

Redwood Trust, Inc.

Investor Presentation
May 2018

REDWOOD TRUST

Cautionary Statements

This presentation may contain forward-looking statements within the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, including statements relating to Redwood's business, growth, and prospects, and statements relating to single-family rental investment and earnings potential, including the target run rate/annualized volume potential, associated annual capital deployment, target return profile, and potential incremental EPS contribution. 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," 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 Annual Report on Form 10-K for the year ended December 31, 2017 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 any forward-looking statements, whether as a result of new information, future events, or otherwise.

Important factors, among others, that may affect our actual results include: the pace at which we redeploy our available capital into new investments; interest rate volatility, changes in credit spreads, and changes in liquidity in the market for real estate securities and loans; changes in the demand from investors for residential mortgages and investments, and our ability to distribute residential mortgages through our whole-loan distribution channel; our ability to finance our investments in securities and our acquisition of residential mortgages with short-term debt; changes in the values of assets we own; general economic trends, the performance of the housing, real estate, mortgage, credit, and broader financial markets, and their effects on the prices of earning assets and the credit status of borrowers; federal and state legislative and regulatory developments, and the actions of governmental authorities, including the new U.S. presidential administration, and in particular those affecting the mortgage industry or our business (including, but not limited to, the Federal Housing Finance Agency's rules relating to FHLB membership requirements and the implications for our captive insurance subsidiary's membership in the FHLB); strategic business and capital deployment decisions we make; developments related to the fixed income and mortgage finance markets and the Federal Reserve's statements regarding its future open market activity and monetary policy; our exposure to credit risk and the timing of credit losses within our portfolio; the concentration of the credit risks we are exposed to, including due to the structure of assets we hold and the geographical concentration of real estate underlying assets we own; our exposure to adjustable-rate mortgage loans; the efficacy and expense of our efforts to manage or hedge credit risk, interest rate risk, and other financial and operational risks; changes in credit ratings on assets we own and changes in the rating agencies' credit rating methodologies; changes in interest rates; changes in mortgage prepayment rates; changes in liquidity in the market for real estate securities and loans; our ability to finance the acquisition of real estate-related assets with short-term debt; the ability of counterparties to satisfy their obligations to us; our involvement in securitization transactions, the profitability of those transactions, and the risks we are exposed to in engaging in securitization transactions; exposure to claims and litigation, including litigation arising from our involvement in securitization transactions; ongoing litigation against various trustees of RMBS transactions; whether we have sufficient liquid assets to meet short-term needs; our ability to successfully compete and retain or attract key personnel; our ability to adapt our business model and strategies to changing circumstances; changes in our investment, financing, and hedging strategies and new risks we may be exposed to if we expand our business activities; our exposure to a disruption or breach of the security of our technology infrastructure and systems; exposure to environmental liabilities; our failure to comply with applicable laws and regulations; our failure to maintain appropriate internal controls over financial reporting and disclosure controls and procedures; the impact on our reputation that could result from our actions or omissions or from those of others; changes in accounting principles and tax rules; our ability to maintain our status as a REIT for tax purposes; limitations imposed on our business due to our REIT status and our status as exempt from registration under the Investment Company Act of 1940; decisions about raising, managing, and distributing capital; and other factors not presently identified.

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.

Who is Redwood Trust?

We are an industry-leading investor focused on housing credit

Durable Track Record through Cycles	• Founded in 1994; market's second-longest tenured mortgage REIT
Focus on Human Capital	• Experienced and disciplined team with 130 employees in Mill Valley, Denver, and Chicago
Organic Investment Creation	• Established mortgage banking platform that creates long-term investments for our portfolio
Aligned with Shareholders	• Internally-managed, with incentive compensation directly tied to shareholder returns
Tax-Efficient Structure	• Structured as a REIT to create tax advantages for shareholders

Who is Redwood Trust?

We have a unique and scalable mortgage banking platform with a focus on organic investment creation

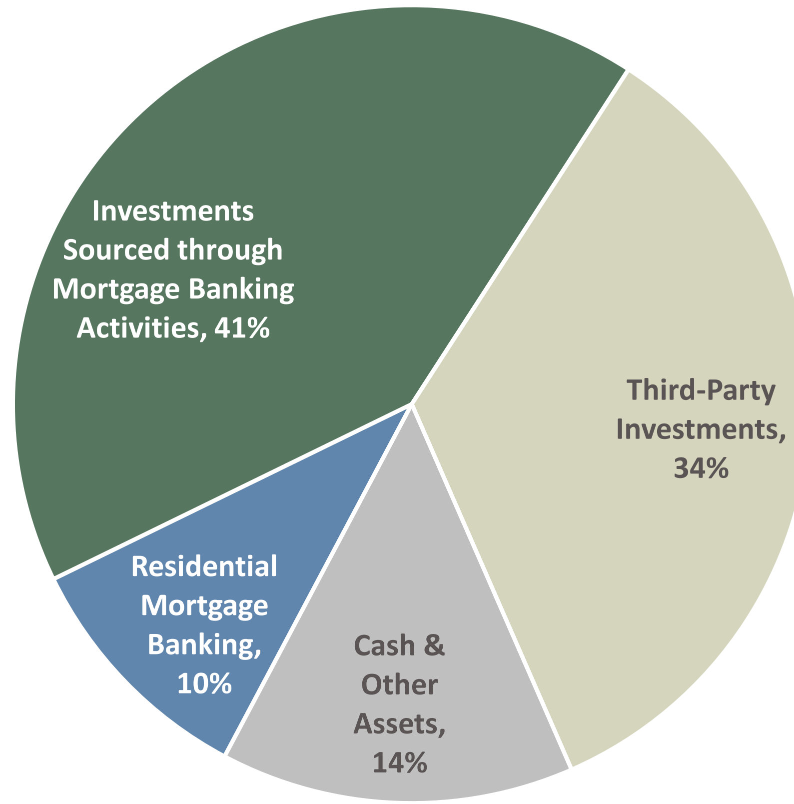
Investment Portfolio: Efficiently-managed book primarily comprised of investments in:

