UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 OR 15(d) of The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): February 9, 2023

REDWOOD TRUST, INC.

(Exact name of registrant as specified in its charter)

Maryland	**001-13759**	**68-0329422**
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

One Belvedere Place
Suite 300
Mill Valley, California 94941
(Address of principal executive offices and Zip Code)

(415) 389-7373
(Registrant's telephone number, including area code)

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 or Rule 12b-2 of the Securities Exchange Act of 1934.

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Common stock, par value $0.01 per share	RWT	New York Stock Exchange
10% Series A Fixed-Rate Reset Cumulative Redeemable Preferred Stock, par value $0.01 per share	RWT PRA	New York Stock Exchange

Item 2.02. Results of Operations and Financial Condition;

Item 7.01. Regulation FD Disclosure.

On February 9, 2023, Redwood Trust, Inc. (the "Company") issued a press release announcing its financial results for the quarter ended December 31, 2022, the *Redwood Trust Shareholder Letter - 4th Quarter 2022* and *The Redwood Review - 4th Quarter 2022*, copies of which are attached as Exhibit 99.1, Exhibit 99.2 and Exhibit 99.3, respectively, to this current report on Form 8-K.

In addition, on February 9, 2023, the Company made available Supplemental Financial Tables presenting certain financial results for the quarter ended December 31, 2022. A link to the Supplemental Financial Tables is available at the Company's website at http://www.redwoodtrust.com, in the Investor Relations section of the website under "Financials."

The information contained in this Item 2.02 and Item 7.01 and the attached Exhibits 99.1, 99.2 and 99.3 is furnished to and not filed with the SEC, and shall not be incorporated by reference into any registration statement or other document filed under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except as shall be expressly set forth by specific reference in such filing.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

Exhibit 99.1	Press Release issued February 9, 2023
Exhibit 99.2	Redwood Trust Shareholder Letter - 4th Quarter 2022
Exhibit 99.3	The Redwood Review – 4th Quarter 2022
Exhibit 104	Cover Page Interactive Data File (embedded within the inline XBRL document)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: February 9, 2023	**REDWOOD TRUST, INC.**	
	By:	/s/ BROOKE E. CARILLO
		Name: Brooke E. Carillo
		Title: Chief Financial Officer

Exhibit Index

Exhibit No.	Exhibit Title
Exhibit 99.1	Press Release dated February 9, 2023
Exhibit 99.2	Redwood Trust Shareholder Letter - 4th Quarter 2022
Exhibit 99.3	The Redwood Review – 4th Quarter 2022
Exhibit 104	Cover Page Interactive Data File (embedded within the inline XBRL document)

REDWOOD
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REDWOOD TRUST REPORTS FOURTH QUARTER 2022 FINANCIAL RESULTS

MILL VALLEY, CA – Redwood Trust, Inc. (NYSE:RWT; "Redwood" or the "Company"), a leader in expanding access to housing for homebuyers and renters, today reported its financial results for the fourth quarter ended December 31, 2022.

Key Q4 2022 Financial Results and Metrics

- GAAP book value per common share was $9.55 at December 31, 2022, a 6.2% decrease from $10.18 per share at September 30, 2022
  - Economic return on book value of (3.9)%[(1)]
- GAAP net loss of $(0.40) per diluted common share
  - $(0.21) per share was attributable to net fair value changes on long-term investments, substantially all of which were unrealized
- Non-GAAP Earnings Available for Distribution ("EAD") of $(0.11) per basic common share[(2)]
- Recourse leverage ratio of 2.8x at December 31, 2022[(3)]
- Declared and paid a regular quarterly dividend of $0.23 per common share

Operational Business Highlights

Investment Portfolio

- Deployed $74 million of capital into new, organically-created and third-party investments
- Credit performance remained stable with low delinquencies across the portfolio
- Secured recourse leverage of 0.8x at December 31, 2022 [(4)]

Business Purpose Mortgage Banking

- Funded $424 million in business purpose loans; 68% Bridge and 32% Term
- Sold $61 million of Term loans and $31 million of Bridge loans through whole loan sales

Residential Mortgage Banking

- Locked $43 million[(5)] and purchased $106 million of jumbo loans
- Distributed $131 million of jumbo loans through whole loan sales
- Total net jumbo loan exposure was $659 million[(6)] at December 31, 2022

Financing and Capital Markets Highlights

- Unrestricted cash and cash equivalents of $259 million (representing over 70% of marginable debt) [7] and unencumbered assets of $314 million at December 31, 2022
- Closed a new $150 million borrowing facility to finance home equity investments ("HEI")
- During 2022, we renewed or established 18 financing facilities representing $6 billion of total financing capacity
- At December 31, 2022, there was $3.6 billion of unused financing capacity across our Residential and Business Purpose Mortgage Banking segments
- Repurchased approximately $32 million of Redwood's convertible debt during the quarter, contributing to total repurchases of approximately $88 million of our common equity and convertible debt during 2022

RWT Horizons Highlights

- Completed two follow-on investments in existing RWT Horizons portfolio companies in the fourth quarter, at valuations at or above initial investments
- Since inception, RWT Horizons has completed 29 technology venture investments in 24 companies, with an aggregate of over $27 million of investment commitments

Q1 2023 Corporate Highlights

- Unrestricted cash and cash equivalent position was $400 million at February 7, 2023
- Raised $70 million of gross proceeds in a preferred stock offering
- Repurchased $25 million of our series of convertible debt maturing in August 2023, resulting in $152 million of this series outstanding at February 7, 2023
- Distributed approximately $560 million of collateral in January through securitizations and sales
    - Closed residential securitization backed by $333 million of collateral; Redwood's 120th SEMT ® securitization to date
    - Sold $222 million of business purpose lending ("BPL") Term loans

“While historic dislocations like we witnessed last year made for a challenging fourth quarter, these dislocations are now creating opportunities," said Christopher Abate, Chief Executive Officer of Redwood. "We entered 2023 with great momentum, executing on several strategic, financing, and organizational initiatives, all while a number of industry participants have decided to pull back. With nearly 30 years in housing finance, we're excited to be positioned to once again take advantage of evolutions in our market, with best in class operating platforms, distinct investment portfolio and strong liquidity."

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1. *Economic return on book value is based on the period change in GAAP book value per common share plus dividends declared per common share in the period.*
2. *Earnings available for distribution is a non-GAAP measure. See Non-GAAP Disclosures section that follows for additional information on this measure.*
3. *Recourse leverage ratio is defined as recourse debt at Redwood divided by tangible stockholders' equity. Recourse debt excludes $8.9 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 $64 million of goodwill and intangible assets.*
4. *Secured recourse leverage for our investment portfolio is defined as secured recourse debt financing our investment portfolio assets divided by capital allocated to our investment portfolio.*
5. *Lock volume does not account for potential fallout from pipeline that typically occurs through the lending process.*
6. *Total net jumbo loan exposure represents the sum of $0.7 billion of loans held on balance sheet adjusted for less than $0.1 billion of loans identified for purchase (locked loans not yet purchased) and loans subject to forward sale commitments.*
7. *Non-marginable debt and marginable debt refers to whether such debt is subject to margin calls based solely on the lender's determination, in its discretion, of the market value of underlying collateral that is non-delinquent. Non-marginable debt may be subject to a margin call due to delinquency or another credit event related to the mortgage or security being financed, a decline in the value of the underlying asset securing the collateral, an extended dwell time (i.e., period of time financed using a particular financing facility) for certain types of loans, or a change in the interest rate of a specified reference security relative to a base interest rate amount, among other reasons.*

Fourth Quarter 2022 Redwood Review and Supplemental Tables Available Online

A further discussion of Redwood's business and financial results is included in the fourth quarter 2022 Shareholder Letter and Redwood Review which are available under "Financial Info" within the Investor Relations section of the Company's website at redwoodtrust.com/investor-relations. Additional supplemental financial tables can also be found within this section of the Company's website.

Conference Call and Webcast

Redwood will host an earnings call today, February 9, 2023, at 2:00 p.m. Pacific Time / 5:00 p.m. Eastern Time to discuss its fourth quarter 2022 financial results. The number to dial in order to listen to the conference call is 1-877-423-9813 in the U.S. and Canada. International callers must dial 1-201-689-8573. A replay of the call will be available through midnight on Thursday, February 23, 2023, and can be accessed by dialing 1-844-512-2921 in the U.S. and Canada or 1-412-317-6671 internationally and entering access code #13735175.

The conference call will be webcast live in listen-only mode through the News & Events section of Redwood's Investor Relations website at https://www.redwoodtrust.com/investor-relations/news-events/events. To listen to the webcast, please go to Redwood's 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. Redwood plans to file its Quarterly Report on Form 10-K with the Securities and Exchange Commission by Wednesday, March 1, 2023, and also make it available on Redwood's website.

About Redwood

Redwood Trust, Inc. (NYSE: RWT) is a specialty finance company focused on several distinct areas of housing credit. Our operating platforms occupy a unique position in the housing finance value chain, providing liquidity to growing segments of the U.S. housing market not well served by government programs. We deliver customized housing credit investments to a diverse mix of investors, through our best-in-class securitization platforms; whole-loan distribution activities; and our publicly traded shares. Our aggregation, origination and investment activities have evolved to incorporate a diverse mix of residential, business purpose and multifamily assets. Our goal is to provide attractive returns to shareholders through a stable and growing stream of earnings and dividends, capital appreciation, and a commitment to technological innovation that facilitates risk-minded scale. We operate our business in three segments: Residential Mortgage Banking, Business Purpose Mortgage Banking and Investment Portfolio. Additionally, through RWT Horizons, our venture investing initiative, we invest in early-stage companies strategically aligned with our business across the lending, real estate, and financial technology sectors to drive innovations across our residential and business-purpose lending platforms. Since going public in 1994, we have managed our business through several cycles, built a track record of innovation, and established a best-in-class reputation for service and a common-sense approach to credit investing. Redwood Trust is internally managed and structured as a real estate investment trust ("REIT") for tax purposes. For more information about Redwood, please visit our website at www.redwoodtrust.com or connect with us on LinkedIn.

Cautionary Statement; Forward-Looking Statements *:*

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 the amount of residential mortgage loans that we identified for purchase during the fourth quarter of 2022, expected fallout and the corresponding volume of residential mortgage loans expected to be available for purchase, residential mortgage loans subject to forward sale commitments, our expected 2023 run-rate G&A expense, and the expected timing for the filing of Redwood's Annual Report on Form 10-K. Forward-looking statements involve numerous risks and uncertainties. Redwood's actual results may differ from Redwood's 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 Annual Report on Form 10-K for the year ended December 31, 2021 and our Current Report on Form 8-K filed with the SEC on January 9, 2023 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.

In addition, Redwood's financial statement audit for the year ended December 31, 2022 is not yet complete, and the quarterly and full year 2022 results reported herein are unaudited and may vary from Redwood's audited financial results for the year ended December 31, 2022, presented in Redwood's Annual Report on Form 10-K for 2022 that will be filed with the SEC. Redwood's 2022 annual financial statement audit is scheduled to conclude in late February 2023 in connection with Redwood's Form 10-K filing and it should be noted, and considered in the context of the "Risk Factor" set forth in Redwood's Current Report on Form 8-K filed with the SEC on January 9, 2023, that the year-end 2022 book value reported herein includes a $0.37 per share deferred tax asset. As Redwood's 2022 financial statement audit is completed, Redwood will determine whether, under GAAP, any non-cash valuation allowance should be applied against Redwood's deferred tax assets, which would reduce the value of these deferred tax assets and correspondingly result in a lower level of earnings and book value being reported in Redwood's Annual Report on Form 10-K for 2022 than is reported herein for our fourth quarter and full year 2022.

REDWOOD TRUST, INC.

n millions, except per share data)		Three Months Ended	
		12/31/2022	9/30/2022
ancial Performance			
t income (loss) per diluted common share	$	(0.40)	$ (0.44)
t income (loss) per basic common share	$	(0.40)	$ (0.44)
D per basic common share (non-GAAP)	$	(0.11)	$ 0.16
turn on Equity (annualized)		(16)%	(16)%
D Return on Equity (annualized, non-GAAP)		(4)%	6%
ok Value per Share	$	9.55	$ 10.18
idend per Share	$	0.23	$ 0.23
onomic Return on Book Value [(1)]		(3.9)%	(3.4)%
course Leverage Ratio [(2)]		2.8x	2.6x
erating Metrics			
siness Purpose Loans			
Term fundings	$	135	$ 99
Bridge fundings		289	470
Term securitized		—	274
Bridge securitized		—	—
Term sold		61	37
Bridge sold		31	48
sidential Jumbo Loans			
Locks	$	43	$ 461
Purchases		106	338
Securitized		—	—
Sold		131	612

(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. As of December 31, 2022 and September 30, 2022, recourse debt excluded $8.9 billion and $8.9 billion, respectively, of consolidated securitization debt (ABS issued and servicer advance financing) and other debt that is non-recourse to Redwood, and tangible stockholders' equity excluded $64 million and $68 million, respectively, of goodwill and intangible assets.

REDWOOD TRUST, INC.

Consolidated Income Statements [1] ($ in millions, except share and per share data)	Three Months Ended 12/31/22	9/30/22	6/30/22	3/31/22	12/31/21
Interest income	$ 173	$ 178	$ 167	$ 189	$ 162
Interest expense	(146)	(143)	(127)	(136)	(112)
Net interest income	27	35	40	53	50
Non-interest income (loss)					
Residential mortgage banking activities, net	(14)	2	(18)	8	12
Business purpose mortgage banking activities, net	(3)	14	(12)	8	24
Investment fair value changes, net	(24)	(58)	(88)	(6)	7
Other income, net	4	4	7	6	4
Realized gains, net	3	—	—	3	—
Total non-interest income (loss), net	(33)	(37)	(111)	19	47
General and administrative expenses	(39)	(38)	(30)	(33)	(37)
Portfolio management costs	(3)	(2)	(2)	(2)	(2)
Loan acquisition costs	(1)	(2)	(3)	(4)	(4)
Other expenses	(4)	(4)	(3)	(4)	(5)
(Provision for) benefit from income taxes	9	(1)	9	2	(5)
Net income (loss)	$ (44)	$ (50)	$ (100)	$ 31	$ 44
Weighted average basic shares (thousands)	113,363	116,088	119,660	119,884	114,641
Weighted average diluted shares (thousands) [2]	113,363	116,088	119,660	140,506	143,540
Earnings (loss) per basic common share	$ (0.40)	$ (0.44)	$ (0.85)	$ 0.25	$ 0.37
Earnings (loss) per diluted common share	$ (0.40)	$ (0.44)	$ (0.85)	$ 0.24	$ 0.34
Regular dividends declared per common share	$ 0.23	$ 0.23	$ 0.23	$ 0.23	$ 0.23

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

(2) In the periods presented above, weighted average diluted shares included shares from the assumed conversion of our convertible and/or exchangeable debt in accordance with GAAP diluted EPS provisions. Actual shares outstanding (in thousands) at December 31, 2022, September 30, 2022, June 30, 2022, March 31, 2022 and December 31, 2021, were 113,485, 113,343, 116,753, 120,289, and 114,892, respectively.

