

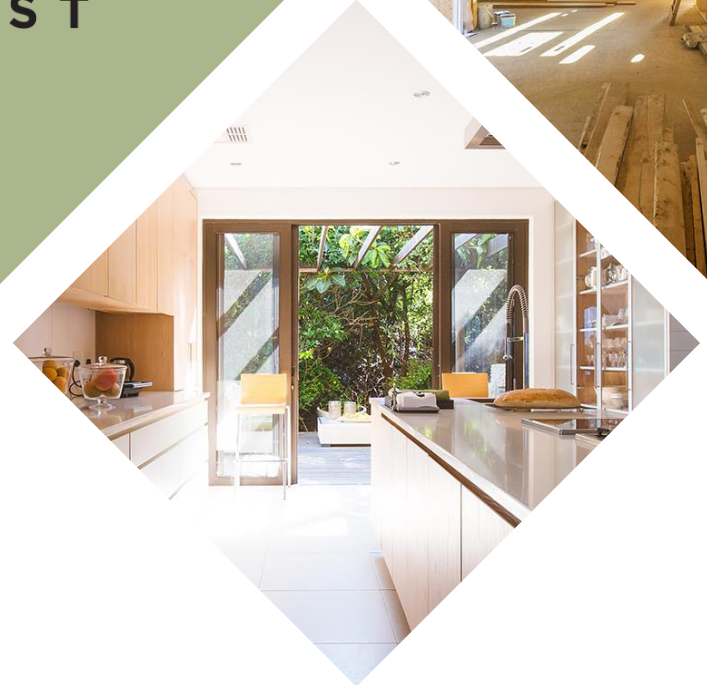
# Investor Presentation

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February 25, 2021



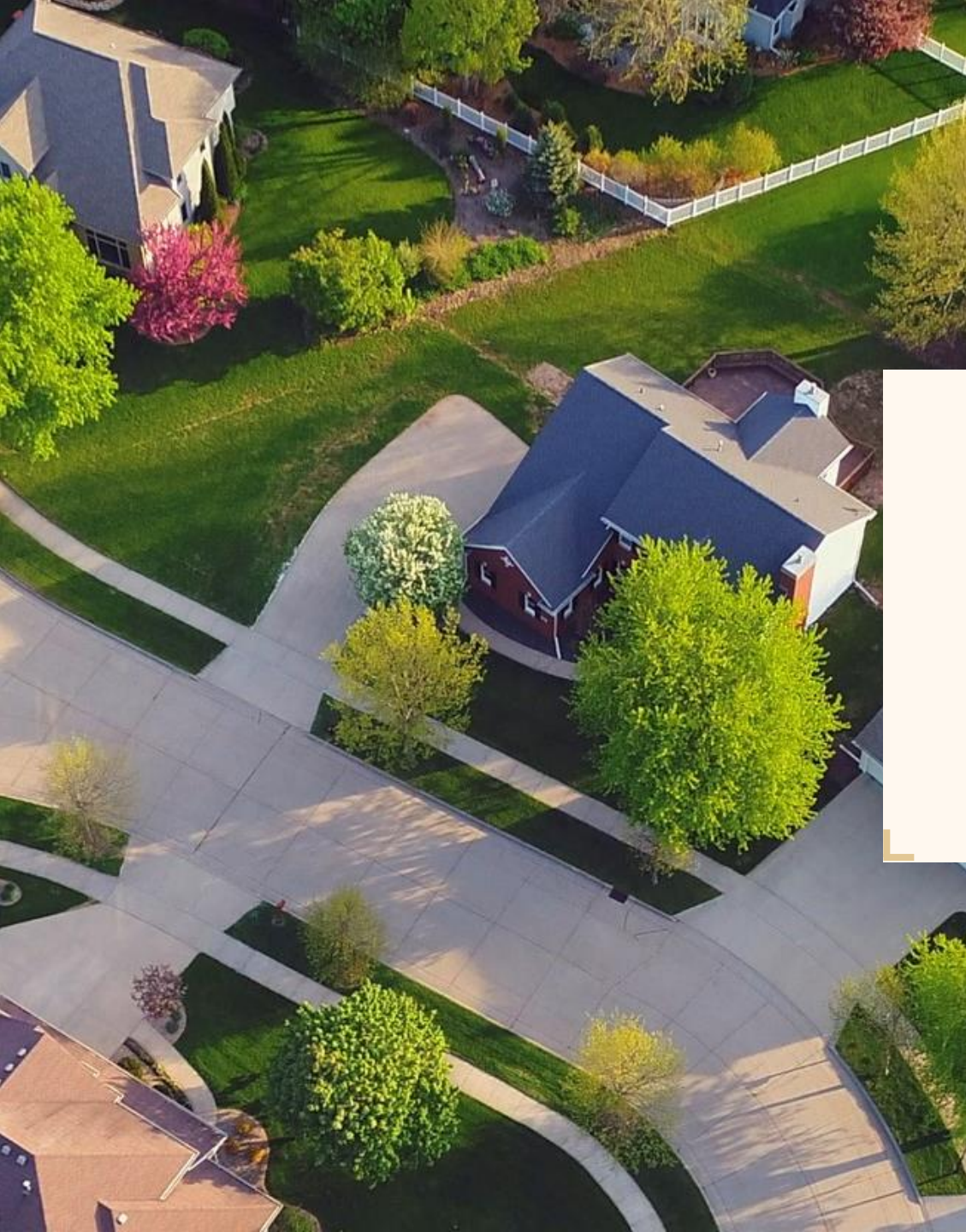
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TRUST



# Forward Looking Statements

This presentation contains forward-looking statements, including statements regarding our belief that we can increase the market share of our residential lending platform by four to five times by the end of 2025 and estimated yields on our operating business and investment portfolio. 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, 2019, the Quarterly Report on Form 10-Q for the quarter ended March 31, 2020, and any subsequent Quarterly Reports on Form 10-Q and Annual Reports on Form 10-K under the caption “Risk Factors.” Many of these risks and uncertainties are, and will be, exacerbated by the COVID-19 pandemic and any worsening of the global business and economic environment as a result. 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.

R  
W  
T

# Redwood Trust provides significant liquidity to the U.S. housing market

REDWOOD  
RESIDENTIAL

 COREVEST<sup>®</sup>  
A REDWOOD TRUST COMPANY

REDWOOD  
INVESTMENTS

## Through our market leading brands we:



Aggregate mortgages made to homeowners and landlords who don't qualify for 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

# Most segments of the U.S. housing market rely on some form of private capital

**\$3T+** potential non-agency financing opportunity<sup>(1)</sup>

**\$4T** GSE MBS issuances in 2020<sup>(2)</sup>

**\$100B** of sub-performing loans on GSE balance-sheets<sup>(3)</sup>

- There is a substantial need for private capital to support housing finance activities where government loan programs fall short
- Over the past several years, the GSEs have:
  - Dramatically reduced the size of their investment portfolios
  - Streamlined focus areas to be more in line with their core mission
- These activities require investments from the private sector to facilitate risk transfers on new and existing portfolios

# We address a vast and growing market spanning the entire U.S. housing finance industry

REDWOOD  
RESIDENTIAL

## Non-Agency Consumer Lending

- Leading non-agency conduit providing liquidity to a broad set of originators
- Innovative technology initiatives aimed at disrupting traditional mortgage workstreams
- Best-in-class customer service and user experience for originators and investors

 COREVEST<sup>®</sup>  
A REDWOOD TRUST COMPANY

## Business Purpose Lending

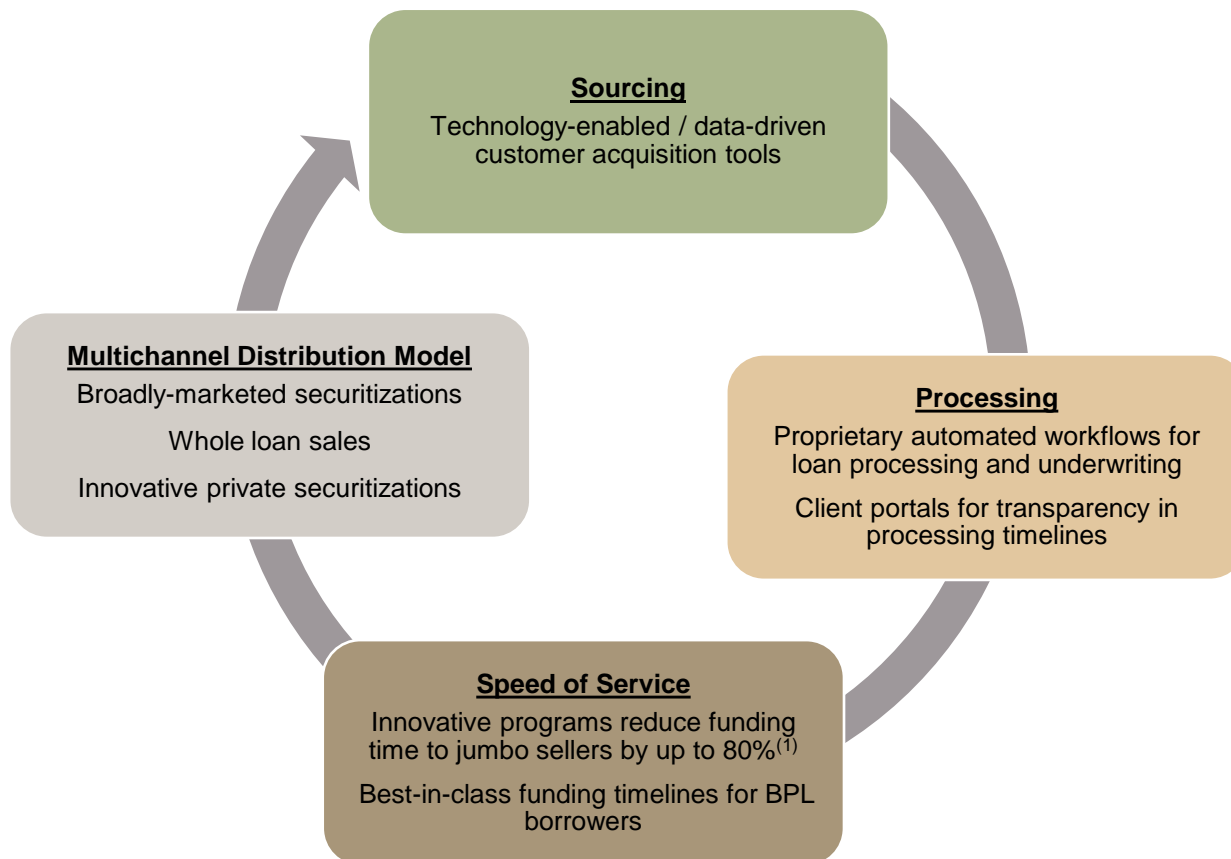
- Leading direct lender to housing investors
- Advanced customer acquisition technology
- Multi-product offerings that drive a virtuous cycle of customer retention