- Prime jumbo residential loans
- Subordinate securities retained from our Sequoia securitizations and those issued by third parties
- Agency credit-risk transfer ("CRT") securities
- Agency multifamily securities

Residential Mortgage Banking: Operating platform which acquires prime jumbo loans from a deep network of third-party originators for subsequent sale, securitization, or transfer to our investment portfolio

- Comprehensive capital markets, underwriting and structuring expertise
- Diverse and deep industry relationships
- Strong brand with best-in-class reputation for service and executing credit risk solutions

$1.8 Billion of Total Capital [(1)]

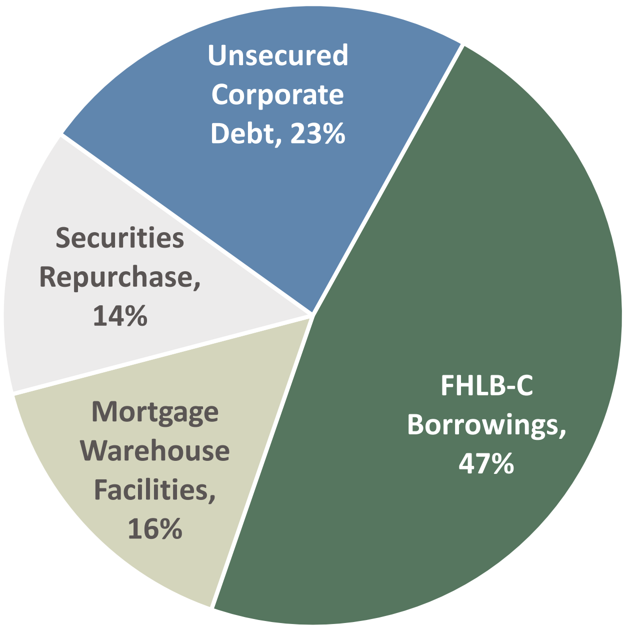


Our investment portfolio represents the majority of our capital, about half of which was sourced through our mortgage banking activities

(1) As of March 31, 2018. Includes $1.2bn of equity capital and $0.6bn of debt on our consolidated balance sheet that is recourse to RWT.

Redwood's Cost-of-Capital Advantage

Recourse Financing: $4.2 Billion[1]



Borrowing Type	Avg. Cost of Funds[1]	Avg. Remaining Tenor (Years)[1]
FHLB-C Borrowings	1.6%	7
Unsecured Corporate Debt	5.6%	5
Securities Repurchase	2.8%	<1
Mortgage Warehouse Facilities	3.2%	<1
Weighted Average Cost of Funds	**2.9%**	

Financing Highlights[1]

Lower leverage relative to our mortgage REIT peers:

- Recourse debt to equity of 3.4x vs. peer average of 5.0x[2]

