

Q3 2021 Investor Presentation

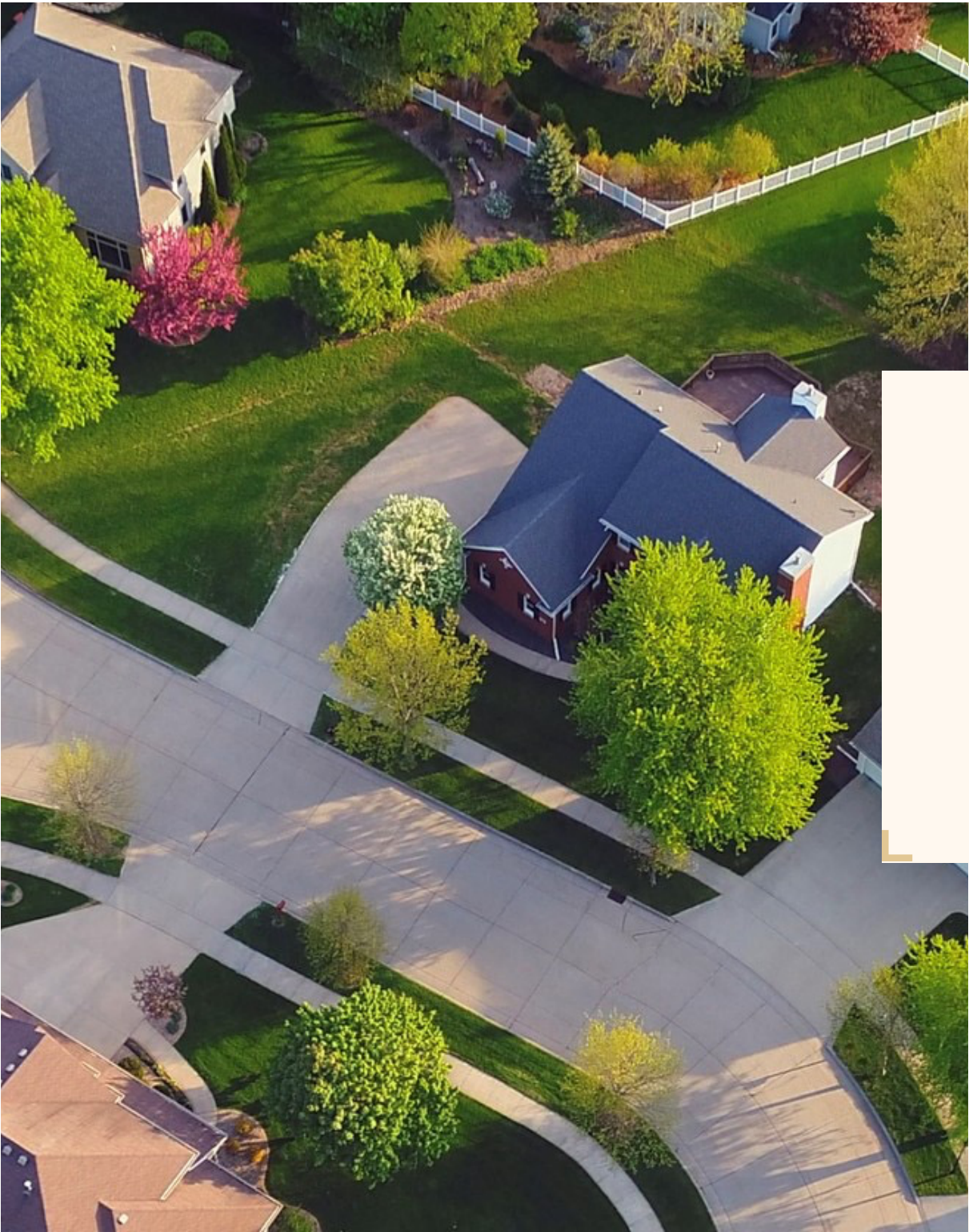
October 27, 2021



Forward Looking Statements

This presentation contains forward-looking statements, including statements regarding our 2021 forward outlook, estimated after-tax operating return on capital on our mortgage banking businesses, estimated adjusted return on capital on our investment portfolio, estimated loan acquisition and origination volumes, estimates on our revenue mix, statements related to increasing our market share, estimates of upside in our investment portfolio, and potential earnings related to securitization transactions that could become callable through 2024. 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 the Company’s Annual Report on Form 10-K for the year ended December 31, 2020 and any subsequent Quarterly Reports on Form 10-Q and Annual Reports 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 the Company files with the Securities and Exchange Commission, including reports on Form 8-K.

Additionally, this presentation contains estimates and information concerning our industry, including market size and growth rates of the markets in which we participate, that are based on industry publications and reports. This information involves many assumptions and limitations, and you are cautioned not to give undue weight to these estimates. We have not independently verified the accuracy or completeness of the data contained in these industry publications and reports. The industry in which we operate is subject to a high degree of uncertainty and risk due to a variety of factors, including those referred to above, that could cause results to differ materially from those expressed in these publications and reports.



Our Mission

Redwood's mission is to help make quality housing, whether rented or owned, accessible to all American households.



Redwood Trust provides significant liquidity to the housing finance industry through our diversified business model

REDWOOD
RESIDENTIAL

 COREVEST
A DIVISION OF REDWOOD TRUST

REDWOOD
INVESTMENTS

RWT
HORIZONS

Through our market leading platforms we:



Aggregate and originate mortgages made to homeowners and landlords not efficiently served by government programs



Structure loans into securities and other investments, connecting borrowers with institutional investors



Provide long-term capital to the housing market through proprietary and third-party investment activities



Invest in and partner with early and mid-stage technology companies that have the potential to disrupt the non-agency mortgage industry

Our franchise sets us apart



Reputation and Brand

- Our brand equity was built from strong results over our 27-year history, with unparalleled industry relationships
- Long standing reputation as a leader in the non-agency sector, including role as thought leader and innovator
- We have credibility in the mortgage market to influence key political and regulatory issues
- Leading governance practices and integrity are embedded in our culture

Human Capital



- Employees are the foundation of our franchise – cumulative experience and track record of success through many cycles
- Leadership position in the mortgage market, culture of innovation, and targeted DEIB programs makes us a sought-after employer, drawing top talent
- Full integration of new platforms creates a strong cultural tailwind to advance our strategy

REDWOOD
TRUST



Differentiated Platform

- Operating businesses with ability to retain capital and create investments for tax advantaged portfolio can generate outsized returns relative to traditional REITs
- Non-agency residential and business purpose mortgage banking platforms cannot be easily replicated in market
- Investment portfolio comprised of high-quality assets that cannot be sourced in the market today, and possess considerable embedded value

Relationships



- Longstanding relationships with customers, investors, counterparties and other stakeholders
- Unabating focus on all our stakeholders fosters trust, confidence and buy-in for our strategic priorities
- People want to partner with Redwood because of our solutions based, customer driven approach built over decades

Growth drivers for our business have potential to deliver attractive shareholder returns over the long-term

MACRO & REGULATORY BACKDROP

Sizeable & Growing Non-agency Market

Residential

- Home price trends expected to push more loans outside the conforming loan limit
- Structural homeownership and mobility trends support market growth
- Substantial growth in home equity creates opportunities for expanded credit products

Business Purpose

- Affordability concerns and consumer housing preferences present a tailwind to the rental market
- Supply/demand imbalance presents opportunities for a full life-cycle lender like CoreVest
- SFR occupancy rates remain at record highs at a wtd. avg. of 95% for all US single-family rental homes; single-family rents have remained meaningfully more buoyant than multifamily rents since early 2020⁽¹⁾



ALPHA GENERATION

Gaining Market Share

- Record volume growth driven by operational head start post COVID
- Multiple loan programs to meet evolving borrower needs

Realizing Embedded Value Within Investment Portfolio

- Portfolio cannot be replicated today
- Call rights strategy and substantial portfolio discount provide near-term upside potential to earnings and book value

Capital & Operating Leverage

- Highly scalable platform supports ability to grow volumes while increasing profitability
- Continuous drive to optimize capital mix and diversify funding sources
- Innovative technology and processes intended to drive further efficiencies