REDWOOD  
INVESTMENTS

## Credit-Focused Portfolio

- Source of reliable liquidity to support our mortgage banking businesses
- Provide permanent capital for GSE and other third-party activities through exclusive partnerships and open-market purchases
- Attractive risk-adjusted returns with lower leverage than peers

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



End-to-end life cycle processes safely funds more loans faster for more clients

# As the market leader in the non-agency sector, we are poised to capitalize on secular shifts in housing

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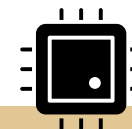
## Serving Growing Markets

- Housing demand continues to outpace supply in both owner-occupied and rental markets
- Single-family rental homes are increasing as a percentage of total single-family homes in all top 20 SFR markets<sup>(1)</sup>
- Large deferred maintenance persists in national housing stock
- Strong demand for housing credit from institutional investors



## Macro Tailwinds

- Strong demand for single-family detached homes driven by evolving consumer preferences on where to live, bolstered by lower rates
- Quality rental homes in attractive neighborhoods offer compelling options to consumers
- Intrinsic value of a home is increasingly important in today's society



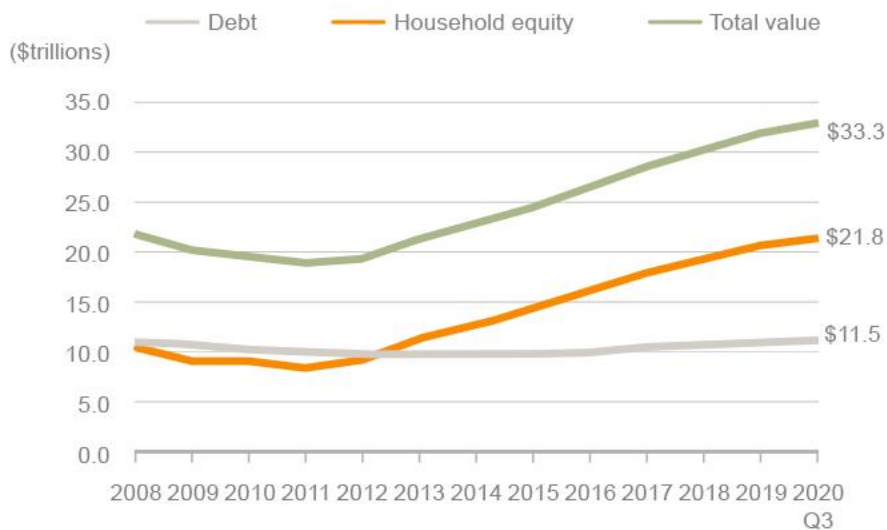
## Competitive Advantages

- First-to-market brand recognition
- Technology-enabled processes accelerate time to fund loans and turn our capital
- Market-leading securitization platforms
  - Structure and distribute liquid AAA securities
  - Align interests with investors through retention of subordinate bonds



# Household equity continues to increase, outpacing loan balance limits for government lending programs

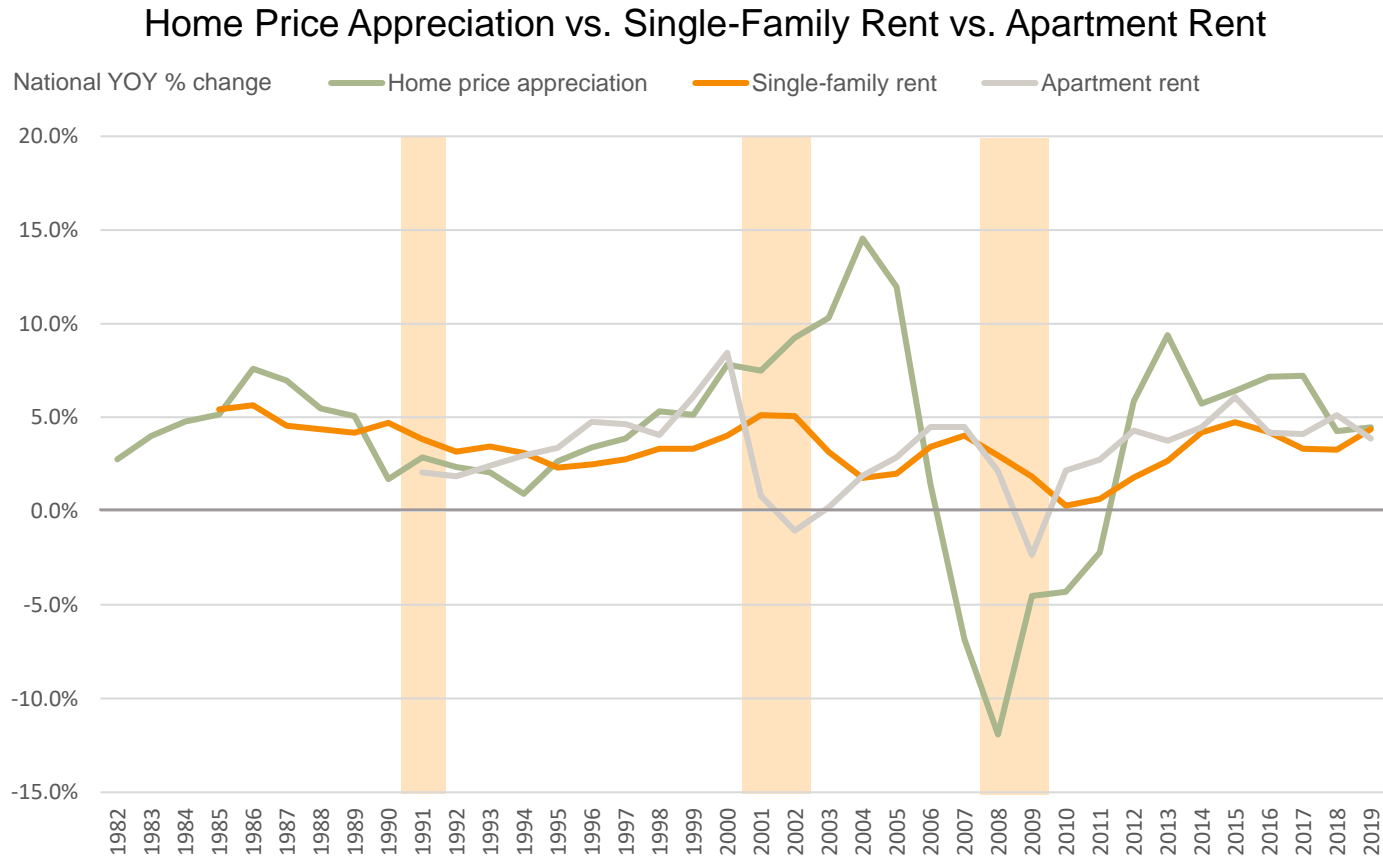
Value of the US Single Family Housing Market<sup>(1)</sup>