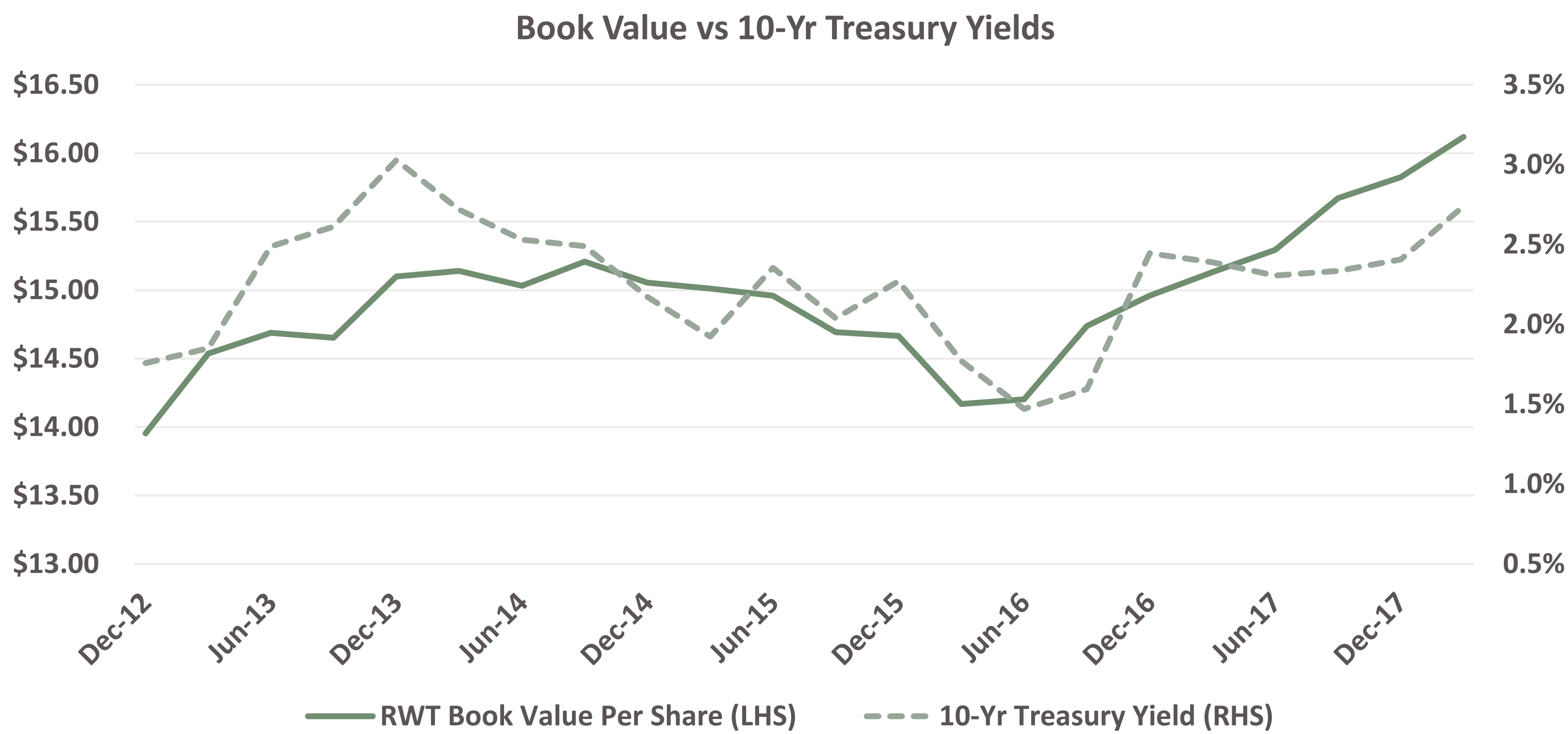
Diversified, longer-tenor funding sources:

- Long-term financing from the Federal Home Loan Bank of Chicago for our portfolio of whole loans
- Unsecured convertible and exchangeable notes
- Trust preferred securities due 2037
- Repurchase agreements with eight separate counterparties to fund our securities portfolio
- Mortgage warehouse debt to support our mortgage banking activities

(1) For the quarter ended March 31, 2018. Recourse financing excludes $1.5 billion of consolidated debt (ABS issued) that is non-recourse to Redwood
(2) Based on most recent filings through March 31, 2018.

Redwood's Historical Performance:
Our Book Value is Correlated to Housing Credit

- Higher interest rates have been a general indication of perceived stronger economic growth, fewer defaults and improved housing credit performance
- As a housing credit investor, Redwood's book value has increased over the past five years, as the outlook for economic growth has improved, and the 10-year Treasury yield has correspondingly risen



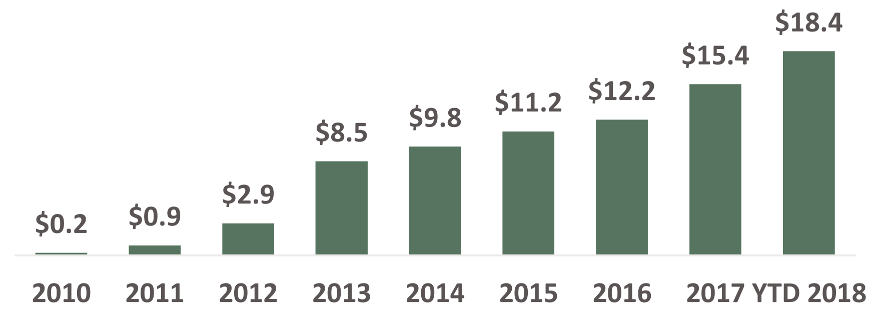
Source: Bloomberg and Redwood Trust

Redwood's Historical Performance:
Loan Acquisition and Distribution

Mortgage Banking Accomplishments

- **Benchmark RMBS issuer:** Since the crisis, we have completed 48 Sequoia securitizations backed by over $18bn of loans
- **Organic investment creation:** More than half of our invested capital allocated to our investment portfolio is comprised of assets sourced through our mortgage banking conduit
- **Improved RMBS liquidity:** The average number of discrete investors in our most recent Sequoia deals is double that of prior transactions
- **Diversified funding sources:** Since 2010, we have sold over $15bn of loans to portfolio buyers including our FHLB-member subsidiary
- **Deep sourcing channels:** We have 178 jumbo mortgage sellers, plus an additional 276 sellers through the MPF Direct program with the FHLB

