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): October 30, 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 October 30, 2023, Redwood Trust, Inc. (the "Company") issued a press release announcing its financial results for the quarter ended September 30, 2023, the *Redwood Trust Shareholder Letter - 3rd Quarter 2023* and *The Redwood Review - 3rd Quarter 2023*, 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 October 30, 2023, the Company made available Supplemental Financial Tables presenting certain financial results for the quarter ended September 30, 2023. 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 October 30, 2023 |
| Exhibit 99.2 | Redwood Trust Shareholder Letter - 3rd Quarter 2023 |
| Exhibit 99.3 | The Redwood Review – 3rd Quarter 2023 |
| 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: October 30, 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 October 30, 2023 |
| Exhibit 99.2 | Redwood Trust Shareholder Letter - 3rd Quarter 2023 |
| Exhibit 99.3 | The Redwood Review – 3rd Quarter 2023 |
| Exhibit 104 | Cover Page Interactive Data File (embedded within the inline XBRL document) |

REDWOOD
TRUST

# REDWOOD TRUST REPORTS THIRD QUARTER 2023 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 quarter ended September 30, 2023.

**Key Q3 2023 Financial Results and Metrics**

- GAAP book value per common share was $8.77 at September 30, 2023, a 5.3% decrease from $9.26 per share at June 30, 2023
  - Economic return on book value of (3.6)%[(1)]
- GAAP net loss related to common stockholders of $(33) million or $(0.29) per diluted common share
- Non-GAAP Earnings Available for Distribution ("EAD") of $11 million or $0.09 per basic common share[(2)]
- Recourse leverage ratio of 2.3x at September 30, 2023, compared to 2.2x at June 30, 2023 [(3)]
- Declared and paid a regular quarterly dividend of $0.16 per common share

**Operational Business Highlights**

*Residential Mortgage Banking*

- Locked $1.6 billion of jumbo loans[(4)], up from $567 million in the second quarter 2023, and purchased $815 million of jumbo loans, up from $184 million in the second quarter 2023
  - 50% of purchase volume in the third quarter 2023 was from depository institutions, up from 10% in the second quarter 2023
  - Achieved gross margins of 80bps during the quarter, within our historical 75bps to 100bps range
- Significantly grew jumbo loan seller network, including over 50 new or re-established relationships with depository institutions
- Distributed $391 million of jumbo loans through securitization ($338 million) and whole loan sales ($54 million)
- Increased capital allocated to Residential Mortgage Banking segment to $150 million at September 30, 2023, up from $80 million at June 30, 2023

*Business Purpose Mortgage Banking*

- Funded $411 million of business purpose lending ("BPL") loans in the third quarter 2023 (74% bridge and 26% term), up from $406 million in the second quarter 2023
- Distributed $340 million of BPL loans through securitization ($278 million) and whole loan sales ($62 million)
- Began selling BPL bridge loans into joint venture ("JV") with Oaktree Capital Management, L.P. ("Oaktree") and established new dedicated financing line for the JV

*Investment Portfolio*

- Deployed approximately $70 million of capital into internally sourced investments, while generating incremental capital from sales of non-strategic third-party assets
- RPL and jumbo securities saw continued declines in 90 day+ delinquencies to 8.6% and 0.9%, respectively; 90 days+ delinquencies for our combined CAFL securities and bridge loan portfolio declined to 4.0% from, aided in part by successful loss mitigation resolutions completed during the quarter(5)
- Secured recourse leverage ratio of 1.0x at September 30, 2023 (6)

**Financing Highlights**

- Unrestricted cash and cash equivalents of $204 million at September 30, 2023
- Successfully renewed two maturing loan warehouse financing facilities with key counterparties
- Maintained $2.2 billion of excess financing capacity across warehouse facilities at September 30, 2023