Growing Markets will Likely Require Increased Access to Non-Agency Lending

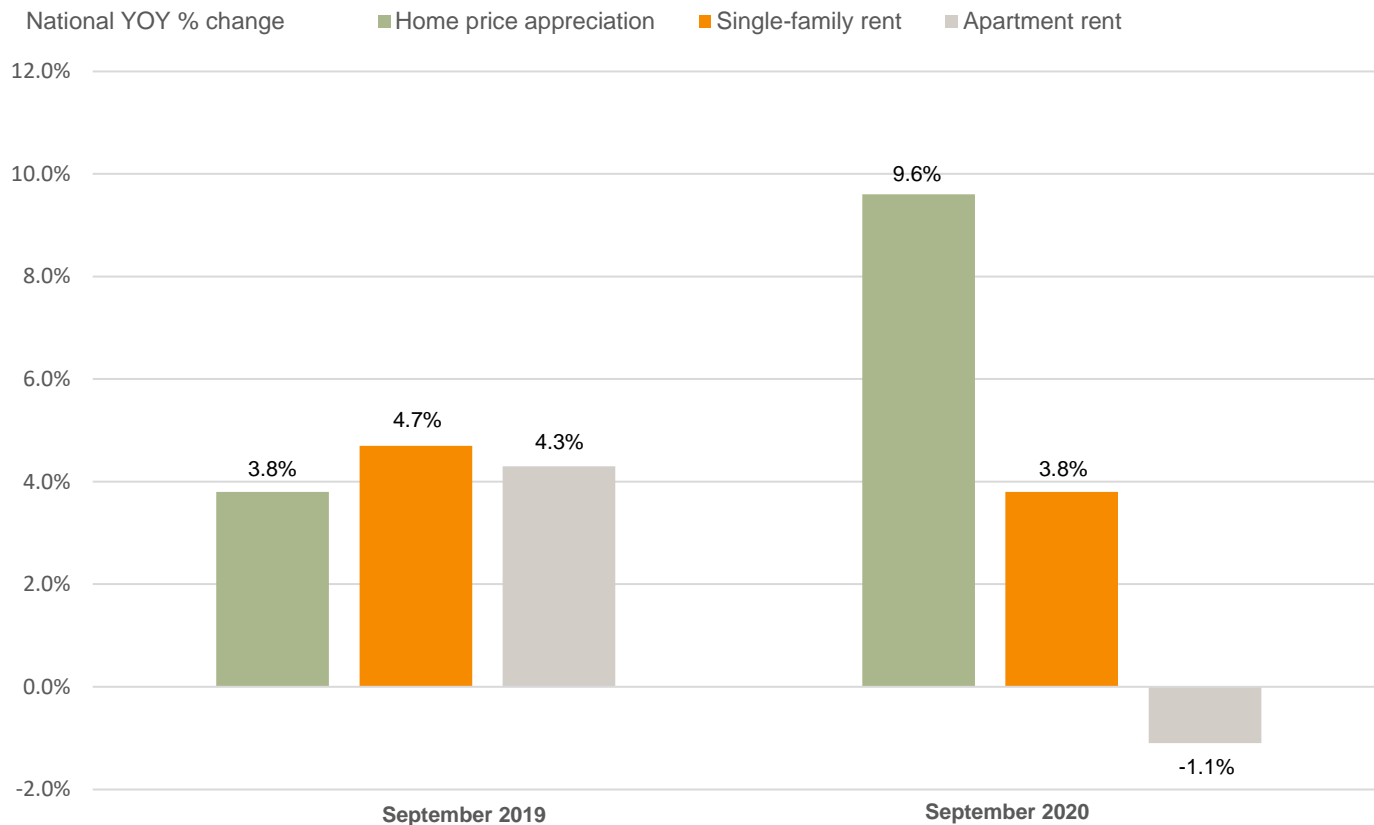
	Median Home Price <sup>(2)</sup> (\$ in thousands)	GSE 2021 Conforming Limit <sup>(3)</sup> (\$ in thousands)	Change in Limit since 2013 <sup>(3)</sup>	HPA Since 2013 <sup>(3)(4)</sup>
<b>Dallas</b>	\$ 389	\$ 548	31%	77%
<b>Denver</b>	\$ 480	\$ 597	43%	98%
<b>Miami</b>	\$ 399	\$ 548	31%	81%
<b>Seattle</b>	\$ 725	\$ 776	53%	101%

# Single-family rent growth remains strong and has historically stayed positive even in recessions<sup>(1)</sup>

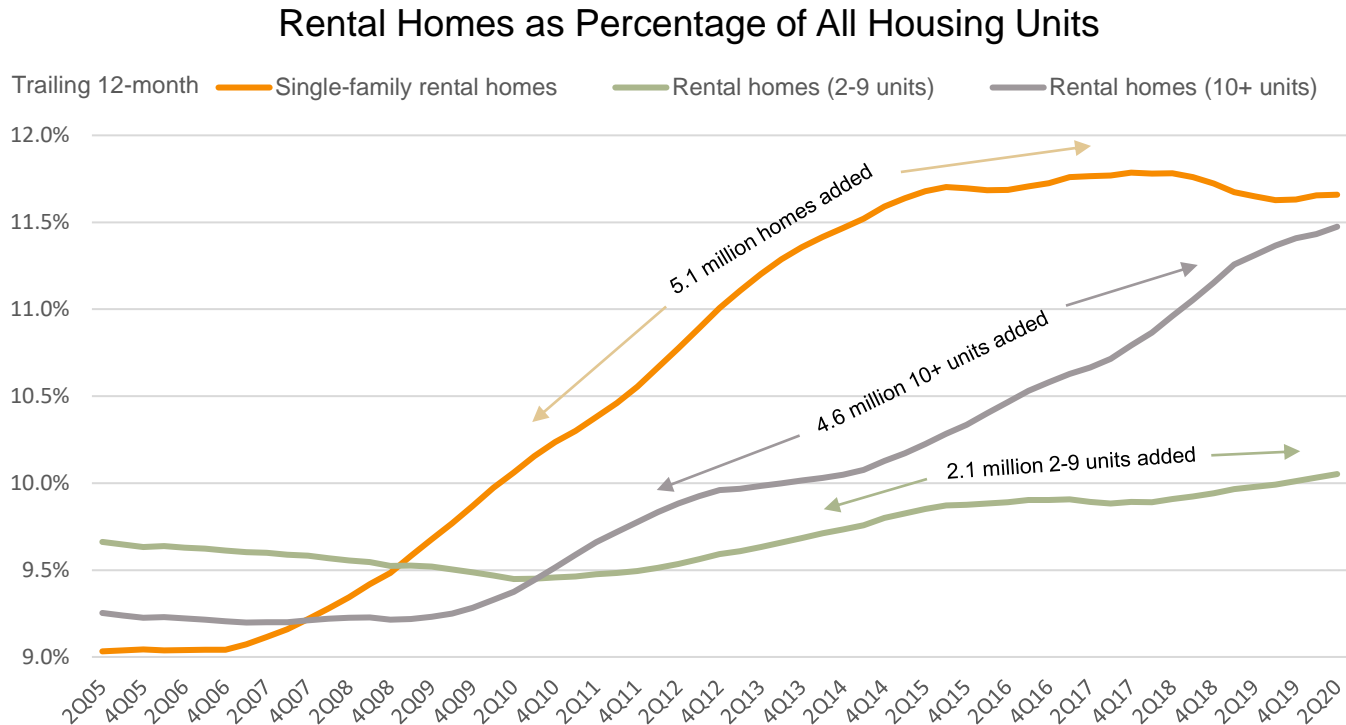


# Growth trends in housing prices and single-family rents continued through 2020

## Home Price Appreciation vs. Single-Family Rent vs. Apartment Rent

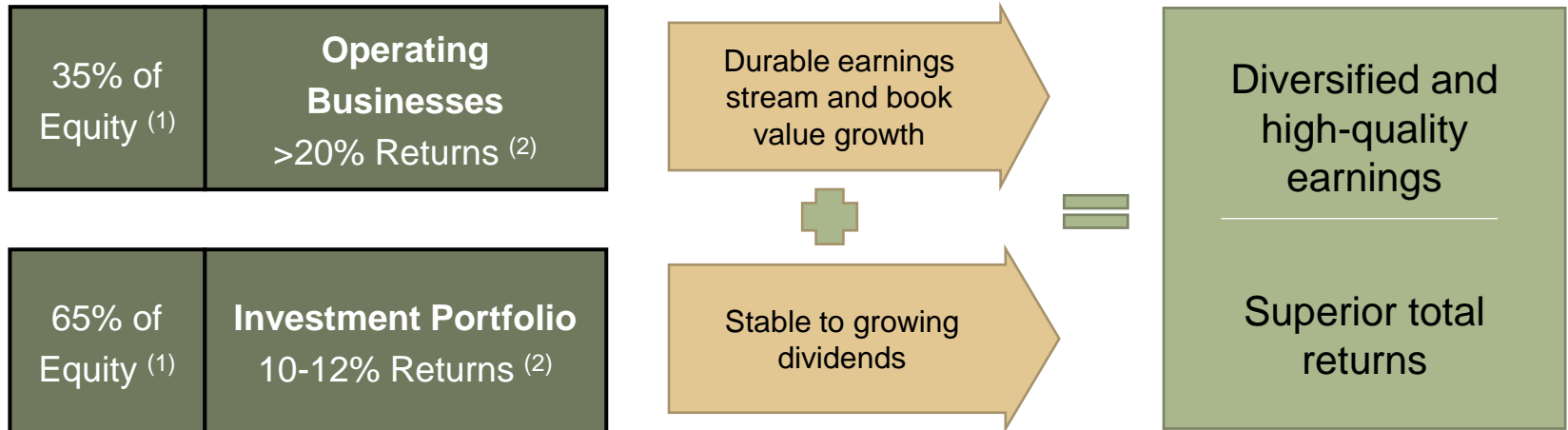


# Changing consumer preference and affordability are driving demand for single-family homes held for rent



**Single-Family Rental Units Make Up 11.7% of Total Housing Stock<sup>(1)</sup>**

# 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 supports a stable to growing dividend as we redeploy our \$200 million<sup>(1)</sup> of available capital
- We continue to allocate more of our 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

# We have delivered innovative solutions to the non-agency consumer sector for over 25 years

## REDWOOD RESIDENTIAL

Enhances housing availability as a leading intermediary between mortgage investors and originators

### Key source of liquidity for the market

- Unparalleled correspondent loan originator network (banks and non-banks)
- Aggregates loans and creates liquid securities for investors
- Alternative for borrowers from commercial banks, providing liquidity to independent mortgage banking (IMB) sector
- Enables commercial bank portfolios access to loans originated by IMBs

### Channel of interaction for buyers and sellers

- Aligns interests and facilitates execution with our counterparties
  - Securitization sponsorship
  - Reps and warrants
- Provides credit standards to meet the needs of borrowers, originators and investors
- Serves as a data aggregator for the benefit of our buyers and sellers