Analysis of Income Statement - Changes from Third to Fourth Quarter 2022

- Net interest income decreased from the third quarter due to lower net interest income from mortgage banking loan inventory as volumes and average balances declined in the fourth quarter, as well as higher interest expense from rising interest rates on debt financing both our mortgage banking inventories and our investment portfolio. Of note, during the fourth quarter we closed a new borrowing facility for HEI investments, which contributed to the increase in interest expense.
- Income from Residential Mortgage Banking activities decreased from the third quarter as interest rate volatility and spread widening negatively impacted prices of our existing inventory. We limited loan acquisition volume in the fourth quarter to a nominal amount given market conditions, and while profitability was negatively impacted by a lack of open distribution channels, we have seen a resurgence of activity and improvement in investor sentiment in 2023.
- Income from Business Purpose Mortgage Banking activities decreased from the third quarter as interest rate volatility and spread widening negatively impacted prices of our existing inventory. While lower demand for bridge loans caused origination volume to come down during the fourth quarter, we saw a recovery quarter-over-quarter in term loan volumes, driven by renewed demand for longer-term fixed rate financing.
- Net negative investment fair value changes on our Investment Portfolio in the fourth quarter reflected credit spread widening during the quarter across most of our investment classes. The negative fair value changes were partially offset by fair value increases in our IO securities and MSRs. Negative fair value changes primarily reflected unrealized mark-to-market losses, while fundamental credit performance, including delinquencies and LTVs, remained stable across our portfolio.
- General and administrative (G&A) expenses increased slightly from the third quarter and remained elevated, primarily due to employee severance and related transition expenses, which totaled $3 million in the fourth quarter. Pro forma for expense reduction initiatives during the first quarter of 2023, we currently expect 2023 run-rate G&A expense to be an incremental 5-10% lower than comparable full-year 2022 levels.
- During the fourth quarter of 2022, we began presenting portfolio management costs separately on our consolidated income statements and conformed all prior periods to this presentation. The increase in portfolio management costs from the third quarter reflect incremental costs associated with a higher average balance of investments during the fourth quarter.
- Loan acquisition costs declined in the fourth quarter, in-line with a decrease in loan origination and acquisition volumes in both of our mortgage banking operations. Other expenses were primarily comprised of acquisition-related intangible amortization expenses.
- Our provision for income taxes in the fourth quarter reflected net losses incurred at our taxable REIT subsidiary in the quarter, driven primarily by losses at both our mortgage banking businesses.

REDWOOD TRUST, INC.

Consolidated Income Statements [1]

($ in millions, except share and per share data)

	Year Ended December 31,	
	2022	**2021**
Interest income	$ 708	$ 575
Interest expense	(552)	(427)
Net interest income	155	148
Non-interest income (loss)		
Residential mortgage banking activities, net	(21)	127
Business purpose mortgage banking activities, net	8	109
Investment fair value changes, net	(176)	128
Other income	21	12
Realized gains, net	5	18
Total non-interest income (loss), net	(163)	394
General and administrative expenses	(141)	(165)
Portfolio management costs	(8)	(6)
Loan acquisition costs	(12)	(16)
Other expenses	(16)	(17)
Benefit from (provision for) income taxes	20	(18)
Net income (loss)	$ (164)	$ 320
Weighted average basic shares (thousands)	117,228	113,230
Weighted average diluted shares (thousands)	117,228	142,070
Earnings (loss) per basic common share	$ (1.43)	$ 2.73
Earnings (loss) per diluted common share	$ (1.43)	$ 2.37
Regular dividends declared per common share	$ 0.92	$ 0.78

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

REDWOOD TRUST, INC.

Consolidated Balance Sheets [(1)]

($ in millions, except share and per share data)	12/31/22	9/30/22	6/30/22	3/31/22	12/31/21
Residential loans	$ 5,613	$ 5,753	$ 6,579	$ 7,217	$ 7,592
Business purpose loans	5,333	5,257	5,203	4,755	4,791
Consolidated Agency multifamily loans	425	427	443	452	474
Real estate securities	240	259	284	359	377
Home equity investments (HEI)	403	340	276	227	193
Other investments	391	413	403	408	449
Cash and cash equivalents	259	297	371	409	450
Other assets	367	399	316	425	380
Total assets	$ 13,031	$ 13,146	$ 13,876	$ 14,253	$ 14,707
Short-term debt	$ 2,030	$ 2,110	$ 1,870	$ 1,647	$ 2,177
Other liabilities	197	208	197	325	249
Asset-backed securities issued	7,987	8,139	8,584	8,872	9,254
Long-term debt, net	1,733	1,534	1,966	1,964	1,641
Total liabilities	11,947	11,992	12,617	12,808	13,321
Stockholders' equity	1,084	1,154	1,258	1,445	1,386
Total liabilities and equity	$ 13,031	$ 13,146	$ 13,876	$ 14,253	$ 14,707
Shares outstanding at period end (thousands)	113,485	113,343	116,753	120,289	114,892
GAAP book value per share	$ 9.55	$ 10.18	$ 10.78	$ 12.01	$ 12.06

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

Non-GAAP Disclosures

Reconciliation of GAAP Net Income (Loss) to non-GAAP Earnings Available for Distribution [1][2]	**Three Months Ended**	
($ in millions, except share and per share data)	**12/31/22**	**9/30/22**
GAAP net income (loss)	$ (44)	$ (50)
Adjustments:		
Investment fair value changes, net [3]	24	58
Change in economic basis of investments [4]	6	2
Realized (gains)/losses, net [5]	(3)	—
Acquisition related expenses [6]	3	4
Organizational restructuring charges [7]	3	4
Tax effect of adjustments [8]	(1)	2
Earnings Available for Distribution (non-GAAP)	$ (12)	$ 19
Earnings per basic common share	$ (0.40)	$ (0.44)
EAD per basic common share (non-GAAP)	$ (0.11)	$ 0.16
GAAP ROE (annualized)	(16)%	(16)%
EAD ROE (non-GAAP, annualized) [9]	(4)%	6 %

1. Certain totals may not foot due to rounding.
2. EAD and EAD ROE are non-GAAP measures derived from GAAP Net income and GAAP ROE, respectively. EAD is defined as: GAAP net income (loss) adjusted to (i) exclude investment fair value changes, net; (ii) adjust for change in economic basis of investments; (iii) exclude realized gains and losses; (iv) exclude acquisition related expenses; (v) exclude organizational restructuring charges; and (vi) adjust for the hypothetical income taxes associated with these adjustments. EAD ROE is defined as EAD divided by average common equity. We believe EAD and EAD ROE provide supplemental information to assist management and investors in analyzing the Company’s results of operations and help facilitate comparisons to industry peers. Management also believes that EAD and EAD ROE are metrics that can supplement its analysis of the Company’s ability to pay dividends, by providing an indication of the current income generating capacity of the Company's business operations as of the quarter being presented – and when used for this type of analysis, management focuses on EAD for its most recently completed quarter and does not generally analyze quarterly EAD results against the prior-year quarter or EAD results accumulated across quarters. More generally, EAD and EAD ROE should not be utilized in isolation, nor should they be considered as an alternative to GAAP net income, GAAP ROE or other measurements of results of operations computed in accordance with GAAP or for federal income tax purposes.
3. Investment fair value changes, net includes all amounts within that same line item on our consolidated statements of income, which primarily represents both realized and unrealized gains and losses on our investments and associated hedges.
4. Change in economic basis of investments is an adjustment representing the difference between GAAP interest income for those investments and their estimated economic income. The economic income for our investments is calculated using their estimated economic yield, which is imputed using an investment's carrying value (generally its market value as we carry nearly all our investments at fair value) and its forecasted future cash flows at the beginning of the quarter being presented.
5. Realized (gains)/losses, net includes all amounts within that line item on our consolidated statements of income.

6. Acquisition related expenses include transaction expenses paid to third parties related to the acquisition of Riverbend, ongoing amortization of intangible assets related to the Riverbend, Corevest and 5Arches acquisitions and changes in the contingent consideration liability related to the potential earnout consideration for the acquisition of Riverbend.
7. Organizational restructuring charges for the third and fourth quarters of 2022 represent costs associated with employee severance and related transition expenses.
8. Tax effect of adjustments represent the hypothetical income taxes associated with all adjustments used to calculate EAD.
9. EAD ROE is calculated by dividing EAD by average common equity for each respective period

CONTACTS
Investor Relations
Kaitlyn Mauritz
SVP, Head of Investor Relations
Phone: 866-269-4976
Email: investorrelations@redwoodtrust.com

Exhibit 99.2

SHAREHOLDER LETTER

FOURTH QUARTER 2022

REDWOOD TRUST

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Dear Fellow Shareholders,

The turn of the calendar from 2022 rounded out a year that brought about sudden change to the mortgage markets in a manner that was markedly different than we have seen through downturns in past housing cycles. The Federal Reserve's efforts to curb inflation during 2022 led to the most pronounced jump in rates in over 40 years, largely freezing mortgage refinance activity and profoundly affecting consumer behavior in the housing market. As the Fed made up for lost time fighting inflation, many investors simply "headed home for the holidays" several months early, looking to close the book on a challenging stretch.

Given this backdrop, we slowed the pace of our mortgage banking businesses in the fourth quarter and took stock of our market positioning. This entailed a fresh rationalization of our operating footprint and cost structure in light of persistent market volatility, resulting in a 24% reduction in our workforce. We also undertook efforts to further fortify our balance sheet, holding just over $400 million of unrestricted cash at the beginning of February 2023.

For the fourth quarter 2022 overall, we reported GAAP earnings of $(0.40) per diluted share, non-GAAP earnings available for distribution ("EAD") of $(0.11) per diluted share, and book value per share of $9.55. We paid a quarterly dividend of $0.23 per share, consistent with our dividend level throughout 2022. While our results during this period certainly didn't meet our expectations, we focused on prudently protecting our book value, managing risk, and positioning our Company for the path forward. As we all know, long-term focal points such as these are sometimes only appreciated in hindsight.

With such a challenging year now behind us, we resolved to break the huddle early in January and quickly build momentum towards our 2023 priorities. And that's exactly what we've done, realizing a welcome uptick in activity and a few accomplishments worth noting that have helped to improve our GAAP book value thus far in 2023.

Firstly, we successfully priced an inaugural preferred stock offering in early January, reopening a segment of the capital markets that had seen little activity in 2022. We pursued preferred equity for a few reasons, including the financing cost relative to unsecured debt alternatives, the prospect of further deleveraging our balance sheet with perpetual capital, and the opportunity to access this new source of capital more readily going forward. While the cost of any capital is up significantly over the past year, reflective of the acute rise in benchmark interest rates, we believe this inaugural raise is comfortably accretive to our common equity based on our more optimized cost structure and the returns we are realizing on new investments.

Next up was a $213 million sale of business purpose lending ("BPL") loans to a top institutional partner at accretive terms for both firms. As a reminder, BPL is by its nature a type of "non-QM" residential loan program, and liquidity for this sector was significantly impacted in 2022 in step with our consumer jumbo "QM" business. The sale of this pool of loans was a bellwether of sorts and created forward momentum for the platform that has positively impacted our new loan pricing and reaffirmed our platform's potential to build from last year's record volumes. We like to remind our investors, most of whom are homeowners, that BPL

This Shareholder Letter contains time-sensitive information and may contain forward-looking statements. The information contained herein is only accurate as of February 9, 2023. We undertake no obligation to update or revise the information contained herein, including forward-looking statements, whether as a result of new information, future events, or otherwise. Additional detail regarding the forward-looking statements in this Shareholder Letter and the important factors that may affect our actual results in 2023 are described at the end of this Shareholder Letter under the heading "Cautionary Statement; Forward-Looking Statements."

borrowers aren't like consumers, the majority of which are now enjoying 30-year fixed rates of 4% (or much lower) on their homes. BPL borrowers – developers, landlords, long-term investors – are, by definition, transaction oriented, and need the liquidity from our lending products to fuel their businesses and support growth. And with demand for rental products elevated, in an environment when housing inventory remains expensive and in low supply, we see housing investors actively seeking the range of solutions we offer.

In contrast to some of the headwinds facing the consumer mortgage sector, our BPL franchise continues to see activity supported by many of the tailwinds that drove volumes throughout 2022. The rental market has been tasked with providing more alternatives for households, a promising scenario for a diversified lender like CoreVest able to serve a broad array of sponsor strategies, including multifamily, build-for-rent, and workforce housing. We remain focused on originating loans secured by assets with strong fundamentals and business plans with experienced sponsorship teams. We continue to evolve our underwriting guidelines in keeping with market trends, most recently lowering LTV caps on our Bridge products and continuing to originate lower LTV Single-Family Rental "Term" loans. Our production mix between Bridge and Term loans has once again rebalanced as sponsors begin to accept locking in current long-term rates in lieu of shorter-term floating-rate Bridge debt. All told, this is why we remain particularly bullish on our BPL operations, even when faced with the prospect of a potential recession in 2023.