**Other Corporate Highlights**

- Commenced origination efforts and officially launched in-house home equity investment ("HEI") origination platform, Aspire
- Completed two RWT Horizons investments, including one follow-on investment in an existing RWT Horizons portfolio company
- Published second annual environmental, social and governance ("ESG") report in accordance with Sustainability Accounting Standards Board ("SASB"), demonstrating Redwood's continued progress on ESG disclosure

**Q4 2023 Highlights to Date** (7)

- Closed SEMT 2023-4 securitization, backed by $369 million of jumbo loans
- Priced securitization backed by Home Equity Investments (“HEI”), with approximately $139 million of securities expected to be issued through a co-sponsored deal(8)
- Sold $44 million of BPL term loans
- Repurchased approximately $5 million of convertible debt due in July 2024 (9)

"The mortgage market is in a state of significant transition on the heels of an evolving bank regulatory backdrop," said Christopher Abate, Chief Executive Officer of Redwood. "In the third quarter, we saw continued progress in our Residential Mortgage Banking business, where we've driven volume higher through onboarding new sellers and deepening our overall wallet share. Importantly, despite choppy markets, we were successful during the quarter efficiently securitizing and selling our production across both of our operating businesses. As we look ahead, we expect to formalize other partnerships complementary to our traditional distribution channels, driven by significant interest in our asset creation and sourcing abilities."

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 $9.3 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 $55 million of goodwill and intangible assets.*
4. *Lock volume does not account for potential fallout from pipeline that typically occurs through the lending process.*
5. *Calculated as BPL loans in our consolidated CAFL securitizations, bridge loans held for investment, and bridge and term loans held-for-sale with a delinquent payment greater than 90 days divided by the total notional balance of consolidated CAFL securitizations, bridge loans held for investment, and bridge and term loans held for sale.*
6. *Secured recourse leverage ratio for our Investment Portfolio is defined as secured recourse debt financing our investment portfolio assets divided by capital allocated to our investment portfolio.*
7. *Represents Q4'23 activity through October 27, 2023.*
8. *This securitization priced on October 23, 2023 and is expected to close on October 31, 2023.*
9. *Represents repurchase activity that settled after September 30, 2023.*

**Third Quarter 2023 Redwood Review and Supplemental Tables Available Online**

A further discussion of Redwood's business and financial results is included in the third quarter 2023 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, October 30, 2023, at 2:00 p.m. Pacific Time / 5:00 p.m. Eastern Time to discuss its third quarter 2023 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 Monday, November 13, 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 #13741257.

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-Q with the Securities and Exchange Commission by Thursday November 9, 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 and business purpose housing credit 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 third quarter of 2023, expected fallout and the corresponding volume of residential mortgage loans expected to be available for purchase, and the expected timing for the filing of Redwood's Quarterly Report on Form 10-Q. 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, opportunities, 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, 2022 under the caption "Risk Factors". Other risks, uncertainties, and factors that could cause actual results to differ materially from those projected may be described from time to time in reports we file with the Securities and Exchange Commission, including reports on Forms 10-Q and 8-K. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.*

## REDWOOD TRUST, INC.

| n millions, except per share data) | | Three Months Ended | | |
|---|---|---|---|---|
| | | 9/30/2023 | | 6/30/2023 |
| **ancial Performance** | | | | |
| t income (loss) per diluted common share | $ | (0.29) | $ | — |
| t income (loss) per basic common share | $ | (0.29) | $ | — |
| D per basic common share (non-GAAP) | $ | 0.09 | $ | 0.14 |
| turn on Common Equity ("ROE") (annualized) | | (12.3)% | | 0.4% |
| D Return on Common Equity ("EAD ROE") (annualized, non-GAAP) | | 4.3% | | 6.2% |
| ok Value per Common Share | $ | 8.77 | $ | 9.26 |
| vidend per Common Share | $ | 0.16 | $ | 0.16 |
| onomic Return on Book Value (1) | | (3.6)% | | 0.2% |
| course Leverage Ratio (2) | | 2.3x | | 2.2x |
| **erating Metrics** | | | | |
| siness Purpose Loans | | | | |
| Term fundings | $ | 106 | $ | 129 |
| Bridge fundings | | 305 | | 278 |
| Term securitized | | 278 | | — |
| Term sold | | 27 | | 180 |
| Bridge sold | | 34 | | 19 |
| sidential Jumbo Loans | | | | |
| Locks | $ | 1,637 | $ | 567 |
| Purchases | | 815 | | 184 |
| Securitized | | 338 | | — |
| Sold | | 54 | | 9 |

