

Q4 2021 Investor Presentation

February 9, 2022



REDWOOD
TRUST



Forward Looking Statements

This presentation contains forward-looking statements, including statements regarding our 2022 forward outlook, statements related to increasing our market share of BPL origination, and estimates of upside and potential earnings in our investment portfolio from embedded discounts to par value on securities, and 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.

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

Ticker: RWT

IPO Date: 1995

Market Cap: \$1.5 billion

2021 Total Shareholder Return: 60.2%⁽¹⁾

Integrated Business Model

REDWOOD
RESIDENTIAL

 COREVEST
A DIVISION OF REDWOOD TRUST

REDWOOD
INVESTMENTS

RWT
HORIZONS™

Our Differentiators

Track Record of Strong Performance and Earnings Generation

Differentiated and Balanced Earnings Profile

Industry Leading Operating Platforms

Best-in-Class Securitization Platforms and Distribution Channels

Deep Product Set with Diversified Earnings Streams

Ability to Organically Create Assets for Balance Sheet

Innovative Technology Organically and Through Partnerships

Deep and Experienced Management Team

Complementary Business Lines Drive Balanced and Durable Earnings

We are the leading operator and strategic capital provider for sustainable innovation in housing finance

<u>Strategy Products</u>	<u>Capital Allocation as of YE'21</u>	<u>'21 Return on Capital (GAAP Adjusted)⁽¹⁾</u>	<u>Annualized Market Opportunity⁽²⁾</u>	
Business Purpose Mortgage Banking	Leading direct lender to single-family and multifamily housing investors; product set includes both term and bridge loans	\$192mm	26% 38%	~\$30bn Per Year
Residential Mortgage Banking	Market leading non-Agency correspondent platform serving 150+ bank and non-bank originators	\$350mm	28% 28%	~\$600bn Per Year
Investment Portfolio	Includes assets organically created through mortgage banking activities and investments sourced through other partnerships and third-parties	\$1.2bn	26% 13%	~\$16bn Per Year

Redwood's Ability to Create, Retain and Distribute Assets

We play an integral role in providing liquidity to the housing market while creating and retaining assets for our investors and our own portfolio

Asset Creation + Fee-Based Revenue

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Through our operating businesses (**Business Purpose and Residential Mortgage Banking**) we organically create assets that are retained in our Investment Portfolio or distributed through securitizations and whole loan sales

Asset Distribution

Sell / Securitize Loans to Generate Gain on Sale

- Mortgage banking income generated from securitizing or selling whole loans originated or aggregated through our mortgage banking platforms
- We have a broad investor network of over 300 relationships

\$12.9 billion

FY'21 Distributions

44%
Securitizations /
56% Whole Loan Sales

Asset Retention

Investment Portfolio

Generate Attractive Risk-Adjusted Spread Income

- Organically created retained assets from mortgage banking activities
- Third-party investments (RPLs, HEI, CRT, Multi-Family Securities, Legacy Mortgage Servicing Rights)

\$2.7 billion

Investment Portfolio Assets

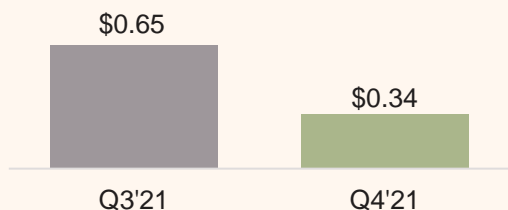
~70%
Organically Created

Redwood Q4'21 Financial Highlights

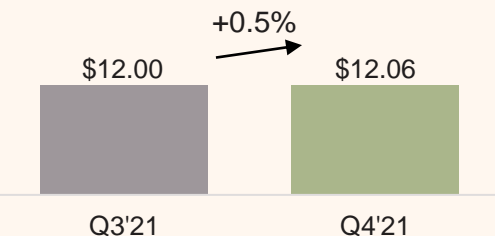
GAAP Net Income

\$44 million, or \$0.34 per diluted share

- **13% Return on Equity** (annualized)



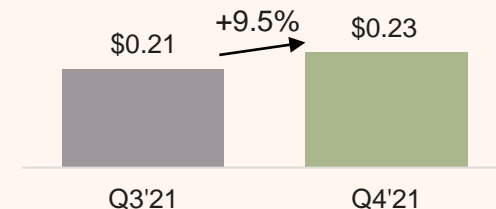
GAAP Book Value



Total Economic Return:⁽¹⁾

Q4'21: 2.4%
FY'21: 29.6%

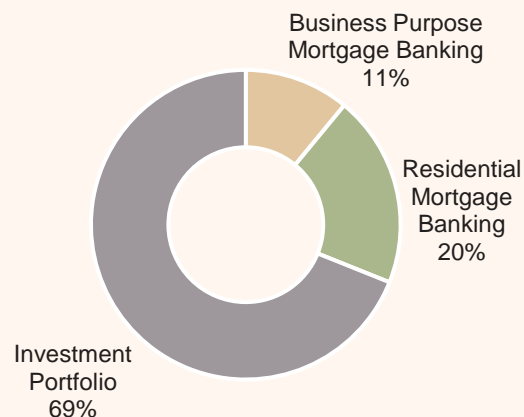
Common Dividend



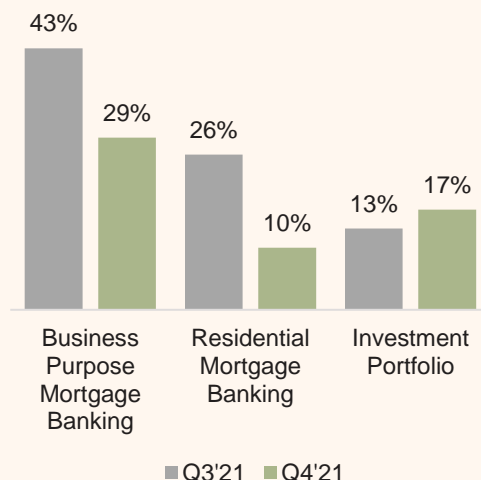
- **4th consecutive quarterly dividend increase**
- **7.0% indicative dividend yield** as of December 31, 2021⁽²⁾

Capital Allocation⁽³⁾

\$1.7 billion of capital

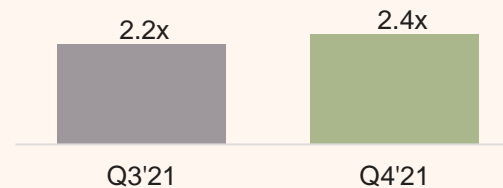


Adj. Return on Capital⁽⁴⁾

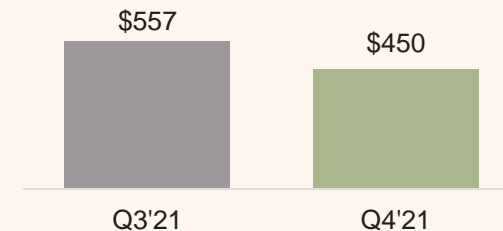


Capital and Financing

Recourse Leverage⁽⁵⁾



Unrestricted Cash (\$mm)



2021 by the Numbers

In 2021, Redwood outperformed across a broad spectrum of financial and strategic performance metrics

FY'21 YoY Financial Performance

Total Shareholder Return **+60%**

Total Economic Return⁽¹⁾ **+30%**

Book Value Change **+22%**

Share Price Change **+50%**

GAAP Return on Equity **25%**

Dividend Change **+64%**

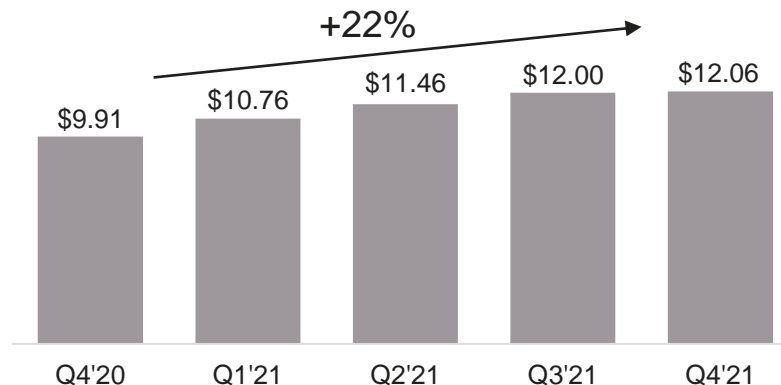
FY'21 YoY Strategic Performance

Residential Lock Volumes **+76%**

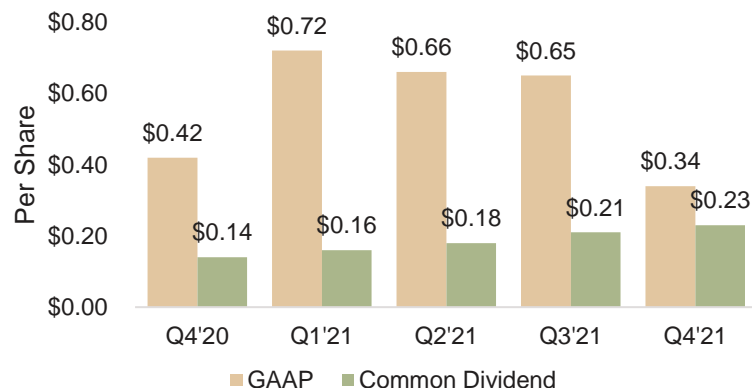
BPL Funding Volumes **+60%**

Distributions **+106%**

We grew our book value...