In tandem with our BPL loan sale, in late January our Residential team completed our first Sequoia securitization in over a year. Once again, our securitization helped reset the market tighter and has now influenced a significant expansion of the RMBS issuance calendar by other sponsors, a good fact for all market participants. Investor demand on our securitization was very strong, enabling us to increase bond prices and boost our GAAP gain on sale. This gives us confidence that the prospect of "leaning in" on our consumer residential loan pricing is inching closer. In the meantime, our total residential loan exposure was cut roughly in half by this securitization and stood at just over $300 million at the beginning of February, freeing up valuable cash to reinvest across our suite of businesses.

Perhaps the overall positive market sentiment to start the year matters most with respect to our investment portfolio, as it remains a primary driver of our book value. While the fourth quarter mirrored much of 2022 with further credit spread widening, thus far in 2023 the story has been different. Market prices for securities have begun to firm up, reflecting lower mortgage rates, increased housing market activity, and positive deal flow in the securitization markets. The vast majority of the mark-to-market declines we incurred on the portfolio in 2022 remained largely detached from underlying cash flows, with the book continuing to display strong fundamental credit quality with low delinquencies. With a weighted average year-end carrying value of 62 cents to face value, and a projected forward loss-adjusted yield of 15%, we estimate our Investment Portfolio had approximately $500 million (or $4.33 per share) of net discount at year-end.

The prospects of earning this discount to book through time start with the underlying fundamentals of our loans, an area of continued stability. While the path of home prices – and its impact on mortgage credit – remains a critical question for 2023, we believe the composition of our portfolio, with many seasoned assets and significant HPA realized to date, makes it resilient to a wide range of downturn scenarios for the economy. Though we expect home prices to decline moderately this year overall, with potentially meaningful variation across geographies, we believe that a more pronounced decline would have to be predicated on the emergence of a larger group of consumers forced to sell their homes. With most homeowners having locked in generationally low mortgage rates underwritten to tight credit standards, a wave of forced selling would likely require additional exogenous forces at play. The fact remains that most homeowners still enjoy substantial equity in their homes with limited options to access it, another opportunity for us to leverage our unique structuring expertise and market access to further differentiate our product offerings.

As we noted above, with the rapid rise in interest rates, the cost to own and finance a home increased notably in 2022. Over-capacity, or the amount of excess loan production capability relative to consumer demand, weighed heavily on the industry in 2022, with many companies still struggling to right size. We saw similar conditions following the Great Financial Crisis when residential volumes were muted for an extended period as the economy slowly recovered. This time around the economy is in better shape, but the size of the addressable consumer mortgage market – particularly refinances – is unlikely to retrace back to recent levels for some time. As of year-end, less than 1% of residential mortgages have at least a 50 basis-point incentive to refinance, with nearly two-thirds of homeowners currently benefitting from a long-term financing rate of 4% or lower.

In response to these structural changes, we reduced capital allocated to Residential Mortgage Banking by 70% throughout 2022 and expect to maintain a lower allocation to this segment for the foreseeable future. A strategic focus of ours remains tending to our seller base and ensuring we have products that meet their needs as the market evolves. This includes continued refinement of our expanded prime products, as well as investor products that cater to consumers who own second homes or a single rental property. As borrower demand for these products comes into clearer view, we remain focused on operating efficiency and preserving financial flexibility. This includes ongoing rationalization of our broader cost structure, with a primary focus to lower variable costs that can flex with loan volumes and performance, while protecting the franchise and maintaining optionality to engage more aggressively when market conditions improve.

Overall, we remain intentional about steering capital and resources towards markets that we believe perform better in this environment and assets we view as undervalued, including Redwood's corporate debt and equity. As valuations of our stock and convertible debt became disconnected from fundamentals in 2022, particularly in the second half of the year, we were active in buying back our securities at attractive prices. We ultimately repurchased a total of approximately $88 million of our own common equity and debt throughout 2022, and, as we progress into 2023, we have remained active in repurchasing more of our shorter-dated obligations. We intend to use our unrestricted cash position and other sources of available liquidity to address the remainder of our upcoming 2023 convertible bond maturity and expect to be opportunistic in repurchasing elsewhere in our convertible bond stack.

While uncertainty is likely to linger well into 2023, we believe we are in the late innings of this Fed cycle and remain confident in our ability to navigate further challenges with the pillars of our diversification, strong balance sheet and, most importantly, our people. We believe our platform offers a compelling opportunity and unique access point to invest in a very dynamic housing market.

As always, thank you for your continued support,

Christopher J. Abate
Chief Executive Officer

Dashiell I. Robinson
President

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Note to Readers

We file annual reports (on Form 10-K) and quarterly reports (on Form 10-Q) with the Securities and Exchange Commission. These filings, our Redwood Review presentation and our earnings press releases provide information about Redwood and our financial results in accordance with generally accepted accounting principles (GAAP). These documents, as well as information about our business and a glossary of terms we use in this and other publications, are available through our website, www.redwoodtrust.com. We encourage you to review these documents. Within this document, in addition to our GAAP results, we may also present certain non-GAAP measures. When we present a non-GAAP measure, we provide a description of that measure and a reconciliation to the comparable GAAP measure within the Non-GAAP Measurement section of the Endnotes to the Redwood Review, which can be found on our website, www.redwoodtrust.com, under “Financials” within the “Investor Relations” section. References herein to “Redwood,” the “company,” “we,” “us,” and “our” include Redwood Trust, Inc. and its consolidated subsidiaries. Note that because we generally round numbers in the tables to millions, except per share amounts, some numbers may not foot due to rounding. References to the “third quarter” refer to the quarter ended September 30, 2022, references to the “fourth quarter” refer to the quarter ended December 31, 2022, and references to the “first quarter” refer to the quarter ended March 31, 2023, unless otherwise specified.

Cautionary Statement; Forward-Looking Statements

This shareholder 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 and our Current Report on Form 8-K filed with the SEC on January 9, 2023 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 2023 and future years, statements related to potential upside in Redwood’s book value and investment portfolio, including the projected forward yield on our investment portfolio, statements regarding our available capital and sourcing additional capital, statements regarding opportunities to deploy capital and expected returns on such opportunities, including organic and third-party investments, strategic mergers and acquisitions, and common stock and convertible debt repurchases, and other statements regarding pending business activities and expectations and estimates relating to our business and financial results. Additional detail regarding the forward-looking statements in this shareholder letter and the important factors that may affect our actual results in 2023 are described in the Redwood Review under the heading “Forward-Looking Statements,” which can be found on our website, www.redwoodtrust.com, under “Financials” within the “Investor Relations” section.

In addition, our financial statement audit for the year ended December 31, 2022 is not yet complete, and the quarterly and full year 2022 results reported herein are unaudited and may vary from our audited financial results for the year ended December 31, 2022, presented in Redwood's Annual Report on Form 10-K for 2022 that will be filed with the SEC. Our 2022 annual financial statement audit is scheduled to conclude in late February 2023 in connection with our Form 10-K filing and it should be noted, and considered in the context of the "Risk Factor" set forth in our Current Report on Form 8-K filed with the SEC on January 9, 2023, that the year-end 2022 book value reported herein includes a $0.37 per share deferred tax asset. As our 2022 financial statement audit is completed, we will determine whether, under GAAP, any non-cash valuation allowance should be applied against our deferred tax assets, which would reduce the value of these deferred tax assets and correspondingly result in a lower level of earnings and book value being reported in our Annual Report on Form 10-K for 2022 than is reported herein for our fourth quarter and full year 2022.

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Exhibit 99.3

Q4 2022 Redwood Review

February 9, 2023

Cautionary Statement; Forward-Looking Statements

This presentation contains forward-looking statements, including statements regarding our 2023 forward outlook, statements related to available and potential sources of liquidity, estimates of upside and potential earnings in our investment portfolio from embedded discounts to par value on securities, our projected run-rate G&A expense and the impact on overall profitability, target yields on investment opportunities and estimated forward-looking economic yields on our 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, 2021, the Company’s Current Report on Form 8-K filed with the SEC on January 9, 2023 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.

In addition, the Company’s financial statement audit for the year ended December 31, 2022 is not yet complete, and the quarterly and full year 2022 results reported herein are unaudited and may vary from our audited financial results for the year ended December 31, 2022, presented in the Company’s Annual Report on Form 10-K for 2022 that will be filed with the SEC. The Company’s 2022 annual financial statement audit is scheduled to conclude in late February 2023 in connection with the Company’s Form 10-K filing and it should be noted, and considered in the context of the “Risk Factor” set forth in the Company’s Current Report on Form 8-K filed with the SEC on January 9, 2023, that the year-end 2022 book value reported herein includes a $0.37 per share deferred tax asset. As the Company’s 2022 financial statement audit is completed, the Company will determine whether, under GAAP, any non-cash valuation allowance should be applied against the Company’s deferred tax assets, which would reduce the value of these deferred tax assets and correspondingly result in a lower level of earnings and book value being reported in the Company’s Annual Report on Form 10-K for 2022 than is reported herein for the Company’s fourth quarter and full year 2022.

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 make quality housing, whether rented or owned, accessible to all American households

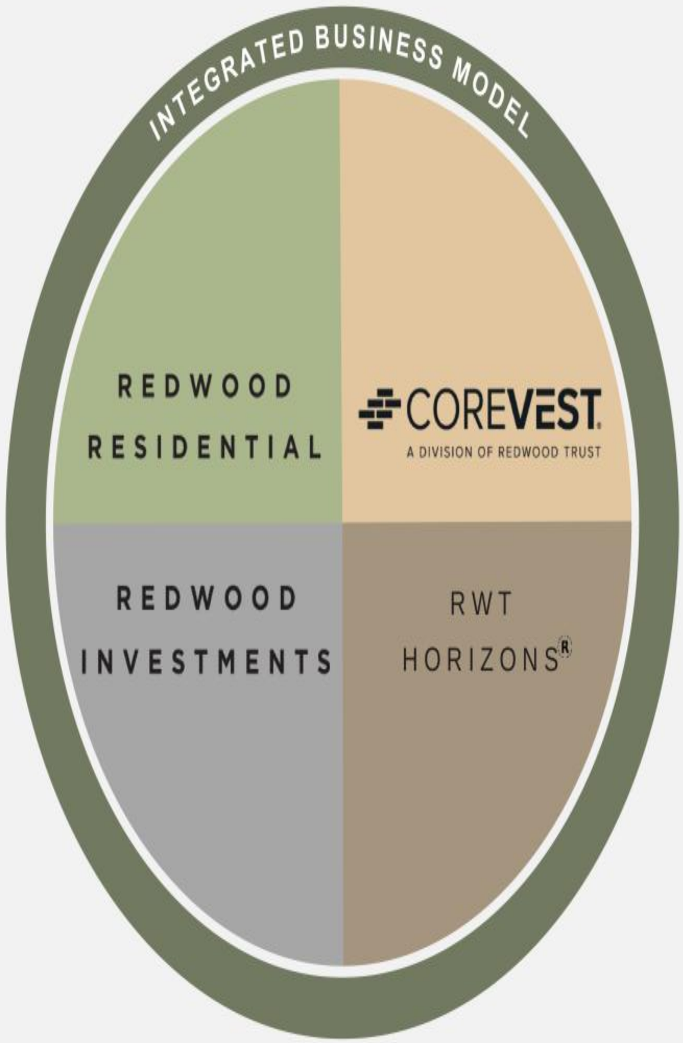
OUR DIFFERENTIATORS

28-Year Track Record of Strong Performance and Earnings Generation

Diversified Product Set with Balanced Earnings Streams

Industry Leading Operating Platforms

Best-in-Class Securitization Platforms and Distribution Channels



Control Credit through Disciplined Underwriting

Ability to Organically Create Assets for Balance Sheet

Innovative Technology Organically and Through Partnerships

Deep and Experienced Management Team

Detailed Endnotes are included at the end of this presentation.

RWT

Redwood Operates Across Three Complementary Business Lines

Redwood provides strategic capital for sustainable innovation in housing finance

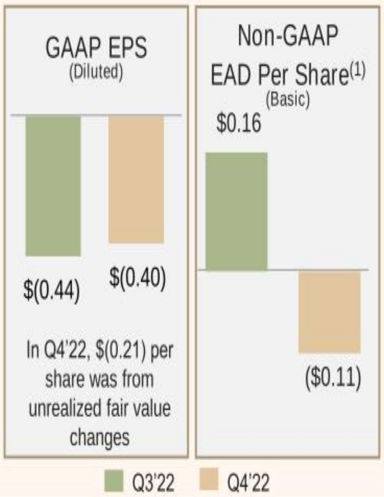
	Investment Portfolio	Residential Mortgage Banking	Business Purpose Mortgage Banking
Strategy / Overview	Includes assets organically created through mortgage banking activities and investments sourced through partnerships and third-parties	Market leading non-Agency correspondent platform serving 170+ bank and non-bank originators REDWOOD RESIDENTIAL	Leading direct life-cycle lender to single-family and multifamily housing investors; Term and Bridge loans COREVEST A DIVISION OF REDWOOD TRUST
Products*	Organically Created: RMBS & BPL Third-Party: RPLs, HEI, CRT, Multifamily Securities	Prime Jumbo, Expanded Prime Jumbo and Non-QM Loans	Term: Single-Family Rental ("SFR"), Multifamily Bridge: Multifamily, Build/Renovate to Rent, Fix & Flip
% of Total Allocated Capital(1)	84%	6%	10%
Annual Addressable Market Opportunity(2)	~$36bn	~$250bn	~$100bn (SFR + Multifamily)

Detailed Endnotes are included at the end of this presentation.
*BPL refers to business purpose loans. RPLs refer to reperforming loans. HEI refers to home equity investments. CRT refers to credit risk transfer.