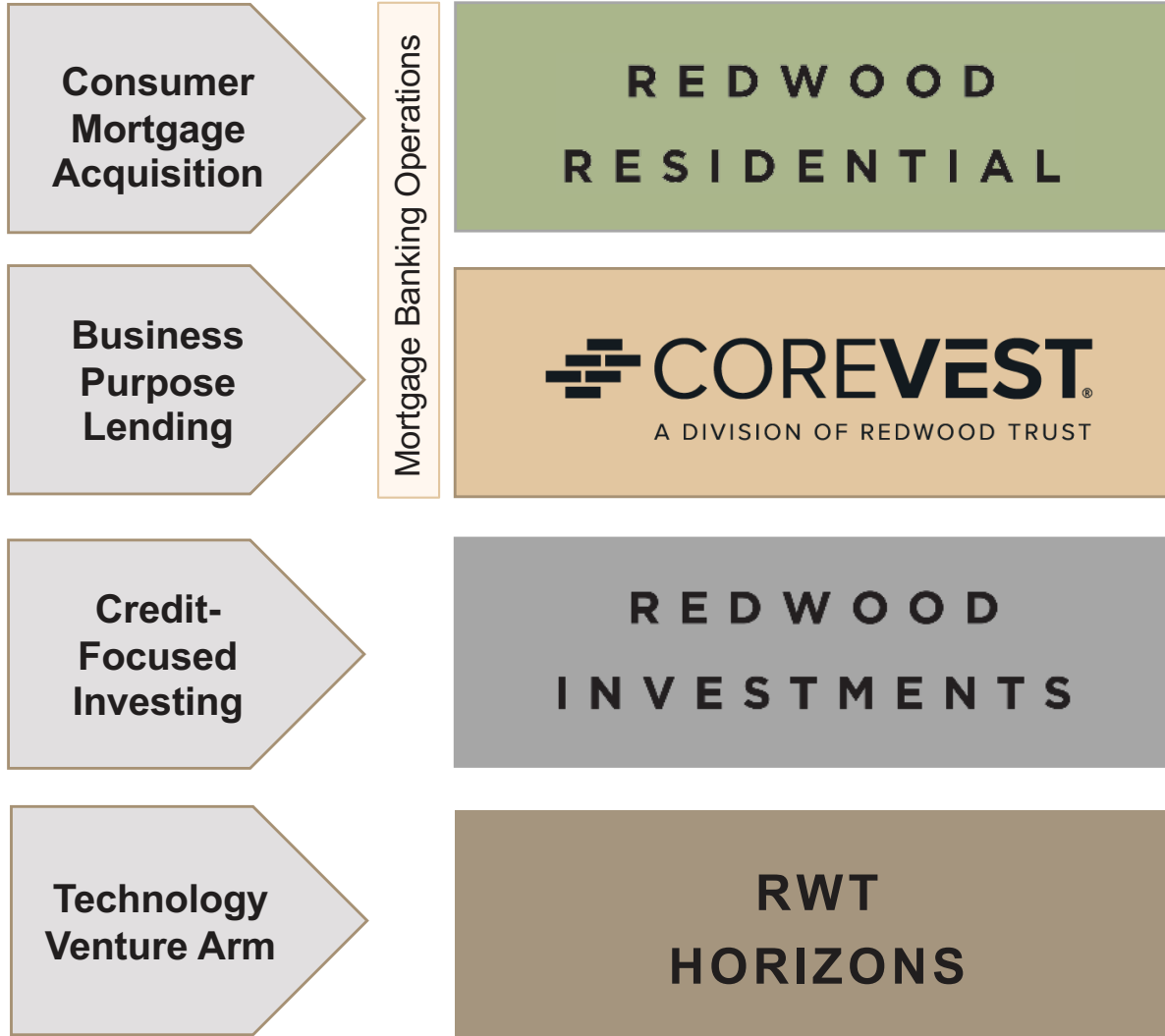


DELIVERING SHAREHOLDER VALUE

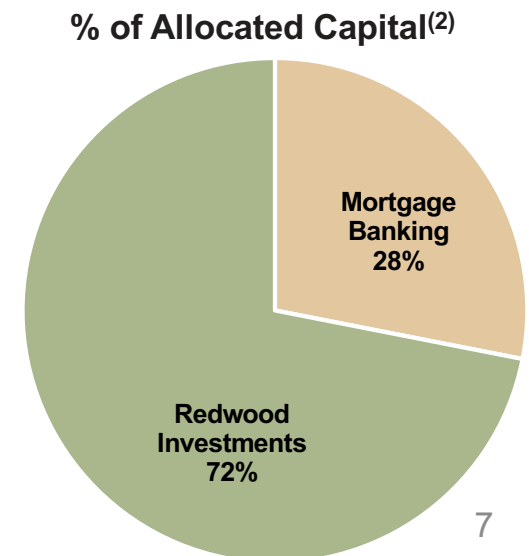
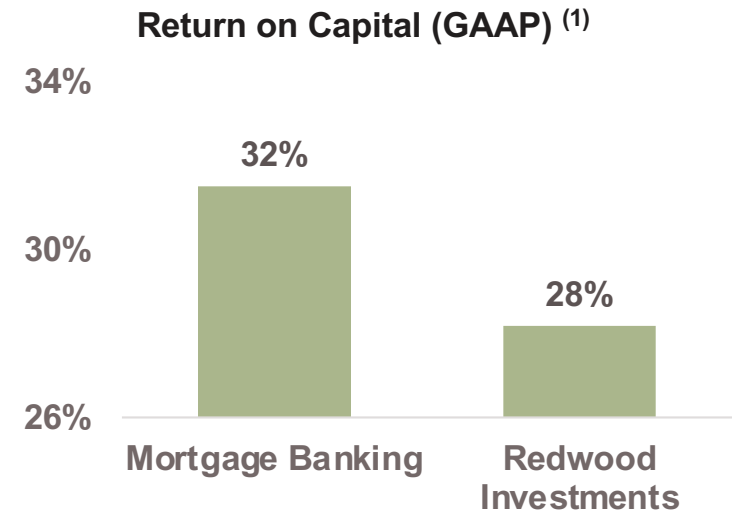
Unique Total Return

- Book value growth combined with attractive dividend can deliver strong total returns
- Retained earnings from operating businesses contribute to book value growth
- Investments created organically from operating businesses grow the investment portfolio, and should support a stable-to-growing dividend
- Increasing share of earnings from mortgage banking operations evolves company's valuation framework
- Track record of earnings mix and higher profitability supports a higher valuation multiple
- Prudent leverage combined with use of non-recourse and non-marginable debt structured to deliver attractive risk adjusted portfolio returns

We have a unique and scalable platform built to capitalize on these growth drivers



YTD 2021 Metrics



We have had strong outperformance year-to-date and are well positioned to sustain our growth trajectory

50% increase in dividend since Q4 2020 to **\$0.21/share**

Diversified and recurring revenues have supported earnings in excess of a rising dividend

27% book value TSR year-to-date⁽¹⁾ with further upside potential from retained earnings and continued call activity

Earnings from operating businesses can be retained

~65% of adjusted revenue for year-to-date⁽¹⁾ generated from operating businesses⁽²⁾

Growing portion of revenue from mortgage banking businesses has created organic capital source and evolves valuation framework

\$3T opportunity in non-agency market, and growing⁽³⁾

\$21B annualized run rate closed/lock volume across BPL and Residential⁽⁴⁾

Have been gaining share in growing markets

\$215 million loans called year-to-date⁽¹⁾

~\$1.2B loans potentially callable through 2022⁽⁵⁾

Embedded security discount and loan premium with potential to drive further upside to book value

\$9.6B loans distributed across 11 securitizations and 43 whole loan sales year-to-date⁽⁶⁾

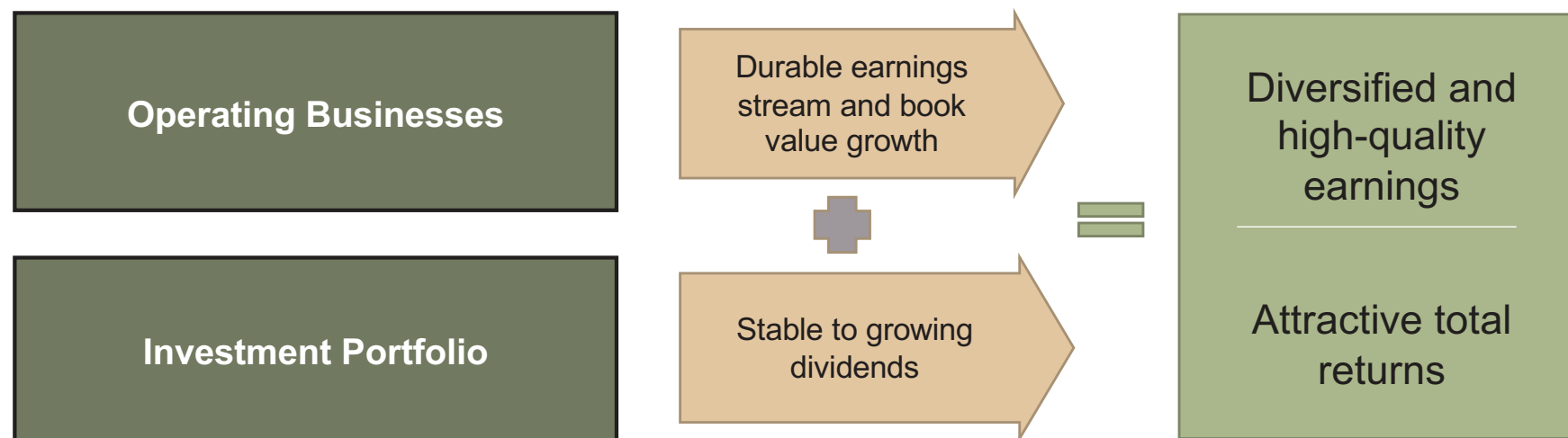
Leading securitization platforms and multichannel distribution model have supported durable margins

Alpha Generation

Best-in-class operating platforms with disruptive technologies positioned to continue gaining share of growing market

Investment portfolio continues to realize embedded value and deliver strong risk adjusted returns

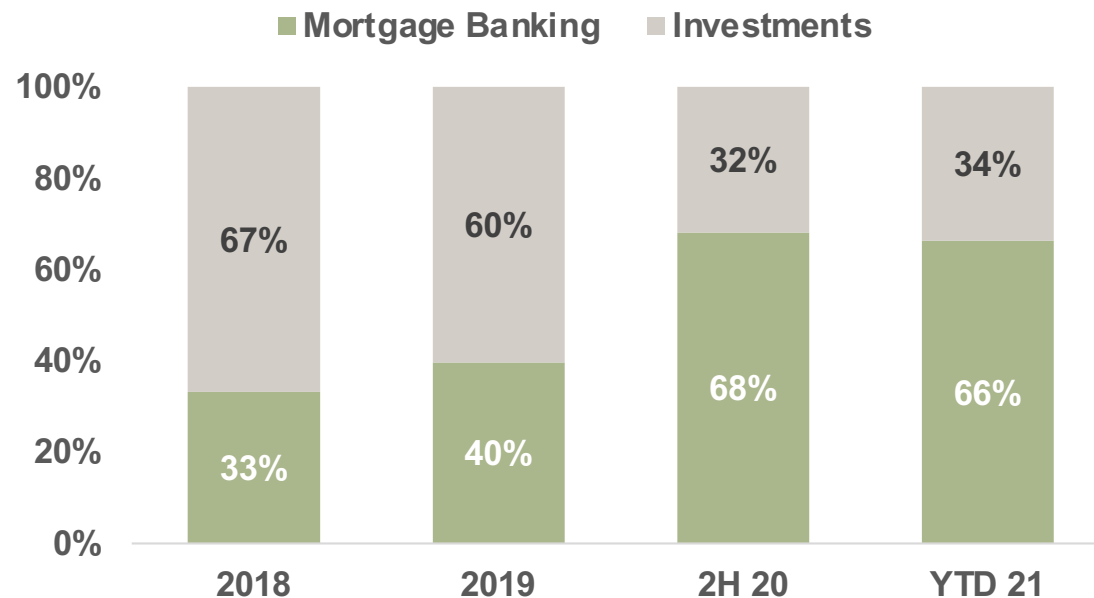
Our diversified revenue streams can support durable earnings and valuation multiple expansion



- Our unique earnings mix delivers value to investors through both dividends and book value growth
 - Residential and BPL operating businesses create accretive investments for our portfolio and generate mortgage banking revenue that can be retained to grow book value
 - Tax-advantaged investment portfolio can support a stable to growing dividend as we redeploy our \$350 million⁽¹⁾ of available capital
- We continue to allocate more capital to our operating platforms, which comprise an increasing proportion of our earnings
 - These earnings streams can drive book value growth and support an expanded valuation multiple for Redwood

Growing contributions from our operating businesses can support book value expansion