(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. At September 30, 2023, and June 30, 2023, recourse debt excluded $9.3 billion and $9.1 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 $55 million and $58 million, respectively, of goodwill and intangible assets.

**REDWOOD TRUST, INC.**

| <u>**Consolidated Income Statements**</u> [1] | Three Months Ended | | | | |
|---|---|---|---|---|---|
| ($ in millions, except share and per share data) | **9/30/23** | **6/30/23** | **3/31/23** | **12/31/22** | **9/30/22** |
| Interest income | $ 177 | $ 179 | $ 179 | $ 173 | $ 178 |
| Interest expense | (157) | (153) | (152) | (146) | (143) |
| Net interest income | 20 | 26 | 26 | 27 | 35 |
| Non-interest income (loss) | | | | | |
| Residential mortgage banking activities, net | 9 | 7 | 3 | (14) | 2 |
| Business purpose mortgage banking activities, net | 10 | 9 | 13 | (3) | 14 |
| Investment fair value changes, net | (31) | (5) | — | (24) | (58) |
| Other income, net | 2 | 4 | 5 | 4 | 4 |
| Realized gains, net | — | 1 | — | 3 | — |
| Total non-interest income (loss), net | (10) | 17 | 21 | (33) | (37) |
| General and administrative expenses | (30) | (31) | (36) | (39) | (38) |
| Portfolio management costs | (4) | (3) | (4) | (3) | (2) |
| Loan acquisition costs | (2) | (1) | (1) | (1) | (2) |
| Other expenses | (5) | (5) | (4) | (4) | (4) |
| (Provision for) benefit from income taxes | (2) | — | 1 | 9 | (1) |
| Net income (loss) | $ (31) | $ 3 | $ 5 | $ (44) | $ (50) |
| Dividends on preferred stock | (2) | (2) | (1) | — | — |
| Net income (loss) available (related) to common stockholders | $ (33) | $ 1 | $ 3 | $ (44) | $ (50) |
| | | | | | |
| Weighted average basic common shares (thousands) | 115,466 | 114,051 | 113,679 | 113,363 | 116,088 |
| Weighted average diluted common shares (thousands) [2] | 115,466 | 114,445 | 114,135 | 113,363 | 116,088 |
| Earnings (loss) per basic common share | $ (0.29) | $ — | $ 0.02 | $ (0.40) | $ (0.44) |
| Earnings (loss) per diluted common share | $ (0.29) | $ — | $ 0.02 | $ (0.40) | $ (0.44) |
| Regular dividends declared per common share | $ 0.16 | $ 0.16 | $ 0.23 | $ 0.23 | $ 0.23 |

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

(2) Actual shares outstanding (in thousands) at September 30, 2023, June 30, 2023, March 31, 2023, December 31, 2022, and September 30, 2022, were 118,504, 114,178, 113,864, 113,485, and 113,343, respectively.