...while also generating earnings well in excess of our growing dividend



Average dividend coverage of 3.2x in 2021

Redwood Q4'21 Business Highlights

Business Purpose Mortgage Banking

- **Corevest record quarterly funded volume of \$733 million (+15% QoQ)**
 - Continued growth in the bridge portfolio (bridge fundings +50% QoQ)
- Securitized \$304 million of SFR loans
- Completed ~\$200 million sale of SFR loans to large institutional buyer

Residential Mortgage Banking

- \$2.8 billion of locks⁽¹⁾ and \$3.2 billion of loan purchases
- \$1.5 billion of whole loan sales and three securitizations totaling \$1.3 billion of loans
- **Gross margins of 90bps at the high end of our historical range amidst Q4'21 volatility**

Investment Portfolio

- **Deployed \$222 million of capital into new investments, representing the largest quarter of capital deployment since pre Covid-19**
 - Opportunistically added quality assets through partnerships and flow agreements
- Called \$79 million of collateral in Q4'21 and a total of \$292 million for full year 2021

RWT Horizons™

- **Completed five new investments in Q4'21 (for a total of 15 in FY'21)**
- **Completed first investment follow-on with a second investment in Rentroom**

Financing & Capital

- **Cash and cash equivalents of \$450 million as of 12/31/21 represented 51% of marginable debt⁽²⁾**
- Investable capital declined to \$150 million during Q4'21 as we deployed capital into new investments⁽³⁾

ESG

- **Priced first Sequoia securitization that included deal specific ESG disclosure using certain Sustainability Accounting Standards Board (“SASB”) guidelines**

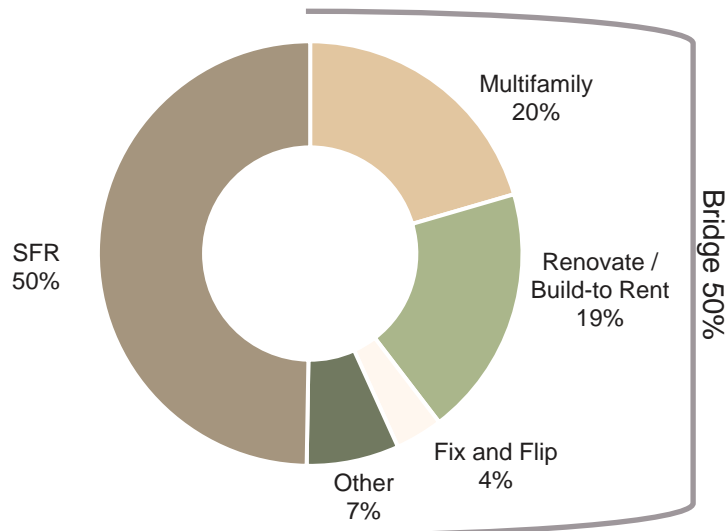
Business Purpose Mortgage Banking

The BPL market has been resilient and continued growing as benchmark interest rates have trended upwards - CoreVest's quarterly funded volumes have continued to rise even as rates have moved higher

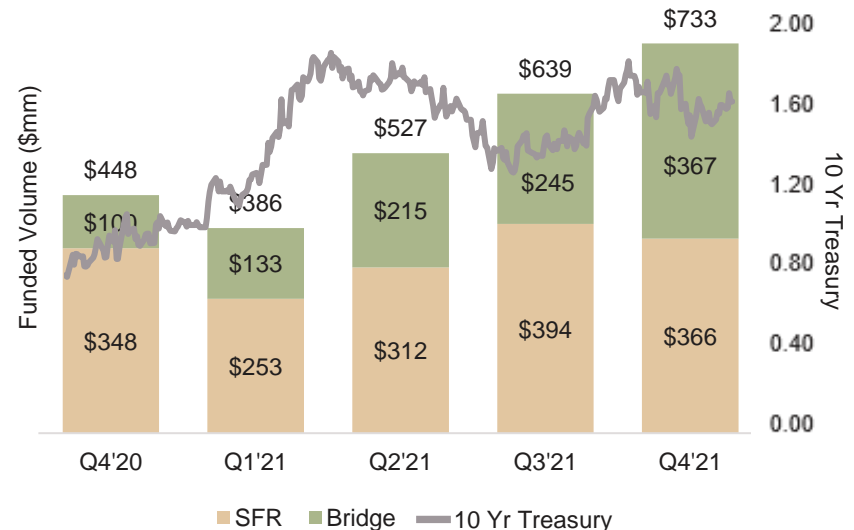
Quarterly Highlights

- Corevest record quarterly funded volume of \$733 million (+15% QoQ) driven by continued increase in market share and market strength
 - Strong momentum in build-for-rent and multi-family repositioning loans
- Completed ~\$200 million sale of SFR loans to large institutional buyer
- Priced one CAFL securitization backed by \$304 million of SFR loans
- Launched Correspondent channel to deepen sourcing channels
- Eclipsed \$8 billion of loan fundings since inception of CoreVest platform
- Significant committed fundings on track for 2022

Composition of Quarterly Fundings



Quarterly Funded Volume (\$mm)



Business Purpose Lending Market Opportunity

Current industry dynamics continue to support demand for CoreVest's diverse product suite

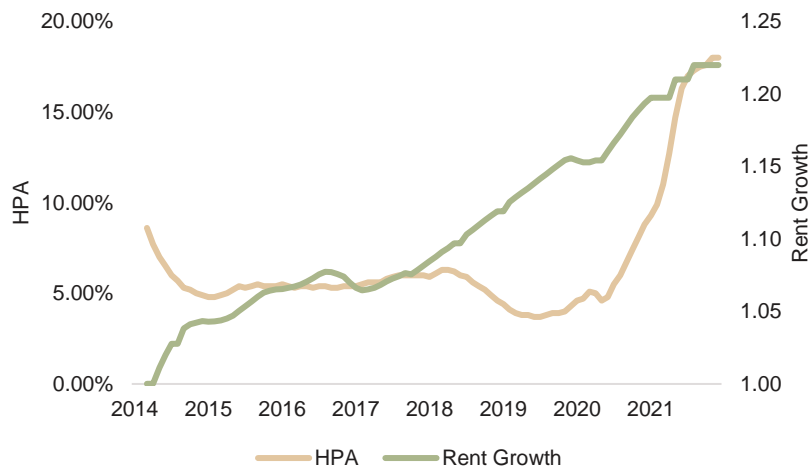
What is Driving the Growing BPL Market?