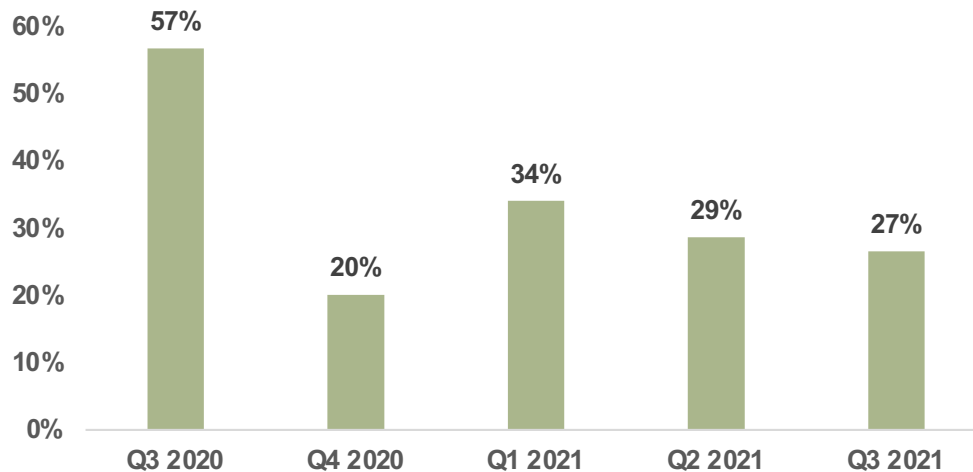
Adjusted Revenue Mix⁽¹⁾



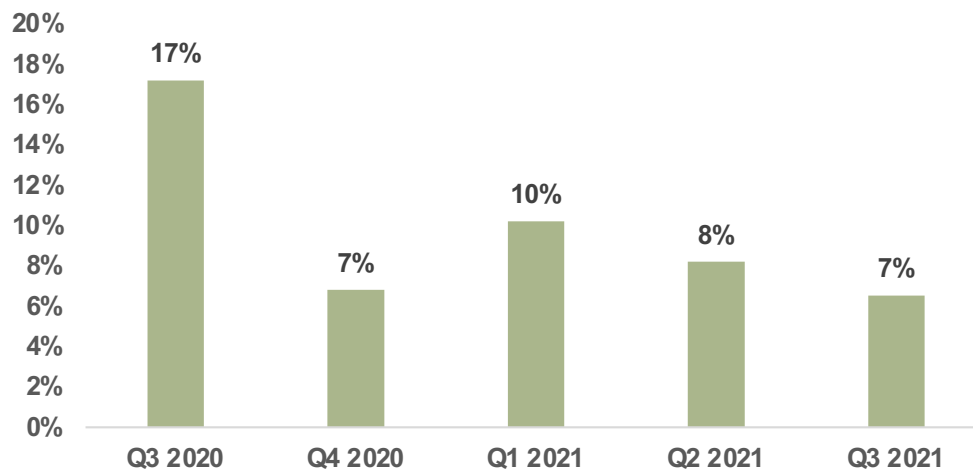
- Mortgage banking has grown to represent more than 65% of our adjusted revenue mix in recent quarters, and has been contributing an increasing amount of GAAP net income
- Growing volumes and durable margins at our mortgage banking businesses are shifting more of our earnings towards our taxable subsidiary
- We have the unique ability to retain these earnings and reinvest them in our business, supporting additional book value expansion

We have delivered strong financial results

Return on Equity
(Annualized)



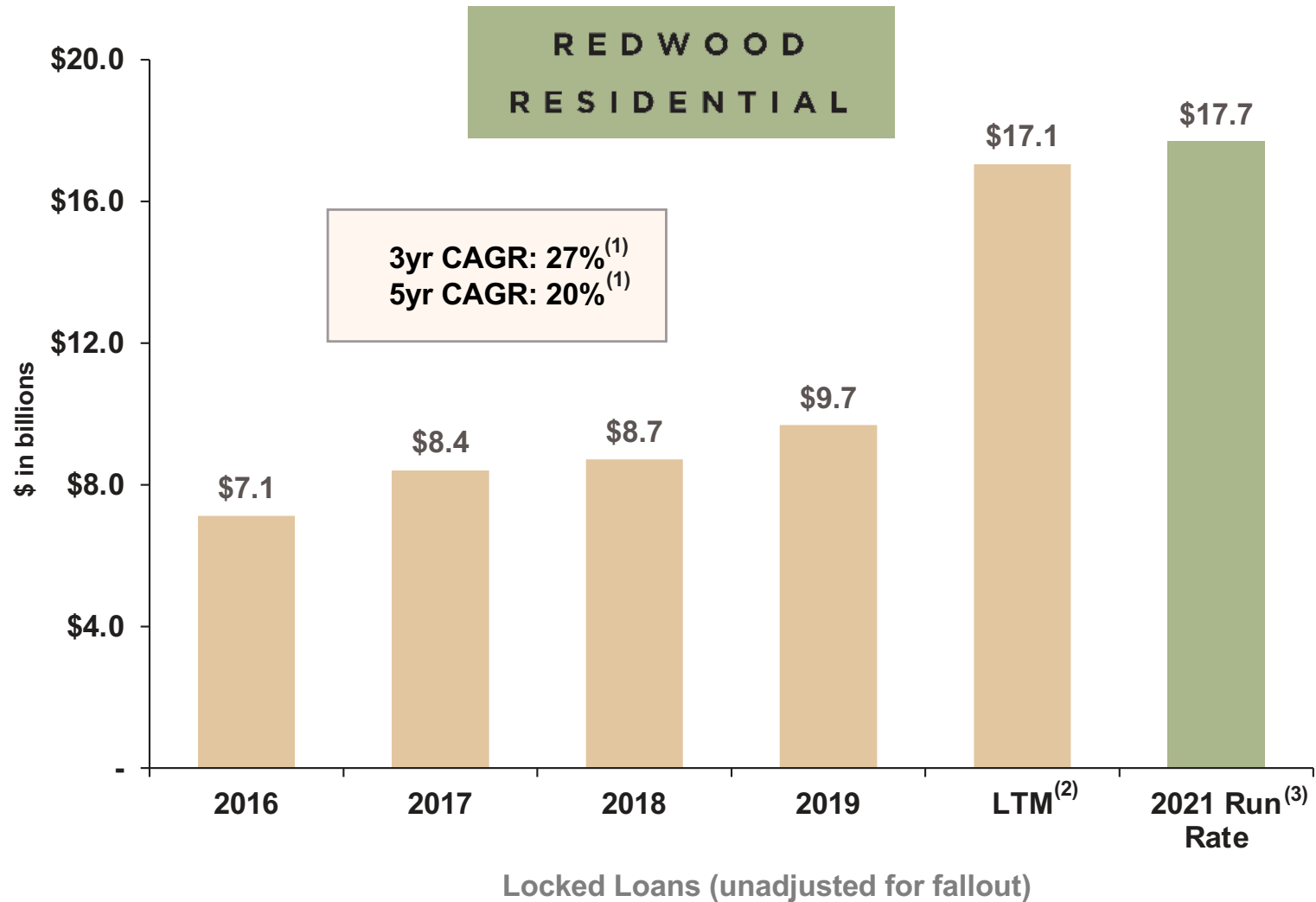
Economic Return on Book Value
(Not Annualized)



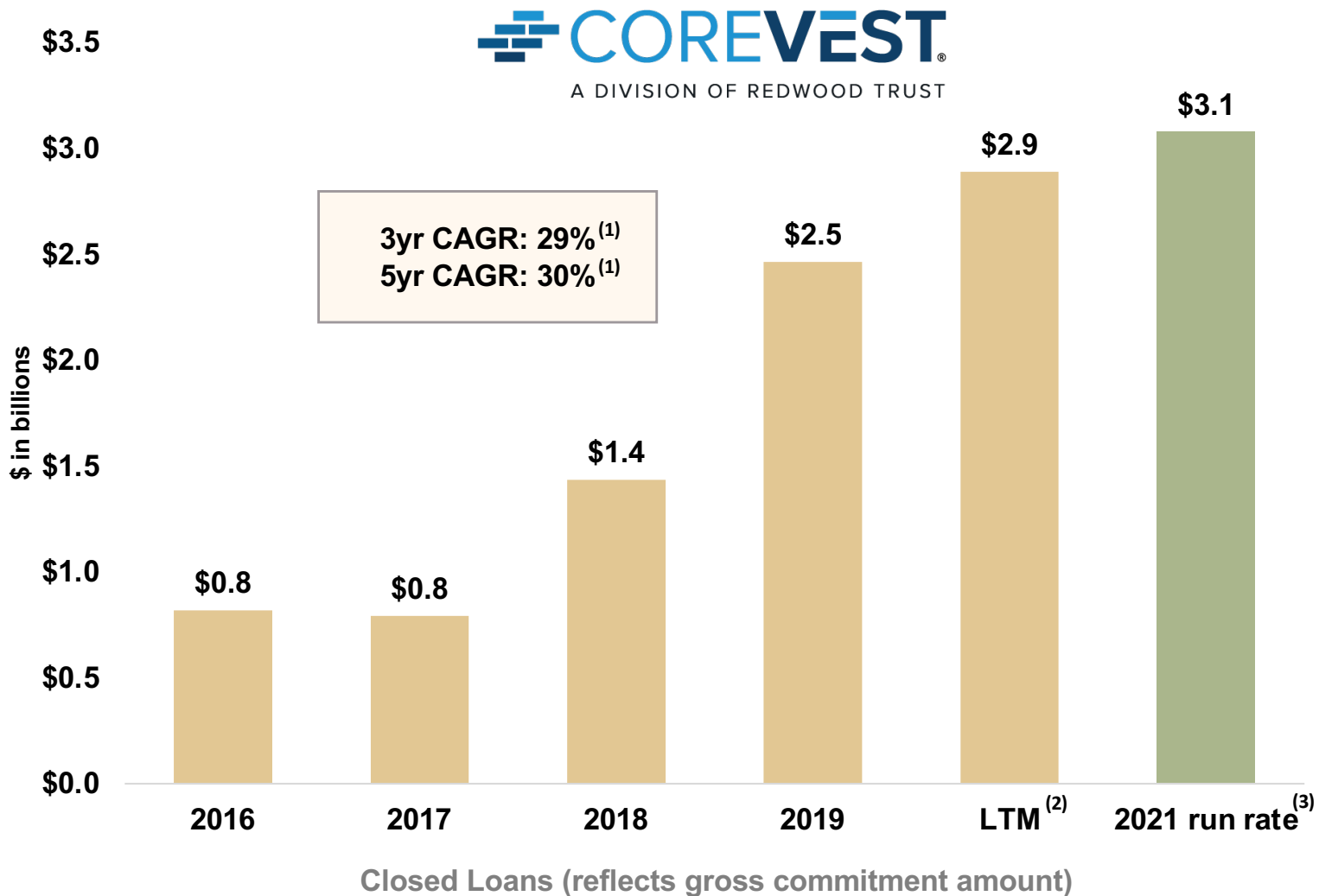
ROE rebounded sharply coming out of the pandemic and continued strength should be driven by:

- Continued strong credit performance from our differentiated investment portfolio
- Growth in purchase and funding volume at our operating businesses
- Efficient capital management

Our residential business is well positioned to continue capturing market share and grow profitably

