Dear Fellow Shareholders:

The fourth quarter of 2021 rounded out a transformative year for our Company. Our operating platforms continued to profitably scale, and we executed on our capital deployment goals while advancing key strategic objectives in technology and product development. In all, we took critical steps in establishing ourselves as the leading operator and strategic capital provider in housing finance, the heart of our corporate vision. Through the lens of full-year financial results, we produced a 25% return on equity and delivered four consecutive quarterly dividend increases to generate an annual total shareholder return of over 60%. This past year also saw us begin to unlock the embedded value in both our operating businesses and investment portfolio, contributing to a 22% increase in book value since year-end 2020.

For the fourth quarter, GAAP earnings were $0.34 per diluted share and our book value per share increased to $12.06. We paid a quarterly dividend of $0.23 per share, a 9.5% increase from the third quarter. Going forward, we believe the diversity of our revenue streams – most notably the resiliency they have shown in rising rate environments – leaves us with a runway many others will not have.

In what has quickly become an extremely challenging interest rate environment for mortgage companies, the opportunities for Redwood to differentiate itself have only grown. With the country struggling to turn the page on the Covid-19 pandemic, the broad-based economic recovery many had expected by now has been elusive. Meanwhile, inflation has reached a 40-year high, and an aggressive response by the Fed signals the end of more than a decade's worth of accommodation. Higher interest rates are no longer a prospect or probability, but are now a reality, as benchmark yields recently reached their highest levels since 2019. The relative consistency in the Fed's messaging, while laudable, has done little to calm the equity or bond markets in recent months.

As a housing finance company, we confront many of the same challenges as other market participants, but important differences underpin our revenue opportunities. Redwood's business model is not beholden to low interest rates, quantitative easing, or a steep yield curve. To wit: over the last Fed rate hiking cycle that began in late 2015, Redwood's book value increased as long-term rates rose and the yield curve compressed – and our model has evolved even further since that time to include revenue streams less correlated with the path of benchmark rates.

Over the last number of years, we have strategically evolved our company and positioned our platform to be flexible as the environment evolves. We believe this readiness positions us well to navigate the current landscape. A key example of this strategic evolution has been our expansion into business purpose lending ("BPL"), which began in 2018 and allowed us to access a growing cohort of investors seeking to refurbish and stabilize antiquated housing stock. CoreVest – our BPL business – has provided balance and depth to our platform across a variety of interest rate and credit scenarios. As our shareholders have grown to know, BPL loans are generally either floating rate for the life of the loan, or "rate locked" just prior to their funding, substantially mitigating the interest rate exposure market participants incur in managing a traditional mortgage pipeline.

Our firm's fourth quarter performance underscores this point. As volatility and traditional year-end seasonality dampened consumer residential lending activity and increased execution costs for most market participants, CoreVest had another record quarter. The team funded over $700 million of loans for the fourth quarter overall, including over $340 million in December – both records that contributed to overall fundings of $2.3 billion for the full year, another milestone for the platform. Having recently eclipsed $15 billion in loan closings since inception, CoreVest continues to scale impressively while serving borrowers more efficiently, affirming our status as the leading lender to housing related real estate investors. The team also continues to broaden its distribution capabilities, avoiding choppy issuance markets in the fourth quarter by selling approximately $200 million of single-family rental loans to a large institutional buyer at a compelling margin versus securitization.

CoreVest enters 2022 with a significant pipeline of activity and a strong outlook. Prevailing industry dynamics – most notably, consistent demand growth for single-family rentals – continue to attract increased equity capital to the space, a trend we see continuing even as rates rise. We have recently witnessed a notable increase in demand for financing from CoreVest's client base, evidenced by higher funded volumes across all products, particularly in the build-for-rent and multifamily sectors. Our lending activities in BPL continue to support the construction and stabilization of high-quality and accessible rental housing stock, benefiting renters and local communities alike. We also see exciting opportunities to enhance our direct origination capabilities through purchases from third-party correspondents, the expansion of our new residential transition loan ("RTL") securitization platform, and opportunities to further scale our platform through partnerships or additional acquisitions.

Complementing our BPL performance was that of our Investment Portfolio, which took advantage of rising rates and wider credit spreads heading into the end of 2021. We deployed $222 million of capital into investments in the fourth quarter, by far the most in a single quarter since the pandemic began. This included $135 million in third-party investments, an important validation of our team's ability to capitalize on challenging market conditions. Our purchases included agency CRT securities as well as additional home equity investments ("HEI"), following our inaugural securitization of that asset class in the third quarter of 2021. We also progressed our call strategy, bringing over additional seasoned jumbo and single-family rental loans onto our balance sheet with an opportunity to sell or re-securitize them at a gain. Despite moderately slowing prepayment speeds, our near- to medium-term outlook for call activity remains heightened given a backdrop of strong housing fundamentals. We have been waiting for an environment like the current one to deploy our available capital, and we continue to find ways to raise additional capital accretively through innovative distribution avenues and efficient capital management programs. Our approach has allowed us to remain opportunistic while funding near-term capital needs for our operating and investing platforms.