- ✓ Business Purpose Lending products provide customized solutions for a growing cohort of housing investors
 - ✓ Housing shortage is driving the need for high-quality affordable single-family homes
 - ✓ Sustained demand for single-family rental homes is reducing tenant turnover rates and creating a support level for rents (occupancy rates have been increasing)
 - ✓ Historically tight lending standards are also driving rental demand

CoreVest Differentiators

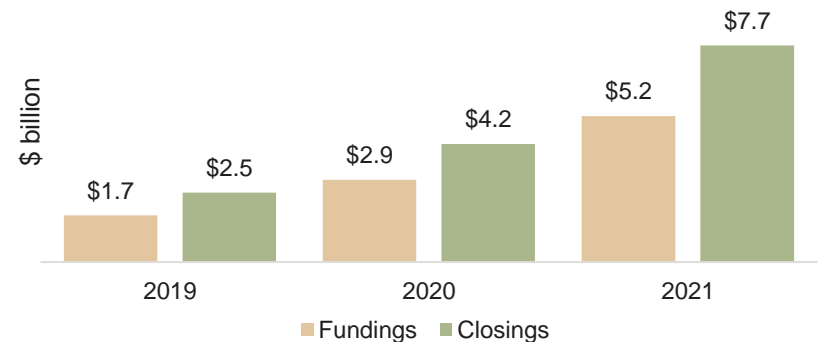
- ✓ Broad suite of products with proven scale, track record and distribution
- ✓ Organic growth in lending book through mature platform and deep bench that outperforms in the market
- ✓ Data-driven marketing, lead generation and scalable sales processes
- ✓ Leading technology platform drives efficiency and superior closing times
- ✓ Strong network of builders across the country

Rental Growth vs Rising HPA⁽¹⁾



CoreVest Cumulative Volume Since 2019

CoreVest's Growing Volume in a Growing Market



Residential Mortgage Banking

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Gross margins remained at high end of historical target range in Q4'21 despite year-end volatility

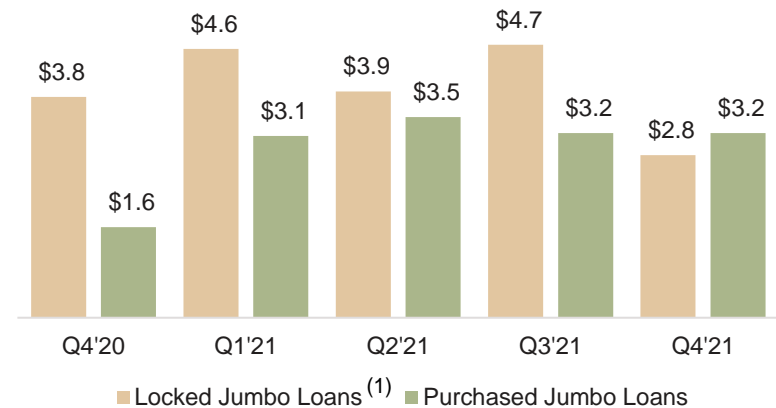
Quarterly Highlights

- \$2.8 billion of locks, contributed to FY'21 lock volume of \$16.1 billion (1.5x recent historical average)⁽¹⁾
 - QoQ decline in lock volume driven by a desire to preserve margins amidst year-end volatility
- Issued three SEMT securitizations backed by a combined \$1.3 billion of collateral
 - Execution levels superior to other issuers reflective of the quality of our issuance program
 - Speed of securitization execution relative to peers continues to be a clear differentiator
 - Two securitizations were fully pre-placed
- Sold \$1.5 billion of whole loans

Business Trends

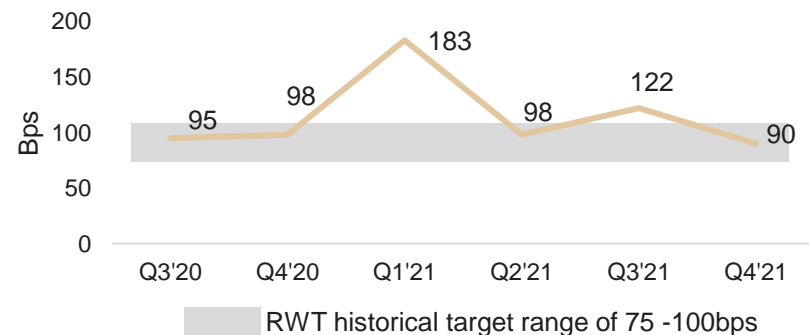
- Higher GSE fees for high balance and second home loans likely to increase flow of these assets to the prime markets and expand Redwood's total addressable market opportunity
- Expectations for more expanded prime products (historically at higher margins) as rates rise

Quarterly Volume (\$bn)



Gross Margins

Gross margins were impacted by widening of MBS spreads during Q4'21 but remained historically attractive



Best in Class “Gold Standard” Distribution Platforms

The breadth, scale and execution of our distribution platforms increase our capital efficiency and drive durable margins and performance

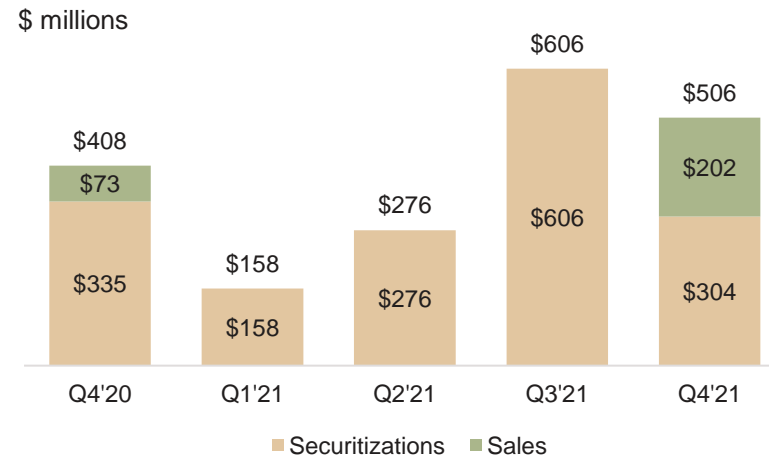
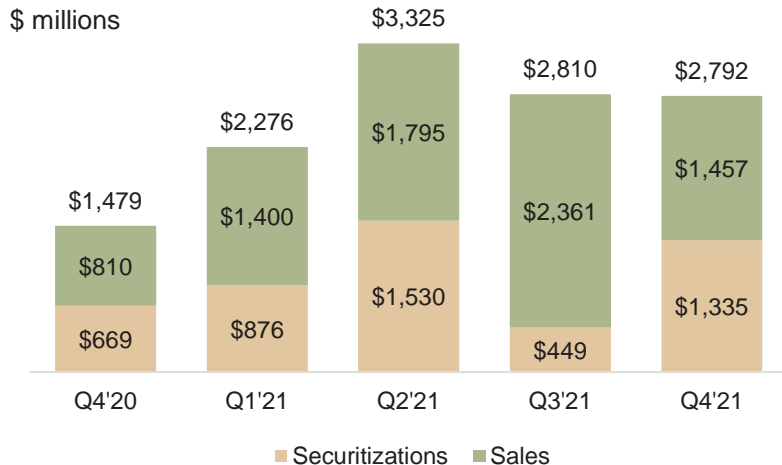
- Industry leader for our speed, innovation and ability to successfully distribute loans
 - Various distribution channels support our execution (securitizations, whole loan sales and private structured transactions)
 - Track record of whole loan sales to repeat investors improves liquidity and diversity of distribution outlets
 - Utilize blockchain to more quickly provide relevant securitization remittance information to investors

Residential Mortgage Banking (Sequoia)

- 118 securitizations since 1997 for total issuance of \$58.9 billion
 - Transacted with over 200 investors
- Have sold whole loans to over 70 counterparties

Business Purpose Mortgage Banking (CAFL)

- 19 securitizations since inception for total issuance of \$5.1 billion
 - Transacted with over 100 investors
- Completed inaugural \$300 million bridge securitization in Q3'21 and ~\$200 million whole loan sale to large institutional investor in Q4'21



Investment Portfolio

Continued strong credit quality within investment portfolio drives book value growth with substantial further upside

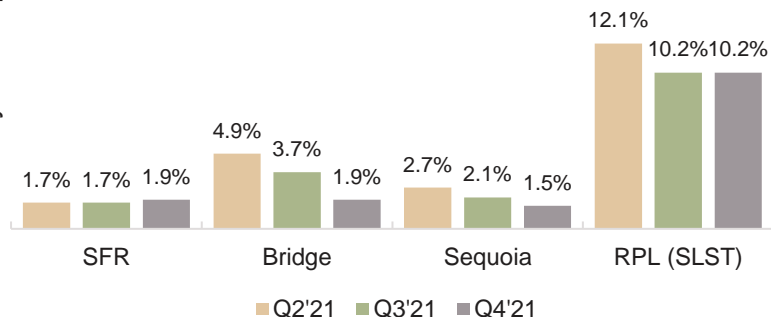
Quarterly Performance

- Deployed \$222 million during Q4'21, largest quarter of capital deployment since onset of Covid-19
 - Opportunistically added CRT at wider spreads
 - Continued to add HEI to our portfolio through flow agreement with Point Digital
 - Increased our investment in legacy non-Agency servicing assets
- Called \$292 million of Jumbo and BPL loans in FY'21, and anticipate continued robust call activity through 2022⁽¹⁾ supported by strong housing fundamentals
- 85% of financing is non-marginable⁽²⁾