# We are the market leader in non-agency residential securitization, whole loan trading, and credit investing

## REDWOOD RESIDENTIAL

### More securitizations than any other sponsor

- **110** Sequoia transactions totaling \$55.4B in issuances
- **200+** Institutional Investors
- Market leading brand

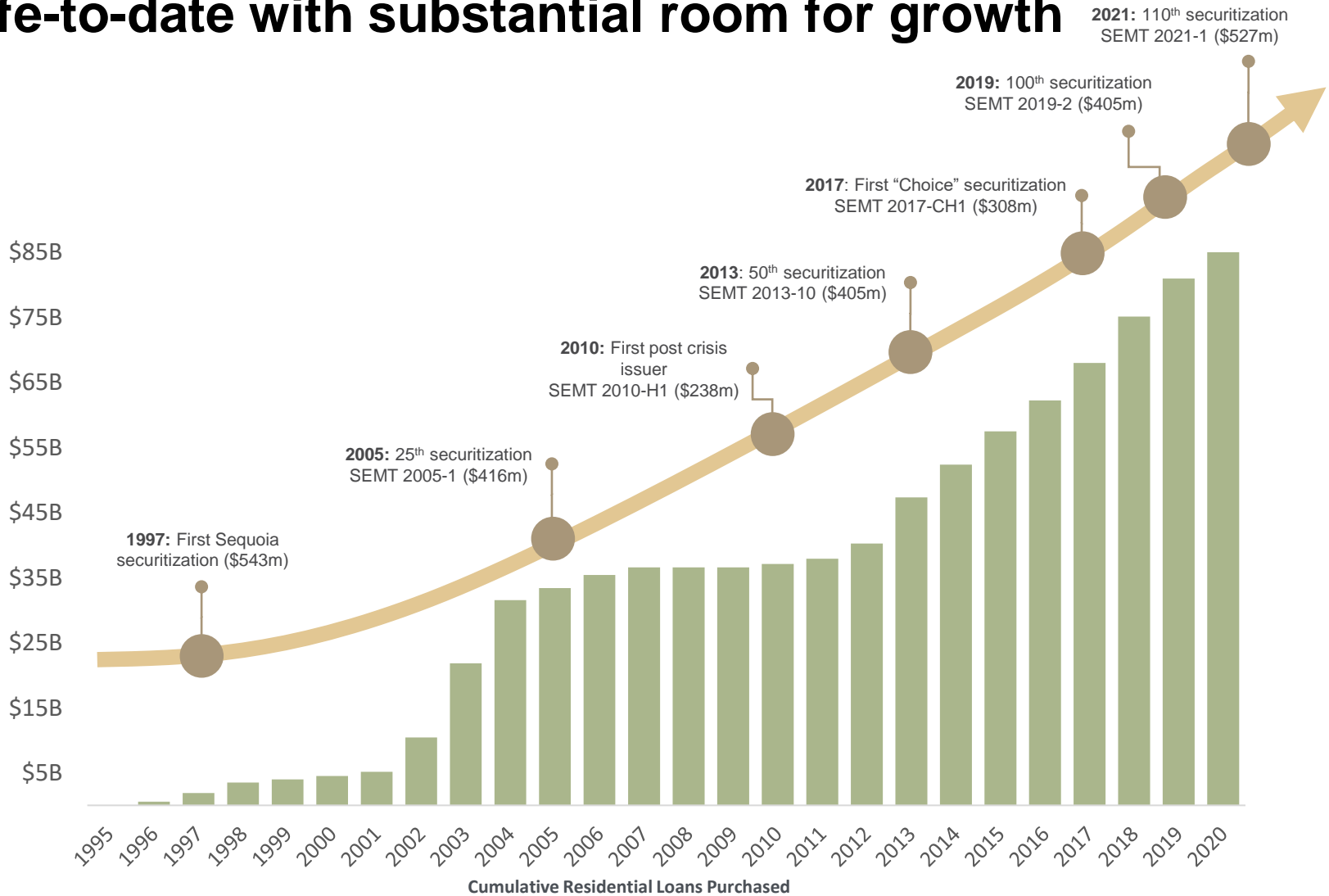
### Strong Performance

- **~2%**<sup>(1)</sup> portfolio delinquency rate
- **<1%** of portfolio<sup>(1)</sup> in forbearance versus market average of 6%<sup>(2)</sup>

### Significant opportunity to gain share

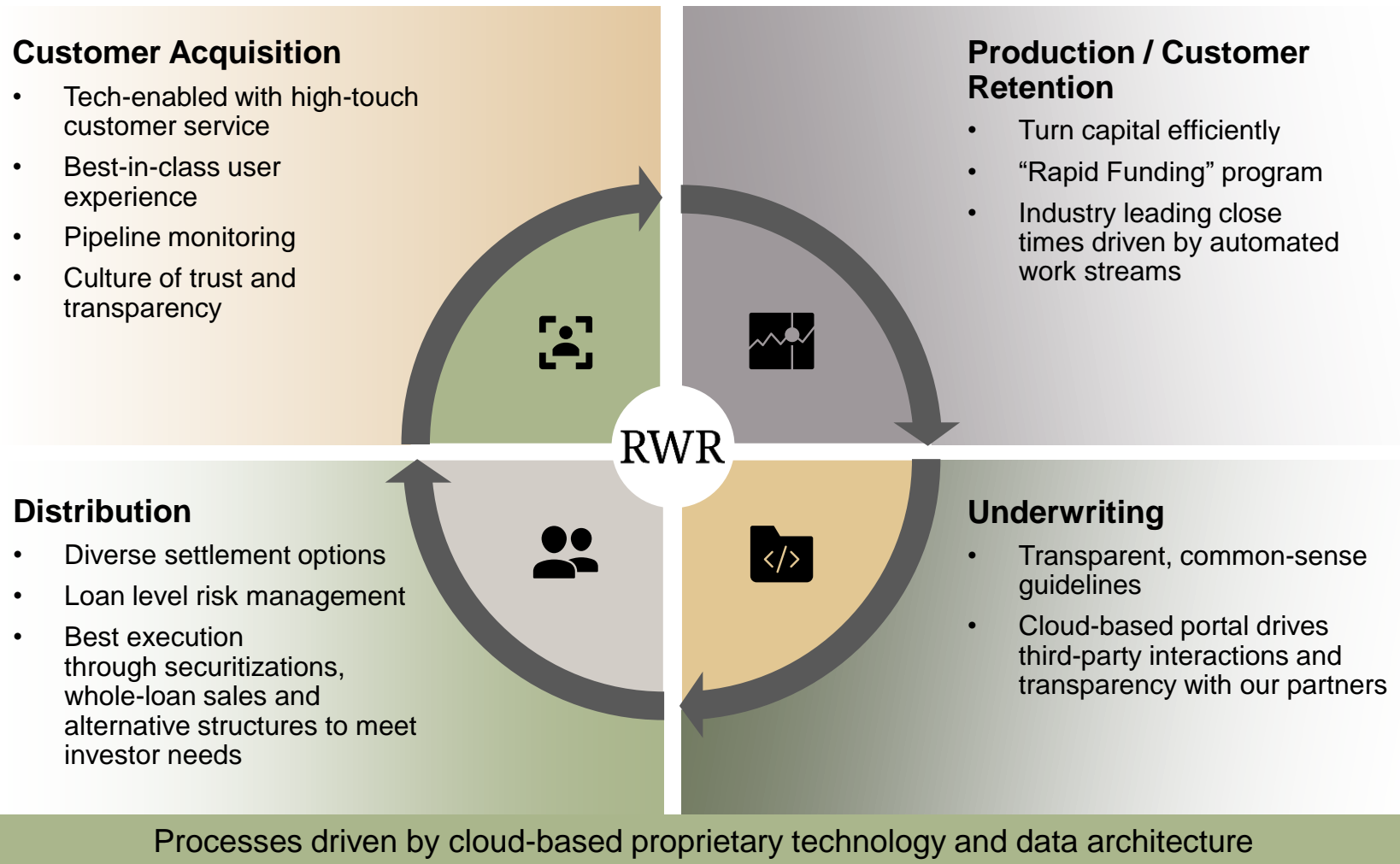
- **\$400B**<sup>(4)</sup> annual market
- **\$85B**<sup>(5)</sup> loans funded since 1995

