

February 23, 2015

REDWOOD  
TRUST

## Redwood Trust Reports Fourth Quarter 2014 Results

MILL VALLEY, Calif., Feb. 23, 2015 /PRNewswire/ -- Redwood Trust, Inc. (NYSE:RWT) today reported net income for the fourth quarter of 2014 of \$27 million, or \$0.31 per fully diluted share. This compares to net income of \$45 million, or \$0.50 per fully diluted share, for the third quarter of 2014 and net income of \$25 million, or \$0.29 per fully diluted share, for the fourth quarter of 2013.

Redwood also reported estimated REIT taxable income of \$16 million, or \$0.19 per share, for the fourth quarter of 2014. This compares to estimated REIT taxable income of \$18 million, or \$0.21 per share, for the third quarter of 2014 and REIT taxable income of \$16 million, or \$0.20 per share, for the fourth quarter of 2013.

At December 31, 2014, Redwood reported a book value per share of \$15.05, as compared to \$15.21 at September 30, 2014, and \$15.10 at December 31, 2013.

Additional information on Redwood's business, financial results, and taxable income can be found in The Redwood Review, a quarterly publication available on Redwood's website at [www.redwoodtrust.com](http://www.redwoodtrust.com). In order to complete the formatting of its Annual Report on Form 10-K with eXtensible Business Reporting Language (XBRL) tags, Redwood plans to file this Annual Report with the Securities and Exchange Commission by Monday, March 2, 2015, and make it available on Redwood's website.

Redwood will host an earnings call today, February 23, 2015, at 2:00 p.m. Pacific Time / 5:00 p.m. Eastern Time to discuss its fourth quarter 2014 financial results. The number to dial in order to listen to the conference call is 1-888-244-2459 in the U.S. and Canada. International callers must dial 1-913-312-0975. Callers should reference call ID #8227877. A replay of the call will be available through midnight on March 9, 2015, and can be accessed by dialing 1-877-870-5176 in the U.S. and Canada or 1-858-384-5517 internationally and entering access code #8227877. Live audio of the conference call will also be accessible over the internet at [www.redwoodtrust.com](http://www.redwoodtrust.com), where a link to the call will be posted on Redwood's home page. To listen to the call over the internet, go to the Redwood website at least 15 minutes before the call to register and to download and install any needed audio software. An audio replay of the call will also be available on Redwood's website following the call.

*Cautionary Statement: This press release and the related conference call contain forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, including statements related to estimates of taxable income and the filing of our Annual Report on Form 10-K. Forward-looking statements involve*

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

#### REDWOOD TRUST, INC.

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

|   | Fourth  | Third   | Second  | First   | Fourth  |
|---|---------|---------|---------|---------|---------|
|   | Quarter | Quarter | Quarter | Quarter | Quarter |
|   | 2014    | 2014    | 2014    | 2014    | 2013    |
| Interest income                                   | \$ 65   | \$ 63   | \$ 58   | \$ 55   | \$ 57   |
| Interest expense                                  | (24)    | (23)    | (21)    | (19)    | (20)    |
| Net interest income                               | 41      | 40      | 37      | 36      | 38      |
| (Provision) reversal of provision for loan losses | (2)     | 2       | -       | (1)     | (4)     |
| Net interest income after provision               | 40      | 42      | 37      | 35      | 34      |
| Noninterest income                                |         |         |         |         |         |
| Mortgage banking activities                       | 11      | 18      | 6       | (1)     | 17      |
| MSR income  | (9)     | 6       | (2)     | 1       | 6       |
| Other market valuation adjustments                | 4       | (4)     | (4)     | (6)     | 1       |
| Realized gains, net                               | 5       | 9       | 1       | 1       | 2       |
| Total noninterest income (loss), net              | 11      | 29      | 1       | (5)     | 25      |
| Operating expenses                                | (26)    | (21)    | (22)    | (20)    | (20)    |
| Other income (expense)                            | -       | 2       | -       | -       | (12)    |
| Benefit from (provision for) income taxes         | 3       | (5)     | -       | 2       | (2)     |
| Net income  | \$ 27   | \$ 45   | \$ 16   | \$ 12   | \$ 25   |
| Average diluted shares (thousands)                | 85,384  | 96,956  | 85,033  | 84,941  | 84,395  |
| Diluted earnings per share                        | \$ 0.31 | \$ 0.50 | \$ 0.18 | \$ 0.14 | \$ 0.29 |
| Regular dividends declared per common share       | \$ 0.28 | \$ 0.28 | \$ 0.28 | \$ 0.28 | \$ 0.28 |

