  |
| Regular dividends declared per common share           | \$ 0.28                  | \$ 0.28                   | \$ 0.28                  | \$ 0.28                   | \$ 0.28                  |

(1) Certain totals may not foot due to rounding.

# **REDWOOD TRUST, INC.**

| <u>Consolidated Balance Sheets</u> <sup>(1)</sup><br>(\$ in millions, except share data) | 31-Mar<br>2014  | 31-Dec<br>2013  | 30-Sep<br>2013  | 30-Jun<br>2013  | 31-Mar<br>2013  |
|------------------------------------------------------------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Residential loans                                                                        | \$ 2,465        | \$ 2,166        | \$ 2,593        | \$ 3,219        | \$ 2,965        |
| Commercial loans                                                                         | 491             | 432             | 380             | 495             | 401             |
| Real estate securities                                                                   | 1,743           | 1,683           | 1,325           | 1,314           | 1,231           |
| Mortgage servicing rights                                                                | 65              | 65              | 60              | 43              | 18              |
| Cash and cash equivalents                                                                | 150             | 173             | 205             | 208             | 79              |
| Other assets                                                                             | 93              | 89              | 98              | 156             | 103             |
| Total Assets                                                                             | <u>\$ 5,007</u> | <u>\$ 4,609</u> | <u>\$ 4,660</u> | <u>\$ 5,435</u> | <u>\$ 4,797</u> |
| Short-term debt                                                                          | \$ 1,289        | \$ 863          | \$ 838          | \$ 1,446        | \$ 721          |
| Other liabilities                                                                        | 100             | 81              | 81              | 122             | 80              |
| Asset-backed securities issued                                                           | 1,854           | 1,943           | 2,062           | 2,214           | 2,365           |
| Long-term debt                                                                           | 513             | 476             | 472             | 444             | 444             |
| Total liabilities                                                                        | <u>3,756</u>    | <u>3,363</u>    | <u>3,452</u>    | <u>4,226</u>    | <u>3,609</u>    |
| Stockholders' equity                                                                     | 1,251           | 1,246           | 1,207           | 1,209           | 1,188           |
| Total Liabilities and Equity                                                             | <u>\$ 5,007</u> | <u>\$ 4,609</u> | <u>\$ 4,660</u> | <u>\$ 5,435</u> | <u>\$ 4,797</u> |
| Shares outstanding at period end (thousands)                                             | 82,620          | 82,505          | 82,389          | 82,332          | 81,706          |
| GAAP book value per share                                                                | \$ 15.14        | \$ 15.10        | \$ 14.65        | \$ 14.69        | \$ 14.54        |

(1) Certain totals may not foot due to rounding. See notes to consolidating balance sheet on page 5.

# **REDWOOD TRUST, INC.**

The following tables show the estimated effect that activities At Redwood and our Consolidated Sequoia Entities had on GAAP income for the three months ended March 31, 2014.

## Consolidating Income Statement <sup>(1)</sup> Three Months Ended March 31, 2014 (\$ in millions)

|                                         | At<br>Redwood <sup>(2)</sup> | Consolidated<br>Sequoia Entities | Redwood<br>Consolidated |
|-----------------------------------------|------------------------------|----------------------------------|-------------------------|
| Interest income                         | \$ 38                        | \$ 8                             | \$ 45                   |
| Net discount (premium) amortization     | 11                           | (1)                              | 10                      |
| Total interest income                   | 49                           | 7                                | 55                      |
| Interest expense                        | (14)                         | (5)                              | (19)                    |
| Net interest income                     | 35                           | 1                                | 36                      |
| Provision for loan losses               | (1)                          | (1)                              | (1)                     |
| Net interest income after provision     | 34                           | 1                                | 35                      |
| Noninterest income                      |                              |                                  |                         |
| Mortgage banking activities, net        | (1)                          | -                                | (1)                     |
| MSR income, net                         | 1                            | -                                | 1                       |
| Other market valuation adjustments, net | (6)                          | -                                | (6)                     |
| Realized gains, net                     | 1                            | -                                | 1                       |
| Total noninterest income (loss), net    | (5)                          | -                                | (5)                     |
| Operating expenses                      | (19)                         | -                                | (20)                    |
| Other expense                           | -                            | -                                | -                       |
| Benefit from income taxes               | 2                            | -                                | 2                       |
| Net Income                              | <u>\$ 12</u>                 | <u>\$ 1</u>                      | <u>\$ 12</u>            |

(1) Certain totals may not foot due to rounding.

(2) The interest income and interest expense related to the Residential Resecuritization we engaged in during the third quarter of 2011 and the Commercial Securitization we engaged in during the fourth quarter of 2012 are included in the "At Redwood" column.

## REDWOOD TRUST, INC.

We present this table to highlight the estimated effect that At Redwood and our Consolidated Sequoia Entities had on our GAAP balance sheet at March 31, 2014.

### Consolidating Balance Sheet <sup>(1)</sup>

March 31, 2014

(\$ in millions)

|                                | At<br>Redwood <sup>(2)</sup> | Consolidated<br>Sequoia Entities | Redwood<br>Consolidated |
|--------------------------------|------------------------------|----------------------------------|-------------------------|
| Residential loans              | \$ 775                       | \$ 1,690                         | \$ 2,465                |
| Commercial loans               | 491                          | -                                | 491                     |
| Real estate securities         | 1,743                        | -                                | 1,743                   |
| Mortgage servicing rights      | 65                           | -                                | 65                      |
| Cash and cash equivalents      | 150                          | -                                | 150                     |
| Total earning assets           | 3,224                        | 1,690                            | 4,914                   |
| Other assets                   | 87                           | 6                                | 93                      |
| Total Assets                   | \$ 3,311                     | \$ 1,696                         | \$ 5,007                |
| Short-term debt                | \$ 1,289                     | \$ -                             | \$ 1,289                |
| Other liabilities              | 99                           | 1                                | 100                     |
| Asset-backed securities issued | 230                          | 1,625                            | 1,854                   |
| Long-term debt                 | 513                          | -                                | 513                     |
| Total liabilities              | 2,130                        | 1,626                            | 3,756                   |
| Stockholders' equity           | 1,180                        | 71                               | 1,251                   |
| Total Liabilities and Equity   | \$ 3,311                     | \$ 1,696                         | \$ 5,007                |

(1) We are required under GAAP to consolidate the assets and liabilities of certain securitization entities we have sponsored for financial reporting purposes. However, the securitized assets of these entities are not legally ours and we own only the securities and interests that we acquired from these securitization entities. Similarly, the liabilities of these entities are obligations payable only from the cash flow generated by their securitized assets and are not obligations of Redwood. Certain totals may not foot due to rounding.

(2) Included in the "At Redwood" column are the assets and liabilities of the Residential Resecuritization and Commercial Securitization transactions we completed in 2011 and 2012, respectively. These transactions are treated as secured borrowings under GAAP. At March 31, 2014, the Residential Resecuritization accounted for \$257 million of assets (\$256 million of available-for-sale securities at fair value and \$1 million of other assets) and \$82 million of asset-backed securities issued (at amortized cost). Our \$175 million investment in this resecuritization, as estimated for GAAP, equals the difference between these assets and liabilities. At March 31, 2014, the Commercial Securitization accounted for \$262 million of assets (\$257 million of commercial real estate loans at historical cost and \$5 million of other assets) and \$148 million of asset-backed securities issued (at amortized cost). Our \$114 million investment in this securitization, as estimated for GAAP, equals the difference between these assets and liabilities.

SOURCE Redwood Trust, Inc.