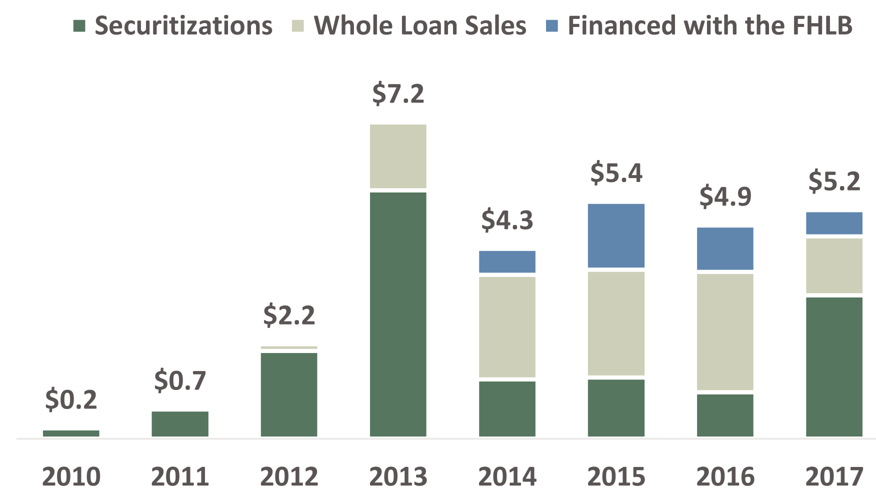
Cumulative Sequoia Securitizations 2010-YTD 2018 ($bn)



1	2	6	12	4	4	3	9	7(1)

# of securitizations

Annual Loan Distribution Activity 2010-2017 ($bn)



(1) Through May 24, 2018.

Recent Developments at Redwood

- ✓ Increased our quarterly dividend by 7% to $0.30 per share in Q2 2018
- ✓ Closed 20% minority investment in business-purpose lender 5 Arches in May 2018
- ✓ Completed 7 securitizations year-to-date including loans totaling $3bn(1)
- ✓ Increased book value +1.8% in Q1 2018, versus an average decline of (3.5)% for our Agency and Credit/Hybrid mREIT peers
- ✓ Acquired $1.8bn of jumbo loans in Q1 2018, versus $1.1bn in Q1 2017 – a 64% increase
- ✓ Successfully grew our expanded-prime Redwood Choice program, which represented 33% of our Q1 2018 lock volume, versus 22% in the same quarter of 2017
- ✓ Continued to optimize investment portfolio by selling fully-priced securities and redeploying the capital into higher-yielding and more strategic assets

(1) Through May 24, 2018.

2018 and Beyond:
Positioning Redwood for the Future

- **Since the financial crisis, we have achieved several strategic goals that have improved the soundness and stability of our business:**
  - Re-established the private label issuance market
  - Developed whole-loan sale distribution channel
  - Obtained membership in the Federal Home Loan Bank System
  - Successfully launched and scaled our Redwood Choice program
  - Diversified our capital deployment and portfolio management capabilities
- **Achieving these goals has provided our business with new sources of value:**
  - Improved growth for our core mortgage banking and portfolio management activities
  - New avenues for meaningful capital deployment

By optimizing our strategic importance to the broader housing market, we will enhance our ability to profitably scale our platform

2018 and Beyond:
"What We Believe"

- **The underpinnings of the U.S. housing market in which we invest remain strong**
- **There is a significant value premium in the marketplace on asset creation**
  - Having a nimble operating platform to source and structure our own investments is a critical competitive advantage
- **Dynamics in the housing finance market are evolving:**
  - Secular changes reflect a shift in bias towards renting versus owning a home
  - Non-banks have played an increasingly large role in mortgage origination and servicing over the past several years; many have gaps in their funding needs
  - The full impact of tax reform remains unclear but will likely influence consumer behavior around housing

These dynamics create opportunities for Redwood to leverage our competitive strengths and expand on our strategic mission

2018 and Beyond:
Our Strategy Moving Forward

Execute on Growth Strategies for Our Select and Choice Loan Programs

- Run a mortgage conduit with the highest service level available in the market and a continued focus on durable profit margins
- Expand on our successful Choice program blueprint and grow our investment opportunity set