# We have completed over \$85B in purchases life-to-date with substantial room for growth





# We believe we can increase our market share 4 - 5x by the end of 2025<sup>(1)</sup>



# We lead the industry in providing capital to a growing market of sophisticated housing investors

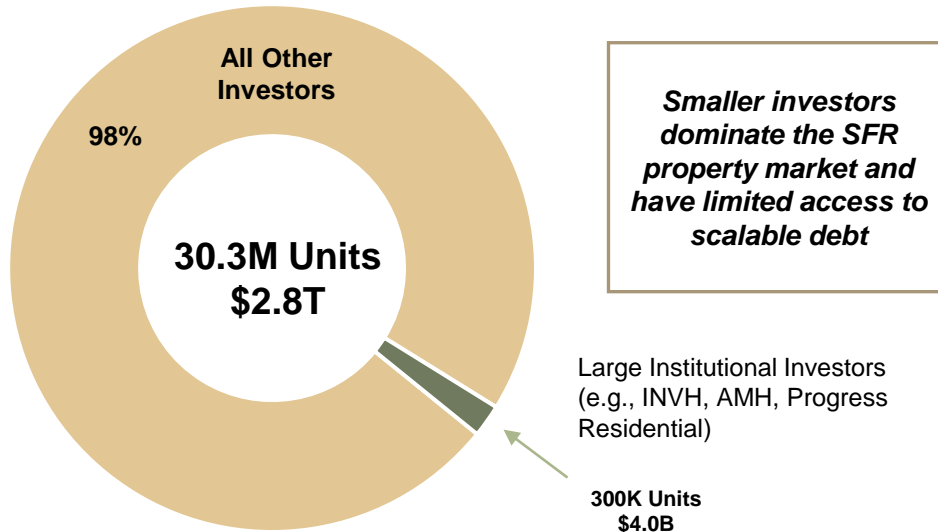


Highly scalable infrastructure with proprietary processes and technology

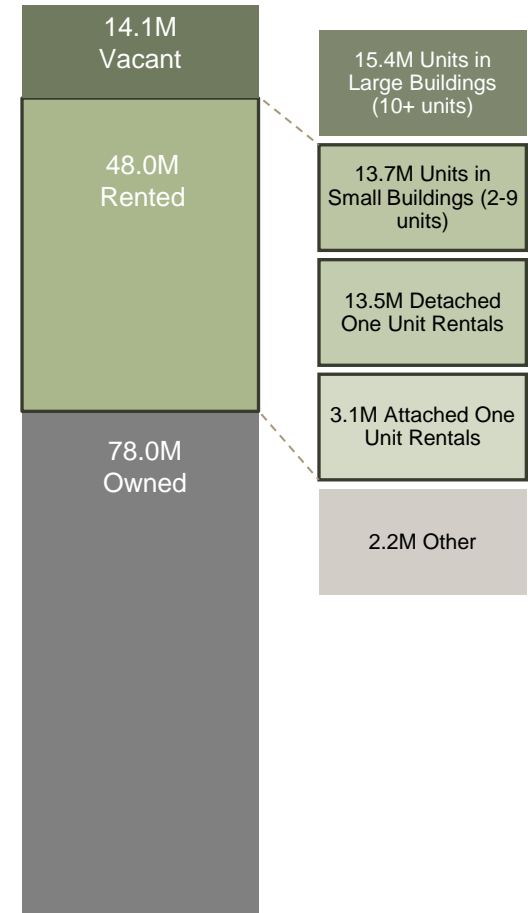
Target Market	Originations	Products	Loan Book <sup>(1)</sup>
<ul style="list-style-type: none"> <li>• Small and mid-sized real estate investors</li> <li>• Highly fragmented lending environment</li> <li>• 30.3M unit addressable market (16.6M are single-family rentals (SFRs))<sup>(2)</sup></li> <li>• \$90B+ estimated financing opportunity<sup>(2)(3)</sup></li> </ul>	<ul style="list-style-type: none"> <li>• Robust digital media marketing platform</li> <li>• Direct originations team</li> <li>• Third-party originations via correspondents, brokers and other relationships</li> </ul>	<ul style="list-style-type: none"> <li>• Term loans for stabilized portfolio investors</li> <li>• Bridge loans for acquisitions, build-for-rent renovations and portfolio aggregation</li> </ul>	<ul style="list-style-type: none"> <li>• \$11.6B+ in loans closed</li> <li>• Over 5,100 borrowers</li> <li>• Over 63,000 properties financed across 48 states and Washington, D.C.</li> </ul>

# SFR lending is a \$90B addressable market opportunity with limited competitors

Investor Share of Current SFR Property Market<sup>(1)</sup>

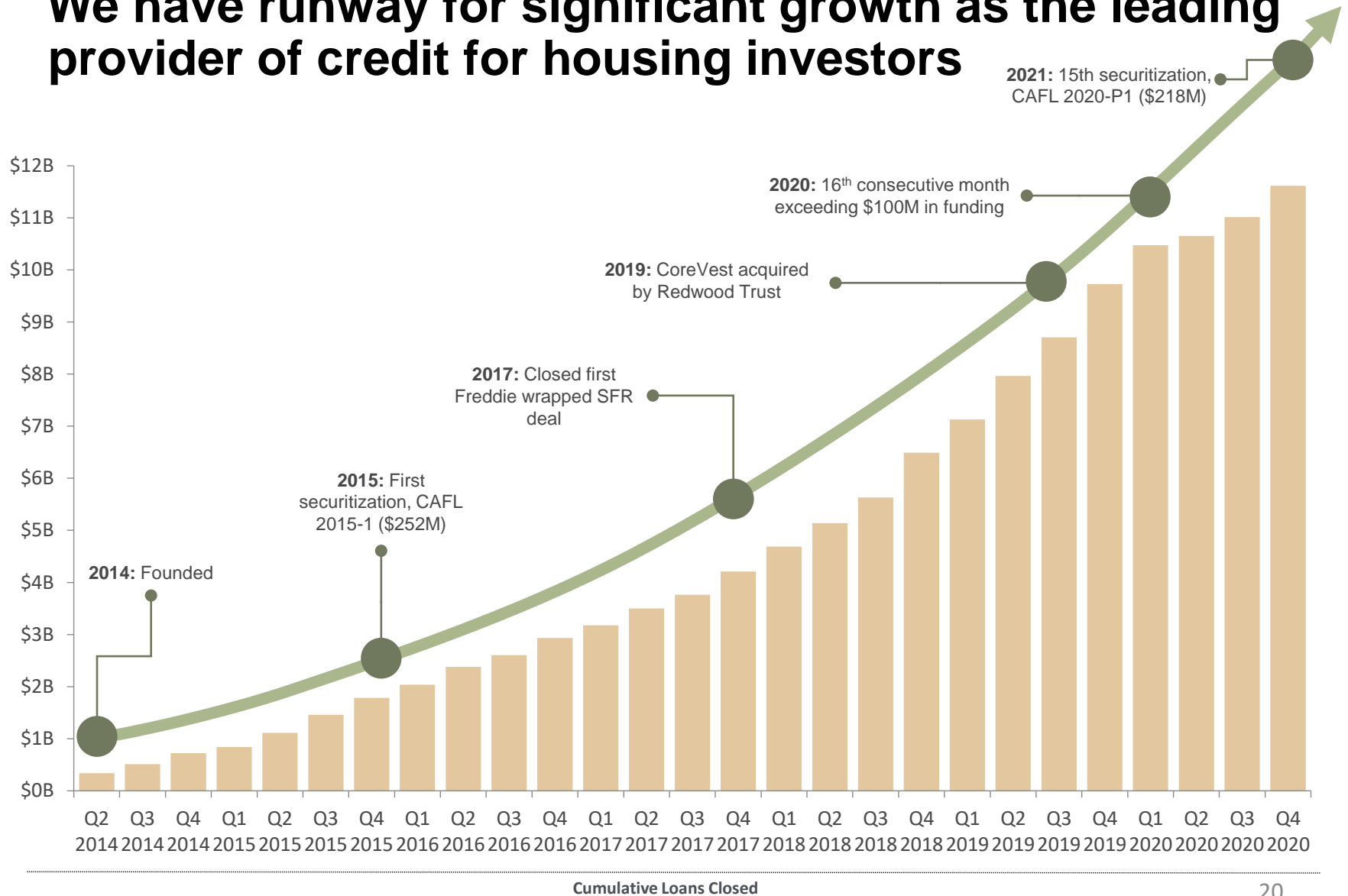


Total Housing Market (140.1M inventory)<sup>(2)(3)</sup>



30.3M	Investor Properties <sup>(2)</sup>
3.4%	Capture Rate <sup>(4)</sup>
1.0M	Homes Available for Financing
\$130K	Average Rental Property Value <sup>(1)</sup>
\$134B	BPO Value of Financeable Properties
67%	LTV <sup>(1)</sup>
<b>\$90B</b>	<b>Potential Financing Opportunity<sup>(1)</sup></b>

# We have runway for significant growth as the leading provider of credit for housing investors



# We lead the business purpose lending market with proprietary technology-enabled processes

## Sourcing

- Highly curated organic lead generation
- In house analytics and teams drive all lead generation
- Predictive data analytics

## Production

- Automated interactions with Capital Markets and Underwriting ensure consistency and efficiency
- Model pricing and loan sizing based on experience in evaluating 100s of thousands of assets

## Portfolio Management

- Systems merge data from originations, loans and servicing
- Dashboard driven real time views provide constant feedback loop

## Underwriting

- Industry leading close times due to automated workflow drivers
- Highly efficient and scalable
- Portal drives third party interactions and client transparency

End-to-end life cycle processes driven by cloud-based proprietary technology and data architecture

# Our technology is a competitive advantage that solidifies our market leadership position

- Highly scalable loan lifecycle system underpins shortest time to close in the industry with highest number of automated controls
- Systems drive key performance indicators including **over 50% repeat borrower rate** and **historical losses under 22bps<sup>(1)</sup>**
- Low client acquisition costs
- Significant barriers to entry due to first mover advantage coupled with a culture of consistent iteration