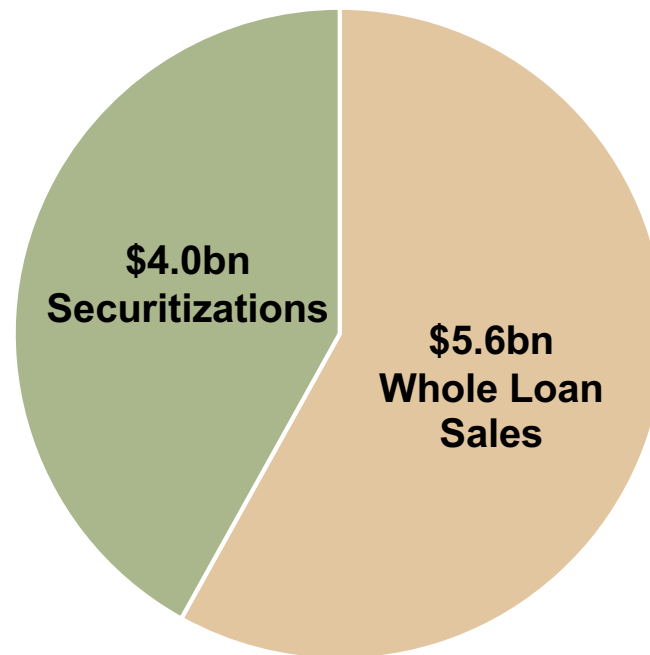


We have runway for significant growth as the leading lender to housing investors



Our platforms control substantial flow of non-agency loans

**\$9.6bn in loan distributions
YTD⁽¹⁾**



Securizations

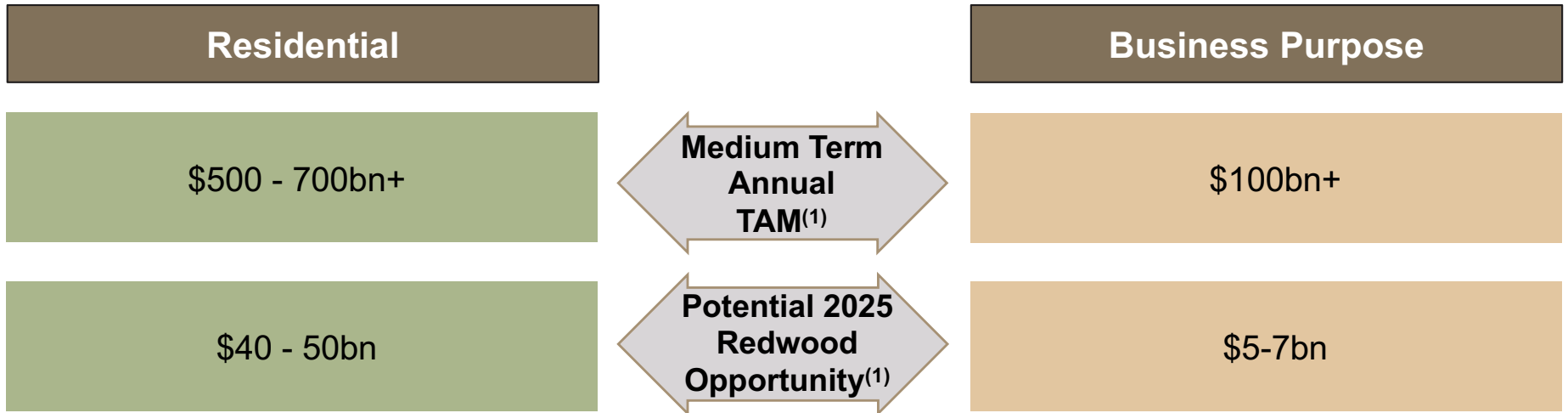
- Broadly-marketed
- Single investor
- Private deals
- Blockchain-based technology
- Innovative with new product financings
 - Bridge loans
 - Home equity investments

Whole Loans

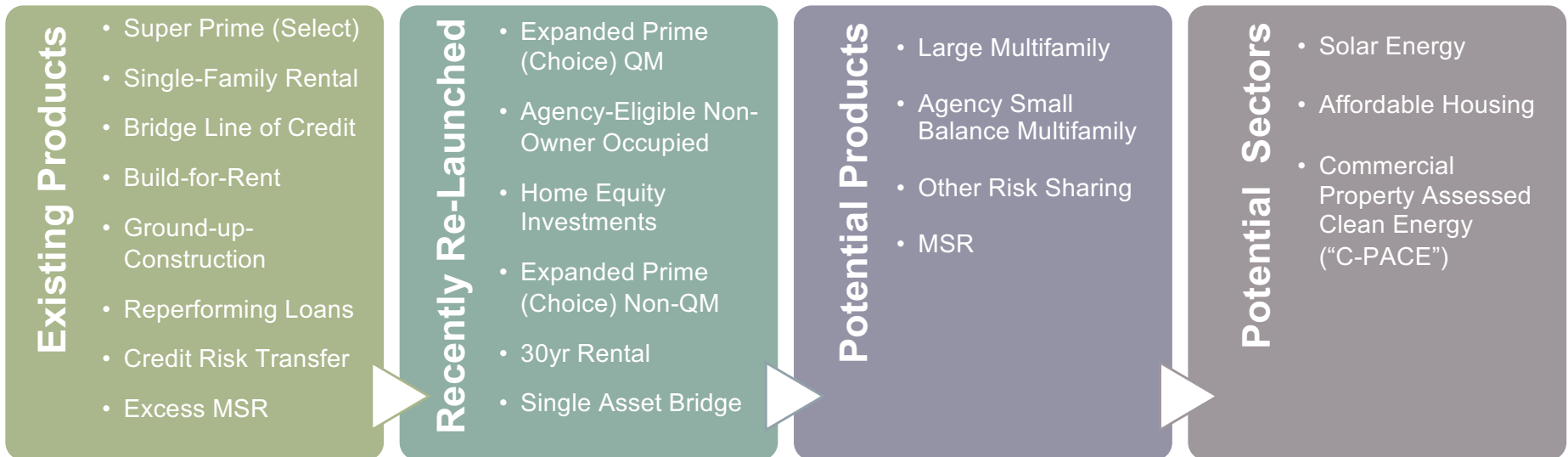
- Whole loan sales
- Forward sales
- Flow agreements

The breadth of our reach in the capital markets increases capital efficiency and drives durable margins

Continued product development should drive further volume growth to our operating businesses



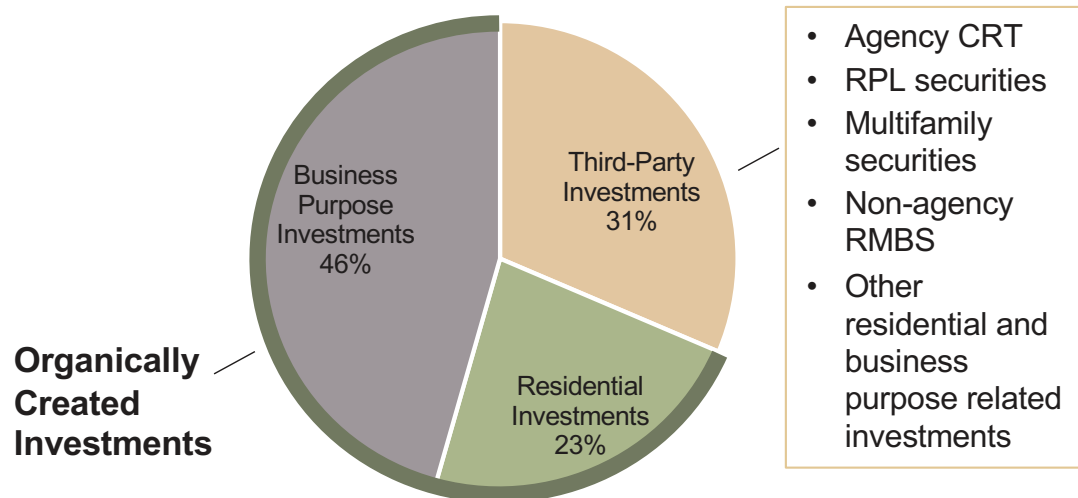
Product Suite



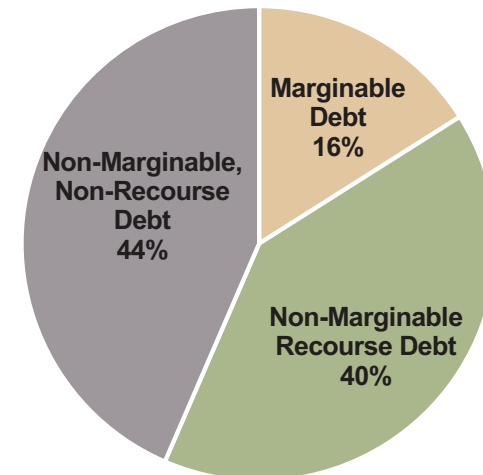
Our combined portfolios continue to be positioned to generate strong risk-adjusted returns

REDWOOD INVESTMENTS

\$2.5 Billion Housing Credit Investments⁽¹⁾

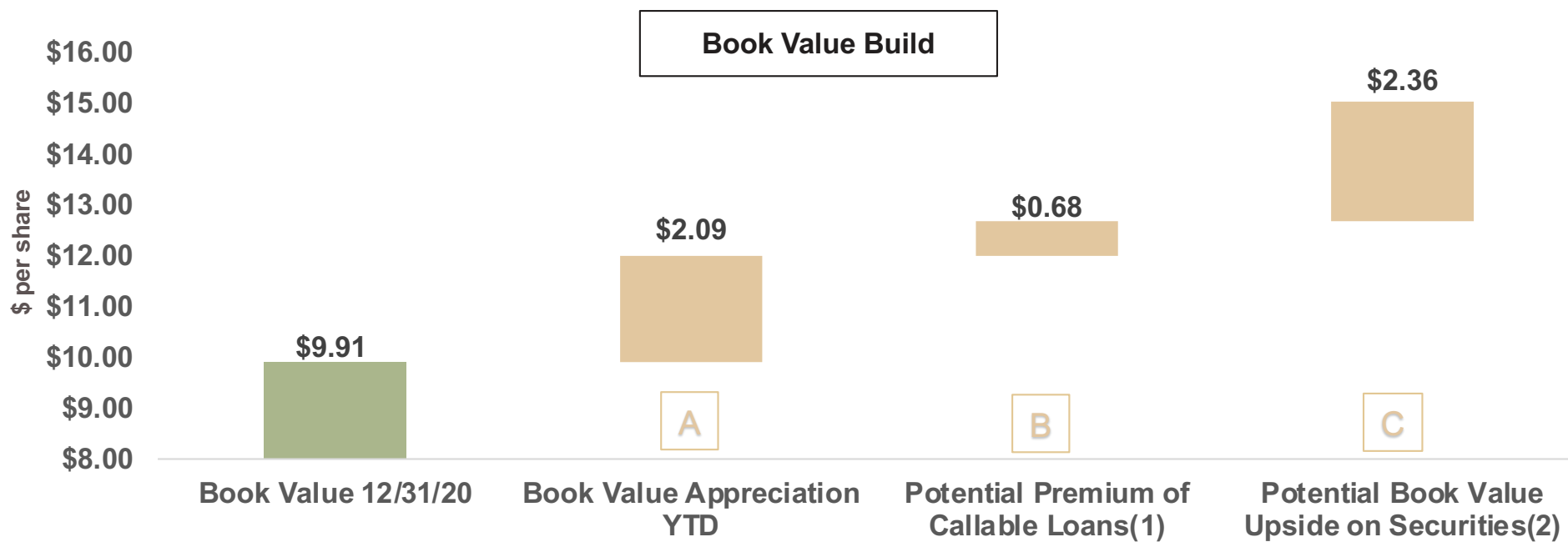


\$1.4 Billion Secured Financing⁽¹⁾⁽²⁾



- Our investment portfolio is comprised of assets we create organically through our operating platforms as well as investments issued by others
- Comprised of high-quality credit investments, diversified across the housing sector
- Disciplined credit investors with deep focus on asset selection
- Financed with approximately 1.2x secured debt to equity
 - over 80% of the secured debt is either non-marginable and/or non-recourse