RWT

Q4’22 Financial Performance

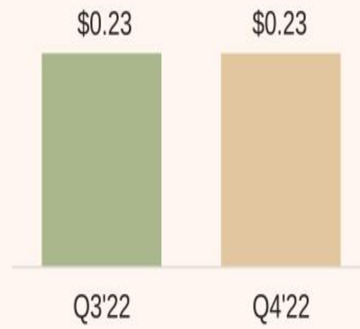
Earnings Per Share



GAAP Book Value

Q4’22 Total Economic Return: (3.9)%[2]

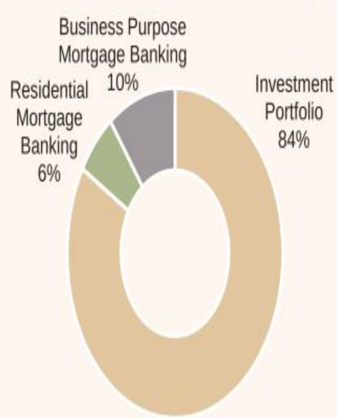
Common Dividend



13.6% Indicative Dividend Yield as of December 31, 2022[3]

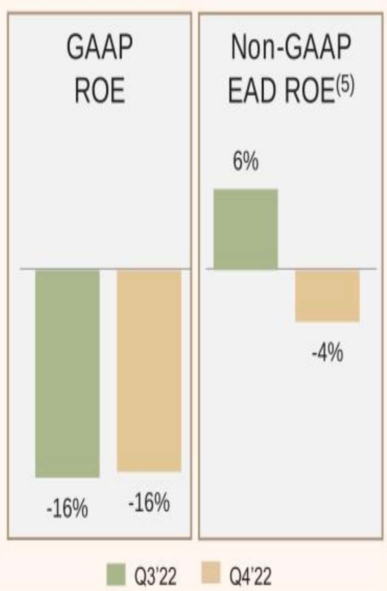
Capital Allocation[4]

$1.6 billion of allocated capital



12% YoY increase in capital allocated to Investment Portfolio; 71% and 15% YoY decline, respectively, in capital allocated to Resi MB and BPL MB

Return on Equity



Financing & Capital

Recourse Leverage Ratio[6]

Unrestricted Cash ($mm)

Detailed Endnotes are included at the end of this presentation.

Earnings Available for Distribution (“EAD”) and EAD Return on Equity (“EAD ROE”) are non-GAAP measures. See “Non-GAAP Measures” slides in the Endnotes for additional information and reconciliation to GAAP metrics.

Q4'22 Business Performance

Financing & Capital	▪ Unrestricted cash and cash equivalents of $259 million at December 31, 2022 ▪ Represents over 70% of marginable debt[1] ▪ Closed new $150 million borrowing facility to finance HEI ▪ Repurchased ~$32 million of convertible debt, generating a gain of ~$2 million ▪ $3.6 billion of excess capacity on warehouse facilities as of December 31, 2022 ▪ Investment Portfolio secured recourse leverage remains low at 0.8x
Investment Portfolio	▪ Deployed $74 million of capital into new investments sourced internally and through third-party channels ▪ Overall credit metrics remained strong with average 90 day+ delinquency rates stable across the portfolio
Business Purpose Mortgage Banking	▪ $424 million of loan fundings (68% Bridge / 32% Term) ▪ Term fundings increased 36% quarter over quarter, driven by renewed demand for longer-term fixed-rate financing ▪ Sold $92 million of loans to third-parties
Residential Mortgage Banking	▪ $43 million of locks[2] and $106 million of jumbo loan purchases ▪ Total net loan exposure of $659 million as of December 31, 2022 (down 7% compared to the end of Q3'22)[3]
RWT Horizons®	▪ Completed two new investments, both follow-ons in existing RWT Horizons portfolio companies, at valuations at or above initial investments

Detailed Endnotes are included at the end of this presentation.

2023 Positioning

We have positioned our Operating Businesses and Investment Portfolio for the environment ahead[1]

	2023 Market Conditions	Redwood Positioning
Spreads	Spreads remain wide but have tightened in 2023 YTD	▪ Favorable investing environment; wide spreads present attractive opportunities to deploy capital accretively ▪ Our Investment Portfolio stands to benefit from spread tightening amidst continued strength in credit performance
Credit	Consumer credit in focus given recessionary concerns; heightened potential for soft landing	▪ Our assets exhibit strong credit fundamentals (low LTVs and delinquencies) supported by years of seasoning ▪ We hold our portfolio at a steep discount to face value that can be recovered in future quarters with continued credit performance
Volatility	Volatility, while still elevated, has come down from 2022 peak	▪ Fortified balance sheet with strong liquidity and financing ▪ Diversified businesses and distribution channels ▪ Continue to focus on expense savings and efficiency
Interest Rates / Mortgage Rates	While rates have come down from 2022 highs, higher financing costs and lower housing affordability remain key concerns in 2023	▪ Tailwinds continue to support demand for leading BPL platform (e.g., elevated demand for rental products) ▪ We remain intentional about steering capital and resources towards markets that we believe perform better in this environment and assets we view as undervalued

RWT

QTD Q1'23 Distribution and Capital Update

To date in Q1'23, we have been active in securing additional capital and financing as well as distributing mortgage banking pipelines

Mortgage Banking Distribution

- Distributed ~$560 million of collateral in Q1'23 QTD through securitizations and sales
  - Closed SEMT® securitization backed by $333 million of loans; represents Redwood Residential's 120th SEMT® securitization
  - Sold $222 million of BPL Term loans, the majority of which was to a large institutional investor
    - Strong demand for new production loans, resulting in favorable gain on sale
- As distribution channels have re-opened, we have seen an improvement in the marks on our remaining inventory

Capital & Financing

- $400 million of unrestricted cash as of February 7, 2023
  - Generated additional cash in Q1'23 QTD through preferred stock offering, distribution efforts (whole loan sales and securitizations) and additional financing optimization efforts
- Expanded capital structure and access to capital through inaugural preferred stock offering in January; raising $70 million of gross proceeds
- Repurchased $25 million of our convertible debt maturing in August 2023
  - $152 million of this series remains outstanding at February 7, 2023
- Estimated recourse leverage ratio of 2.2x as of February 7, 2023, down from 2.8x at year end 2022(1)

Detailed Endnotes are included at the end of this presentation.

Multiple Opportunities to Deploy Capital Accretively **in Today's Markets**

We have a diverse set of organic and third-party opportunities where we believe we can deploy capital accretively in today's markets

Capital Deployment Opportunities

Organic Investments
Investments created and underwritten by Redwood's Operating Businesses

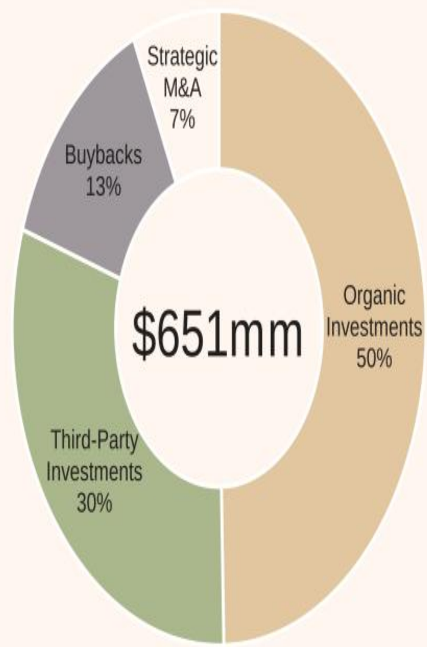
Third-Party Investments
Investments in accretive third-party opportunities

Buybacks (Stock & Convertible Debt)
Potential to create additional value for shareholders through repurchase of common stock and convertible debt

Strategic M&A
Seek businesses that are complementary or additive to our existing platforms

FY'22 Capital Deployed by Strategy

Throughout 2022, we remained active deploying capital across a number of accretive strategies



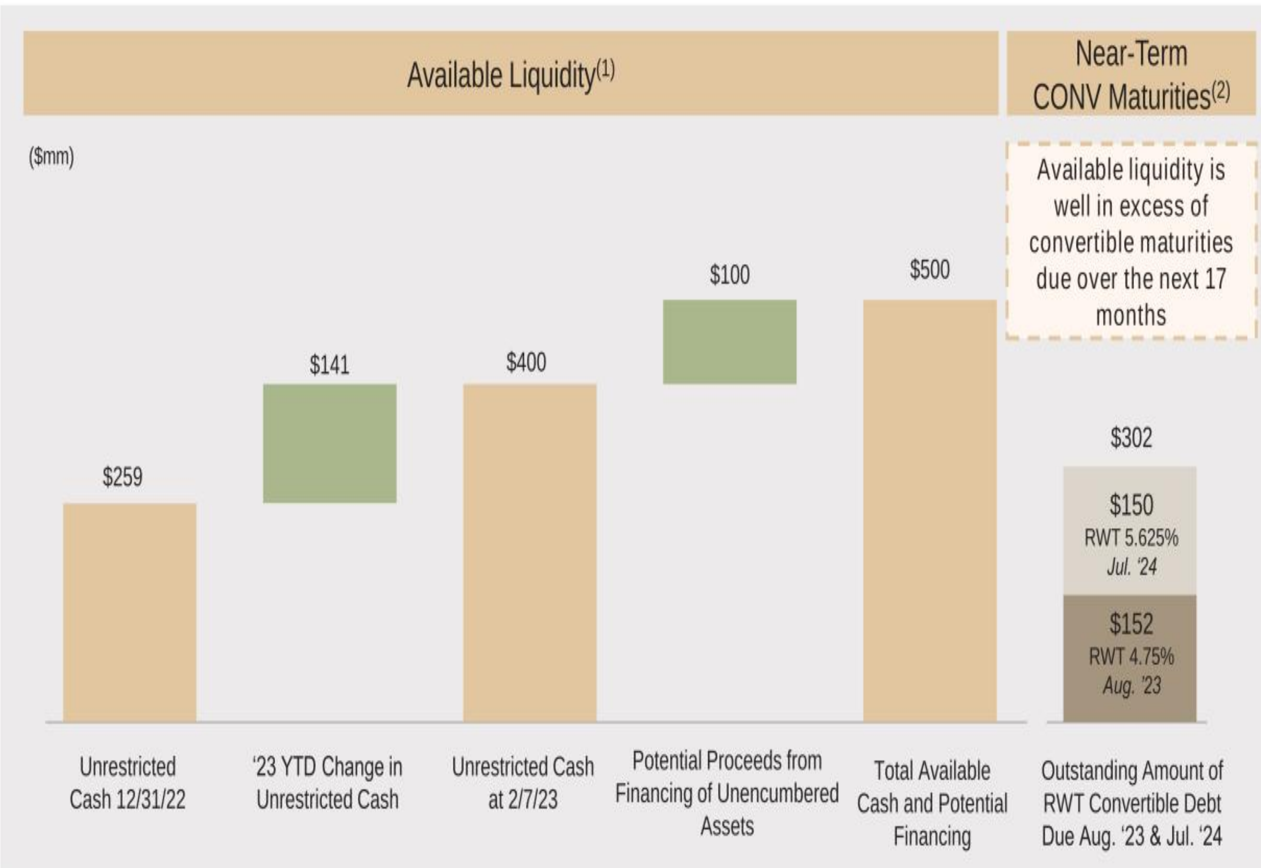
Capital deployed into new assets had an illustrative target yield(1) between

12% - 20%+

Strong Liquidity Position

We have maintained a strong capital position and have continued to generate cash organically and through public markets

- Unrestricted cash position remains strong at $400 million as of February 7, 2023 (up from $259 million as of year end)
  - We estimate we could potentially generate an incremental $100 million+ of liquidity beyond our existing cash position (through financing of over $300 million of unencumbered assets) in today's environment
- Our unrestricted cash and other sources of liquidity provide sufficient funding to cover opportunistic capital deployment and upcoming corporate debt maturities



Detailed Endnotes are included at the end of this presentation.

RWT

Cost Savings Remain in Focus

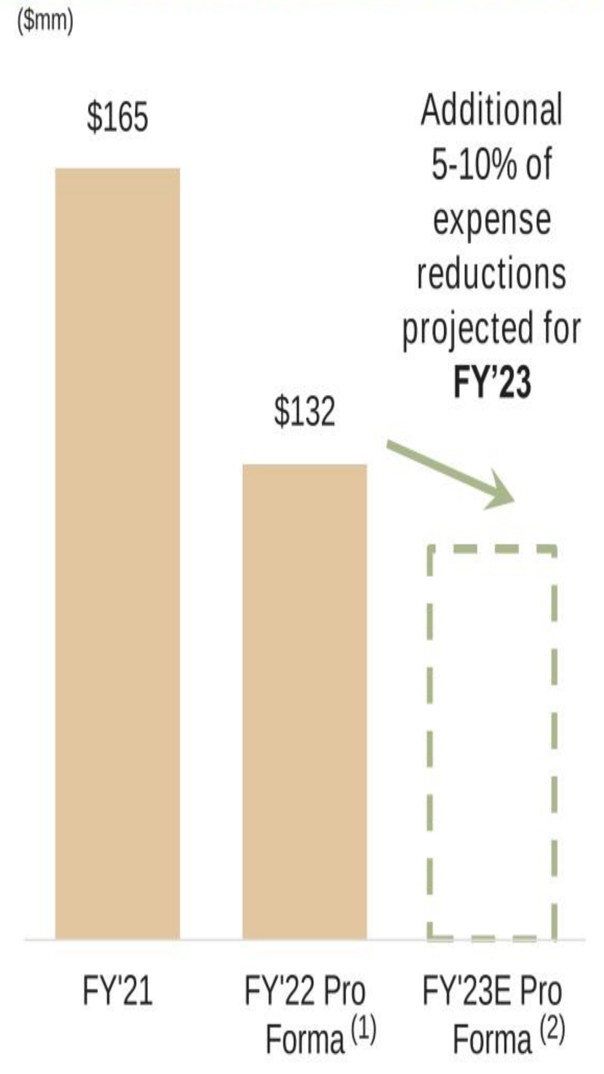
We have prudently managed our fixed and variable costs and continue to reduce run-rate expenses

Summary of Cost Savings

- Redwood maintains a nimble operating structure with the flexibility to manage expenses as broader market conditions and industry trends warrant
- We have actively managed our expenses throughout 2022 to be responsive to the current operating environment
  - FY'22 G&A expenses down 20% YoY(1)
  - Expense management initiatives already completed in Q4'22 and Q1'23 expected to result in future reductions in G&A run-rate(2)
- We expect these cost structure changes to lead to improved profitability in 2023

Annual Expenses

20% decline in FY'22 Pro Forma G&A compared to FY'21



Detailed Endnotes are included at the end of this presentation.