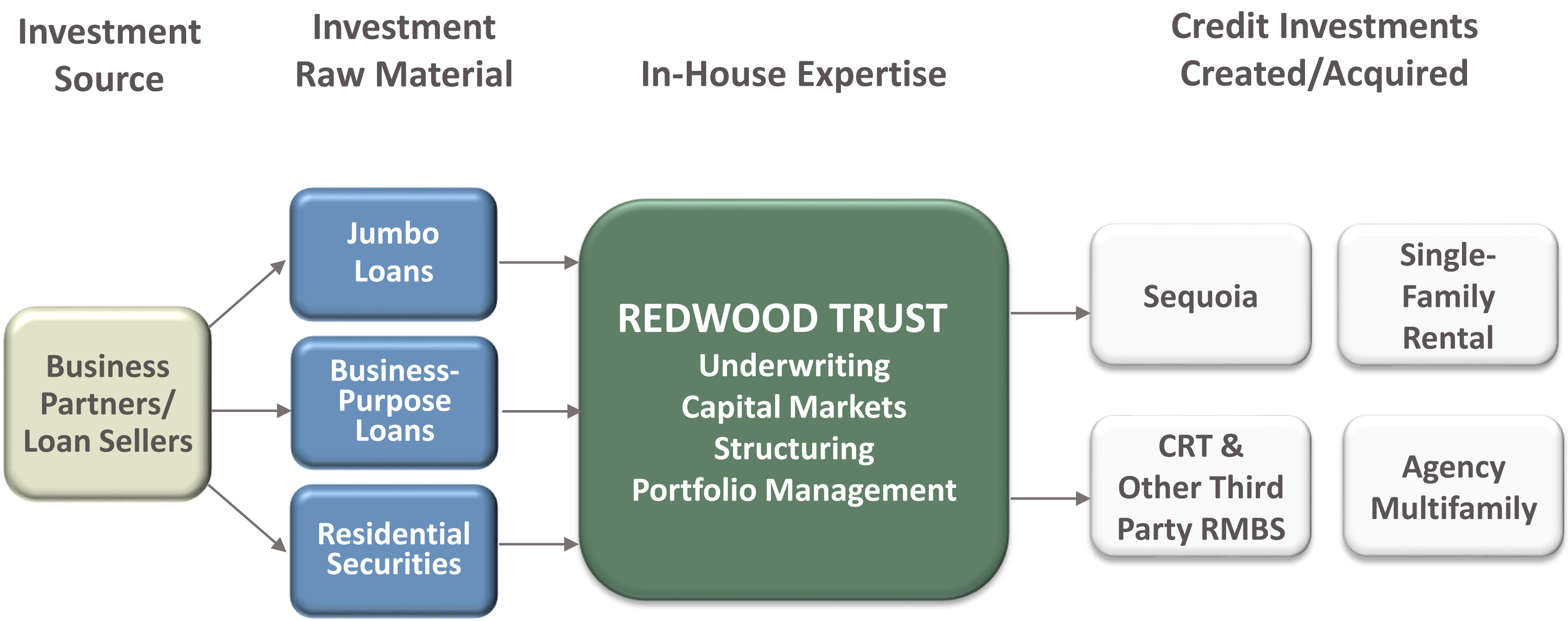
Provide Financing Solutions for Rental Housing Investors

- Leverage our core competencies in housing credit, product development, and structuring to offer customized financing solutions to the rapidly-growing cohort of investors in the single-family rental market

Address the Financing Needs of Non-Bank Lenders

- Enhance our relationships with our non-bank loan sellers by offering them customized financial services to help facilitate greater loan purchase volume and investment creation

2018 and Beyond:
The Infrastructure to Execute



Initiative:
Expand our ability to source raw material through program development and deeper partnerships

Infrastructure:
Diversified platform to source and structure raw materials and manage the resulting long-term investments

Outcome:
Differentiated access to housing credit

Mortgage Banking Platform:
Select and Choice Loan Programs

Overview of Redwood's Loan Programs

- Redwood Choice, our expanded-prime program, was launched in April 2016 to complement our traditional prime jumbo Select program
- Choice expands credit parameters beyond our Select purchase guidelines, allowing no more than one of the characteristics below:
  - DTIs: up to 49.9%, vs. 43% for Select
  - LTVs: up to 90%, vs. 80% for Select
  - FICO: down to 661, vs. 700 for Select
- Choice represents a significant area of potential growth and profitability
  - Represented 30% of our 2017 lock volume, versus 9% in 2016
  - Rates are approximately 75-100 bps higher than on Select loans

2017 Lock Volume Statistics(1)

	Select Program	Choice Program
Avg. FICO	771	738
Avg. LTV	67	73
Avg. DTI	31	35
Avg. UPB	735,000	766,000
% Non-Qualified Mortgages	0.0%	31.0%
% Investment Property	0.0%	18.0%
% FICO <700	0.0%	22.0%

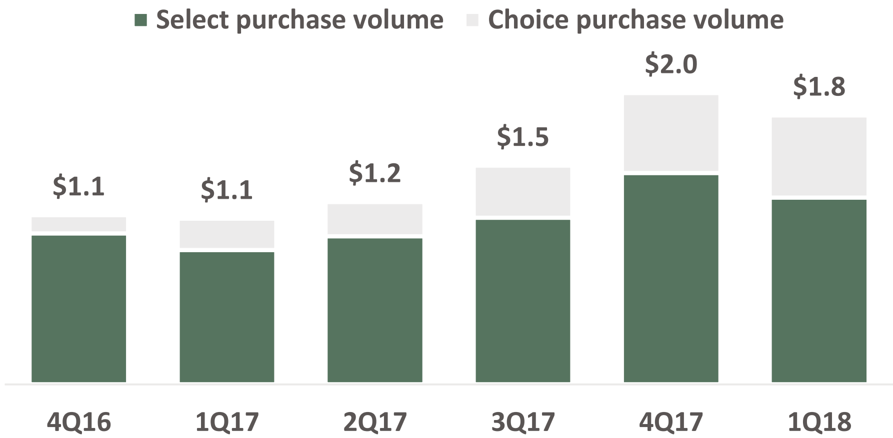
(1) All non-QM and high-LTV Select loans are considered expanded prime and included in the Choice statistics.