Call options in our securitizations and portfolio discount should provide further upside to current book value



YTD through September 30, 2021

- A** Driven in part by retained earnings from mortgage banking operations and appreciation in value of our securities portfolio
- Settled 7 call options across Sequoia and CAFL, purchasing ~\$215 million of seasoned loans onto our balance sheet at par

Looking Forward

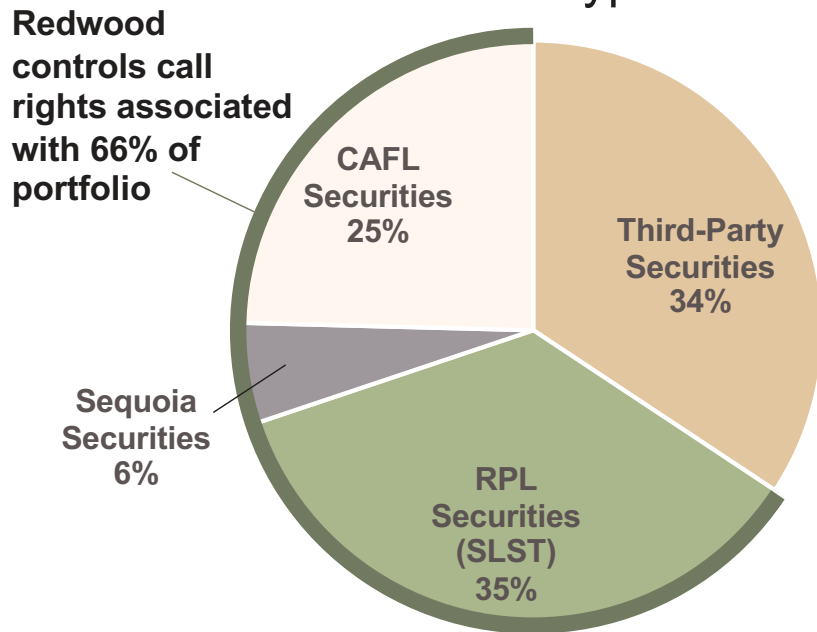
B We estimate that ~\$2.2 billion of additional loans in Sequoia and CAFL deals could become callable by the end of 2024, including \$1.2 billion by the end of 2022⁽¹⁾

C At Sept. 30, 2021, our securities portfolio had approximately \$270 million of net discount to par value, which we have the potential to realize over time, including through call options

FURTHER UPSIDE TO BOOK VALUE REMAINS FROM RETAINED EARNINGS POTENTIAL

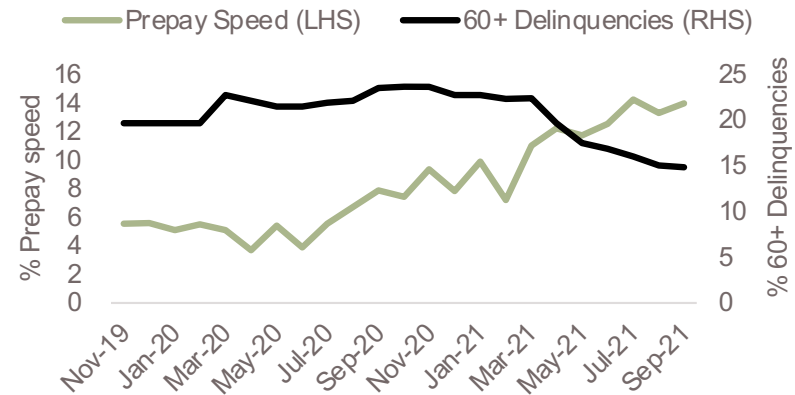
Fundamental credit performance supports further potential book value upside

\$2.36 per share of Net Discount by Investment Type

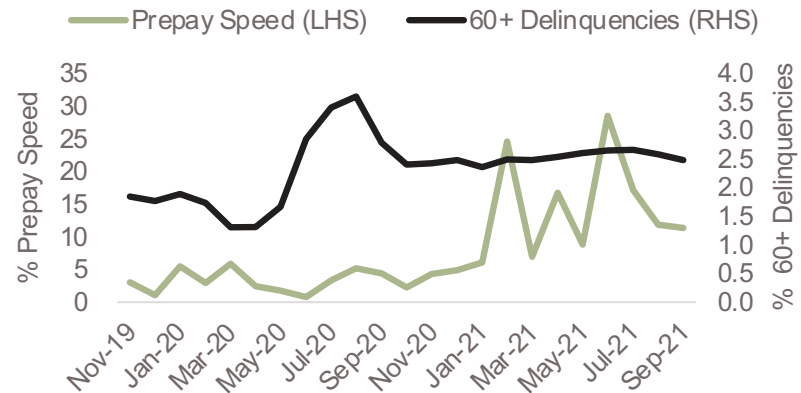


Elevated prepayment speeds for our discount securities, coupled with positive credit trends and improved financing costs, should drive incremental calls and support further realization of book value upside

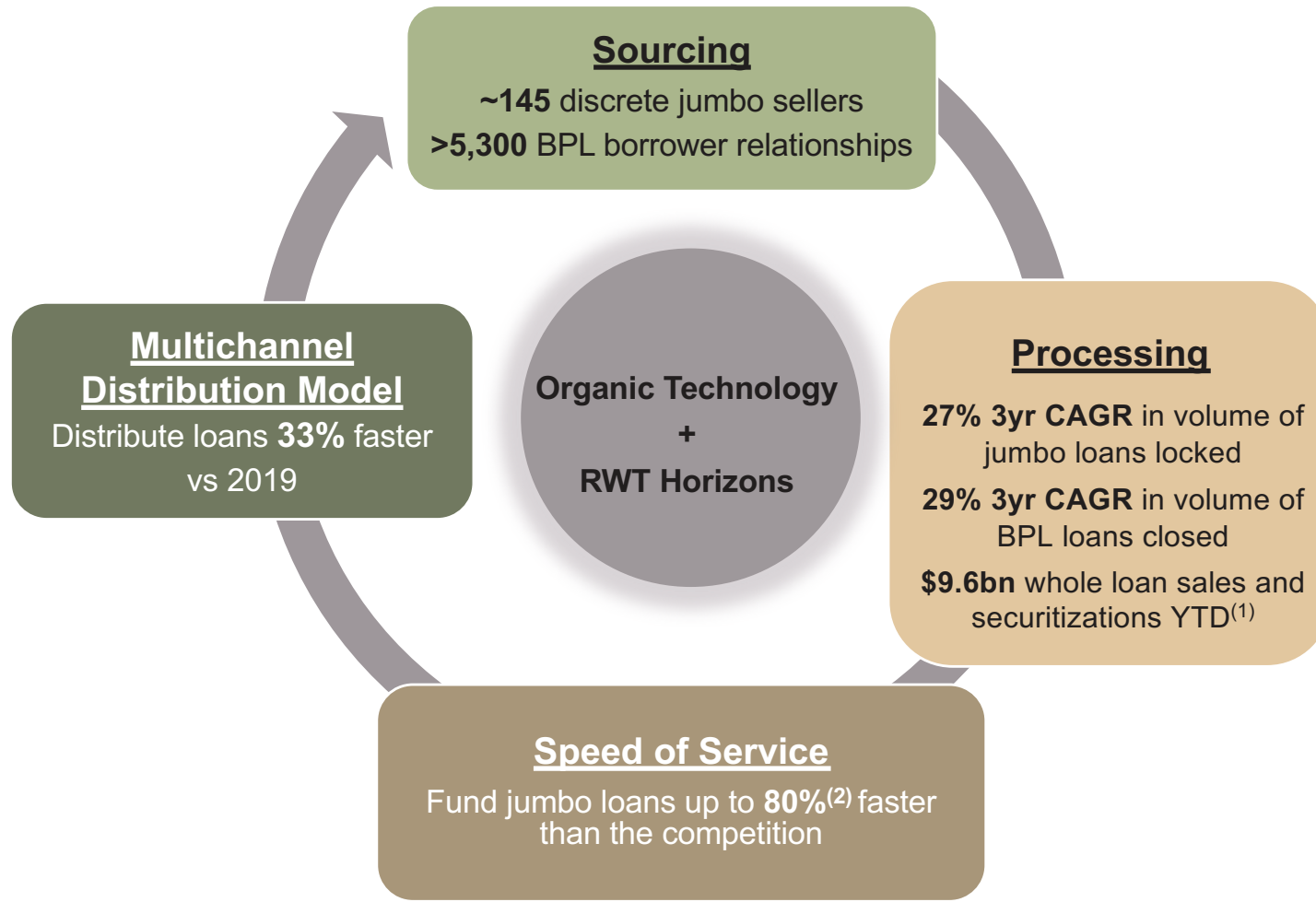
RPL (SLST) Collateral Performance



CAFL Collateral Performance

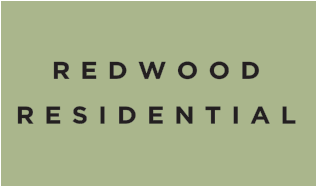







We are disrupting the non-agency mortgage industry with innovative technology and distribution channels



We continue to be a first mover in innovative securitizations

- Leveraging partnerships to disrupt the market through new products and technologies
- Completed three novel securitizations in Q3'21 which improved our financing terms and provide greater benefit to the market

	Deal Size ⁽¹⁾	Highlights		Innovative Benefits
	\$449m	<ul style="list-style-type: none"> • First-ever RMBS leveraging blockchain-based technology • Daily payment reporting 	Technology deployed by: 	Greater transparency for investors
	\$272m	<ul style="list-style-type: none"> • Inaugural securitization of residential bridge loans • Structured with \$300 million of total funding capacity and allows for 30-month reinvestment period for loan payoffs • Lowers our cost of funds to support profitable growth in BPL 	Includes loans sourced from: 	Increases flexibility to better serve borrowers
	\$146m	<ul style="list-style-type: none"> • First-of-its-kind Home Equity Investments ("HEIs") securitization • Flow agreement for HEIs that will benefit our investment portfolio 	Co-sponsored with: 	Allows homeowners to tap into home equity without being forced to sell or refinance

Our RWT Horizons investments will further our leadership in innovation

- Completed eleven investments since inception
- Current pipeline of 15-20 actionable investment opportunities
- Sourcing via direct relationships, internal/external referrals and clients
- Expanding relationships with prominent venture capital firms to drive additional deal flow
- Screening process incorporates strategic needs/initiatives from across the organization

Current Investment Focus Areas:

- Alternative real estate financing
- Home equity sharing/monetization
- Data management and analytics
- Loan infrastructure/ecosystem
- Property management tools
- Climate analytics

Investment Examples

RENTROOM

 Liquid Mortgage

 amenify

FLOCK

Canopy

 POINT

 Frontiers Capital

Rent Butter
RENT BETTER!