Portfolio Credit Quality⁽³⁾

Positive credit trends and declining delinquencies should support incremental call activity and further realization of book value upside

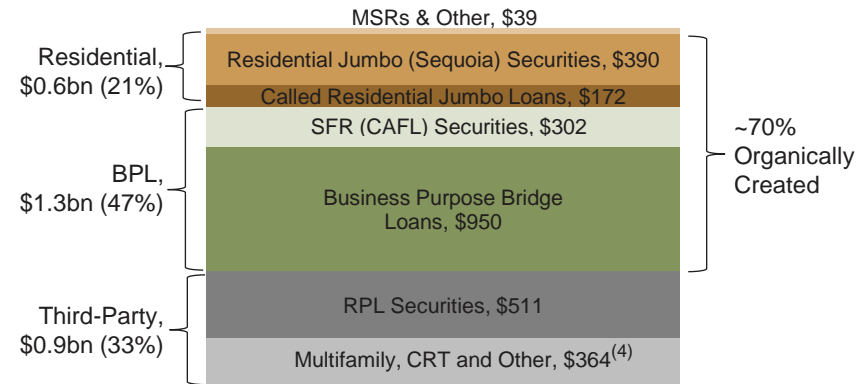
90 Day+ Delinquency



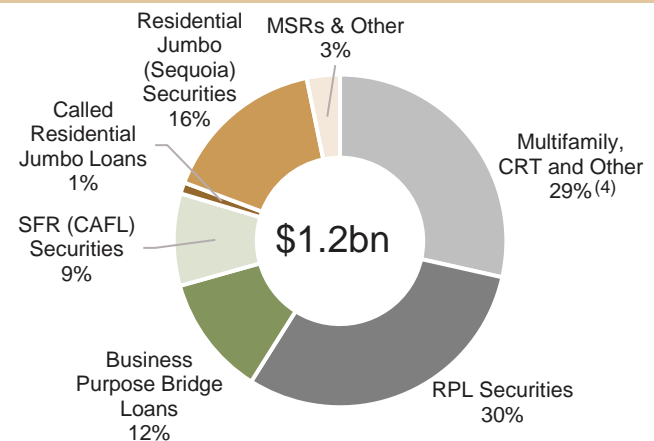
Detailed Endnotes are included at the end of this presentation.

Investment Portfolio by Assets (\$mm)

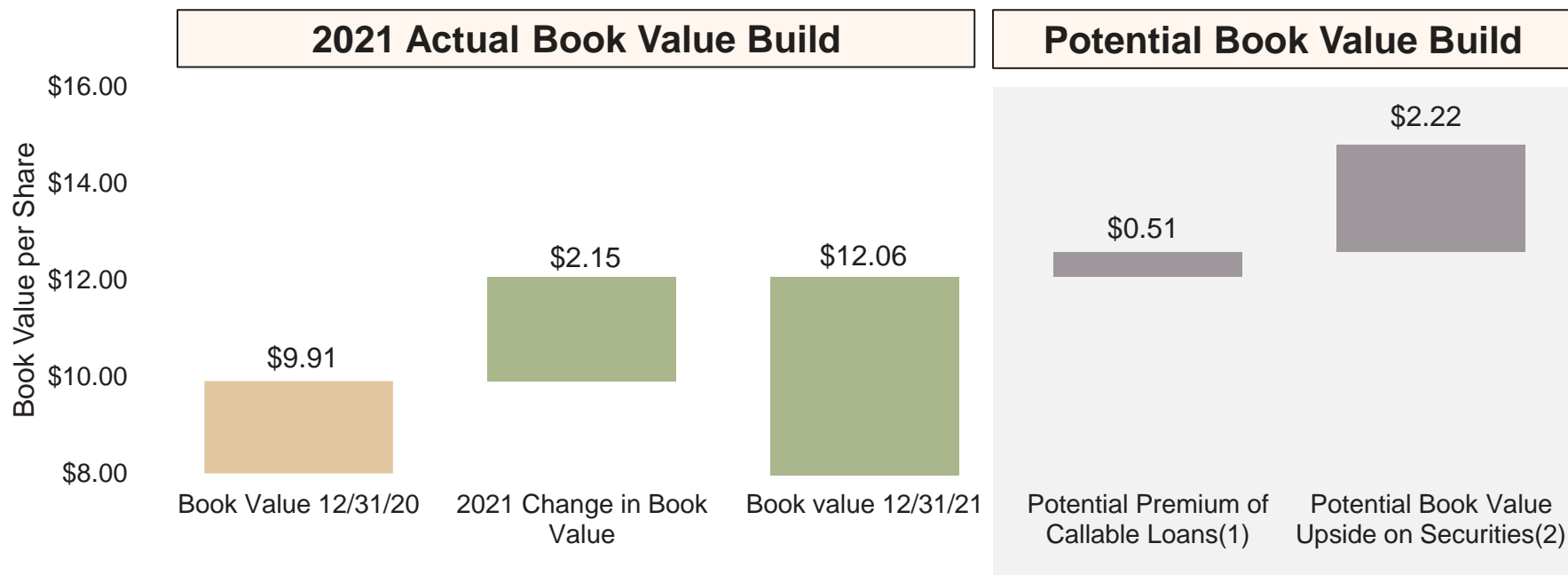
\$2.7 Billion Housing Credit Investments



Investment Portfolio by Capital



Incremental Upside from Call Options and Embedded Discount Within Our Portfolio



Looking Forward –

2022 and Beyond

FURTHER UPSIDE TO BOOK VALUE

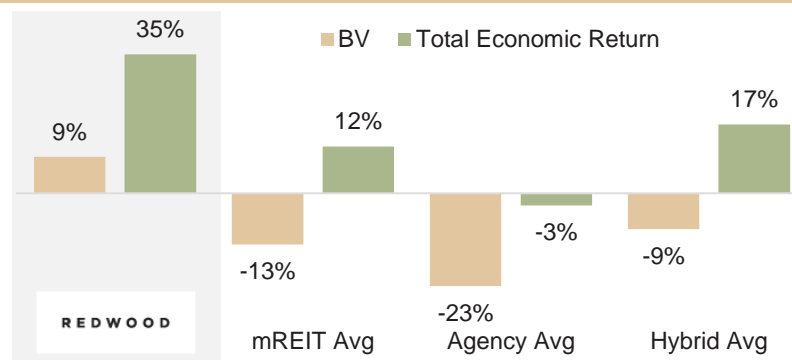
- We estimate that ~\$2.1 billion of additional loans in Sequoia deals could become callable by the end of 2024, including \$0.7 billion by the end of 2022⁽¹⁾
- At December 31, 2021, our securities portfolio had approximately \$255 million of net discount to par value, which we have the potential to realize over time

Redwood's Book Value in a Rising Rate Environment

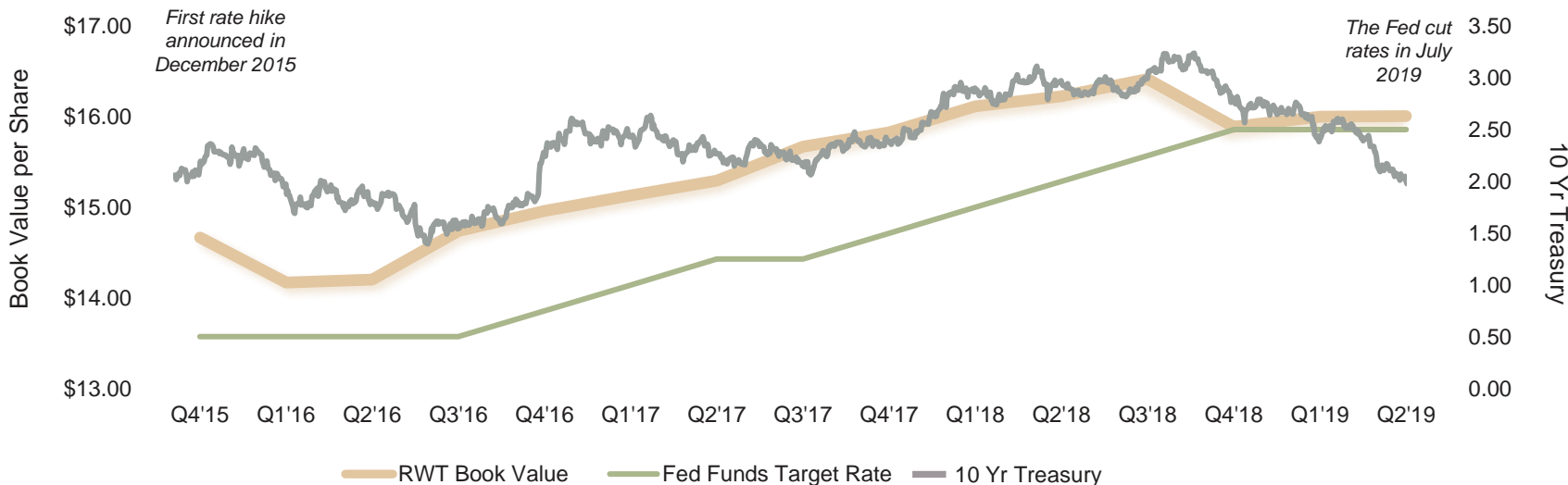
We delivered strong book value and total economic returns during the previous Fed rate hike cycle