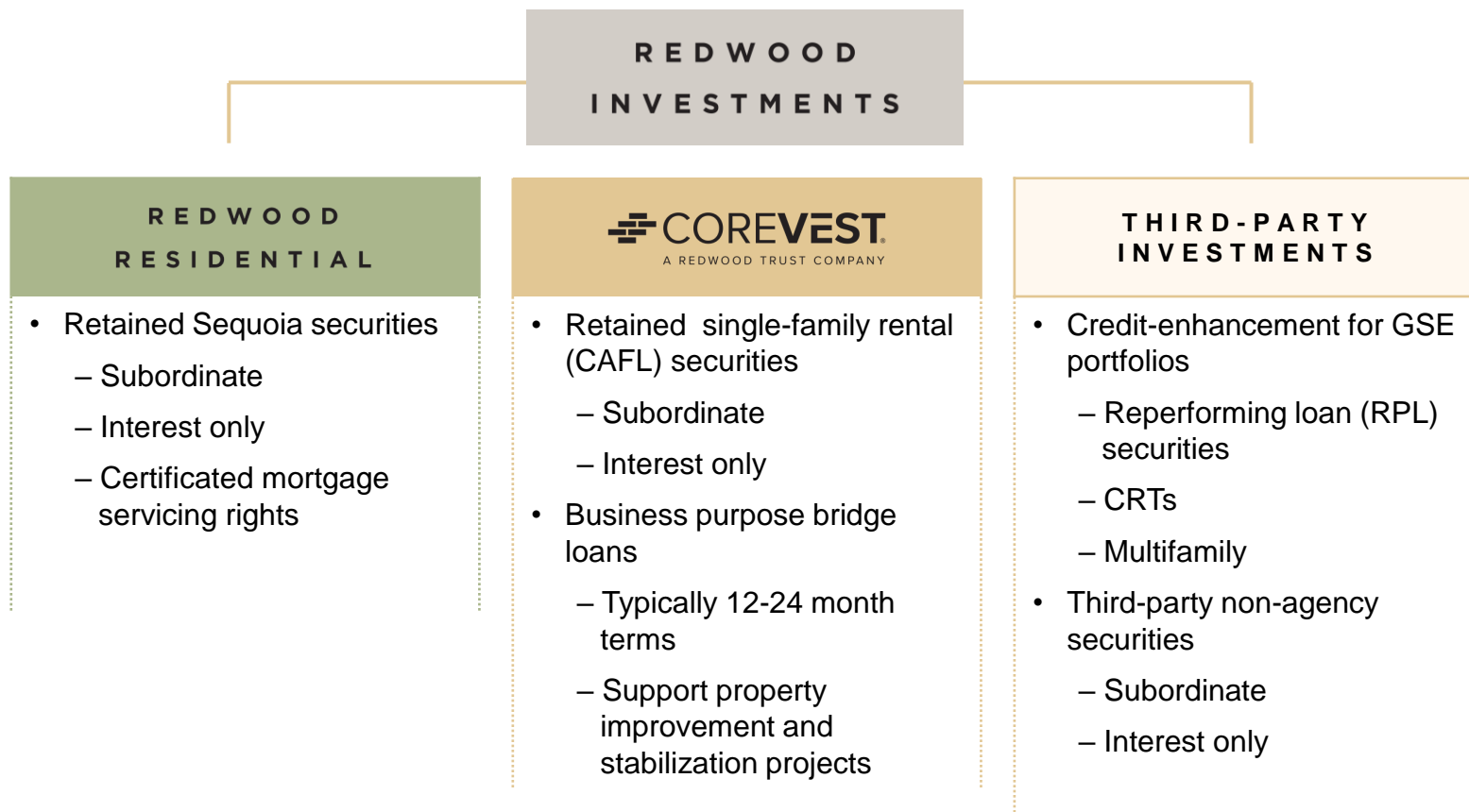
## Built on Experience

- Leverages data from **88,000+ units funded** since inception
- **15 rated securitizations<sup>(2)</sup>**
- Stable management team since inception
- Market leader in new product development including **build-to-rent since 2014**
- Direct loan sale desk for opportunistic trades

## Continual Improvement

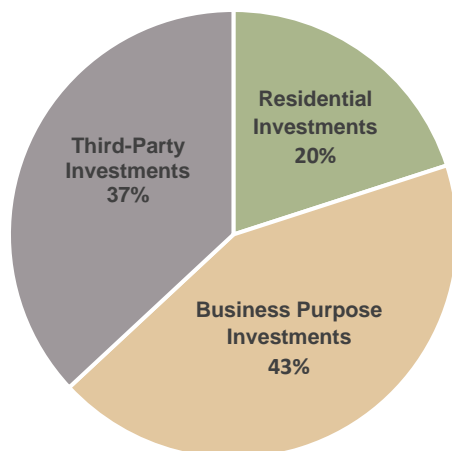
- Only **fully integrated** business purpose lender in the space
- Loan performance experience feeds directly to underwriting and credit
- **Agile technology development** means enhancements rolled out every two weeks

# Our investment portfolio supports our operating platforms and third-party mortgage lending activity

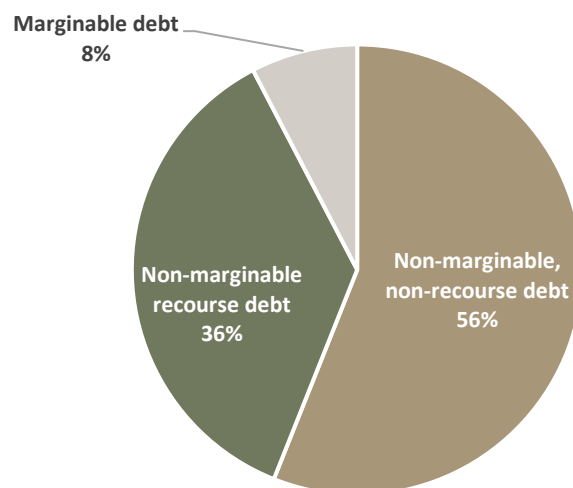


# Our combined portfolios generate strong risk-adjusted returns with lower leverage than our competitors

**\$2.1 Billion Housing Credit Investments<sup>(1)</sup>**



**\$1.0 Billion Secured Financing<sup>(1)(2)</sup>**

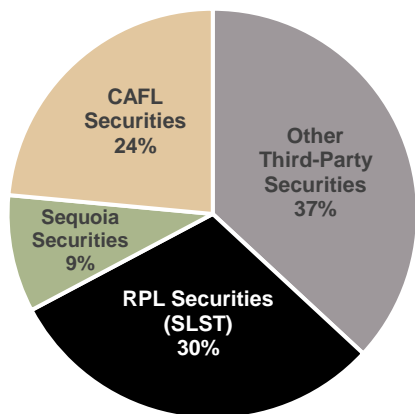


- Comprised of high-quality credit investments, diversified across the housing sector
- Financed with approximately 1x secured debt to equity
  - Over 90% of secured debt is non-marginable
- In aggregate, estimated to yield 10% - 12% return on capital to our December 31, 2020 basis<sup>(3)</sup>

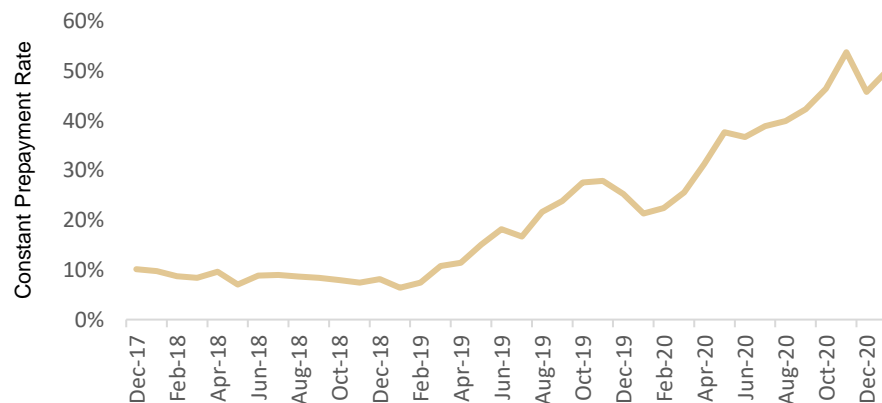


# Portfolio discount and call options provide upside supported by current credit and prepay environment

## >\$400 Million Net Portfolio Discount



## Sequoia Prepayment Speeds (1-month CPR)

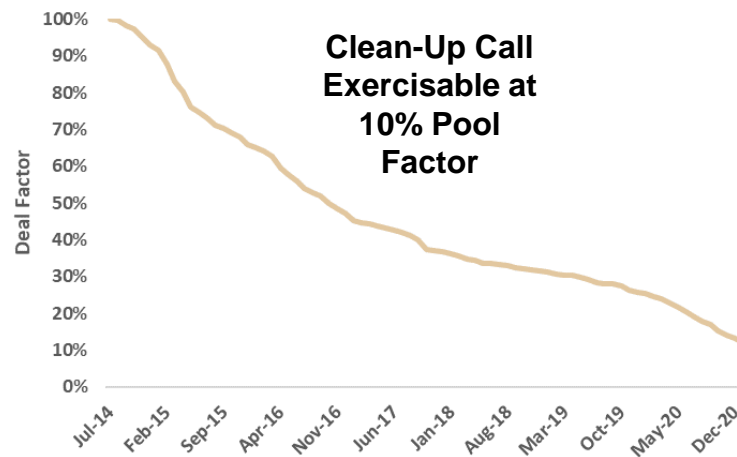


- At December 31, 2020, our securities portfolio had in excess of \$400 million of net discount to par value
- Additionally, we control the call rights for the majority of the securities in our investment portfolio (by fair value), including for Sequoia, CAFL and SLST
  - Most of these call rights are exercisable at par once underlying portfolios pay down to a pre-determined size
  - In addition to the discount embedded in these securities, at current market conditions the underlying loans can generally be sold or resecured above their par value, creating further upside to valuation and returns
  - We estimate that up to \$600 million of loans – those underlying a portion of our Sequoia and CAFL securities – will be callable in 2021
- Continued strong credit performance, coupled with elevated prepayment speeds, provide opportunities to realize more of this value sooner

# The impact of prepayments within our securitizations drives potential valuation upside

## Sample Transaction

<u>Deal Metrics</u>	<u>At Issuance</u>	<u>Current</u>
Date	July 2014	January 2021
Loan UPB (\$MM)	306	37
Pool Factor	100%	12%
Gross Coupon	4.41%	4.36%
60+ DQ %	0%	0%
<b><u>RWT Retention</u></b>		
% of structure	1.6%	13.2%