Redwood's outlook

- ✓ **Increase Wallet Share**
Our share is growing with our scalable platform
- ✓ **Technology & Efficiencies**
Technology and process improvements to reduce industry-wide friction points and further productivity
- ✓ **Higher Capital Allocation to Higher Margin Businesses**
Attractive risk-adjusted returns on residential and business purpose mortgage banking operations
- ✓ **Value Creation**
Portfolio constructed with embedded upside, diversity and balance
- ✓ **Disrupt & Capitalize**
Lean into dislocations and regulatory changes to pursue attractive opportunities using all tools (new product deployment, M&A, strategic partnerships)

Roadmap to Profitable Growth

Well-Positioned to Realize Performance Targets

Corporate Responsibility Drives Sustainable Growth

Our ESG strategy is aligned with our mission and is focused on enhancing the sustainability of our business and long-term value creation

2021 ESG Initiatives



Partnered with a data and analytics software company that quantifies social and climate risk



Enhanced the diversity of the leadership team and the Board of Directors



Introduced a new suite of housing-related employee benefits, including full reimbursement of mortgage insurance costs to help our team members attain home ownership



Enhanced our employee benefits, including a paid parental leave program for both primary and secondary caregivers



Activated our Employee Diversity council, an employee-led group that serves as a close partner to the executive leadership team in developing and executing our Diversity, Equity, Inclusion, and Belonging roadmap

ESG Highlights | Redwood by the numbers

81%

Independent Board Members

180+

Community Grants through Employee Foundation

55%

Diverse Independent Board Members⁽¹⁾

85%

Employee Satisfaction Score in Last Engagement Survey

33%

Women Representation on Management Team

87%

Employees Agree that Redwood is Committed to our Mission and Values

281

Number of Employees

20+

Learning and Engagement Events/Activity YTD⁽²⁾

73

Hires YTD⁽²⁾

3

Active Employee Resource Groups

51%

YTD⁽²⁾ Hires Identifying as Women

8

Hours Per Year of Paid Volunteer Time

32%

YTD⁽²⁾ Hires Identifying as Racially Diverse

\$1K

Annual Wellness Stipend Per Employee

11%

Employee Turnover
Well below financial services 31%⁽³⁾ average

ESG priorities and commitments

Community Impact

- Explore partnerships to provide liquidity for accessible housing
- Continue to seek initiatives to give back to our communities

Human Capital

- Further enhance disclosures on our programs and relevant metrics
- DEIB initiatives more fully incorporated into retention, compensation and evaluation practices

Sustainability

- Evaluate overall business for environmental and social metrics for disclosure

Investment Approach

- Engage with stakeholders on how we consider climate risk in investment decisions
- Codify impactful investment principles into our investment screens

Governance

- Communicate our policies outlining how we incorporate ESG considerations in stakeholder/counterparty relationships

Risk Management

- Disclose how origination and investment activity considers environmental risk
- Disclose risk management policies that address the evaluation of reputational risk

- We have outlined our **top 10 priorities** and commitments over the near-to-intermediate term
- We will **disclose our progress** against our commitments
- We are committed to communicating our performance **regularly and transparently**

Appendix | Endnotes

Key Financial Results and Metrics				
	Three Months Ended 9/30/2021		Nine Months Ended 9/30/2021	
Earnings per Share	\$	0.65	\$	2.03
Return on Equity (annualized)		27 %		30 %
Book Value per Share	\$	12.00	\$	12.00
Dividend per Share	\$	0.21	\$	0.55
Economic Return on Book Value ⁽¹⁾		6.5 %		26.6 %
Available Capital (in millions)	\$	350	\$	350
Recourse Leverage Ratio ⁽²⁾		2.2x		2.2x

Detailed Endnotes are included at the end of this presentation

A further discussion of Redwood's business, financial results and taxable income is included in the third quarter 2021 Redwood Review, which is available within the "Financials-Redwood Review" section on the Company's investor relations website at ir.redwoodtrust.com

Changes in Book Value per Share

(\$ in per share)

	Three Months Ended 9/30/2021	Nine Months Ended 9/30/2021
Beginning book value per share	\$ 11.46	\$ 9.91
Basic earnings per share	0.75	2.36
Changes in accumulated other comprehensive income		
Unrealized gains on AFS securities, net	0.03	0.25
Realized gains on AFS securities	(0.06)	(0.16)
Discount Accretion on AFS securities	(0.06)	(0.08)
Dividends	(0.21)	(0.55)
Equity compensation, net	0.04	0.11
Other, net	0.05	0.16
Ending book value per share	\$ 12.00	\$ 12.00

Detailed Endnotes are included at the end of this presentation

A further discussion of Redwood's business, financial results and taxable income is included in the third quarter 2021 Redwood Review, which is available within the "Financials-Redwood Review" section on the Company's investor relations website at ir.redwoodtrust.com

Mortgage Banking Key Operating Metrics

(\$ in millions)

	Q3 2021			YTD 2021		
	Residential Mortgage Banking	Business Purpose Mortgage Banking	Total	Residential Mortgage Banking	Business Purpose Mortgage Banking	Total
Mortgage banking income ⁽¹⁾	\$ 40	\$ 32	\$ 73	\$ 131	\$ 90	\$ 221
Net contributions (GAAP)	\$ 19	\$ 11	\$ 30	\$ 74	\$ 31	\$ 106
Add back: acquisition amortization expenses ⁽²⁾	—	5	5	—	15	15
After-tax net operating contribution (non-GAAP)	\$ 19	\$ 16	\$ 35	\$ 74	\$ 46	\$ 121
Capital utilized (average for period) ⁽³⁾	\$ 302	\$ 147	\$ 449	\$ 296	\$ 151	\$ 447
Return on capital (GAAP)	26 %	29 %	27 %	34 %	28 %	32 %
After-tax operating return on capital (non-GAAP) ⁽⁴⁾	26 %	43 %	31 %	34 %	41 %	36 %
Production Volumes						
Residential loan locks	\$ 4,743			\$ 13,267		
Residential loan purchase commitments (fallout adjusted)	\$ 3,288			\$ 9,541		
SFR loan fundings		\$ 394			\$ 959	
Bridge loan fundings		\$ 245			\$ 593	

Detailed Endnotes are included at the end of this presentation

A further discussion of Redwood's business, financial results and taxable income is included in the third quarter 2021 Redwood Review, which is available within the "Financials-Redwood Review" section on the Company's investor relations website at ir.redwoodtrust.com

Investment Portfolio Key Financial Results

(\$ in millions)

	Q3 2021				YTD 2021			
	Residential Lending	Business Purpose Lending	Third-Party Investments	Total ⁽¹⁾	Residential Lending	Business Purpose Lending	Third-Party Investments	Total ⁽¹⁾
Net interest income	\$ 12	\$ 18	\$ 12	\$ 42	\$ 24	\$ 46	\$ 35	\$ 105
Net contribution (GAAP)	\$ 19	\$ 21	\$ 30	\$ 71	\$ 48	\$ 55	\$ 134	\$ 237
Less: realized gains ⁽²⁾	(6)	—	—	(7)	(15)	(1)	(2)	(18)
Less: investment fair value changes ⁽²⁾	(2)	(3)	(21)	(26)	(9)	(11)	(102)	(122)
Adjusted net contribution (non-GAAP)	\$ 11	\$ 17	\$ 10	\$ 38	\$ 24	\$ 43	\$ 30	\$ 98
Capital utilized (average for period)				\$ 1,132				\$ 1,122
Return on capital (GAAP)				25 %				28 %
Adjusted return on capital (non-GAAP) ⁽³⁾				13 %				12 %
<u>At period end</u>								
Carrying values of assets				\$ 2,458				\$ 2,458
Secured debt balances ⁽⁴⁾				(1,355)				(1,355)
Capital invested				\$ 1,103				\$ 1,103
Leverage ratio ⁽⁵⁾				1.24x				1.24x

Detailed Endnotes are included at the end of this presentation

A further discussion of Redwood's business, financial results and taxable income is included in the third quarter 2021 Redwood Review, which is available within the "Financials-Redwood Review" section on the Company's investor relations website at ir.redwoodtrust.com

Capital Allocation Summary				
(\$ in millions)				
	September 30, 2021		June 30, 2021	
Operating Platforms				
Redwood Residential working capital	\$	315	\$	315
CoreVest working capital		105		100
CoreVest platform premium ⁽¹⁾		45		49
Total		465		464
Investment Portfolio				
Residential		229		220
Business Purpose		290		424
Third Party		584		592
Total		1,103		1,237
Available Capital				
Corporate		118		79
Total Capital		2,036		1,955
Unsecured Debt		(660)		(660)
Total Equity	\$	1,376	\$	1,295

Detailed Endnotes are included at the end of this presentation

A further discussion of Redwood's business, financial results and taxable income is included in the third quarter 2021 Redwood Review, which is available within the "Financials-Redwood Review" section on the Company's investor relations website at ir.redwoodtrust.com

Capital Allocation Detail by Segment

By Investment Type
September 30, 2021
(\$ in millions)

	Fair Value of Assets ⁽¹⁾	Recourse Debt	Non-Recourse Debt ⁽²⁾	Total Capital
Residential Lending				
Sequoia securities	\$ 382	\$ (199)	\$ —	\$ 183
Called Sequoia loans	151	(137)	—	13
Other investments	32	—	—	32
Capital allocated to mortgage banking operations ⁽³⁾	1,513	(1,198)	—	315
Total Residential Lending	2,078	(1,534)	—	543
Business Purpose Lending				
SFR securities	288	(197)	—	91
Bridge loans	832	(204)	(429)	199
Capital allocated to mortgage banking operations ⁽³⁾	432	(327)	—	105
Platform premium	45	—	—	45
Total Business Purpose Lending	1,597	(728)	(429)	440
Third-Party Investments				
RPL securities	517	—	(161)	356
Other third-party securities	94	—	—	94
Multifamily securities	74	(28)	—	46
Other investments	88	—	—	88
Total Third-Party Investments	773	(28)	(161)	584
Corporate capital	427			427
Other assets/(liabilities), net	42			42
Corporate debt	—	(660)	—	(660)
Totals	\$ 4,917	\$ (2,951)	\$ (590)	\$ 1,376