- During the last Fed rate hike cycle, Redwood's book value increased 9% while delivering total economic return of 35% and an average quarterly dividend yield of 7.4%
- Since the last Fed rate hike cycle ended, we have further diversified our revenue streams into areas less correlated with rates
 - Entering the BPL business - which includes short-term and prepay protected assets – provides a critical business hedge to rising interest rates

Relative Performance During Last Fed Hike⁽¹⁾
Q4'15 – Q2'19



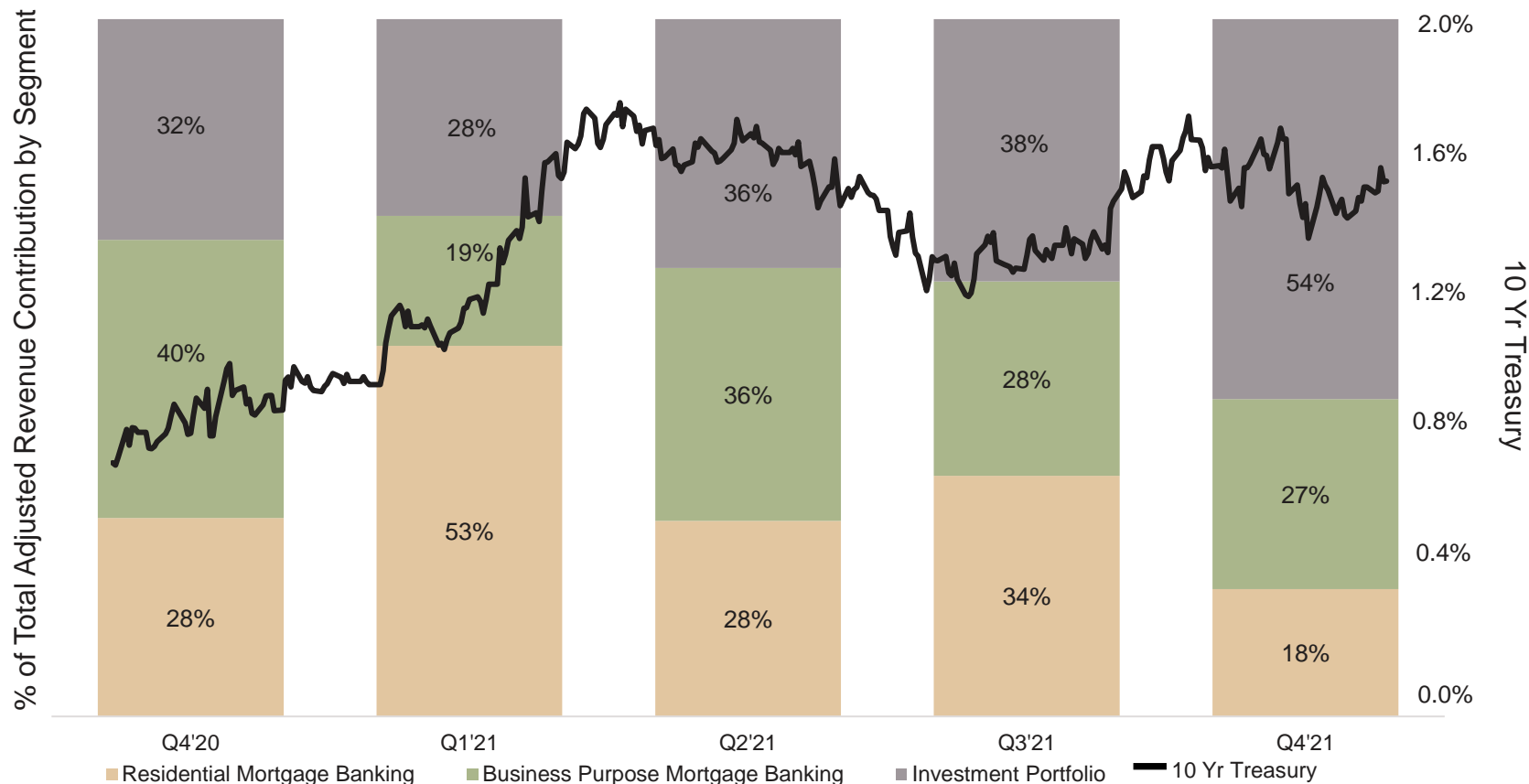
Redwood Book Value Performance During Previous Fed Rate Hike Cycle



Durable and Diversified Earnings Streams

Through our complementary strategies, we have delivered durable earnings across changing markets

Adjusted Revenue Contribution by Segment⁽¹⁾



Recent FHFA Announcement Creates Opportunity for Redwood to Increase Allocation to High Balance Loans

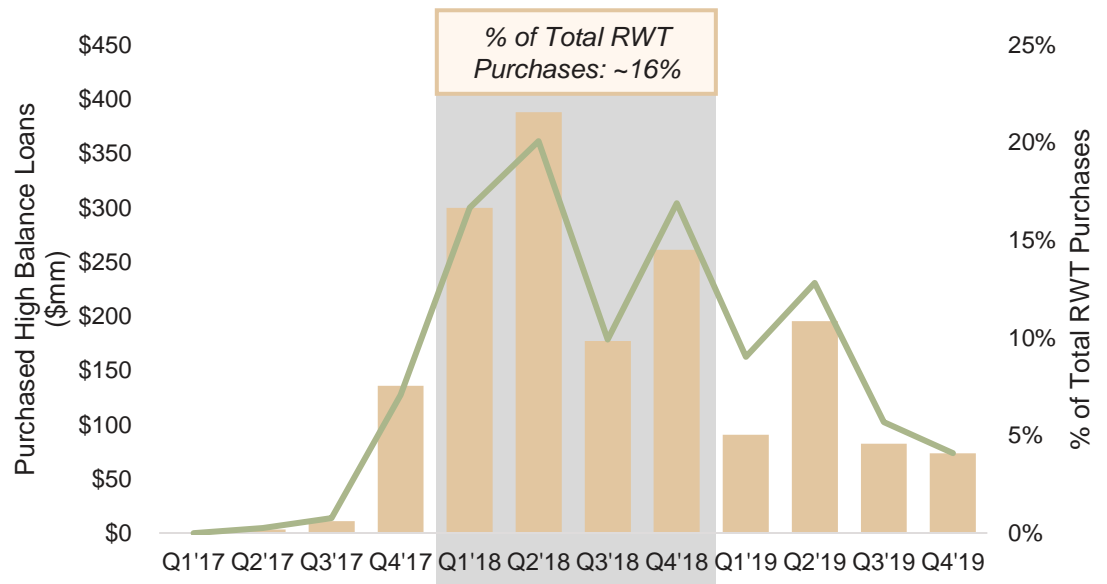
- On January 5, 2022, the FHFA announced plans to revise the GSE Enterprise Pricing Framework by increasing upfront fees for high balance loans and loans on second homes
- We anticipate that the pricing adjustment will result in more of these loans flowing into the private market

“The FHFA’s announcement provides welcome additional alignment between private capital and the GSEs in furthering our collective goals for housing access and affordability. Redwood remains a highly complementary partner to the GSEs and we view these changes to be constructive for non-agency origination volumes overall.”