Mortgage Banking Platform:
The Success of the Choice Program

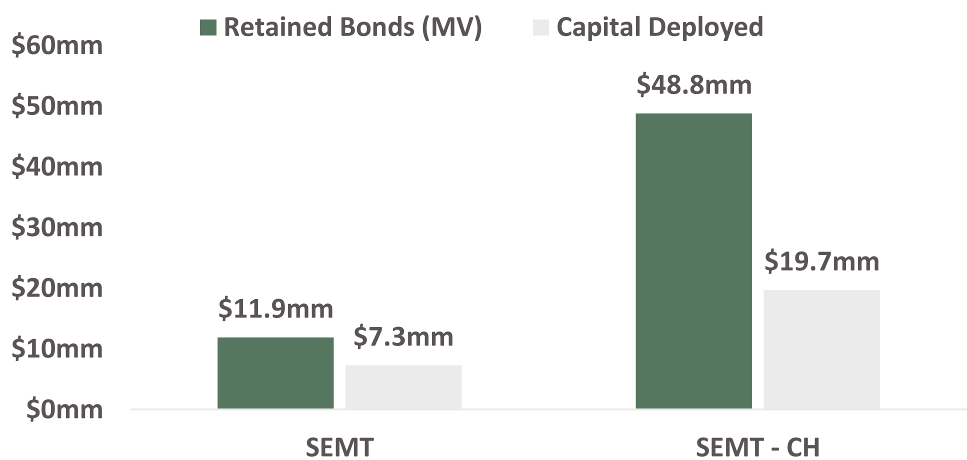
Overview of Redwood Choice

- We believe industry originations for Choice-type loans has the potential to reach $40bn-$60bn per year – most of these loans are not being made today
- We purchased $1.3bn of Choice loans during 2017, versus $0.3bn in 2016
- Currently, 84% of our 178 sellers are participating in the Choice program and 97% of these sellers have started locking Choice loans
- Securitizing Choice loans allows us to create larger credit investments for our portfolio
- Choice also provides a template for how to proceed in other areas of the housing market: to position ourselves away from banks and leverage our competitive strengths in speed and reliability

Quarterly Loan Acquisitions ($bn)(1)



Capital Deployment: Select vs Choice
$500mn Deal Size

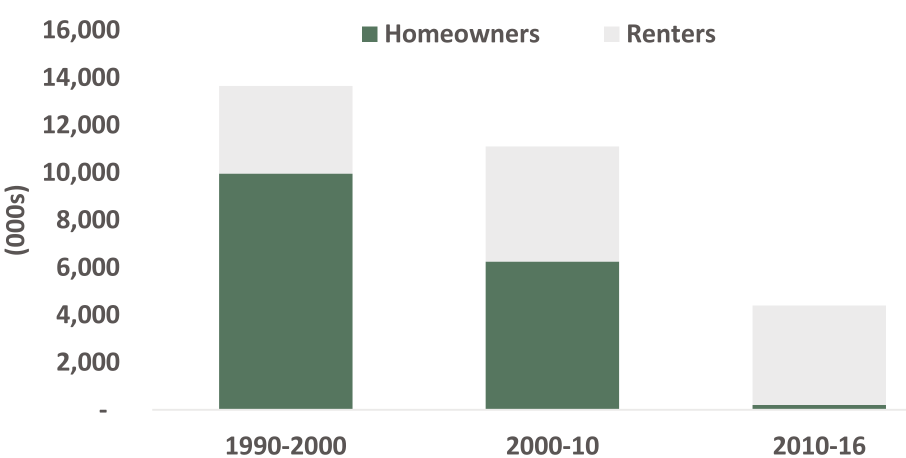


(1) All non-QM and high-LTV Select loans are considered expanded prime and included in the Choice statistics.

Single-Family Rental Finance:
The Rental / Ownership Dynamic

- Factors such as declining affordability and housing supply are driving a fundamental shift in bias towards renting
- Investment properties are owned by a broad array of investors whose financing needs are not being met in an orderly fashion
- We estimate a substantial portion of the market is owned without financing

Net New Household (1990-2016)



SFR Market Share by # of Properties Owned

Portfolio Size	# of Owners	Market Share	Aggregate Property Value
1	8,603,303	49%	$1,827,086,409,887
2-10	2,410,598	42%	$1,554,371,202,484
11-500	80,877	8%	$280,949,066,239
500+	50	1%	$39,636,390,345
	11,094,828	**100.0%**	**$3,702,043,068,955**

Source: Urban Institute, RentRange

Single-Family Rental Finance:
Our Partnership with 5 Arches

Who is 5 Arches?