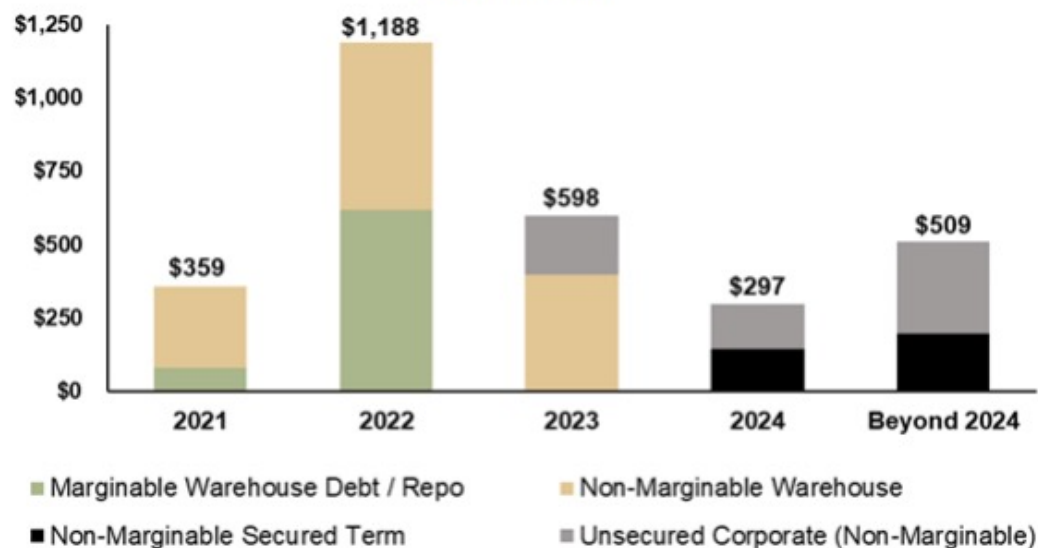
Detailed Endnotes are included at the end of this presentation

A further discussion of Redwood's business, financial results and taxable income is included in the third quarter 2021 Redwood Review, which is available within the "Financials-Redwood Review" section on the Company's investor relations website at ir.redwoodtrust.com

Recourse Debt Balances at September 30, 2021							
(\$ in millions)							
	Fair Value of Secured Assets	Secured Debt			Unsecured Debt	Total Debt	Average Borrowing Cost ⁽²⁾
		Non-Marginable Debt ⁽¹⁾	Marginable Debt ⁽¹⁾	Total Secured Debt			
Corporate debt	N/A	\$ —	\$ —	\$ —	\$ 660	\$ 660	4.7 %
Securities portfolio	612	345	80	425	—	425	3.8 %
SFR loans	426	327	—	327	—	327	3.2 %
Bridge loans	277	204	—	204	—	204	3.4 %
Residential loans	1,478	717	618	1,335	—	1,335	1.9 %
Total	\$ 2,793	\$ 1,593	\$ 698	\$ 2,291	\$ 660	\$ 2,951	3.0 %

Recourse Debt Scheduled Maturities

(\$ in millions)



Detailed Endnotes are included at the end of this presentation

A further discussion of Redwood's business, financial results and taxable income is included in the third quarter 2021 Redwood Review, which is available within the "Financials-Redwood Review" section on the Company's investor relations website at ir.redwoodtrust.com

Residential Investments Credit Characteristics ⁽¹⁾

September 30, 2021

(\$ in millions, except where noted)

	Sequoia Select Securities ⁽²⁾	Sequoia Choice Securities ⁽²⁾	Re-Performing Loan Securities
Market value	\$ 131	\$ 225	\$ 517
Average FICO (at origination)	768	739	609
HPI updated average LTV ⁽³⁾	40 %	54 %	68 %
Average loan size (in thousands)	\$ 632	\$ 699	\$ 164
Gross weighted average coupon	4.0 %	4.9 %	4.5 %
Current 3-month prepayment rate	42 %	52 %	14 %
90+ days delinquency (as a % of UPB) ⁽⁴⁾	0.6 %	2.9 %	10.2 %
Investment thickness ⁽⁵⁾	6 %	30 %	24 %

Business Purpose and Multifamily Investments Credit Characteristics

September 30, 2021

(\$ in millions, except where noted)

	SFR Securities	BPL Bridge Loans ⁽¹⁾	Multifamily B-Pieces
Market value	\$ 288	\$ 832	\$ 74
Average current DSCR ⁽²⁾	1.4x	N/A	1.5x
Average LTV (at origination) ⁽³⁾	68 %	71 %	71 %
Average loan size (in thousands)	\$ 2,820	\$ 307	\$ 27,704
Gross weighted average coupon	5.4 %	7.4 %	3.4 %
90+ days delinquency (as a % of UPB) ⁽⁴⁾	1.7 %	3.7 %	— %
Investment thickness ⁽⁵⁾	10 %	N/A	10 %

Detailed Endnotes are included at the end of this presentation

A further discussion of Redwood's business, financial results and taxable income is included in the third quarter 2021 Redwood Review, which is available within the "Financials-Redwood Review" section on the Company's investor relations website at ir.redwoodtrust.com

Non-GAAP Measures

Adjusted Revenue

Adjusted Revenue is a non-GAAP measure derived from GAAP revenue, exclusive of non-cash amortization for amounts related to historical business acquisitions, realized gains, investment fair value changes, and corporate interest expense. Management utilizes this measure internally as an alternative way of analyzing the performance of Redwood's operations, as management believes it provides useful comparative results, by excluding certain amounts related to investments that may experience variability period-to-period and may not be reflective of the expected recurring earnings over the life of those investments as well as non-cash amortization from historical acquisitions and corporate interest expense. We caution that Adjusted Revenue should not be utilized in isolation, nor should it be considered as an alternative to Revenue computed in accordance with GAAP. The following provides a reconciliation of GAAP Revenue to non-GAAP Adjusted Revenue:

	For the Nine-Months Ended September 30, 2021					
	Redwood Residential	CoreVest	Total Operating Platforms	Investment Portfolios	Corporate	Total
Net interest income	16	5	20	105	(27)	98
Non-Interest Income	116	85	201	147	()	347
GAAP Revenue	131	90	221	252	(27)	445
Adjustments to GAAP revenue						
Realized gains	-	-	-	(18)	-	(18)
Investment fair value changes, net	-	-	-	(122)	1	(121)
Other income	-	-	-	-	(1)	(1)
Corporate net interest income	-	-	-	-	27	27
Non-GAAP Adjusted Revenue	131	90	221	112	-	333
GAAP Revenue as % of Total	29%	20%	50%	57%	-6%	100%
Non-GAAP Adjusted Revenue as % of Total	39%	27%	66%	34%	0%	100%

	2018		2019		2H 20	
	Mortgage Banking	Investments	Mortgage Banking	Investments	Mortgage Banking	Investments
GAAP Revenue	84	170	115	236	119	188
Adjustments to GAAP revenue						
Realized gains	-	(27)	-	(24)	-	(1)
Investment fair value changes, net	-	25	-	(37)	-	(131)
Other income	-	-	-	-	-	-
Corporate interest expense	-	-	-	-	-	-
Non-GAAP Adjusted Revenue	84	168	115	175	119	56
GAAP Revenue as % of Total	33%	67%	33%	67%	39%	61%
Non-GAAP Adjusted Revenue as % of Total	33%	67%	40%	60%	68%	32%

Adjusted Return

Adjusted Return for our operating businesses represents non-GAAP After-tax operating return on capital as defined in our Third Quarter 2021 Redwood Review. Adjusted Return for our investment portfolio represents non-GAAP Adjusted return on capital as defined in our Third Quarter 2021 Redwood Review. Adjusted Returns are non-GAAP measures derived from GAAP Return on Capital. GAAP return on capital is calculated by dividing GAAP Net Contribution for our mortgage banking operations or our investment portfolio by the capital utilized by each area. After-tax operating return on capital (for mortgage banking operations) is calculated by dividing Non-GAAP After-tax Net Operating Contribution by capital utilized during the period. Adjusted return on capital (for our investment portfolio) is calculated by dividing Non-GAAP Adjusted net contribution by capital utilized during the period. Management utilizes these measures internally as an alternative way of analyzing the performance of Redwood's operations, as management believes it provides useful comparative results, by excluding certain amounts related to investments that may experience variability period-to-period and may not be reflective of the expected recurring earnings over the life of those investments as well as non-cash amortization from historical acquisitions for our mortgage banking operations. We caution that After-Tax Operating Return on Capital and Adjusted Return on Capital should not be utilized in isolation, nor should they be considered as an alternative to GAAP Return on Capital computed in accordance with GAAP. See our 2021 Redwood Reviews for additional information and reconciliations of these non-GAAP measures.

Endnotes

Slide 6 (Growth drivers for our business have potential to deliver attractive shareholder returns over the long-term)

1. US weighted average source: Sources: US Census Bureau, Current Population Survey/Housing Vacancy Survey; John Burns Real Estate Consulting, LLC (Data: 2Q21, Pub: JBREC SFR Analysis and Forecast Report Sep-21).

Slide 7 (We have a unique and scalable platform built to capitalize on these growth drivers)

1. Return on capital (GAAP) represents the quotient of annualized after-tax net contribution (GAAP), divided by average capital utilized during the period.
2. Allocated capital includes working capital and platform premium for mortgage banking operations and all investments net of associated debt for investment portfolio. Note, capital allocation excludes RWT Horizons given relative size (less than \$25 million). For further detail on the components of allocated capital, see pages 15 and 16 of the Q3 2021 Redwood Review.

Slide 8 (We have had strong outperformance year-to-date and are well positioned to sustain our growth trajectory)

1. Year-to-date includes activity from January 1, 2021 to September 30, 2021.
2. Adjusted Revenue is a non-GAAP measure. See the Non-GAAP Measures section on slide 37 for a detailed description of this measure.
3. Redwood estimate of total non-agency consumer plus investor financing needs, based on publicly available information including, 2019 and 2020 overall market originations of jumbo loans (source: IMF 2020 Mortgage Market Statistical Annual), the Composition of the US Single Family Mortgage Market (source: Urban Institute, published September 2021) and the John Burns Real Estate Consulting estimate for the total SFR market using 2010 Census and trending data from ACS / HVS, published September 2021.
4. Represents annualized Residential loan locks and BPL closed loans, based on actual amounts from January 1, 2021 through September 30, 2021.
5. Our estimate of securitization transactions that could become callable through the end of 2022 is based on our current market observations, estimates, and assumptions, including our assumptions regarding prepayment speeds, credit losses, and market interest rates. Actual amounts may differ based on these or other factors.
6. Represents amounts distributed from January 1, 2021 through September 30, 2021 and includes eleven securitizations backed by \$4.0B in Residential and SFR loans in aggregate, and 43 whole loan sales with an aggregate value of \$5.6B.