Funding by Business

Across our entire enterprise, we have significant excess financing capacity and low exposure to marginable debt(1)

Residential Mortgage Banking	Business Purpose Mortgage Banking	Investment Portfolio
$0.6 billion of debt	$0.3 billion of debt	$2.4 billion of debt
~60% non-marginable(1)	100% non-marginable(1)	~95% non-marginable(1)
$1.8 billion unused capacity	$1.8 billion unused capacity(2)	

Residential Mortgage Banking

- Exposure to marginable debt in this segment is related to our loan inventory which we aim to turn over efficiently and quickly
- In recent quarters, we have intentionally held light inventory

Business Purpose Mortgage Banking

- Multiple lines across domestic lending partners
- Predominantly short-term floating-rate debt

Investment Portfolio

- Floating-rate debt is generally matched against floating-rate assets
- ~70% of this debt is against Bridge loans which are predominantly variable rate
  - In Q4'22, we established a new non-recourse, non-marginable facility for Bridge loans

Detailed Endnotes are included at the end of this presentation.

Investment Portfolio & Operating Businesses

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Investment Portfolio

Our Investment Portfolio has continued to demonstrate strong fundamental credit performance

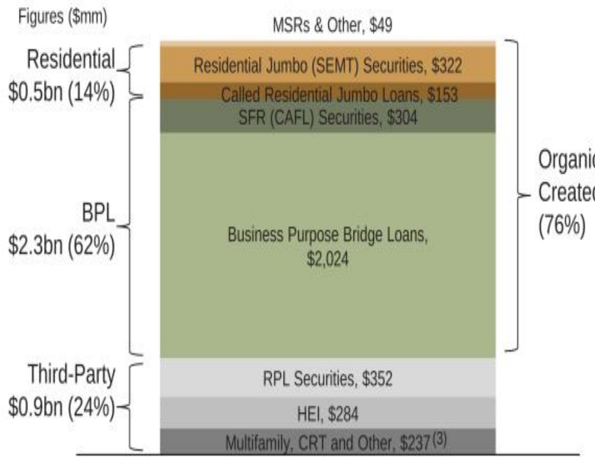
Quarterly Performance

- During Q4'22, credit spreads continued to be impacted by investor uncertainty related to concerns of inflation and recession risk
- As a result of additional negative fair value changes in Q4'22, we expect our Investment Portfolio to yield 15% on a forward economic basis(1)
- Our Investment Portfolio continued to demonstrate stable fundamentals driven by underlying loan seasoning and embedded growth in home prices and rent
- During the quarter, we deployed $74 million of capital into new investments

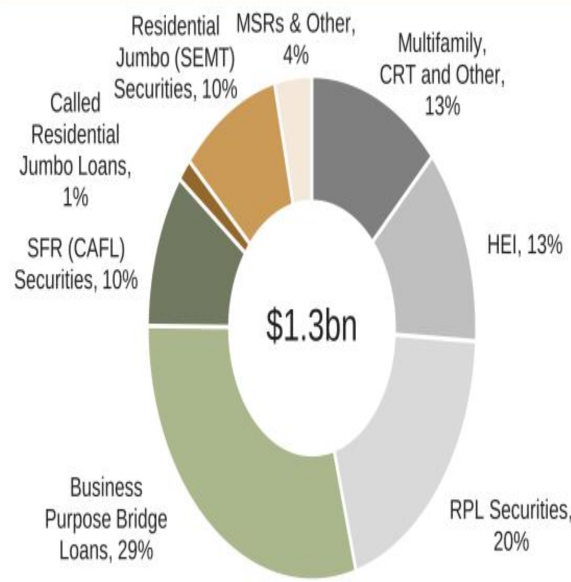
Summary of Investment Portfolio at 12/31/22

by Economic Investments(2)

$3.7 billion Housing Credit Investments



by Capital



Detailed Endnotes are included at the end of this presentation.

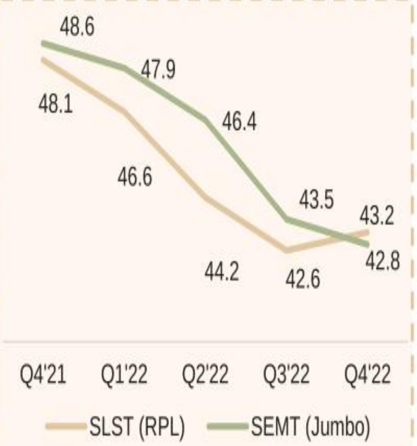
Investment Portfolio Supported by Credit Strength

Our Investment Portfolio is supported by low delinquencies, underlying loan seasoning and declining LTVs

- Credit fundamentals underlying our Investment Portfolio remain steady given the seasoning of the assets, thick equity cushion, durability in cash flows and stable levels of delinquencies
- Overall, our portfolio benefits from tailwinds including elevated home equity cushion, low unemployment and historically low housing inventory
    - In addition, a significant portion of the loans in our Residential portfolio benefit from low, fixed-rate mortgages
- Our investments are underwritten with expectations for losses; losses are currently well below modeled expectations
- Negative fair value changes on the Investment Portfolio in 2022 predominantly reflected unrealized mark-to-market losses

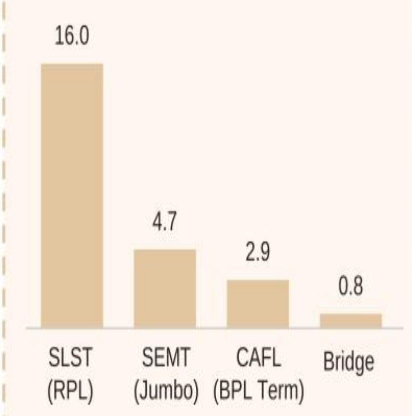
Investment Portfolio Characteristics and Fundamentals Remain Strong

HPA Adjusted LTVs[1]



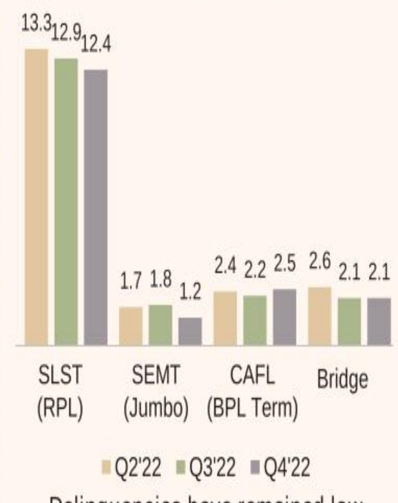
Assets are supported by many years of home price appreciation that are well in excess of modeled expectations

Underlying Loan Seasoning (Years)



Seasoned assets have lower sensitivity to changes in interest rates and market conditions

Delinquencies (% 90+ DQ)

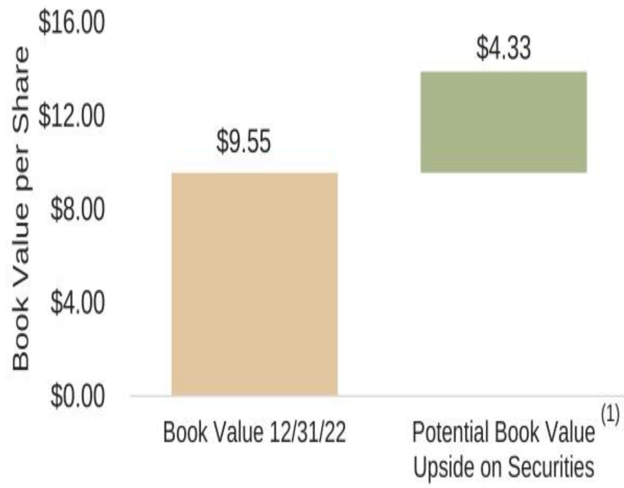


Delinquencies have remained low

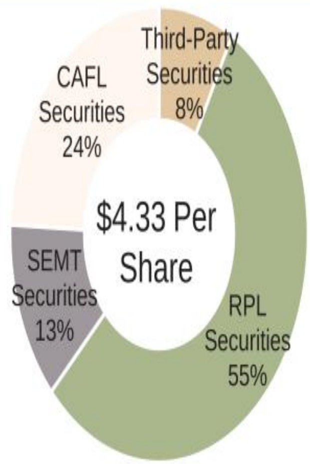
Detailed Endnotes are included at the end of this presentation.

Potential Book Value Per Share Upside Driven by Underlying Asset Strength[1]

Illustrative Potential Upside to Book Value



Net Portfolio Discount to Par by Investment[1]



As of 12/31/22, the weighted average carrying value of our subordinated securities portfolio was 62% of face[2]

We believe the factors below could contribute to our ability to realize potential upside in book value over time:

- Continued credit performance in underlying portfolio assets (e.g., consistent cashflows, low delinquencies)
- Firming of risk sentiment could reverse unrealized losses taken in 2022 which were largely driven by technical spread widening
- Return to more normalized prepayment speeds will accelerate our ability to recover our discount
- Steady home price performance over the long-term

Detailed Endnotes are included at the end of this presentation.

Investment Portfolio - SLST 2018-2

Our SLST 2018-2 investment serves as an example of the strong and stable underlying credit performance of our RPL investments

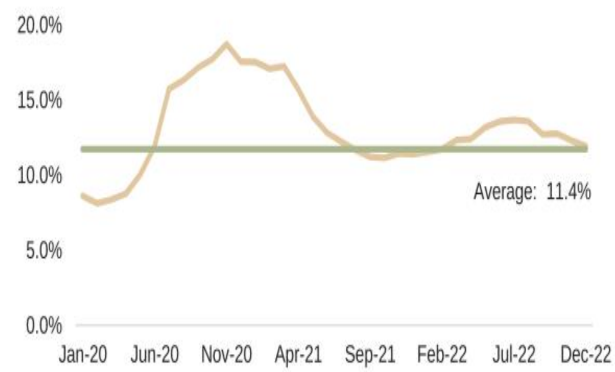
SLST 2018-2 Summary

- Our SLST 2018-2 investment, which represents ~50% of our RPL position as of Q4'22, has demonstrated continued strength as indicated by stable delinquencies and pay performance, declining LTVs and low overall net losses
- Cash flows have been healthy and, on average over the last 6 months, 96% of scheduled payments have been made each month, far exceeding the expectations implied by delinquency rates

	Original (July 2018)	Current (December 2022)
Balance ($bn)	$1.45	$0.85
Pool Factor	1.00	0.65
Weighted-Average Seasoning (Years)	11.8	16.1
Wtd Avg HPA-Adjusted LTV(1)	62%	42%
Accumulated Net Loss (% Original UPB)	0.00%	0.25%
Accumulated Net Loss ($mm)	$0.0	$3.3
DQ: 30 / 60 / 90+	39% / 16% / 0%	13% / 5% / 7%
DQ: FC / REO / BK	0% / 0% / 3%	4% / 0% / 1%

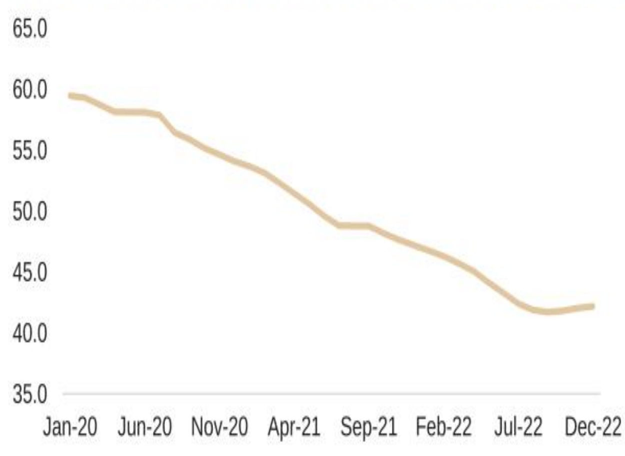
Stable Delinquency Levels (% 90+ DQ)

Delinquencies are approaching their pre-COVID levels



HPA Adjusted LTV(1)

This investment has benefitted from significant home price appreciation since our initial investment



Detailed Endnotes are included at the end of this presentation.

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REDWOOD INVESTMENTS

Investment Portfolio - BPL Bridge Loans

Our Bridge loan portfolio is predominantly comprised of multi-asset loans that we originate directly, in compliance with strict underwriting guidelines

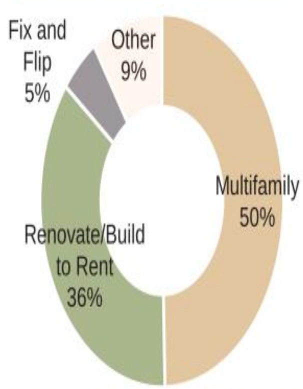
Summary of Our Bridge Portfolio

- A significant portion of our borrowers utilize Bridge loans or lines of credit to aggregate rental properties – 85%+ with multiple assets
- We control underwriting guidelines, which we have proactively updated to reflect current market conditions, including:
  - Reduced LTVs/LTCs
  - Increased exit debt yields/stresses on viability of take-out options
- Strong credit performance and consistent low delinquencies (historical range of 1.9% to 6.2%; Q4'22 90+ DQ of 2.1%)
  - Cumulative life-to-date losses of 0.24% on over $4 billion of CoreVest-originated Bridge loans

Bridge Loan Credit Characteristics

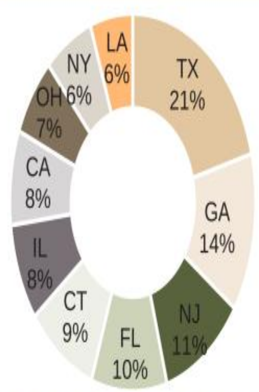
	Q4'22 Bridge Portfolio
Market Value ($mm)	$2,024
Average LTV (as repaired)	66%
Average LTC	80.0%
Average Loan Size per Asset (,000s)	$585
Average Loan/Facility Size ($mm)	$5.5

Strategies



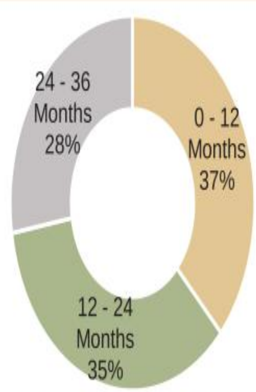
>85% in Multifamily or Renovate/Build to Rent

Loan Geography (Top 10)



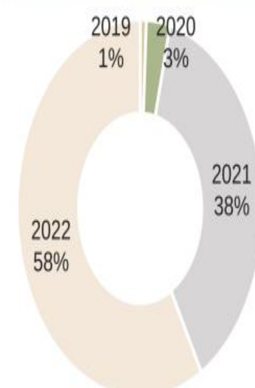
Geographic diversification; continued growth in sunbelt states given demand

Loan Maturity



Staggered maturities over the next 3 years

Vintage (Origination Year)



Our current exposure is *predominantly '21-'22 loans given '19/'20 paydowns*

Detailed Endnotes are included at the end of this presentation.