-Chris Abate, Chief Executive Officer

Redwood has a Strong History as a Purchaser of High Balance Loans

- In 2018, nearly 20% of Redwood’s purchase volume was in high balance loans, as private label execution compared favorably to the GSEs
- Given the recent announcement by the FHFA, we would anticipate our purchases of high balance loans to once again increase
- We expect the pricing framework changes to largely offset the impact of higher conforming loan limits in 2022



**RWT
HORIZONS™**

Invests in primarily early-stage companies that drive innovation in financial and real estate technology, with potential to enhance efficiency and scale to Redwood's businesses

Overview

\$25 million
deployed in
FY'21

15 total
investments

Current
pipeline of 15-
20 actionable
investment
opportunities

Q4'21 Activity

- 5 additional investments in Q4'21



- Completed first follow-on investment in existing portfolio company (Rentroom)
- Investments in Dwellsy and Modumate were made through Redwood's partnership with Frontiers Capital

Investments in innovative technology complement Redwood's investment strategy and drive growth, efficiency and scale

- Liquid Mortgage** – Integrated with Redwood sub-servicer to receive payment information that is published on blockchain daily
- Point Digital** – Redwood and Point co-sponsored first ever securitization backed by residential HEI contracts, issuing ~\$146 million of HEI backed bonds



Current Tailwinds for RWT's Strategy

We believe there are a number of current dynamics in the market that support our strategy and provide a tailwind for our execution going forward

Growing BPL Market

- Robust borrower demand presents significant opportunities for full life-cycle lenders like CoreVest

Expanding Share of Housing Market

- We continue to increase wallet share by broadening our focus in the non-government areas of housing including debt & equity

Consumer Demand for Expanded Credit Products

- Greater focus on expanded credit products and rising home prices provide avenues of growth for our Residential business

Credit Remains Strong

- Positive credit trends and incremental call activity support further book value upside

Technology Drives Innovation

- RWT Horizons supports development of key technologies that benefit the housing finance ecosystem

Financial Results



Income Statement

GAAP Net Income			
(\$ in millions, except per share data)			
	Three Months Ended		
	12/31/2021	9/30/2021	
Net interest income			
Investment portfolio	\$ 50	\$ 42	
Mortgage banking	8	9	
Corporate (unsecured debt) ⁽¹⁾	(9)	(9)	
Total net interest income	50	42	
Non-interest income			
Business Purpose mortgage banking activities, net	24	30	
Residential mortgage banking activities, net	12	33	
Investment fair value changes, net	7	26	
Other income, net	4	2	
Realized gains, net	—	7	
Total non-interest income, net	47	98	
General and administrative expenses	(39)	(48)	
Loan acquisition costs	(4)	(5)	
Other expenses	(5)	(4)	
(Provision for) benefit from income taxes	(5)	4	
Net income	\$ 44	\$ 88	
Earnings per diluted common share	\$ 0.34	\$ 0.65	

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 fourth quarter 2021 Redwood Review, which is available within the "Financials-Redwood Review" section on the Company's investor relations website at ir.redwoodtrust.com.

Balance Sheet

Consolidated Balance Sheet (\$ in millions)

			December 31, 2021							
	12/31/2021	9/30/2021	Consolidated VIEs ⁽¹⁾						Redwood Consolidated	
			At Redwood ⁽¹⁾	Sequoia	CAFL	Freddie Mac SLST	Freddie Mac K-Series	Other VIEs ⁽²⁾	Other ⁽³⁾	
Residential loans	\$ 7,592	\$ 6,216	\$ 1,845	\$ 3,628	\$ —	\$ 1,888	\$ —	\$ 230	\$ —	\$ 7,592
Business purpose loans	4,791	4,694	622	—	3,766	—	—	—	402	4,791
Multifamily loans	474	483	—	—	—	—	474	—	—	474
Real estate securities	377	353	377	—	—	—	—	—	—	377
Other investments	642	422	98	—	—	—	—	544	—	642
Cash and cash equivalents	450	557	444	—	—	—	—	6	—	450
Other assets ⁽⁴⁾	380	347	257	11	63	8	1	40	—	380
Total assets	\$ 14,707	\$ 13,073	\$ 3,644	\$ 3,639	\$ 3,830	\$ 1,896	\$ 475	\$ 821	\$ 402	\$ 14,707
Short-term debt	\$ 2,177	\$ 1,751	\$ 1,848	\$ —	\$ —	\$ —	\$ —	\$ 294	\$ 35	\$ 2,177
Other liabilities	249	263	178	8	12	4	1	45	—	249
ABS issued	9,254	8,184	—	3,383	3,475	1,588	442	365	—	9,254
Long-term debt, net	1,641	1,500	1,334	—	—	—	—	—	307	1,641
Total liabilities	13,321	11,697	3,359	3,392	3,487	1,593	443	705	342	13,321
Equity	1,386	1,376	284	248	343	304	32	116	60	1,386
Total liabilities and equity	\$ 14,707	\$ 13,073	\$ 3,644	\$ 3,639	\$ 3,830	\$ 1,896	\$ 475	\$ 821	\$ 402	\$ 14,707

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Book Value Per Share

Changes in Book Value per Share				
(\$ in per share)				
	Three Months Ended 12/31/2021	Three Months Ended 9/30/2021	Year Ended 12/31/2021	
Beginning book value per share	\$ 12.00	\$ 11.46	\$ 9.91	
Basic earnings per share	0.37	0.75	2.73	
Changes in accumulated other comprehensive income				
Unrealized gains on available-for-sale (AFS) securities, net	0.02	0.03	0.28	
Realized gains on AFS securities	—	(0.06)	(0.15)	
Discount Accretion on AFS securities	(0.12)	(0.06)	(0.21)	
Dividends	(0.23)	(0.21)	(0.78)	
Equity compensation, net	0.02	0.04	0.13	
Other, net	—	0.05	0.15	
Ending book value per share	\$ 12.06	\$ 12.00	\$ 12.06	

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Capital Allocation

Capital Allocation Summary				
(\$ in millions)				
	December 31, 2021		September 30, 2021	
Mortgage Banking Operating Platforms				
Residential	\$	350	\$	315
Business Purpose ⁽¹⁾		192		150
Total		542		465
Investment Portfolio				
Residential Organic Investments		244		229
Business Purpose Organic Investments		248		290
Third Party Investments		708		584
Total		1,200		1,103
Available Capital		150		350
Other Corporate Capital ⁽²⁾		154		118
Total Capital		2,046		2,036
Unsecured Debt		(660)		(660)
Total Equity	\$	1,386	\$	1,376

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Mortgage Banking Key Operating Metrics

Mortgage Banking Key Operating Metrics

(\$ in millions)

	Q4 2021			Q3 2021		
	Business Purpose Mortgage Banking	Residential Mortgage Banking	Total	Business Purpose Mortgage Banking	Residential Mortgage Banking	Total
Mortgage banking income ⁽¹⁾	\$ 27	\$ 18	\$ 45	\$ 32	\$ 40	\$ 73
Net contributions (GAAP)	\$ 7	\$ 8	\$ 15	\$ 11	\$ 19	\$ 30
Add back: acquisition amortization expenses ⁽²⁾	3	—	3	5	—	5
After-tax net operating contribution (non-GAAP) ⁽³⁾	\$ 10	\$ 8	\$ 18	\$ 16	\$ 19	\$ 35
Capital utilized (average for period) ⁽⁴⁾	\$ 143	\$ 309	\$ 452	\$ 147	\$ 302	\$ 449
Return on capital (GAAP)	21 %	10 %	14 %	29 %	26 %	27 %
Adjusted return on capital (non-GAAP) ⁽³⁾	29 %	10 %	16 %	43 %	26 %	31 %
<u>Production Volumes</u>						
SFR loan fundings	\$ 366			\$ 394		
Bridge loan fundings	\$ 367			\$ 245		
Residential loan locks		\$ 2,827			\$ 4,743	
Residential loan purchase commitments (fallout adjusted)		\$ 1,979			\$ 3,288	

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 fourth 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

Investment Portfolio Key Financial Results		
(\$ in millions)		
	Three Months Ended	
	12/31/2021	09/30/21
Net interest income	\$ 50	\$ 42
Net contribution (GAAP)	\$ 56	\$ 71
Less: realized gains ⁽¹⁾	—	(7)
Less: investment fair value changes ⁽¹⁾	(8)	(26)
Adjusted net contribution (non-GAAP) ⁽²⁾	\$ 48	\$ 38
Capital utilized (average for period)	\$ 1,159	\$ 1,132
Return on capital (GAAP)	19 %	25 %
Adjusted return on capital (non-GAAP) ⁽²⁾	17 %	13 %
<u>At period end</u>		
Carrying values of assets	\$ 2,728	\$ 2,458
Secured debt balances ⁽³⁾	(1,528)	(1,355)
Capital invested	\$ 1,200	\$ 1,103
Leverage ratio ⁽⁴⁾	1.27x	1.24x

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Investment Portfolio Credit Characteristics