- Elevated prepayment speeds on underlying loan pools drive valuation upside for the subordinate securities we own in our investment portfolio
- As loan pools pay down more quickly, our retained securities become more resilient to credit losses and the call options we control become exercisable sooner

# We believe best-in-class corporate responsibility is good for our shareholders, partners and employees



## Corporate Governance

- Committed to best practices that provide a strong foundation for fulfilling our mission and providing value for our shareholders
- Institute proper governance through:
  - ✓ Independent board chair
  - ✓ Declassified board
  - ✓ Required stock ownership
  - ✓ Strong code of ethics

## Human Capital



- A values-based culture enables us to meet our strategic goals to grow and evolve as an organization
- Targeted programs attract, develop, and retain talent through:
  - ✓ Diversity and inclusion initiatives
  - ✓ Women's leadership group
  - ✓ Mentoring and employee development programs
  - ✓ Community giving and volunteerism

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## Environment

- Committed to reducing our environmental impact:
  - ✓ Support eco-friendly construction
  - ✓ Eco friendly practices in our offices; with ~250 employees in four principal locations, our business operations have a relatively low environmental impact

## Risk Management



- Deliver attractive risk-adjusted returns through:
  - ✓ Common-sense approach to credit investing
  - ✓ Centralized decision-making processes
  - ✓ Strong credit underwriting
- Business continuity planning protects our employees and data:
  - ✓ Seamless transition to work-from-home environment

# **Appendix – Financial Tables**

Key Financial Results and Metrics				
	Three Months Ended			
	12/31/2020		9/30/2020	
Earnings per Share	\$	0.42	\$	1.02
Return on Equity (annualized)		20 %		57 %
Book Value per Share	\$	9.91	\$	9.41
Dividend per Share	\$	0.14	\$	0.14
Economic Return on Book Value <sup>(1)</sup>		6.8 %		17.2 %
Unrestricted Cash (in millions)	\$	461	\$	451
Recourse Leverage Ratio <sup>(2)</sup>		1.3x		1.4x

## Changes in Book Value per Share

(\$ in per share)

	Three Months Ended	
	12/31/2020	9/30/2020
Beginning book value per share	\$ 9.41	\$ 8.15
Basic earnings per share	0.47	1.21
Investment fair value changes in comprehensive income <sup>(1)</sup>	0.14	0.07
Dividends	(0.14)	(0.14)
Stock repurchases	—	0.03
Equity compensation, net	0.01	0.03
Other, net	0.02	0.06
<b>Ending book value per share</b>	<b>\$ 9.91</b>	<b>\$ 9.41</b>

## Mortgage Banking Key Operating Metrics

(\$ in millions)

	Three Months Ended December 31, 2020	
	Residential Mortgage Banking	Business Purpose Mortgage Banking
Mortgage banking income <sup>(1)</sup>	\$ 24	\$ 33
G&A and Loan acquisition costs, excluding amortization <sup>(2)</sup>	(6)	(10)
Net contribution, excluding amortization <sup>(3)</sup>	14	21
<u>Production Volumes</u>		
Residential loan purchase commitments (fallout adjusted) \$	2,483	
SFR loan originations		\$ 348
Bridge loan originations		\$ 100

## Investment Portfolio Key Financial Results

(\$ in millions)

	Three Months Ended December 31, 2020			
	Residential Lending	Business Purpose Lending	Third-Party Investments	Total <sup>(1)</sup>
Net interest income	\$ 6	\$ 10	\$ 13	\$ 29
<i>Economic net interest income (non-GAAP) <sup>(2)</sup></i>	3	8	18	29
Investment fair value changes	6	4	15	24
Other income (loss), net	(2)	—	—	(2)
Net contribution	9	13	27	48
<u>At December 31, 2020</u>				
Carrying values of investments	\$ 419	\$ 901	\$ 773	\$ 2,093
Secured debt balances <sup>(3)</sup>	\$ 226	\$ 559	\$ 234	\$ 1,019

<b>Capital Allocation Detail</b>				
By Investment Type				
December 31, 2020				
(\$ in millions)				
	Fair Value of Assets <sup>(1)</sup>	Recourse Debt	Non-Recourse Debt <sup>(2)</sup>	Total Capital
<b>Residential Lending</b>				
Sequoia securities	\$ 373	\$ (226)	\$ —	\$ 147
MSRs/Other	45	—	—	45
Capital allocated to mortgage banking operations <sup>(3)</sup>	352	(137)	—	215
<b>Total Residential Lending</b>	<b>770</b>	<b>(363)</b>	<b>—</b>	<b>407</b>
<b>Business Purpose Lending</b>				
SFR securities	239	(103)	—	136
Bridge loans <sup>(4)</sup>	663	(89)	(367)	207
Capital allocated to mortgage banking operations <sup>(3)</sup>	242	(142)	—	100
Platform premium	57	—	—	57
<b>Total Business Purpose Lending</b>	<b>1,201</b>	<b>(334)</b>	<b>(367)</b>	<b>500</b>
<b>Third-Party Investments</b>				
RPL securities <sup>(4)</sup>	483	—	(205)	278
Other third-party securities	79	—	—	79
Multifamily securities	78	(30)	—	48
Other investments	133	—	—	133
<b>Total Third-Party Investments</b>	<b>773</b>	<b>(30)</b>	<b>(205)</b>	<b>538</b>
Corporate capital	294			294
Other assets/(liabilities), net	34			34
Corporate debt	—	(661)	—	(661)
<b>Totals</b>	<b>\$ 3,072</b>	<b>\$ (1,388)</b>	<b>\$ (572)</b>	<b>\$ 1,111</b>

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 2020 Redwood Review, which is available within the "Financials-Redwood Review" section on the Company's investor relations website at [ir.redwoodtrust.com](http://ir.redwoodtrust.com)



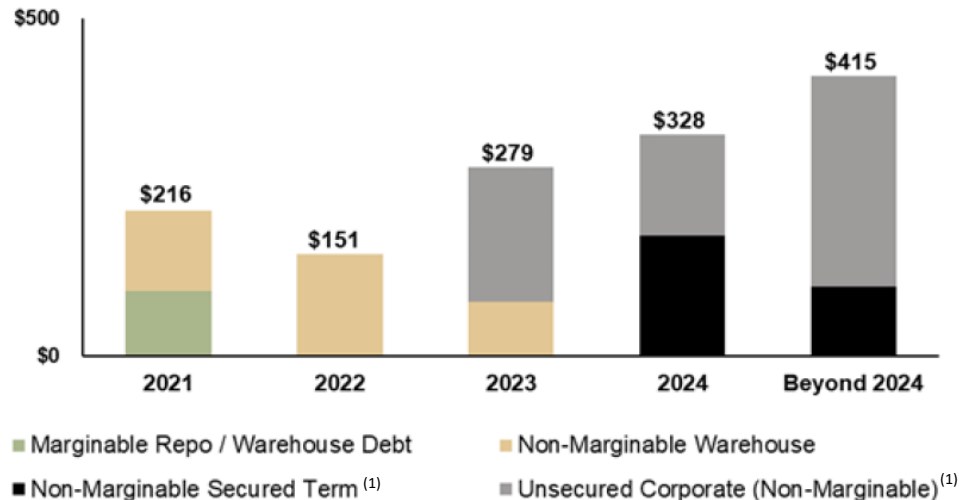
## Recourse Debt Balances at December 31, 2020

(\$ in millions)

	Fair Value of Secured Assets	Secured Debt		Unsecured Debt	Total Debt	Average Borrowing Cost <sup>(2)</sup>
		Non- Marginable Debt <sup>(1)</sup>	Marginable Debt <sup>(1)</sup>			
Corporate debt	N/A	\$ 1	\$ —	\$ 660	\$ 661	4.7 %
Securities portfolio	478	281	78	—	359	3.8 %
SFR loans	189	142	—	—	142	3.4 %
Bridge loans	117	89	—	—	89	3.1 %
Residential loans	156	119	19	—	138	2.5 %
<b>Total</b>	<b>\$ 940</b>	<b>\$ 632</b>	<b>\$ 97</b>	<b>\$ 660</b>	<b>\$ 1,389</b>	<b>4.0 %</b>

## Recourse Debt Scheduled Maturities

(\$ in millions)



## Residential Investments Credit Characteristics <sup>(1)</sup>

December 31, 2020

(\$ in millions, except where noted)

	Sequoia Select Securities <sup>(2)</sup>	Sequoia Choice Securities <sup>(2)</sup>	Re-Performing Loan Securities
Market value	\$ 140	\$ 213	\$ 483
Average FICO (at origination)	769	741	608
HPI updated LTV <sup>(3)</sup>	43 %	62 %	68 %
Average loan size (in thousands)	\$ 647	\$ 709	\$ 166
Gross weighted average coupon	4.0 %	4.9 %	4.5 %
Current 3-month prepayment rate	50 %	46 %	9 %
90+ days delinquency (as a % of UPB) <sup>(4)</sup>	0.9 %	4.8 %	16.4 %
Investment thickness <sup>(5)</sup>	5 %	16 %	24 %

## Business Purpose and Multifamily Investments Credit Characteristics

December 31, 2020

(\$ in millions, except where noted)

	SFR Securities	BPL Bridge Loans <sup>(1)</sup>	Multifamily B-Pieces
Market value	\$ 239	\$ 663	\$ 79
Average current DSCR <sup>(2)</sup>	1.4x	N/A	1.5x
LTV (at origination) <sup>(3)</sup>	68 %	70 %	73 %
Average loan size (in thousands)	\$ 2,809	\$ 376	\$ 25,973
Gross weighted average coupon	5.5 %	8.1 %	3.2 %
90+ days delinquency (as a % of UPB)	2.0 %	6.1 %	0.0 %
Investment thickness <sup>(4)</sup>	10 %	N/A	10 %