Investment Portfolio – BPL Bridge Commitments & Maturities

Summary of Bridge Maturities & Unfunded Commitments

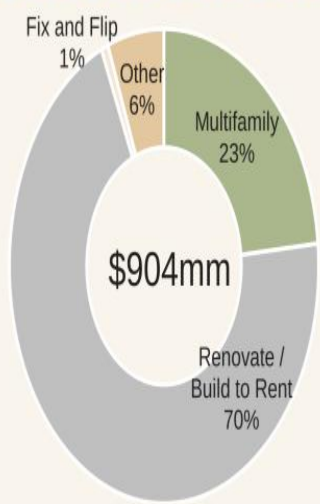
- Existing Bridge financing provides significant capacity to fund outstanding commitments
  - Bridge unfunded commitments of $0.9 billion as of December 31, 2022 (corresponds to ~$90 million on average per quarter for the next 11 quarters)
  - Excess warehouse capacity of $1.8 billion as of December 31, 2022[(1)]
- We use a combination of cash and warehouse financing to fund future commitments
  - Portfolio payoffs also provide a complementary source of organic capital for the Bridge business
- Loans are predominantly floating-rate (full loan balance adjusts to changes in interest rates)
- Funding is dependent on actual progress of the project and sponsor financial strength, and we diligence each draw request to confirm conditions have been met

Bridge Loans by Maturity ($mm)*

We have ~$180 million of quarterly Bridge loan maturities, on average, throughout the next 11 quarters

Total Bridge Unfunded Commitments by Strategy

~94% of unfunded commitments are Multifamily or Build-to-Rent strategies



*Does not take into effect the potential for early pre-payment or future extensions.

Detailed Endnotes are included at the end of this presentation.

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REDWOOD INVESTMENTS

Investment Portfolio - **Home Equity Investments ("HEI")**

Over the last few years, we have steadily evolved our investment in HEI based on our long-term thesis on the outlook for housing credit

- HEIs are an effective and attractive option for homeowners seeking to access the equity in their homes, particularly for those seeking to pay down their debt (e.g., improve credit) or renovate their properties
  - Demand for this product has been elevated in light of recent housing trends
- HEI investors share in the change in value of the home, in alignment with the homeowner
- Our investments in HEI align with our mission of supporting housing affordability and our long-term thesis on the outlook for housing credit
- Target lifetime returns of 12-15%[1]

Summary of RWT's HEI Track Record

~$316mm of capital invested in HEI since inception

$146mm HEI Securitization in October 2021

$150mm Borrowing facility to finance HEI (established in Q4'22)

2 Investments in, and partnerships with, HEI originators

Redwood's Investments in HEI

Structure

- ✓ 30-year agreements with no monthly payments
- ✓ Structural protections for HEI investor
  - ✓ Risk adjustment to home value (typically ~15-20% to initial valuation)
- ✓ High-quality investments
- ✓ At the end of the investment, investor receives one-time payment reflecting the original investment plus or minus a percentage of the change in value of the home

Indicative Structure

Senior Mortgage	Redwood	Homeowner Equity
40%	19%	41%

Average Characteristics

- 40% Senior Mortgage LTV
- $475k Median Home Price
- 6.8 Mortgage Seasoning (Years)
- 21% 12-Month CPR[2]

Detailed Endnotes are included at the end of this presentation.

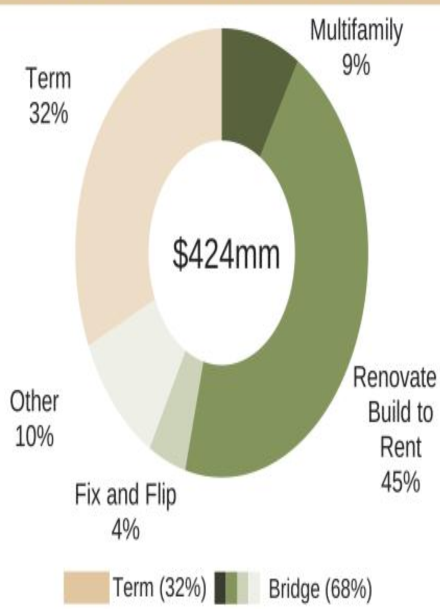
Business Purpose Mortgage Banking

We remain focused on originating loans secured by assets with strong fundamentals and business plans with experienced sponsorship teams

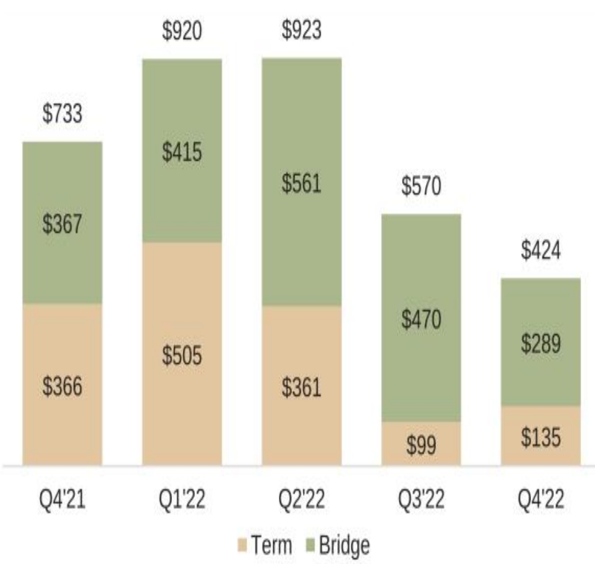
Quarterly Overview

- CoreVest funded $424 million of loans in Q4'22 (68% bridge / 32% term)
  - Bridge volumes declined given reduced QoQ demand for short-term fundings; Build to Rent volumes doubled in Q4'22 relative to Q3'22
  - We saw a recovery QoQ in Term volumes, driven by renewed demand for longer-term fixed financing
- Overall profitability in BPL segment in Q4'22 was negatively impacted by spread widening
  - Securitization markets were largely dormant in the fourth quarter, impacting bid/offer spreads during the quarter
- Sold $92 million of loans through whole loan sales and financed an additional $384 million of bridge loans through a non-recourse, non-marginable financing facility
- Continued efforts to cross-sell products across Riverbend and CoreVest platforms

Composition of Q4'22 Quarterly Fundings[1]



Quarterly Funded Volume ($mm)



Detailed Endnotes are included at the end of this presentation.

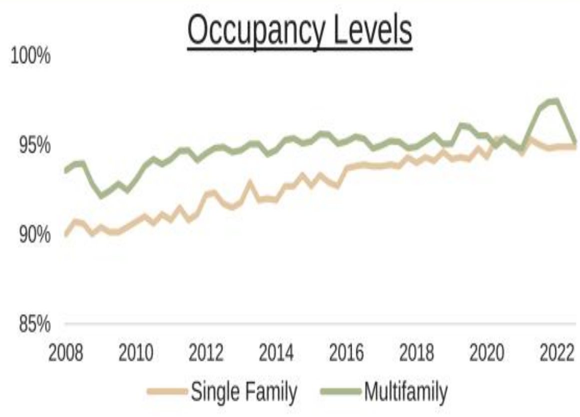
Business Purpose Lending Market Opportunity

Strong fundamentals combined with near-term dynamics support continued growth opportunity for CoreVest's diverse product set

Durability of BPL Demand Amidst Higher Rates & Recessionary Markets

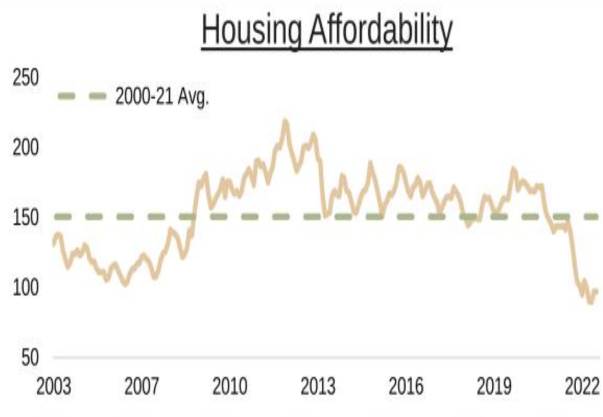
- BPL is an attractive and growing industry with less cyclical attributes and has demonstrated continued demand amidst higher interest rates
- Rental housing demand has driven healthy cash flows, high occupancy and low vacancy rates
- Favorable landscape: low housing affordability, national housing shortage, high occupancy rates, elevated home prices and increases in mortgage rates are driving continued and prolonged appetite for more rental units
- The SFR industry has historically performed well (with positive growth rates) during recessions compared to other real estate asset classes

SFR and Multifamily Occupancy Levels Remain Elevated[1]



Occupancy rates are at their highest level in over two decades

Housing Affordability Crisis Leads to Increase in Rental Demand[2]



Housing affordability is at its lowest level in years, pushing higher demand for rental products

Detailed Endnotes are included at the end of this presentation.

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REDWOOD RESIDENTIAL

Residential Mortgage Banking

While a combination of market volatility and spread widening impacted profitability of our Residential Mortgage Banking segment in the fourth quarter of 2022, sentiment has improved to date in Q1'23

Quarterly Overview

- We remained conservatively positioned in Q4'22
  - Muted loan lock and purchase activity; locked $43 million of loans(1)
- Focus on light inventory
  - Entering Q1'23, total net loan exposure of $659 million with an average gross mortgage rate over 5.3%(2)

Summary of Residential Distribution Activity

- While profitability in Residential Mortgage Banking was impacted by lack of open distribution channels in Q4'22, we have seen a resurgence of activity and improvement in investor sentiment in 2023
  - Closed $333 million SEMT® securitization in Jan'23 – first securitization since Jan'22

Redwood Residential Positioning

We anticipate industry volumes will remain muted in the upcoming quarters.
We have repositioned our portfolio accordingly in response to declining volumes.

- ✓ Reduced allocation of capital to Residential Mortgage Banking by ~70% since YE'21
- ✓ Rolled out additional products to meet evolved needs of borrowers and partners
- ✓ Q1'23 exit of industry's largest correspondent aggregator presents compelling pricing and market share opportunity
- ✓ Evolved underwriting guidelines to address changing market conditions
- ✓ Refined and invested in technologies to improve efficiency and operations
- ✓ Broadened loan distribution capabilities with growing network of whole loan buyers
- ✓ Focused on maintaining operating leverage

Detailed Endnotes are included at the end of this presentation.

Industry-Leading Distribution Platform is a Clear Differentiator

Investor demand has picked up, resulting in an increase in distribution efforts so far in Q1'23

Redwood Distribution Overview

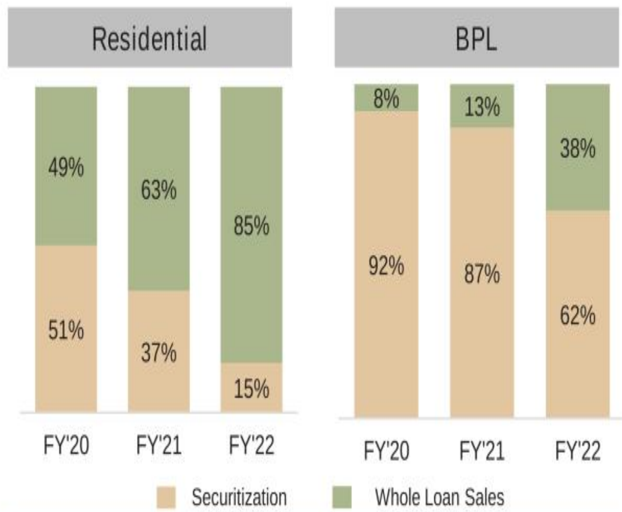
- Industry leader for our speed, innovation, quality and ability to successfully distribute loans
  - Various distribution channels support our execution (securitizations, whole loan sales and private structured transactions)
  - Track record of whole loan sales to repeat investors improves liquidity and diversity of distribution outlets across market environments

Recent Q1'23 Distribution Activity[1]

- While Q4'22 distribution activity was muted, Q1'23 investor sentiment has improved, resulting in a considerable increase in activity
- Quarter to date, we have distributed ~$560 million of collateral across our Residential and Business Purpose Mortgage Banking businesses
  - In Residential Mortgage Banking, we issued our 120th SEMT® securitization, backed by $333 million of collateral
  - In Business Purpose Mortgage Banking, we successfully sold $222 million of Term loans, the majority of which was to a large institutional investor

Distribution by Strategy Over Time

Expansive distribution capabilities across Residential and BPL



Summary of Full Year 2022 Distribution Activity

- Distributed ~$6 billion of loans
  - 26% securitization / 74% whole loan sales
  - 77% Residential / 23% BPL
- Expanded whole loan buyer base for both Residential and Business Purpose Mortgage Banking
- Evolved distribution efforts beyond traditional channels (e.g., private structured securitizations, bulk whole loan sales)

Detailed Endnotes are included at the end of this presentation.