Residential Investments Credit Characteristics ⁽¹⁾				
December 31, 2021				
(\$ in millions, except where noted)				
	Sequoia Select Securities ⁽²⁾	Sequoia Choice Securities ⁽²⁾	Re-Performing Loan Securities	
Market value	\$ 131	\$ 226	\$ 511	
Average FICO (at origination)	768	739	608	
HPI updated average LTV ⁽³⁾	40 %	51 %	68 %	
Average loan size (in thousands)	\$ 629	\$ 693	\$ 162	
Gross weighted average coupon	3.9 %	4.9 %	4.5 %	
Current 3-month prepayment rate	34 %	47 %	16 %	
90+ days delinquency (as a % of UPB) ⁽⁴⁾	0.5 %	2.1 %	10.2 %	
Investment thickness ⁽⁵⁾	7 %	35 %	25 %	

Business Purpose and Multifamily Investments Credit Characteristics				
December 31, 2021				
(\$ in millions, except where noted)				
	SFR Securities	BPL Bridge Loans ⁽¹⁾	Multifamily B-Pieces	
Market value	\$ 302	\$ 950	\$ 63	
Average current DSCR ⁽²⁾	1.4x	N/A	1.5x	
Average LTV (at origination) ⁽³⁾	68 %	69 %	69 %	
Average loan size (in thousands)	\$ 2,917	\$ 341	\$ 28,691	
Gross weighted average coupon	5.3 %	7.0 %	3.5 %	
90+ days delinquency (as a % of UPB) ⁽⁴⁾	1.9 %	1.9 %	— %	
Investment thickness ⁽⁵⁾	10 %	N/A	10 %	

Detailed Endnotes are included at the end of this presentation.

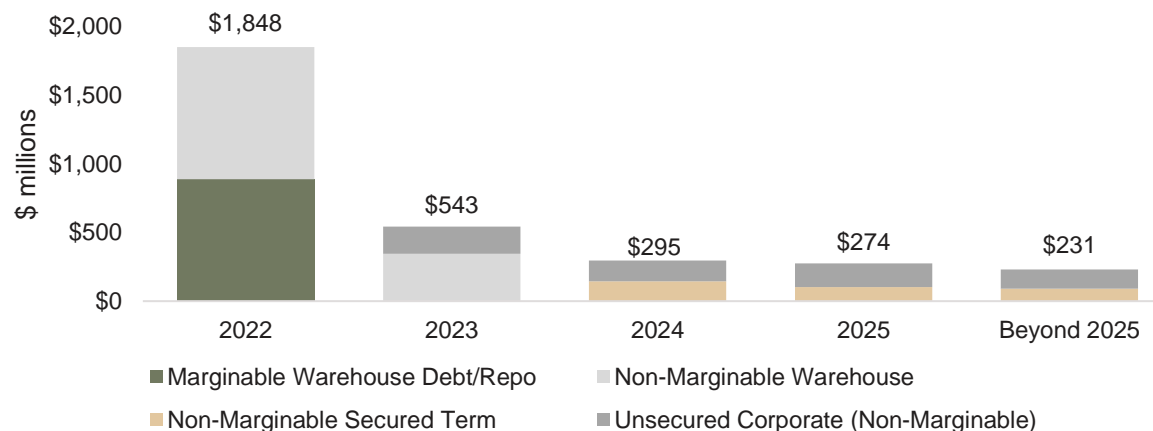
A further discussion of Redwood's business, financial results and taxable income is included in the fourth quarter 2021 Redwood Review, which is available within the "Financials-Redwood Review" section on the Company's investor relations website at ir.redwoodtrust.com.

Recourse Debt Balances

Recourse Debt Balances at December 31, 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	\$ —	\$ —	\$ —	\$ —	\$ 660	\$ 660	4.7 %
Securities portfolio	607	338	75	413	—	413	3.8 %
SFR loans	300	232	—	232	—	232	2.7 %
Bridge loans	266	217	—	217	—	217	3.0 %
Residential loans	1,800	857	812	1,669	—	1,669	1.9 %
Total	\$ 2,973	\$ 1,644	\$ 887	\$ 2,531	\$ 660	\$ 3,192	2.8 %

Recourse Debt Scheduled Maturities

(\$ in millions)



Detailed Endnotes are included at the end of this presentation.

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Endnotes

Non-GAAP Measures – Adjusted Return on Capital

After-Tax Net Operating Contribution and Adjusted Return on Capital

After-Tax Net Operating Contribution and Adjusted Return on Capital are non-GAAP measures derived from GAAP Net Contribution and Return on Capital, respectively, for our mortgage banking operations and investment portfolio. After-Tax Net Operating Contribution presents a measure of the profitability of these business operations, exclusive of non-cash amortization for amounts related to historical business acquisitions (adjusted for tax effects) for our mortgage banking operations and realized gains and investment fair value changes for our investment portfolio. Adjusted Return on Capital presents an alternative measure of profitability relative to the amount of capital utilized in the operations of the business during a period and is calculated by dividing annualized non-GAAP After-Tax Net Operating Contribution by the average capital utilized by the business 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 of profitability, exclusive of non-cash amortization for amounts related to historical business acquisitions, realized gains and investment fair value changes (each adjusted for tax effects). We caution that After-Tax Net Operating Contribution and Adjusted Return on Capital should not be utilized in isolation, nor should they be considered as alternatives to GAAP Net Contribution, GAAP Return on Capital or other measurements of results of operations computed in accordance with GAAP.

\$ in millions	Q3 2021			Q4 2021			FY'2021		
	Residential Mortgage Banking	Business Purpose Mortgage Banking	Investment Portfolio	Residential Mortgage Banking	Business Purpose Mortgage Banking	Investment Portfolio	Residential Mortgage Banking	Business Purpose Mortgage Banking	Investment Portfolio
Net contributions (GAAP)	\$19	\$11	\$71	\$8	\$7	\$56	\$82	\$39	\$293
Adjustments to Net Contributions									
Realized gains	0	0	(7)	0	0	(0)	0	0	(18)
Investment fair value changes, net	0	0	(26)	0	0	(8)	0	0	(130)
G&A expenses	0	1	0	0	0	0	0	4	0
Other expenses	0	4	0	0	3	0	0	14	0
After-tax net operating contribution (non-GAAP)	19	16	38	8	10	48	82	56	146
Capital utilized (average for period)	302	147	1,132	309	143	1,159	300	149	1,131
Return on capital (GAAP)	26%	29%	25%	10%	21%	19%	28%	26%	26%
Adjusted return on capital (non-GAAP)	26%	43%	13%	10%	29%	17%	28%	38%	13%

Non-GAAP Measures – Adjusted Revenue

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:

\$ in millions	Q4 2020			Q1 2021			Q2 2021			Q3 2021			Q4 2021		
	Residential Mortgage Banking	Business Mortgage Banking	Investment Portfolio	Residential Mortgage Banking	Business Mortgage Banking	Investment Portfolio	Residential Mortgage Banking	Business Mortgage Banking	Investment Portfolio	Residential Mortgage Banking	Business Mortgage Banking	Investment Portfolio	Residential Mortgage Banking	Business Mortgage Banking	Investment Portfolio
Net interest income	\$1	\$2	\$29	\$3	\$1	\$31	\$6	\$2	\$33	\$7	\$2	\$42	\$6	\$2	\$50
Non-interest income	23	32	22	61	21	52	21	33	60	33	30	35	12	25	11
Total GAAP revenue	24	34	51	64	23	83	27	35	92	40	32	77	18	27	61
Adjustments to GAAP revenue															
Realized gains	0	0	(0)	0	0	(3)	0	0	(8)	0	0	(7)	0	0	(0)
Investment fair value changes, net	0	0	(24)	0	0	(46)	0	0	(50)	0	0	(26)	0	0	(8)
Other income	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Corporate interest expense	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Non-GAAP Adjusted Revenue	24	34	27	64	23	34	27	35	34	40	32	44	18	27	53
GAAP Revenue as % of Total	22%	31%	47%	38%	13%	49%	17%	23%	60%	27%	22%	51%	17%	25%	58%
Non-GAAP Adjusted Revenue as % of Total	28%	40%	32%	53%	19%	28%	28%	36%	36%	34%	28%	38%	18%	27%	54%

Endnotes

Slide 3 (Redwood's Mission is to Help Make Quality Housing, Whether Rented or Owned, Accessible to all Americans)

Source: Company financial data as of December 31, 2021 unless otherwise noted. Market data per Bloomberg as of December 31, 2021.