## Analysis of Income Statement - Changes from Second Quarter 2023 to Third Quarter 2023

- Net interest income decreased from the second quarter primarily due to lower interest income from our bridge loans, resulting from a higher balance of non-accrual bridge loans that became 90 days+ delinquent in the third quarter. This decrease was partially offset by higher net interest income from our Residential Mortgage Banking operations resulting from higher volume and average balances in the third quarter.
- Income from Residential Mortgage Banking activities increased from the second quarter, as loan purchase commitments nearly tripled to $1.3 billion during the quarter and margins of 80 basis points were within our historical range of 75 to 100 basis points.
- Income from Business Purpose Mortgage Banking activities increased from the second quarter, as spreads on term loans tightened during the third quarter. Overall volume remained steady with a rise in bridge fundings offset by a decline in term production. With rates increasing materially in the third quarter of 2023, borrowers preferred the short-term financing inherent in our bridge offerings.
- Net negative fair value changes on our Investment Portfolio in the third quarter primarily reflected the impact of rising rates to valuations on our re-performing loan ("RPL") securities, and reductions of value on our bridge loan portfolio associated with delinquent and modified loans. The negative fair value changes were partially offset by fair value increases for HEI assets, as well as servicing assets which benefited from an increase in rates.
- Other income declined from the second quarter primarily due to market valuation changes for mortgage servicing rights, which increased in the second quarter as a result of rising interest rates and stabilized in the third quarter.
- General and administrative (G&A) expenses declined from the second quarter, as we continued our firm-wide initiatives to contain costs while supporting the recent growth in our Residential Mortgage Banking volumes. Additionally, expenses associated with performance-based long-term incentive compensation declined in the third quarter of 2023.
- Portfolio management costs increased from the second quarter, primarily due to higher workout costs on our bridge loan portfolio.
- Loan acquisition costs increased in the third quarter as Residential Mortgage Banking production volume increased significantly from the second quarter.
- Other expenses were primarily comprised of acquisition-related intangible amortization expenses.
- Our provision for income taxes in the third quarter reflected net income earned at our taxable REIT subsidiary, driven primarily by mortgage banking income and servicing investments.

**REDWOOD TRUST, INC.**

**Consolidated Income Statements** [1]

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

| | Nine Months ended September 30, 2023 | Nine Months ended September 30, 2022 |
|---|---|---|
| Interest income | $ 535 | $ 535 |
| Interest expense | (462) | (406) |
| Net interest income | 73 | 129 |
| Non-interest income (loss) | | |
| Residential mortgage banking activities, net | 19 | (8) |
| Business purpose mortgage banking activities, net | 33 | 11 |
| Investment fair value changes, net | (36) | (152) |
| Other income | 11 | 17 |
| Realized gains, net | 1 | 3 |
| Total non-interest income (loss), net | 29 | (129) |
| General and administrative expenses | (96) | (102) |
| Portfolio management costs | (10) | (5) |
| Loan acquisition costs | (5) | (10) |
| Other expenses | (13) | (12) |
| Benefit from income taxes | (1) | 10 |
| Net income (loss) | $ (23) | $ (119) |
| Dividends on preferred stock | (5) | — |
| Net income (loss) available (related) to common stockholders | $ (28) | $ (119) |
| | | |
| Weighted average basic common shares (thousands) | 114,382 | 118,530 |
| Weighted average diluted common shares (thousands) | 114,382 | 118,530 |
| Earnings (loss) per basic common share | $ (0.27) | $ (1.04) |
| Earnings (loss) per diluted common share | $ (0.27) | $ (1.04) |
| Regular dividends declared per common share | $ 0.55 | $ 0.69 |