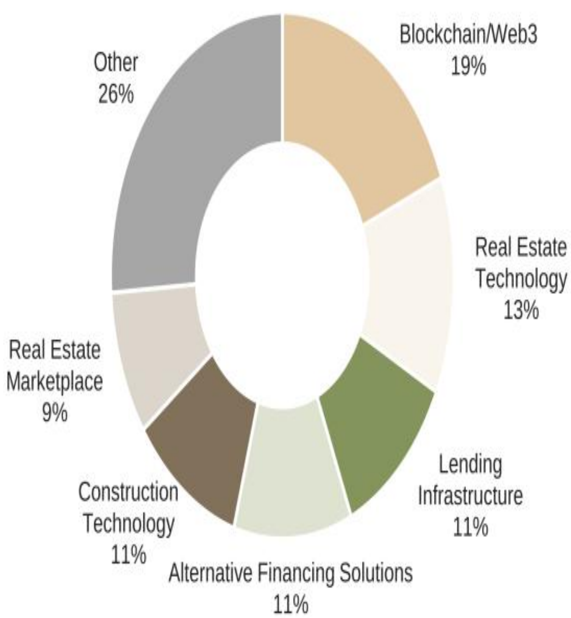
RWT HORIZONS®

Invests primarily in early-stage companies that drive innovation in financial and real estate technology

RWT Horizons Opportunity Thesis

- ✓ Enhance efficiency and scale in Redwood businesses
- ✓ Early-stage companies with opportunity for valuation upside
- ✓ Partnerships drive growth and technological enhancements
- ✓ Alignment with **Redwood's** mission, values and goals

Q4'22 Portfolio Composition



RWT Horizons by the Numbers

$27mm+ of Investment Commitments

2 New Investments in **Q4'22**

29 Total Investments

24 Portfolio Companies

Detailed Endnotes are included at the end of this presentation.

Financial Results

REDWOOD TRUST

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Income Statement

($ in millions, except per share data)

	Three Months Ended	
	12/31/2022	9/30/2022
Net interest income		
Investment portfolio	$ 41	$ 45
Mortgage banking	1	5
Corporate (unsecured debt)[1]	(15)	(15)
Total net interest income	27	35
Non-interest income (loss)		
Business Purpose mortgage banking activities, net	(3)	14
Residential mortgage banking activities, net	(14)	2
Investment fair value changes, net	(24)	(58)
Other income, net	4	4
Realized gains, net	3	—
Total non-interest income (loss), net	(33)	(37)
General and administrative expenses	(39)	(38)
Portfolio management costs	(3)	(2)
Loan acquisition costs	(1)	(2)
Other expenses	(4)	(4)
Benefit from (provision for) income taxes	9	(1)
Net loss	$ (44)	$ (50)
Loss per diluted common share	$ (0.40)	$ (0.44)

Detailed Endnotes are included at the end of this presentation.

Balance Sheet

($ in millions)

	12/31/2022	9/30/2022
Residential loans – held-for-sale	$ 781	$ 834
Residential loans – held-for-investment	4,832	4,918
Business purpose loans – held-for-sale	364	337
Business purpose loans – held-for-investment	4,969	4,920
Consolidated Agency multifamily loans	425	427
Real estate securities	240	259
Home equity investments (HEI)	403	340
Other investments	391	413
Cash and cash equivalents	259	297
Other assets	367	399
Total assets	$ 13,031	$ 13,146
Short-term debt	$ 2,030	$ 2,110
Other liabilities	197	208
ABS issued	7,987	8,139
Long-term debt, net	1,733	1,534
Total liabilities	11,947	11,992
Equity	1,084	1,154
Total liabilities and equity	$ 13,031	$ 13,146

Detailed Endnotes are included at the end of this presentation.

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Changes in Book Value per Share

($ in per share)

	Three Months Ended	
	12/31/2022	9/30/2022
Beginning book value per share	$ 10.18	$ 10.78
Basic earnings (loss)	(0.40)	(0.44)
Changes in accumulated other comprehensive income		
Unrealized gains (losses) on available-for-sale (AFS) securities, net	(0.04)	(0.06)
Realized (gains) losses on AFS securities	—	—
Discount accretion on AFS securities	—	(0.01)
Common dividends	(0.23)	(0.23)
Repurchase of stock	—	0.12
Equity compensation, net	0.03	0.04
Other, net	0.01	(0.02)
Ending book value per share	$ 9.55	$ 10.18

Detailed Endnotes are included at the end of this presentation.

Capital Allocation Summary

($ in millions)

	As of December 31, 2022				As of 9/30/22
	Fair Value of Economic Assets [1]	Recourse Debt	Non-Recourse Debt [2]	Total Capital	Total Capital
Residential Mortgage Banking					
Loans and other working capital [3]	$ 670	$ (570)	$ —	$ 100	$ 150
Business Purpose Mortgage Banking					
Loans and other working capital [3]	415	(312)	(2)	100	100
Platform premium	64	—	—	64	68
Total	479	(312)	(2)	164	168
Investment Portfolio					
Residential organic investments	524	(324)	—	200	197
Business purpose organic investments	2,328	(604)	(1,196)	528	506
Third-party investments	873	(177)	(86)	610	678
Total	3,725	(1,105)	(1,282)	1,338	1,381
Corporate (excluding debt) [4]	352	—	—	352	361
Total / Capital	5,227	(1,988)	(1,284)	1,955	2,060
Corporate debt	—	(871)	—	(871)	(906)
Total / Equity	$ 5,227	$ (2,858)	$ (1,284)	$ 1,084	$ 1,154

Detailed Endnotes are included at the end of this presentation.

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Mortgage Banking Key Results

($ in millions)

	Q4 2022			Q3 2022		
	Business Purpose Mortgage Banking	Residential Mortgage Banking	Total	Business Purpose Mortgage Banking	Residential Mortgage Banking	Total
Net interest income	$ 1	$ —	$ 1	$ 3	$ 2	$ 5
Mortgage banking activities	(3)	(14)	(16)	14	2	17
Other income	1	—	1	—	—	—
Mortgage banking income (loss)	(1)	(14)	(14)	18	4	22
Operating expenses	(21)	(5)	(26)	(24)	(6)	(31)
Benefit from income taxes	4	5	9	3	2	4
Net contribution (GAAP)	$ (17)	$ (14)	$ (31)	$ (4)	$ (1)	$ (4)
Adjustments:						
Acquisition related expenses	3	—	3	4	—	4
Organizational restructuring charges	3	—	3	4	—	4
Tax effect of adjustments	(1)	—	(1)	(2)	—	(2)
EAD Net Contribution (non-GAAP) (1)	$ (12)	$ (14)	$ (26)	$ 2	$ (1)	$ 2
Capital utilized (average for period) (2)	$ 166	$ 150	$ 316	$ 212	$ 200	$ 412
Return on capital (GAAP)	(42)%	(38)%	(40)%	(7)%	(1)%	(4)%
EAD Net Contribution return on capital (non-GAAP) (1)	(29)%	(38)%	(33)%	4 %	(1)%	2 %
Production Volumes						
Term loan fundings	$ 135			$ 99		
Bridge loan fundings	$ 289			$ 470		
Residential loan locks		$ 43			$ 461	
Residential loan purchase commitments (fallout adjusted)		$ 1			$ 256	

Detailed Endnotes are included at the end of this presentation, including details regarding our non-GAAP measures.

Investment Portfolio Key Results

($ in millions)

	Three Months Ended	
	12/31/2022	09/30/2022
Net interest income	$ 41	$ 45
Investment fair value changes, net	(26)	(62)
Realized gains/(losses), net	1	—
Other income	3	4
Operating expenses	(5)	(4)
Benefit from (provision for) income taxes	1	(6)
Net contribution (GAAP)	$ 15	$ (22)
Adjustments:		
Investment fair value changes, net	26	62
Change in basis of investments	6	2
Realized (gains)/losses, net	(1)	—
Tax effect of adjustments	(1)	3
EAD Net Contribution (non-GAAP) [(1)]	$ 45	$ 44
Capital utilized (average for period)	$ 1,352	$ 1,443
Return on capital (GAAP)	4 %	(6)%
EAD Net Contribution return on capital (non-GAAP) [(1)]	13 %	12 %
At period end		
Carrying values of assets	$ 3,725	$ 3,588
Secured recourse debt	(1,105)	(1,095)
Secured non-recourse debt	(1,282)	(1,112)
Capital invested	$ 1,338	$ 1,381
Recourse leverage ratio [(2)]	0.8x	0.8x

Detailed Endnotes are included at the end of this presentation, including details regarding our non-GAAP measures.

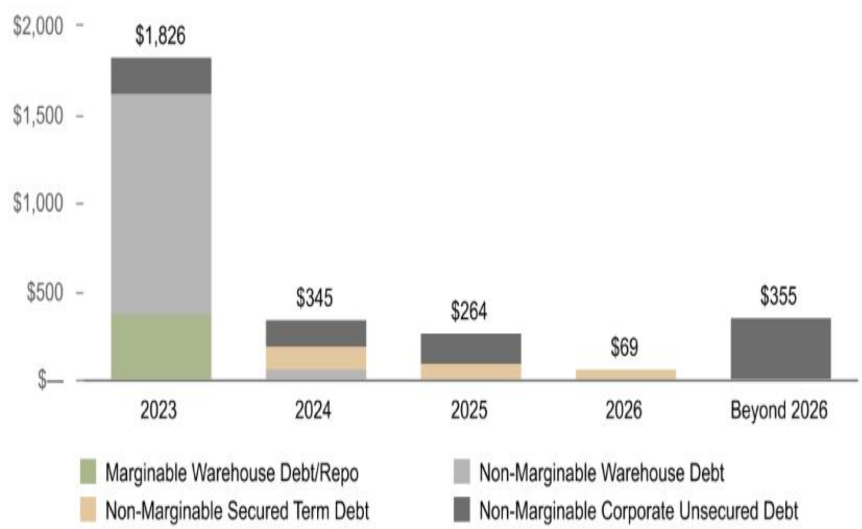
RWT

Recourse Debt Balances (1)

($ in millions)

	At December 31, 2022							At September 30, 2022	
		Secured Debt							
	Fair Value of Secured Assets	Non-Marginable Debt (1)	Marginable Debt (2)	Total Secured Debt	Unsecured Debt	Total Recourse Debt	Average Borrowing Cost (3)	Total Recourse Debt	Average Borrowing Cost (3)
Corporate debt	$ —	$ —	$ —	$ —	$ 871	$ 871	6.2 %	$ 906	5.9 %
Securities portfolio	594	301	125	426	—	426	5.1 %	429	4.1 %
BPL term loans	358	312	—	312	—	312	6.8 %	252	5.6 %
BPL bridge loans	592	433	—	433	—	433	7.0 %	524	5.7 %
Residential loans	776	456	247	703	—	703	6.2 %	749	4.8 %
HEI Options	191	113	—	113	—	113	8.5 %	—	N/A
Total	$ 2,510	$ 1,615	$ 372	$ 1,988	$ 871	$ 2,858	6.3 %	$ 2,861	5.3 %

Recourse Debt Scheduled Maturities ($ in millions)



Detailed Endnotes are included at the end of this presentation.

Endnotes

Non-GAAP Measures

Earnings Available for Distribution ("EAD") and EAD Return on Capital ("EAD ROE")

EAD and EAD ROE are non-GAAP measures derived from GAAP Net income and GAAP return on equity ("GAAP ROE"), respectively. EAD is defined as: GAAP net income (loss) adjusted to (i) exclude investment fair value changes; (ii) exclude acquisition related expenses; (iii) adjust for change in economic basis of investments; (iv) exclude realized gains and losses; (v) exclude certain organization restructuring charges; and (vi) adjust for the hypothetical income taxes associated with those adjustments. EAD ROE is defined as EAD divided by average common equity. We believe EAD and EAD ROE provide supplemental information to assist management and investors in analyzing the Company's results of operations and help facilitate comparisons to industry peers. Management also believes that EAD and EAD ROE are metrics that can supplement its analysis of the Company's ability to pay dividends, by providing an indication of the current income generating capacity of the Company's business operations as of the quarter being presented – and when used for this type of analysis, management focuses on EAD for its most recently completed quarter and does not generally analyze quarterly EAD results against the same quarter in previous year(s) or EAD results accumulated across quarters. More generally, EAD and EAD ROE should not be utilized in isolation, nor should they be considered as an alternative to GAAP net income, GAAP ROE or other measurements of results of operations computed in accordance with GAAP or for federal income tax purposes.

	Three Months Ended	
$ in millions	12/31/2022	09/30/2022
GAAP net income (loss)	$(44)	$(50)
Adjustments:		
Investment fair value changes, net[1]	$24	$58
Change in economic basis of investments[2]	6	2
Realized (gains)/losses, net[3]	(3)	—
Acquisition related expenses[4]	3	4
Organizational restructuring charges[5]	3	4
Tax effect of adjustments[6]	(2)	2
Earnings Available for Distribution (non-GAAP)	$(12)	$19
Earnings (loss) per basic common share	$(0.40)	$(0.44)
EAD per basic common share (non-GAAP)	$(0.11)	$0.16

Footnotes to table:

1. Investment fair value changes, net includes all amounts within that same line item on our consolidated statements of income, which primarily represents both realized and unrealized gains and losses on our investments and associated hedges.
2. Change in economic basis of investments is an adjustment representing the difference between GAAP interest income for those investments and their estimated economic income. The economic income for our investments is calculated using their estimated economic yield, which is imputed using an investment's carrying value (generally its market value as we carry nearly all our investments at fair value) and its forecasted future cash flows at the beginning of the quarter being presented.
3. Realized (gains)/losses, net includes all amounts within that line item on our consolidated statements of income.
4. Acquisition related expenses include transaction expenses paid to third-parties related to the acquisition of Riverbend, ongoing amortization of intangible assets related to the Riverbend, Corevest and 5Arches acquisitions and changes in the contingent consideration liability related to the potential earnout consideration for the acquisition of Riverbend.
5. Organizational restructuring charges for the third and fourth quarter of 2022 represent costs associated with employee severance and related transition expenses.
6. The tax effect of adjustments represent the hypothetical income taxes associated with all adjustments used to calculate EAD.