Our Residential business faced the brunt of broader market headwinds in the fourth quarter while still managing to outperform most, if not all, in the sector. We proactively took a conservative risk management posture late in the year, prioritizing healthy margins at the high end of our historical range, albeit at lower volumes, as heavier loan inventories across the industry pressured credit spreads and margins. Despite this, we issued three securitizations for a combined $1.3 billion of collateral in the fourth quarter, at margins that led the market. Notably, two of the three securitizations were pre-placed to investors, providing us greater certainty into our ultimate loan sale margins. We also incorporated new ESG-related metrics into our investor disclosures, following the enhanced transparency we had previously added by putting our securitizations on blockchain, providing investors with more timely remittance reporting information on the loans in our offerings.

Looking ahead, we expect a year of transition for the consumer residential mortgage market and one in which Redwood is well-positioned to support the evolving needs of home buyers. Refinance volumes will be lower due to rising rates and will likely trigger contractions for originators with excess capacity until margins stabilize. The quality of our seller network remains on display, however, with nearly 60% of our lock volume during the fourth quarter already in purchase-money loans. Continued volatility into January has also unlocked opportunities to source loans via bulk acquisition as market constituents re-evaluate distribution strategies. We also expect a renewed focus by originators toward expanded credit loan products in 2022, to assist home buyers who are likely to experience declining purchasing power as mortgage rates rise. We've been actively preparing for this market shift for months, especially as more geographies across the country become "non-conforming", where access to homeownership will increasingly rely on the private-label products we purchase.

While last year's substantial home price appreciation had a proportional impact on increasing GSE loan limits, recent adjustments by the FHFA to the GSEs' pricing regime ("LLPAs") for certain high balance and second home products will be an important driver of preserving private capital's influence in the parts of the market where it is most impactful. We anticipate that the pricing adjustments will result in more high balance and second home loans flowing into the private market. As a partner to the GSEs and a leading voice for quality and innovation in the housing finance sector, we applaud these recent actions by the FHFA and anticipate – as we have in years past – playing a meaningful role in providing liquidity to these otherwise GSE-eligible borrowers. For our Residential business overall, the goal is to once again capture increased market share in 2022, with an emphasis on our lineup of quality expanded credit programs that spoke for 40% of our total volume as recently as late 2019. We've proven our ability to grow our footprint in a growing market, and believe we are positioned to continue doing so moving forward, driven by the differentiated quality of our service and our broad suite of products.

Technology continues to be a key part of this formula. Our newest venture, RWT Horizons, just celebrated its first birthday and is poised to offer meaningful alpha in 2022. During its inaugural year, this home-grown venture investing effort made 15 investments in companies with a direct nexus to our operating platforms, including five new investments during the fourth quarter. Our reputation in venture investing has grown significantly in recent months, with many new startups actively seeking the type of strategic capital that Redwood can provide. Though Horizons represents a departure from traditional portfolio investing, we expect our Horizons' investments to drive significant option value for shareholders as some begin to bear fruit, all while delivering valuable technology and other innovative efficiencies to our platforms in 2022. Our goal by the end of 2022 is to have $50 to $100 million of capital allocated to Horizons across an increasingly diversified portfolio of early to mid stage companies.

After reflecting on such an extraordinary year, we enter 2022 with an air of confidence while confronting formidable market challenges and a global health pandemic whose endpoint remains uncertain. We feel especially privileged to be leading a mission-focused Company that strives to make quality housing, whether rented or owned, accessible to all American households. We continually emphasize the importance of our people and their ability to create solutions to combat some of today's core affordability challenges for consumers. Most of all, we appreciate our long-term shareholders for your commitment to Redwood and for entrusting us with your support.

Thanks for your continued support.

Christopher J. Abate
Chief Executive Officer

Dashiell I. Robinson
President

Forward-looking statements:

This letter may contain forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements involve numerous risks and uncertainties. Our actual results may differ from our 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,” "could" and similar expressions or their negative forms, or by references to strategy, plans, goals, or intentions. These forward-looking statements are subject to risks and uncertainties, including, among other things, those described in our Annual Report on Form 10-K under the caption “Risk Factors.” Other risks, uncertainties, and factors that could cause actual results to differ materially from those projected are described below and may be described from time to time in reports we file with the Securities and Exchange Commission, including reports on Forms 10-K, 10-Q, and 8-K. We undertake no obligation to update or revise forward-looking statements, whether as a result of new information, future events, or otherwise.

Statements regarding the following subjects, among others, are forward-looking by their nature: statements we make regarding Redwood’s business strategy and strategic focus, statements related to our financial outlook and expectations for 2022 and future years, statements regarding our available capital and sourcing additional capital both internally and from the capital markets, and other statements regarding pending business activities and expectations and estimates relating to our business and financial results. Additional detail regarding forward-looking statements in this letter and the important factors that may affect our actual results in 2022 are described in the Appendix of the Fourth Quarter 2021 Redwood Review under the heading “Forward-Looking Statements.”