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

## REDWOOD TRUST, INC.

**Consolidated Balance Sheets** [1]

| ($ in millions, except share and per share data) | 9/30/23 | 6/30/23 | 3/31/23 | 12/31/22 | 9/30/22 |
|---|---|---|---|---|---|
| Residential loans | $ 5,847 | $ 5,456 | $ 5,493 | $ 5,613 | $ 5,753 |
| Business purpose loans | 5,249 | 5,227 | 5,365 | 5,333 | 5,257 |
| Consolidated Agency multifamily loans | 421 | 420 | 427 | 425 | 427 |
| Real estate securities | 129 | 167 | 243 | 240 | 259 |
| Home equity investments (HEI) | 431 | 427 | 417 | 403 | 340 |
| Other investments | 340 | 356 | 382 | 391 | 413 |
| Cash and cash equivalents | 204 | 357 | 404 | 259 | 297 |
| Other assets | 399 | 387 | 391 | 367 | 399 |
| Total assets | $ 13,021 | $ 12,797 | $ 13,121 | $ 13,031 | $ 13,146 |
| | | | | | |
| Short-term debt, net | $ 1,477 | $ 1,457 | $ 1,616 | $ 2,030 | $ 2,110 |
| Other liabilities | 217 | 230 | 187 | 197 | 208 |
| Asset-backed securities issued, net | 8,392 | 8,183 | 8,447 | 7,987 | 8,139 |
| Long-term debt, net | 1,830 | 1,802 | 1,733 | 1,733 | 1,534 |
| Total liabilities | 11,915 | 11,673 | 11,984 | 11,947 | 11,992 |
| | | | | | |
| Stockholders' equity | 1,106 | 1,124 | 1,138 | 1,084 | 1,154 |
| | | | | | |
| Total liabilities and equity | $ 13,021 | $ 12,797 | $ 13,121 | $ 13,031 | $ 13,146 |
| | | | | | |
| Common shares outstanding at period end (thousands) | 118,504 | 114,178 | 113,864 | 113,485 | 113,343 |
| GAAP book value per common share | $ 8.77 | $ 9.26 | $ 9.40 | $ 9.55 | $ 10.18 |

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

# Non-GAAP Disclosures

**Reconciliation of GAAP Net Income (Loss) Available (Related) to Common Stockholders to non-GAAP Earnings Available for Distribution**[1][2]

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

| | Three Months Ended | |
|---|---|---|
| | 9/30/23 | 6/30/23 |
| GAAP Net income (loss) available (related) to common stockholders | $ (33) | $ 1 |
| Adjustments: | | |
| Investment fair value changes, net [3] | 31 | 5 |
| Change in economic basis of investments [4] | 9 | 8 |
| Realized (gains)/losses, net [5] | — | (1) |
| Acquisition related expenses [6] | 3 | 3 |
| Organizational restructuring charges [7] | — | 1 |
| Tax effect of adjustments [8] | — | — |
| Earnings Available for Distribution (non-GAAP) | $ 11 | $ 16 |
| Earnings (loss) per basic common share | $ (0.29) | $ — |
| EAD per basic common share (non-GAAP) | $ 0.09 | $ 0.14 |
| GAAP Return on Common Equity (annualized) | (12.3)% | 0.4 % |
| EAD Return on Common Equity (non-GAAP, annualized) [9] | 4.3 % | 6.2 % |

1. Certain totals may not foot due to rounding.
2. EAD and EAD ROE are non-GAAP measures derived from GAAP Net income (loss) available (related) to common stockholders and GAAP ROE, respectively. EAD is defined as: GAAP net income (loss) available (related) to common stockholders 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. Specifically, the adjustment for the change in economic basis of investments helps to distinguish between the component of market value changes of our investments associated with the passage of time based on our estimated economic yield (i.e., "the change in the economic basis"), from the component related to changes in benchmark interest rates, credit spreads and other factors, which can be volatile and may not be indicative of future economic performance of our investments. 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 (loss) available (related) to common stockholders, 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 current estimated economic income for the quarter presented. We derive estimated economic income each quarter by first calculating the internal rate of return ("IRR") for an investment, using the investment's carrying value at the beginning of the quarter (which for nearly all of our investments is fair value) and our projected future cash flows for the investment (the same cash flows we use to value the assets at the beginning of the quarter, which include any expected losses). We apply this IRR (or estimated economic yield) to the average carrying value of the asset for the reported quarter to derive what we refer to as "estimated economic income." This adjustment is prospective in nature and is recalculated each quarter without regard to an investment's historical basis. As such, this measure should

not be utilized to assess results cumulatively over multiple quarters. It is meant to provide an estimate of the yield we expect an investment to generate as of the beginning of each quarter, if held on a long-term basis.