1. Represents performance of stock price and dividends from December 31, 2020 to December 31, 2021.

Slide 4 (Complementary Business Lines Drive Balanced and Durable Earnings)

Source: Company financial data as of December 31, 2021 unless otherwise noted.

1. Adjusted Return on Capital is a non-GAAP metric. Please refer to Non-GAAP Measures - Adjusted Return on Capital on page 30 for more information.
2. Annualized Market Opportunity. Business Purpose Mortgage Banking based on 2021 data and potential financing opportunity for SFR of \$110 billion over 3-4 years, annualized to ~\$30 billion (Source: John Burns Real Estate Consulting, LLC and internal Company estimates). Residential Mortgage Banking represents lagging 12 months of Jumbo and Expanded Credit origination (Source: Inside Mortgage Finance as of September 30, 2021). Investment Portfolio represents 2021 investment opportunities across PLS Subs, CRT, HEI, MF, Bridge and CAFL SFR investments (Source: internal Company estimates).

Slide 5 (Redwood's Ability to Create, Retain and Distribute Assets)

Source: Company financial data as of December 31, 2021 unless otherwise noted.

Slide 6 (Redwood Q4'21 Financial Highlights)

1. Total economic return is based on the periodic change in GAAP book value per common share plus dividends declared per common share during the period, divided by beginning period GAAP book value per common share.
2. Indicative dividend yield based on RWT closing stock price of \$13.19 as of December 31, 2021.
3. 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 corporate capital and RWT Horizons. Further detail on the components of allocated capital is included on slide 24 of this presentation.
4. Adjusted Return on Capital is a non-GAAP metric. Please refer to Non-GAAP Measures - Adjusted Return on Capital on page 30 for more information.
5. Recourse leverage ratio is defined as recourse debt at Redwood exclusive of other liabilities divided by tangible stockholders' equity. Recourse debt excludes \$9.9 billion of consolidated securitization debt (ABS issued and servicer advance financing) and other debt that is non-recourse to Redwood, and tangible stockholders' equity excludes \$42 million of intangible assets.

Slide 7 (2021 by the Numbers)

Source: Company financial data as of December 31, 2021 unless otherwise noted. Market data per Bloomberg as of December 31, 2021.

1. Total economic return is based on the periodic change in GAAP book value per common share plus dividends declared per common share during the period, divided by beginning period GAAP book value per common share.

Endnotes

Slide 8 (Redwood Q4'21 Business Highlights)

Source: Company financial data as of December 31, 2021.

1. Does not account for potential fallout from pipeline that typically occurs through the lending process.
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.
3. Investible capital is an internal estimate of the portion of our cash and cash equivalent balance adjusted for internal risk capital, and capital allocated to our operating businesses to fund growth in loan purchase and origination volume. Investible capital of \$150 million represents our available capital at December 31, 2021.

Slide 9 (Business Purpose Mortgage Banking)

Source: Company financial data as of December 31, 2021. Market data per Bloomberg as of December 31, 2021.

Slide 10 (Business Purpose Lending Market Opportunity)

Source: Company financial data as of December 31, 2021.

1. HPA data per BofA Global Research and Corelogic as of January 2022. Rent Growth data per Beekin as of January 2022.

Slide 11 (Residential Mortgage Banking)

Source: Company financial data as of December 31, 2021 unless otherwise noted.

1. Does not account for potential fallout from pipeline that typically occurs through the lending process.

Slide 12 (Best in Class “Gold Standard” Distribution Platforms)

Source: Company financial data as of December 31, 2021 unless otherwise noted.

Slide 13 (Investment Portfolio)

Source: Company financial data as of December 31, 2021 unless otherwise noted.

1. 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.
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.
3. Chart shows 90 day+ delinquencies by product from Q2'21 through Q4'21. Includes loans over 90 days delinquent and all loans in foreclosure (regardless of delinquency status). 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.
4. “Multifamily, CRT, and Other” includes \$130 million of CRT and third-party securities, \$64 million of multifamily securities, \$105 million investment in legacy servicing assets, \$55 million net investment in HEI assets, and \$10 million of other multifamily loans and investments.

Endnotes

Slide 14 (Incremental Upside from Call Options and Embedded Discount Within Our Portfolio)

Source: Company financial data as of December 31, 2021 unless otherwise noted.

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 \$2.1 billion of additional loans in Sequoia and CAFL deals could become callable by the end of 2024, including \$0.7 billion by the end of 2022. The \$0.51 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 15 (Redwood's Book Value in a Rising Rate Environment)

Source: Company financial data as of December 31, 2021 unless otherwise noted. Market data per Bloomberg as of December 31, 2021. Peer data per CapitalIQ.

1. Agency peers include NLY, AGNC, ARR. Hybrid peers include CIM, MFA, TWO, IVR, PMT, MITT, WMC and EARN. mREIT Average represents the average across all these names. Companies that existed during the previous rate hike cycle that no longer exist or have been acquired are not included in this analysis.

Slide 16 (Durable and Diversified Earnings Streams)

Source: Company financial data as of December 31, 2021 unless otherwise noted. Market data per Bloomberg as of December 31, 2021.

1. Adjusted Revenue is a Non-GAAP metric. Please refer to Non-GAAP Measures - Adjusted Revenue on page 31 for more information.

Slide 17 (Recent FHFA Announcement Creates Opportunity for Redwood to Increase Allocation to High Balance Loans)

Source: Company financial data as of December 31, 2021 unless otherwise noted.

Slide 18 (RWT Horizons)

Source: Company financial data as of December 31, 2021 unless otherwise noted.

Slide 21 (Appendix: Income Statement)

1. Net interest income from Corporate primarily consists of interest expense on corporate unsecured debt.

Endnotes

Slide 22 (Appendix: Balance Sheet)

1. The format of this consolidated balance sheet is provided to more clearly delineate between the assets and liabilities belonging to securitization entities (Consolidated VIEs) that we are required to consolidate on our balance sheet in accordance with GAAP, versus the assets that are legally ours and the liabilities of ours for which there is recourse to us. Each of these entities is independent of Redwood and of each other and the assets and liabilities of these entities are not owned by and are not legal obligations of ours. Our exposure to these entities is primarily through the financial interests we have retained or acquired in these entities (generally subordinate and interest-only securities), the fair value of which is represented by our equity in each entity, as presented in this table.
2. Includes our consolidated Legacy Sequoia, Servicing Investment, and Point entities. At December 31, 2021, our equity in the Legacy Sequoia, Servicing Investment, and Point entities was \$3 million, \$103 million, and \$10 million, respectively. At September 30, 2021, our equity in the Legacy Sequoia, Servicing Investment, and Point entities was \$3 million, \$60 million, and \$10 million, respectively.
3. Includes business purpose bridge and SFR loans and associated non-recourse secured financing.
4. At December 31, 2021 and September 30, 2021, other assets at Redwood included a total of \$33 million and \$34 million, respectively, of assets held by third-party custodians and pledged as collateral to the GSEs in connection with credit risk-sharing arrangements. These pledged assets can only be used to settle obligations to the GSEs under these risk-sharing arrangements.

Slide 24 (Appendix: Capital Allocations)

1. Capital allocated to our Business Purpose Mortgage Banking platform includes \$42 million of platform premium, representing the unamortized balance of intangible assets we recorded in association with the acquisition of CoreVest.
2. Other corporate capital includes capital not specifically allocated to our segments as well as capital allocated to RWT Horizons.

Slide 25 (Appendix: 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. After-tax Net Operating Contribution and Adjusted Return on Capital are non-GAAP measures. Please refer to Non-GAAP Measures - Adjusted Return on Capital on page 30 for more information.
4. Capital utilized during the quarter for business purpose mortgage banking operations includes \$42 million of platform premium.

Endnotes

Slide 26 (Appendix: Investment Portfolio Key Operating Metrics)

1. 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.
2. Adjusted Net Contribution and Adjusted Return on Capital are non-GAAP measures. Please refer to Non-GAAP Measures - Adjusted Return on Capital on page 30 for more information.
3. Secured debt includes both recourse debt and non-recourse debt (including for bridge loans and resecuritized RPL securities), secured by our investment assets.
4. Leverage ratio is calculated as Secured debt balances divided by capital, as presented within this table.

Slide 27 (Appendix: Investment Portfolio 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 December 2021 reports, which reflect a loan performance date of November 30, 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 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 28 (Appendix: Recourse Debt Balances)

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 non-delinquent.
2. Average borrowing cost represents the weighted average contractual cost of recourse debt outstanding at December 31, 2021 and does not include deferred issuance costs or debt discounts.