- An Irvine, California-based lender focused on the origination and asset management of business-purpose residential mortgage loans
- Founded in 2012 by experienced real estate investors and asset managers
- Privately-held company with approximately 60 full-time employees
- Focused on the origination of single-family rental, multifamily bridge, and fix-and-flip residential real estate loans
  - Total originations since inception of over $1.3bn, including ~$470mn in 2017
  - Originations in the first quarter 2018 totaled over $175mn

Transaction Summary

- Redwood acquired a 20% minority interest in 5 Arches for $10mn
- The transaction provides Redwood with:
  - A 12-month exclusive flow relationship to purchase SFR loans from 5 Arches
  - A 12-month exclusive option to purchase the remainder of 5 Arches for $40mn (mix of cash and Redwood stock)

Single-Family Rental Finance:
5 Arches - Value Creation to Redwood

Single-Family Rental (SFR) Investment & Earnings Potential

Target Run Rate - Annualized Volume Potential(1)	\$600 million - \$800 million
Associated Annual Capital Deployment(1)	\$100 million - \$200 million
Target Return Profile(2)	8%-10% for aggregation financing 11%-14% for term securitization
Potential Incremental EPS Contribution(1)	\$0.08 to \$0.10 per share annually, per \$200 million in capital deployed

Additional Revenue Opportunities

- "Fix-and-flip" loans: short duration (typically <12 months) loans to investors improving single-family and small-ticket multi-family real estate
  - Potential for product synergy with SFR as investors seek to rent out homes post-rehab
- 12-month purchase option for remainder of 5 Arches allows Redwood to internalize origination and asset management economics

(1) Anticipated near-term run rate once flow purchase arrangement is fully ramped.
(2) Return targets are based on our 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.

Supporting Our Non-Bank Sellers:
The Capital Needs & Operating Flow of Non-Depositories

- Over 60% of our loan purchases are from non-bank mortgage lenders
- Non-depository mortgage bankers originated approximately $800bn of loans in 2017
- Many of these non-depository lenders have gaps in their financing needs that have a material effect on outright returns, the capital required to run their businesses, and their ability to grow
- By offering new ways for these sellers to optimize their capital bases, we can deepen these partnerships and enhance our ability to source more loans

The Typical Workflow of a Mortgage Lender

Loans Originated	Loans Financed	Loans Sold	Capital Recycled
Lender Originates Loan with Embedded Servicing Rights (MSR)	Warehouse Financing	Loan Separated from Servicing & Sold	Gain-on-Sale
	Warehouse Equity	Servicing Retained	Capital Recycling
	Working Capital	Long-Term Capital	Return on Equity

2018 and Beyond:
Our Vision for the Future

To optimize our role in the housing industry as one of **the market's most innovative mortgage investors**

- Utilize our **flexible operating platform** to support the growth of our mortgage banking business beyond our current programs
- Leverage our **unique access to investment opportunities** to expand our footprint into new areas that address secular shifts in the housing market
- **Significantly increase the size of our investment portfolio** by nimbly deploying resources into areas where housing capital needs are growing
- Generate **outsized returns for our shareholders** that cannot be replicated through traditional asset-backed markets**, leading to dividend and book value growth over time**

Appendix

Note: The financial information included in this Appendix should be read in conjunction with, and is qualified in its entirety by the text of, our most recent Annual Report on Form 10-K and subsequent Quarterly Reports on Form 10-Q publicly filed with the U.S. Securities and Exchange Commission.