# **Appendix – Endnotes**

# End Notes

## Slide 5 (Most segments of the U.S. housing market rely on some form of private capital)

1. Redwood estimate of total non-agency consumer plus investor financing needs
2. Source: SIFMA
3. As of December 31, 2020. Source: Fannie Mae 10-K report December 2020 and Freddie Mac 10-K report December 2020

## Slide 7 (We are disrupting the non-agency mortgage industry with innovative technology and distribution channels)

1. For qualified sellers. Based on industry average of 30 days to fund loans.

## Slide 8 (As the market leader in the non-agency sector, we are poised to capitalize on secular shifts in housing)

1. Sources: U.S. Census Bureau; John Burns Real Estate Consulting, LLC (Data: 2018, Published December 2020)

## Slide 9 (Household equity continues to increase, outpacing loan balance limits for government lending programs)

1. Source: Urban Institute Housing Finance at a Glance January 2021 Chartbook, Fed Reserve flow funds and Urban Institute
2. Source: Realtor.com, real estate market summary per city as of 2/24/21
3. Federal Housing Finance Agency
4. Case- Shiller; HPA change in value 2013 - Q3 2020

## Slide 10 (Single-family rent growth remains strong and has historically stayed positive even in recessions)

1. Resale home price appreciation is the Burns Home Value Index™ weighted average roll-up of 132 markets. Single-family rent is the Burns Single-Family Rent Index™ weighted average roll-up of 63 markets. Apartment rent is Reis Services, LLC 46-market weighted roll-up. Sources: REIS effective rent; John Burns Real Estate Consulting, LLC; JBREC projections (Data: Sep-20, Published: December 2020)

## Slide 11 (Growth trends in housing prices and single-family rents continued through 2020)

1. Resale home price appreciation is the Burns Home Value Index™ weighted average roll-up of 132 markets. Data goes to October. Single-family rent is our Burns Single-Family Rent Index™ weighted average roll-up of 63 markets. Apartment rent is Reis Services, LLC 46-market weighted roll-up. Sources: REIS effective rent; John Burns Real Estate Consulting, LLC; JBREC projections (Data: Sep/Oct-20, Published: Dec-20))

## Slide 12 (Changing consumer preference and affordability are driving demand for single-family homes held for rent)

1. Information sourced from John Burns Real Estate Consulting report “Single Family Rental Analysis and Forecast”, September 11, 2020. John Burns Real Estate Consulting estimated using 2010 Census and trending data from ACS / HVS, published September 2020.

## Slide 13 (Our diversified revenue streams can support durable earnings and valuation expansion)

1. Equity allocations for operating businesses and investment portfolio are based on 12/31/20 capital allocations as presented on slide 32 of this deck. Operating businesses include capital allocated to mortgage banking operations and platform premium. Investment portfolio includes the sum of capital allocated to Sequoia securities, MSR/Other, SFR securities, Bridge loans, Total third-party investments, and a portion of our \$200 million of available capital, less corporate debt.
2. Returns amounts are as presented in our 2021 Financial Outlook within our *Fourth Quarter 2020 Redwood Review*, which can be found on our website [www.redwoodtrust.com](http://www.redwoodtrust.com). Amounts represent returns on capital exclusive of corporate items, including unsecured debt expense and corporate overhead expense. Expectations regarding estimated yields are based on our current market observations, estimates, and assumptions, including our assumptions regarding the use of leverage, credit losses, prepayment speeds, and market interest rates. Actual returns may differ based on these or other factors.

# End Notes (continued)

## Slide 15 (We are the market leader in non-agency residential securitization, whole loan trading, and credit investing)

1. Redwood Trust Sequoia jumbo loan portfolio as of December 31, 2020
2. Includes data from entire mortgage lending market such as prime, GSE, VA and FHA loans. Source: Credit Suisse on MBA weekly forbearance report week ending January 1, 2021.
3. Based on 2019 and 2020 overall market originations of jumbo loans. Source IMF 2020 Mortgage Market Statistical Annual
4. Includes 2020 purchase volumes as of December 31, 2020

## Slide 17 (We believe we can increase our market share 4-5x by the end of 2025)

1. The multiplier for the increase in market share we believe we can achieve is based on Redwood's estimates of current market share to be approximately 2% of annualized overall market originations of jumbo loans as reported by IMF.

## Slide 18 (We lead the industry providing capital to a growing market of sophisticated housing investors)

1. Information as of December 31, 2020. Includes 5 Arch originated loans.
2. John Burns Real Estate Consulting report "Single Family Rental Analysis and Forecast", September 11, 2020. John Burns Real Estate Consulting estimates using 2010 Census and trending data from ACS / HVS (Data: 4Q19, Pub: Sep 2020).
3. CoreVest estimates based on recent experience and assumes a capture rate of 3.4% from the Keefe, Bruyette & Woods Research (Oct 2014).

## Slide 19 (SFR lending is a \$90B market opportunity with limited competitors)

1. CoreVest estimated based on publicly available information and recent experience
2. John Burns Real Estate Consulting estimated using 2010 Census and trending data from ACS / HVS, published September 2020.
3. JBREC estimated using 2010 Census figures and trending data from ACS / HVS
4. Keefe, Bruyette & Woods Research (Oct 2014)

## Slide 22 (Our technology is a competitive advantage that solidifies our market leadership position)

1. Includes CoreVest originations only
2. Includes CAFL 2020-P1 which closed February 21, 2021

## Slide 24 (Our combined portfolios generate strong risk-adjusted returns with lower leverage than our competitors)

1. All data presented as of December 31, 2020
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. Returns amounts are as presented in our 2021 Financial Outlook within our *Fourth Quarter 2020 Redwood Review*, which can be found on our website [www.redwoodtrust.com](http://www.redwoodtrust.com). Amounts represent returns on capital exclusive of corporate items, including unsecured debt expense and corporate overhead expense. Expectations regarding estimated yields are based on our current market observations, estimates, and assumptions, including our assumptions regarding the use of leverage, credit losses, prepayment speeds, and market interest rates. Actual returns may differ based on these or other factors.

## Slide 29 (Financial Tables – 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. Tangible stockholders' equity excludes \$57 million and \$61 million of intangible assets at December 31, 2020 and September 30, 2020, respectively

## End Notes (continued)

### Slide 30 (Financial Tables – Changes in Book Value Per Share)

1. "Investment fair value changes in comprehensive income" presented within this table represent market valuation adjustments on our available-for-sale securities recorded through accumulated other comprehensive income on our balance sheet.

### Slide 31 (Financial Tables – Mortgage Banking Key Operating Metrics)

1. "Mortgage banking income" presented in this table represents the sum of net interest income earned on loan inventory and income from mortgage banking activities within each of our mortgage banking operations.
2. "G&A and loan acquisition costs excluding amortization" within this table represents general and administrative expenses and loan acquisition costs within each of our mortgage banking operations, excluding \$1 million of purchase related stock-based consideration amortization expense within our business purpose mortgage banking operations.
3. "Net contribution, excluding amortization" within this table represents the contribution to net income from each of our mortgage banking operations, excluding \$5 million of cumulative purchase-related stock-based consideration amortization expense and amortization expense associated with acquisition related intangible assets within our business purpose mortgage banking operations.

### Slide 31 (Financial Tables – 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. Net interest income excludes income from MSR and risk sharing investments for which income is recognized through "other income" and does not include any allocation of corporate unsecured debt. Non-GAAP Economic net interest income reflects our economic yield (an effective yield generally based on expected cash flows relative to our adjusted historical basis) on our investments less their financing costs. Below is a reconciliation of this Non-GAAP measurement. See our third quarter Redwood Review for additional information on Non-GAAP measures.

Reconciliation of Non-GAAP Measurements			
(\$ in millions)			
	Three Months Ended September 30, 2020		
	GAAP	Adjustments	Non-GAAP
Net interest income / Economic net interest income			
Residential Lending	\$ 6	\$ (1)	\$ 4
Business Purpose Lending	10	(3)	8
Third-Party Investments	13	5	18

3. Secured debt includes both recourse debt and certain non-recourse debt (including for bridge loans and resecuritized RPL securities), secured by our investment assets.

## End Notes (continued)

### Slide 32 (Financial Tables - Capital Allocation Details Table)

1. Other assets and liabilities are presented on a net basis within this column
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 activities 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.
4. In our Third Quarter Redwood Review, we netted certain non-recourse debt (including for bridge loans and resecuritized RPL securities) with its associated secured assets, to present our net economic exposure to the assets. In this table, we present the assets and non-recourse debt separately.

### Slide 33 (Financial Tables – Recourse Debt Balance at December 31, 2020)

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 cost on non-recourse debt outstanding at December 31, 2020 and does not include deferred issuance costs or debt discounts.

### Slide 33 (Financial Tables – Recourse Debt Scheduled Maturities)

1. Non-marginable debt refers to whether such debt is subject to market value-based margin calls on underlying collateral that is non-delinquent.

### Slide 34 (Financial Tables – 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 December reports, which reflect a loan performance date of November 30, 2020.
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 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 14%, we have exposure to the first 14% of credit losses resulting from loans underlying that securitization.

## End Notes (continued)

### **Slide 34 (Financial Tables – Business Purpose and Multifamily Investments Credit Characteristics)**

1. Bridge loans as presented in this table, include \$642 million of business purpose bridge loans and \$21million 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. "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 14%, we have exposure to the first 14% of credit losses resulting from loans underlying that securitization.



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