Slide 10 (Our diversified revenue streams can support durable earnings and valuation multiple expansion)

1. Available capital is an internal estimate of the portion of our cash balance adjusted for internal risk capital, and capital allocated to our operating businesses to fund growth in loan purchase volume. Available capital of \$350 million represents our available capital at September 30, 2021.

Endnotes

Slide 11 (Growing contributions from our operating businesses can support book value expansion)

1. Adjusted Revenue is a non-GAAP measure. See the Non-GAAP Measures section on slide 37 for a detailed description of this measure.

Slide 13 (Our residential business is well positioned to continue capturing market share and grow profitably)

1. 3yr CAGR is based on the annual growth rate between 2018 and 2021 Run Rate volume. 5yr CAGR is based on the annual growth rate between 2016 and 2021 Run Rate volume.
2. LTM represents last 12 months, which includes locks from October 1, 2020 through September 30, 2021.
3. 2021 Run Rate includes annualized lock volume from January 1, 2021 through September 30, 2021.

Slide 14 (We have runway for significant growth as the leading lender to housing investors)

1. 3yr CAGR is based on the annual growth rate between 2018 and 2021 Run Rate volume. 5yr CAGR is based on the annual growth rate between 2016 and 2021 Run Rate volume.
2. LTM represents last 12 months, which includes loans closed from October 1, 2020 through September 30, 2021.
3. 2021 Run Rate includes annualized closed loan volumes from January 1, 2021 through September 30, 2021.

Slide 15 (Our platforms control substantial flow of non-agency loans)

1. From January 1 through September 30, 2021.

Slide 16 (Continued product development should drive further volume growth to our operating businesses)

1. We estimate Redwood's medium-term annual TAM based on our forecasts for the next 24 months. We estimate Redwood's 2025 Potential Opportunity over Redwood's 5-year growth path, based on Residential loans locked and Business Purpose loans closed

Slide 17 (Our combined portfolios continue to be positioned to generate strong risk-adjusted returns)

1. All data presented as of September 30, 2021.
2. Non-marginable debt and marginable debt refers to whether such debt is subject to market value-based margin calls on underlying collateral that is non-delinquent.

Slide 18 (Call options in our securitizations and portfolio discount should provide further upside to current book value)

1. Potential earnings related to securitization transactions that could become callable are based on our current market observations, estimates, and assumptions, including our assumptions regarding credit losses, prepayment speeds, market interest rates, and discount rates. We estimate that approximately \$2.2 billion of additional loans in Sequoia and CAFL deals could become callable by the end of 2024, including \$1.2 billion by the end of 2022. The \$0.68 per share displayed relates to the estimate for transactions we estimate could become callable by the end of 2024. Actual returns may differ based on these or other factors.
2. Represents potential book value per share upside on the securities portfolio due to the net discount to par value. There are several risk factors that may impact our ability to realize all or a portion of this amount which may be outside our control, these primarily include credit performance, and prepayment speeds.

Slide 20 (We are disrupting the non-agency mortgage industry with innovative technology and distribution channels)

1. From January 1 through September 30, 2021.
2. 80% faster in Residential is based on performance through our Rapid Funding program for qualified sellers. Based on industry average of 45 days to fund loans.

Endnotes

Slide 21 (We continue to be a first mover in innovative securitizations)

1. Transactions include Redwood Residential securitization, SEMT 2021-6, backed by \$449 million of jumbo residential loans, CoreVest securitization, CAFL 2021-RTL1, backed by \$272 million of bridge loans, and a Redwood investment portfolio co-sponsored securitization, Point Securitization Trust 2021-1, backed entirely by \$146 million of residential Home Equity Investments (HEIs).

Slide 26 (ESG Highlights | Redwood by the numbers)

1. Considers female and racially/ethnically diverse members as a percentage of total independent directors.
2. From January 1, 2021 through September 30, 2021.
3. 2020 turnover rate data per Bureau of Labor Statistics, "Annual total separations rates by industry and region"
<https://www.bls.gov/news.release/jolts.t16.htm>

Slide 29 (Key Financial Results and Metrics)

1. Economic return on book value is based on the periodic change in GAAP book value per common share plus dividends declared per common share during the period.
2. Recourse leverage ratio is defined as recourse debt at Redwood divided by tangible stockholders' equity. See endnotes of Third Quarter Redwood Review for additional detail on Redwood's recourse debt and tangible stockholder's equity.

Slide 31 (Mortgage Banking Key Operating Metrics)

1. "Mortgage banking income" presented in this table represents the sum of net interest income earned on loan inventory, income from mortgage banking activities, and other income within each of our mortgage banking operations.
2. "Acquisition amortization expenses" within this table represent purchase related stock-based consideration amortization expense (a component of General and administrative expenses) and amortization of purchase intangibles (a component of Other expenses), each on a tax-adjusted basis.
3. Capital utilized during the quarter for business purpose mortgage banking operations includes \$100 million of working capital allocation and \$47 million platform premium for the third quarter 2021. Capital utilized year-to-date for business purpose mortgage banking operations includes \$100 million of working capital allocation and \$51 million platform premium.
4. After-tax Operating return on capital (non-GAAP) presented in this table represents the quotient of annualized After-tax net operating contribution (non-GAAP), divided by Capital utilized during the period. See the Non-GAAP Measurements section of the Appendix of our Third Quarter Redwood Review for a full description of After-tax Operating return on capital (non-GAAP). GAAP Return on capital (calculated by dividing annualized Net contribution by Capital Utilized) for the three months ended September 30, 2021 was 27% for our combined mortgage banking operations, 29% for our business purpose mortgage banking operations, and 26% for our residential mortgage banking operations, each on an annualized basis. GAAP Return on capital (calculated by dividing annualized Net contribution (GAAP) by Average Capital Utilized) for the nine months ended September 30, 2021 was 32% for our combined mortgage banking operations, 28% for our business purpose mortgage banking operations, and 34% for our residential mortgage banking operations, each on an annualized basis.

Endnotes

Slide 32 (Investment Portfolio Key Financial Results)

1. Amounts in the "Total" column within this table may not agree to amounts on our consolidated income statement, as certain investments in consolidated legacy Sequoia securitizations are not included in our investment portfolio.
2. Realized gains and investment fair value changes presented in this table to calculate Adjusted net contribution (non-GAAP), are presented on a tax-adjusted basis.
3. Adjusted return on capital (non-GAAP) represents the quotient of annualized Adjusted net contribution (non-GAAP), divided by Capital utilized during the period. See the Non-GAAP Measurements section of the Appendix of our Third Quarter Redwood Review for a full description of Adjusted return on capital (non-GAAP). GAAP Return on capital (calculated by dividing annualized Net contribution by Capital Utilized) for the three months ended September 30, 2021 was 25% on an annualized basis. GAAP Return on capital (calculated by dividing annualized Net contribution by Capital Utilized) for the nine months ended September 30, 2021 was 28% on an annualized basis.
4. Secured debt includes both recourse debt and nonrecourse debt (including for bridge loans and resecuritized RPL securities), secured by our investment assets.
5. Leverage ratio is calculated by dividing Capital invested by Secured debt balances, as presented within this table.

Slide 33 (Capital Allocation Summary)

1. CoreVest platform premium represents the unamortized balance of intangible assets we recorded in association with the acquisition of CoreVest.

Slide 34 (Capital Allocation Detail by Segment)

1. Sequoia securities, SFR securities and third-party other investments each include assets presented as our economic investment in entities that are consolidated under GAAP rules. Third-party other investments is primarily comprised of our \$60 million economic investment in certain servicing assets (presented net of \$152 million of non-recourse debt), our \$10 million economic investment in Point HEIs (presented net of \$145 million of non-recourse debt), and other housing related investments. See Table 6 in the Financial Tables section of this Redwood Review for additional information on consolidated VIEs.
2. Non-recourse debt presented within this table excludes ABS issued from whole loan securitizations consolidated on our balance sheet, including Sequoia, CoreVest, Freddie Mac and Servicing Investment securitization entities.
3. Capital allocated to mortgage banking operations represents the working capital we have allocated to manage our loan inventory at each of our operating businesses. This amount generally includes our net capital in loans held on balance (net of financing), capital to acquire loans in our pipeline, net capital utilized for hedges, and risk capital.

Slide 35 (Recourse Debt Balances at September 30, 2021)

1. Non-marginable debt and marginable debt refers to whether such debt is subject to market value-based margin calls on underlying collateral that is nondelinquent.
2. Average borrowing cost represents the weighted average contractual cost of recourse debt outstanding at September 30, 2021 and does not include deferred issuance costs or debt discounts.

Endnotes

Slide 36 (Residential Investments Credit Characteristics)

1. Underlying loan performance information provided in this table is generally reported on a one-month lag. As such, the data reported in this table is from September 2021 reports, which reflect a loan performance date of August 31, 2021.
2. Sequoia Select and Sequoia Choice securities presented in this table include subordinate securities and do not include interest only or certificated servicing securities.
3. HPI updated average LTV is calculated based on the current loan balance and an updated property value amount that is formulaically adjusted from value at origination based on the FHFA home price index (HPI).
4. Delinquency percentages at underlying securitizations are calculated using unpaid principal balance ("UPB"). Aggregate delinquency amounts by security type are weighted using the market value of our investments in each securitization.
5. "Investment thickness" represents the average size of the subordinate securities we own as investments in securitizations, relative to the average overall size of the securitizations. For example, if our investment thickness (of first-loss securities) with respect to a particular securitization is 10%, we have exposure to the first 10% of credit losses resulting from loans underlying that securitization.

Slide 36 (Business Purpose and Multifamily Investments Credit Characteristics)

1. Bridge loans as presented in this table, include \$825 million of business purpose bridge loans and \$7 million of other related assets.
2. Average current debt service coverage ratio (or DSCR) is the ratio by which net operating income of a property exceeds its fixed debt costs.
3. Average loan to value (or LTV) (at origination) is calculated based on the original loan amount and the property value at the time the loan was originated.
4. Includes loans over 90 days delinquent and all loans in foreclosure (regardless of delinquency status).
5. "Investment thickness" represents the average size of the securities we own as investments in securitizations, relative to the average overall size of the securitizations. For example, if our investment thickness (of first-loss securities) with respect to a particular securitization is 10%, we have exposure to the first 10% of credit losses resulting from loans underlying that securitization. Investment thickness is not applicable to our BPL Bridge Loan investments as they are whole loans.