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

**REDWOOD TRUST, INC.**

Consolidated Income Statements <sup>(1)</sup>

| (\$ in millions, except share and per share data) | Years Ended December 31, |         |
|---|--------------------------|---------|
|   | 2014                     | 2013    |
| Interest income                                   | \$ 242                   | \$ 226  |
| Interest expense                                  | (87)                     | (81)    |
| Net interest income                               | 155                      | 145     |
| Provision for loan losses                         | (1)                      | (5)     |
| Net interest income after provision               | 154                      | 140     |
| Noninterest income                                |                          |         |
| Mortgage banking activities                       | 35                       | 102     |
| MSR income  | (4)                      | 20      |
| Other market valuation adjustments                | (10)                     | (6)     |
| Realized gains, net                               | 15                       | 25      |
| Total noninterest income, net                     | 36                       | 142     |
| Operating expenses                                | (90)                     | (87)    |
| Other income (expense)                            | 2                        | (12)    |
| Provision for income taxes                        | (1)                      | (11)    |
| Net income  | \$ 101                   | \$ 173  |
| Average diluted shares (thousands)                | 85,099                   | 93,695  |
| Diluted earnings per share                        | \$ 1.15                  | \$ 1.94 |
| Regular dividends declared per common share       | \$ 1.12                  | \$ 1.12 |

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

**REDWOOD TRUST, INC.**

Consolidated Balance Sheets <sup>(1)</sup>

| (\$ in millions, except share and per share data) | 31-Dec   | 30-Sep   | 30-Jun   | 31-Mar   | 31-Dec   |
|---|----------|----------|----------|----------|----------|
|   | 2014     | 2014     | 2014     | 2014     | 2013     |
| Residential loans                                 | \$ 3,399 | \$ 3,288 | \$ 2,724 | \$ 2,465 | \$ 2,166 |
| Commercial loans                                  | 567      | 498      | 469      | 491      | 432      |
| Real estate securities                            | 1,379    | 1,395    | 1,845    | 1,743    | 1,683    |
| Mortgage servicing rights                         | 139      | 135      | 71       | 65       | 65       |
| Cash and cash equivalents                         | 270      | 150      | 157      | 150      | 173      |
| Other assets                                      | 165      | 146      | 112      | 93       | 89       |
| Total Assets                                      | \$ 5,919 | \$ 5,612 | \$ 5,379 | \$ 5,007 | \$ 4,609 |
| Short-term debt                                   | \$ 1,794 | \$ 1,888 | \$ 1,718 | \$ 1,289 | \$ 863   |
| Other liabilities                                 | 129      | 104      | 97       | 100      | 81       |
| Asset-backed securities issued                    | 1,545    | 1,656    | 1,768    | 1,854    | 1,943    |
| Long-term debt                                    | 1,195    | 697      | 547      | 513      | 476      |
| Total liabilities                                 | 4,663    | 4,345    | 4,130    | 3,756    | 3,363    |
| Stockholders' equity                              | 1,256    | 1,267    | 1,249    | 1,251    | 1,246    |
| Total Liabilities and Equity                      | \$ 5,919 | \$ 5,612 | \$ 5,379 | \$ 5,007 | \$ 4,609 |
| Shares outstanding at period end (thousands)      | 83,443   | 83,284   | 83,080   | 82,620   | 82,505   |
| GAAP book value per share                         | \$ 15.05 | \$ 15.21 | \$ 15.03 | \$ 15.14 | \$ 15.10 |

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

To view the original version on PR Newswire, visit <http://www.prnewswire.com/news-releases/redwood-trust-reports-fourth-quarter-2014-results-300039918.html>

SOURCE Redwood Trust, Inc.