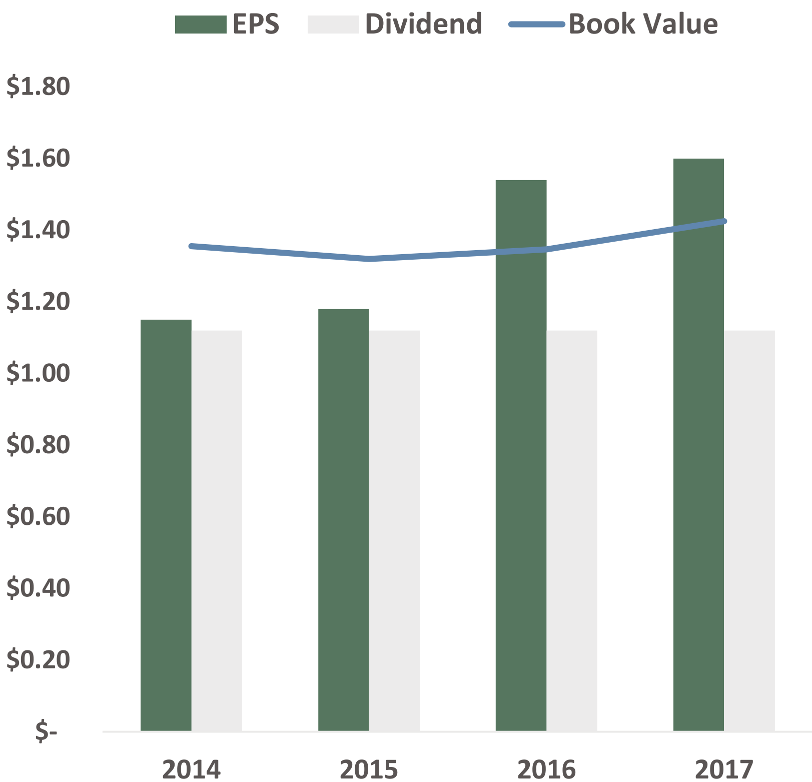
Investment Portfolio - Overview

Investment Portfolio at March 31, 2018	Fair Value ($mn)	Collateralized Debt ($mn)	Allocated Capital ($mn)	% of RWT's Total Capital
Residential loans/FHLB stock	$2,419	($2,000)	$419	23%
Third party residential securities	684	(186)	498	28%
Sequoia residential securities	384	(127)	257	14%
Multifamily securities	377	(280)	97	5%
Mortgage servicing rights	66	—	66	4%
Other assets/(other liabilities)	155	(43)	112	6%
Cash and liquidity capital			145	NA
Total Investments	**$4,086**	**$(2,636)**	**$1,596**	**90%**

- Residential securities consist of assets purchased in the secondary market or retained from our Sequoia transactions
- Securities portfolio is conservatively financed with short-term recourse debt and equity
- FHLB-member subsidiary provides us access to collateralized loan financing at very competitive rates
- We opportunistically add or sell investments based on market conditions
- We believe our portfolio can generate attractive returns

Redwood's Historical Performance: *Balanced Business Model Drives Attractive, Sustainable Risk-Adjusted Returns*

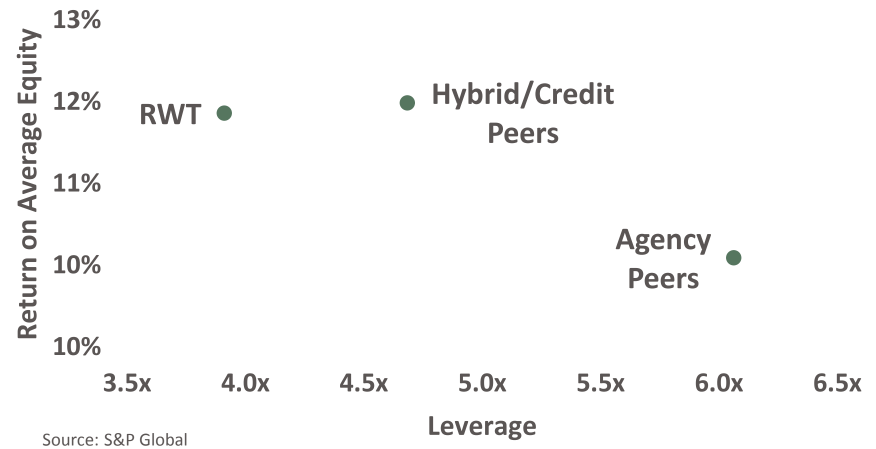
Historical GAAP EPS, Dividends and Book Value



8.0%	8.2%	11.8%	11.9%

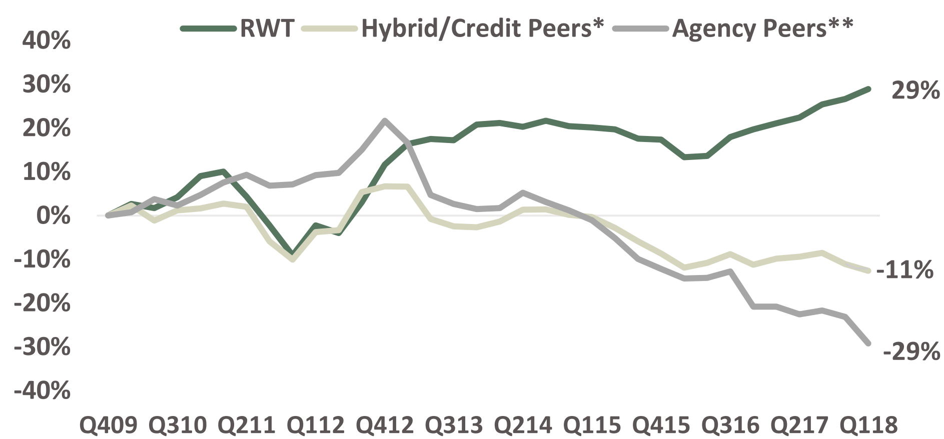
Annual Return on Average Equity[1]

GAAP Leverage vs Return on Average Equity: FY17[2]



Source: S&P Global

Average Book Value Performance vs Peers: 2010-Q118



Source: S&P Global

(1) Calculated as annual GAAP net income for the year divided by average total equity.
(2) Hybrid peers: ARR, MFA, DX, CIM, TWO, NYMT, IVR, EFC; Agency peers: CYS, NLY, ANH, AGNC, AI, CMO