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Non-GAAP Measures

EAD Net Contribution and EAD Net Contribution Return on Capital

EAD Net Contribution and EAD Net Contribution Return on Capital are non-GAAP measures derived from GAAP Net Contribution and GAAP Return on Capital, respectively. EAD Net Contribution presents a measure of the profitability of our business operations and is defined as GAAP Net Contribution adjusted to (i) exclude investment fair value changes, net; (ii) adjust for change in economic basis of investments; (iii) exclude realized gains and losses; (iv) exclude acquisition related expenses; (v) exclude organizational restructuring charges; and (vi) adjust for the hypothetical income taxes associated with these adjustments. Each of these adjustments to arrive at EAD Net Contribution are the same adjustments used to calculate EAD, as applicable to each segment for which it is being calculated. EAD Net Contribution Return on Capital presents a measure of profitability relative to the amount of capital utilized in the operations of each segment during a period and is calculated by dividing annualized non-GAAP EAD Net Contribution by the average capital utilized by the segment during the period. Management utilizes these measures internally in analyzing each of the Company's business segments' contribution to EAD. See prior slide for a further description of how management utilizes EAD and why EAD may assist investors, as well as limitations related to using EAD-based metrics. We caution that EAD Net Contribution and EAD Net Contribution 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. The following table presents a reconciliation of GAAP net contribution from our segments, reconciled to EAD Net Contribution, and the associated GAAP return on capital and non-GAAP EAD Net Contribution Return on Capital.

	Q4 2022			Q3 2022		
$ in millions	Residential Mortgage Banking	Business Purpose Mortgage Banking	Investment Portfolio	Residential Mortgage Banking	Business Purpose Mortgage Banking	Investment Portfolio
Net contribution (GAAP)	$ (14)	$ (17)	$ 15	$ (1)	$ (4)	$ (22)
Adjustments[1]:						
Investment fair value changes, net	—	—	26	—	—	62
Change in basis of investments	—	—	6	—	—	2
Realized (gains)/losses, net	—	—	(1)	—	—	—
Acquisition related expenses	—	3	—	—	4	—
Organizational restructuring charges	—	3	—	—	4	—
Tax adjustments	—	(1)	(1)	—	(2)	3
EAD Net Contribution (non-GAAP)	$ (14)	$ (12)	$ 45	$ (1)	$ 3	$ 44
Capital utilized (average for period)	$ 150	$ 166	$ 1,352	$ 200	$ 212	$ 1,443
Return on capital (GAAP)	(38)%	(42)%	4 %	(1)%	(7)%	(6)%
EAD Net Contribution return on capital (non-GAAP)	(38)%	(29)%	13 %	(1)%	4 %	12 %

(1) See footnotes to table on prior page for a full description of these adjustments.

Endnotes

Slide 4 (Redwood Operates Across Three Complementary Business Lines)

Source: Company financial data as of December 31, 2022 unless otherwise noted.

1. 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 in the Financial Results section of this presentation.
2. Annualized Addressable Market Opportunity. Residential Mortgage Banking represents Q4'22 volumes of Jumbo and Expanded Credit origination annualized (Source: Inside Mortgage Finance as of December 2022), haircut ~20% to account for industry estimates for volume declines projected for 2023. Business Purpose Mortgage Banking based on combined opportunity for SFR and Multifamily Rental. SFR based on December 2022 data and potential financing opportunity for SFR of $120 billion over 3-4 years (Source: John Burns Real Estate Consulting, LLC and internal Company estimates). Multifamily based on Freddie Mac 2022 multifamily origination estimate of $440 billion and applying the estimated percentage from latest available FNMA data for origination by non-traditional multifamily lenders. Investment Portfolio represents estimated investment opportunities across private label securities ("PLS") subordinate securities, Credit Risk Transfer ("CRT"), HEI, Multifamily, Non-QM, NPL/RPL, Bridge and CAFL® SFR investments (Source: internal Company estimates).

Slide 5 (Q4'22 Financial Performance)

Source: Company financial data as of December 31, 2022 unless otherwise noted. Market data per Bloomberg as of September 30, 2022.

1. Earnings Available for Distribution ("EAD") is a non-GAAP measure. See slide in the Endnotes section of this presentation for additional information and reconciliation to GAAP net income.
2. 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.
3. Indicative dividend yield based on RWT closing stock price of $6.76 on December 30, 2022.
4. Allocated capital includes working capital and platform premium for mortgage banking operations and all investments net of associated debt for investment portfolio. Capital allocation excludes corporate capital and RWT Horizons. Further detail on the components of allocated capital is included in the Financial Results section of this presentation.
5. EAD ROE is a non-GAAP metric. Please refer to Non-GAAP Measures in the Endnotes section of this presentation for additional information.
6. Recourse leverage ratio is defined as recourse debt at Redwood exclusive of other liabilities, divided by tangible stockholders' equity. Recourse debt excludes $8.9 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 $64 million of goodwill and intangible assets.

Endnotes

Slide 6 (Q4'22 Business Performance)

Source: Company financial data as of December 31, 2022 unless otherwise noted.

1. Non-Marginable debt and marginable debt refer to whether such debt is subject to margin calls based solely on the lender's determination in its discretion of the market value of underlying collateral that is non-delinquent. Non-marginable debt may be subject to a margin call due to delinquency or another credit event related to the mortgage or security being financed, a decline in the value of the underlying asset securing the collateral, an extended dwell time (i.e., period of time financed using a particular financing facility) for certain types of loans, or a change in the interest rate of a specified reference security relative to a base interest rate amount, among other reasons.
2. Lock volume does not account for potential fallout from pipeline that typically occurs through the lending process.
3. Total net loan exposure represents the sum of $0.7 billion of loans held on balance sheet adjusted for less than $0.1 billion of loans identified for purchase (locked loans not yet purchased) and loans subject to forward sale commitments.

Slide 7 (2023 Positioning)

1. Represents management expectations and actual results may vary materially.

Slide 8 (QTD Q1'23 Distribution and Capital Update)

Source: Company data as of February 7, 2023 unless otherwise noted.

1. Recourse leverage ratio is defined as recourse debt at Redwood exclusive of other liabilities, divided by tangible stockholders' equity.

Slide 9 (Multiple Opportunities to Deploy Capital Accretively **in Today's** Markets)

Source: Company financial data as of December 31, 2022 unless otherwise noted.

1. Projections of forward yields on investment opportunities are based on our current market observations, estimates and assumptions, including our assumptions regarding credit losses, prepayment speeds, market interest rates, and discount rates, all of which are subject to significant uncertainty. Actual results may vary materially.

Slide 10 (Strong Liquidity Position)

Source: Company financial data as of December 31, 2022 unless otherwise noted.

1. Includes data as of February 7, 2023.
2. Outstanding amount as of February 7, 2023.

Slide 11 (Cost Savings Remain in Focus)

Source: Company financial data as of December 31, 2022 unless otherwise noted.

1. FY'22 Pro Forma G&A expenses adjusted to exclude $1 million of acquisition costs and $7 million of corporate re-organization related costs.
2. Estimated FY'23 Pro Forma G&A run-rate may be impacted by financial performance and actual results may vary materially.

Slide 12 (Funding by Business)

Source: Company financial data as of December 31, 2022 unless otherwise noted.

1. Non-marginable debt and marginable debt refer to whether such debt is subject to margin calls based solely on the lender's determination, in its discretion, of the market value of underlying collateral that is non-delinquent. Non-marginable debt may be subject to a margin call due to delinquency or another credit event related to the mortgage or security being financed, a decline in the value of the underlying asset securing the collateral, an extended dwell time (i.e., period of time financed using a particular financing facility) for certain types of loans, or a change in the interest rate of a specified reference security relative to a base interest rate amount, among other reasons.
2. Investment Portfolio and Business Purpose Mortgage Banking unused capacity is shown as a common amount given that certain financing may be shared across these segments.

Endnotes

Slide 14 (Investment Portfolio)
Source: Company financial data as of December 31, 2022 unless otherwise noted.

1. The projected forward economic yield is calculated using December 31, 2022 market values of the assets and associated financing in our investment portfolio and management's projection of future cash flows from these investments. Projections are based on management's expectations and calculations and actual results may vary materially.
2. Figures reflect our investments held in our Investment Portfolio on balance sheet and our economic interests in securities we own in securitizations we consolidate in accordance with GAAP (and excludes the assets within these consolidated securitizations that appear on our balance sheet) as of December 31, 2022.
3. $239 million of "Multifamily, CRT, and Other" includes $44 million net investment of multifamily securities, $68 million of CRT, $28 million of third-party securities, and $99 million of other investments.

Slide 15 (Investment Portfolio Supported by Credit Strength)
Source: Company financial data as of December 31, 2022 unless otherwise noted.

1. Source: Bloomberg (HPI LTV (Amort) %), Home Price Indexed Amortized Loan to Value.

Slide 16 (Potential Book Value Per Share Upside Driven by Underlying **Asset Strength)**
Source: Company financial data as of December 31, 2022 unless otherwise noted.

1. Represents potential book value per share upside on our securities portfolio due to the net discount to par value, net of portfolio hedges. There are several factors that may impact our ability to realize all, or a portion, of this amount which may be outside our control, including credit performance and prepayment speeds. Actual realized book value returns may differ materially.
2. Represents the market value of subordinate securities at December 31, 2022 divided by the outstanding principal balance at December 31, 2022 as a dollar price per $100 par value.

Slide 17 (Investment Portfolio - SLST 2018-**2)**
Source: Company financial data as of December 31, 2022 unless otherwise noted.

1. Source: Bloomberg (HPI LTV (Amort) %), Home Price Indexed Amortized Loan to Value.

Slide 18 (Investment Portfolio - **BPL Bridge Loans)**
Source: Company financial data as of December 31, 2022 unless otherwise noted.
Note: Pie charts include all CoreVest-originated bridge loans as well as those purchased from third-parties. Composition percentages are based on unpaid principal balance.

Slide 19 (Investment Portfolio **– BPL Bridge Commitment and Maturities)**
Source: Company financial data as of December 31, 2022 unless otherwise noted.

1. Investment Portfolio and Business Purpose Mortgage Banking unused capacity is a common amount given that certain financing may be shared across these segments.

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Endnotes

Slide 20 (Investment Portfolio - **Home Equity Investments ("HEI")**)
Source: Company financial data as of December 31, 2022.

1. Target lifetime returns represent blended returns based on leverage assumptions and are based on management's expectations and calculations, and actual results may vary materially.
2. Underlying HEI population from October 2021 Redwood HEI securitization.

Slide 21 (Business Purpose Mortgage Banking)
Source: Company financial data as of December 31, 2022.

1. Composition percentages are based on unpaid principal balance.

Slide 22 (Business Purpose Lending Market Opportunity)
Source: Company financial data as December 31, 2022.

1. Source: John Burns Real Estate Consulting, LLC; US Census. Data subject to revisions.
2. Source: National Association of Realtors, Bloomberg, Piper Sandler.

Slide 23 (Residential Mortgage Banking)
Source: Company financial data as of December 31, 2022 unless otherwise noted.

1. Lock volume does not account for potential fallout from pipeline that typically occurs through the lending process.
2. Total net loan exposure represents the sum of $0.7 billion of loans held on balance sheet and <$0.1 billion of loans identified for purchase (locked loans not yet purchased), less <$0.1 billion of loans subject to forward sale commitments, each at December 31, 2022.

Slide 24 (Industry Leading Distribution Platform is a Clear Differentiator)
Source: Company financial data as of December 31, 2022 unless otherwise noted.

1. Includes data as of February 7, 2023.

Slide 25 (RWT Horizons)
Source: Company financial data as of December 31, 2022 unless otherwise noted.

Slide 27 (Appendix: Income Statement)

1. Net interest expense from "Corporate (unsecured debt)" consists primarily of interest expense on corporate unsecured debt as well as net interest income from Legacy Sequoia consolidated VIEs.

Slide 30 (Appendix: Capital Allocation Summary)

1. Amounts of assets in our investment portfolio, as presented in this table, represent our economic investments (including our economic investments in consolidated VIEs) and do not present the assets within VIEs that we consolidate under GAAP. See the Consolidated Balance Sheet in the Financial Results Section of this presentation for additional information on consolidated VIEs.
2. Non-recourse debt presented within this table excludes ABS issued from whole loan securitizations consolidated on our balance sheet, including Sequoia, CAFL SFR, Freddie Mac and Servicing Investment securitization entities, as well as ABS issued from our Point HEI securitization and non-recourse debt used to finance certain servicing investments.
3. Capital allocated to mortgage banking operations 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 sheet (net of financing), capital to acquire loans in our pipeline, net capital utilized for hedges, and risk capital.
4. Corporate capital includes among other things, capital allocated to RWT Horizons and other strategic investments and available capital.

Slide 31 (Appendix: Mortgage Banking Key Results)

1. EAD Net Contribution and EAD Net Contribution Return on Capital are non-GAAP measures. Please refer to Non-GAAP Measures in the Endnotes section of this presentation for additional information on these measures.
2. Capital utilized for business purpose mortgage banking operations includes platform premium.

Endnotes

Slide 32 (Appendix: Investment Portfolio Key Results)

1. EAD Net Contribution and EAD Net Contribution Return on Capital are non-GAAP measures. Please refer to Non-GAAP Measures in in our Endnotes for more information.
2. Leverage ratio is calculated as Secured debt balances divided by capital invested, as presented within this table. Recourse Leverage ratio is calculated as Recourse Secured debt balances divided by Capital invested, as presented within this table.

Slide 33 (Appendix: Recourse Debt Balances)

1. Non-recourse debt presented within this table excludes ABS issued from whole loan securitizations consolidated on our balance sheet, including Sequoia, CAFL SFR, Freddie Mac and Servicing Investment securitization entities, as well as ABS issued from our Point HEI securitization and non-recourse debt used to finance certain servicing investments.
2. Non-Marginable debt and marginable debt refers to whether such debt is subject to margin calls based solely on the lender's determination in its discretion of the market value of underlying collateral that is non-delinquent. Non-marginable debt may be subject to a margin call due to delinquency or another credit event related to the mortgage or security being financed, a decline in the value of the underlying asset securing the collateral, an extended dwell time (i.e., period of time financed using a particular financing facility) for certain types of loans, or a change in the interest rate of a specified reference security relative to a base interest rate amount, among other reasons.
3. Average borrowing cost represents the weighted average contractual cost of recourse debt outstanding at the end of each period presented and does not include deferred issuance costs or debt discounts.