5. Realized (gains)/losses, net includes all amounts within that line item on our consolidated statements of income.
6. Acquisition related expenses include ongoing amortization of intangible assets related to the Riverbend, CoreVest and 5Arches acquisitions and any changes in the contingent consideration liability related to the potential earnout consideration for the acquisition of Riverbend.
7. In response to business and market developments in 2022, Redwood reduced its workforce – with effective dates for employee departures spanning the third quarter of 2022 through the second quarter of 2023. Organizational restructuring charges represent employee severance and related transition expenses associated with this reduction in force.
8. Tax effect of adjustments represents 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
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Email: investorrelations@redwoodtrust.com

Exhibit 99.2

# SHAREHOLDER LETTER

## THIRD QUARTER 2023

## REDWOOD TRUST

Dear Fellow Shareholders:

Our second quarter earnings call took place on July 27th, just a few hours after the Board of Governors of the Federal Reserve released newly proposed risk-based capital rules for the U.S. banking system. Our thesis at the time was that, while the rules would likely evolve before being finalized, bank management teams would follow early adoption, driving a fundamental shift in how financial assets are funded, both reminiscent of our Company’s original value proposition and a nod to the future of how the market will distribute 30-year mortgage risk. Three months later, and in an otherwise persistently unpredictable market, our thinking thus far has been validated and our march forward continues, largely ahead of plan. This progress has been well-timed with the emergence of fresh demand for our products from pockets of capital complementary to our traditional distribution channels.

Banks’ appreciation for our partnership has become more tangible in the last few months as business models are reconciled with a future of higher capital requirements and more expensive interest rate risk management. And their response to these forthcoming regulatory changes reflects the urgency of the moment. Since March, our Residential team has engaged with depositories from coast to coast, securing and onboarding new partners. We now have active relationships with 185 active loan sellers, including over 70 banks, many of which have commenced lock activity with us in recent weeks. This includes a group of the nation’s largest regional banks and large financial institutions, a significant number with over $200 billion in assets and extensive mortgage origination footprints. As we always have, Redwood offers these partners the ability to sustain operating activities without diluting the overall customer relationship.

The results have followed. Total Residential Mortgage Banking lock volume for the third quarter was $1.6 billion, up close to 200% from the second quarter despite significantly higher mortgage rates and an overall slowdown in market originations. Purchase volume was over $800 million, up 340% from the second quarter. Bank sellers accounted for 50% of total quarterly purchase activity, up from just 10% in the second quarter and a de minimis amount in the first quarter. Of note, bulk pool activity was a key driver of third quarter purchase volume, much of it seasoned loans acquired at a significant discount to par, a profile that pairs well with newer production. Notwithstanding the persistent rise in rates, we continue to evaluate bulk pools coming to market, more evidence of the scarcity of shelf space for many banks seeking to balance pressures on capital, liquidity and net interest margins.

Near-term headwinds to growth – namely, mortgage rates at 20-year highs and very low overall transaction activity in housing – have us focused on leading indicators over the next few quarters as we position our Residential Mortgage Banking business to scale volume significantly as the market sees the Fed’s rate hike cycle easing, a viable outcome by mid-2024 depending on a variety of complex factors. Those indicators include the quality of our new loan seller relationships and a deeper wallet share with existing partners. As the market transitions, the true value of our 30-year-old franchise is very much on

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This Shareholder Letter contains time-sensitive information and may contain forward-looking statements. The information contained herein is only accurate as of October 30, 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 “Forward-Looking Statements.”

display. While many of our competitors have pulled back from the prime jumbo space, we completed our third Sequoia securitization of 2023 in the third quarter, followed closely by our fourth Sequoia deal early in the fourth quarter. Both deals generated strong margins and were distributed to a broad base of investors. In a market that is defined by significant volatility, we managed to execute our dispositions within our target gain on sale range. In keeping with the momentum we see for the business, we nearly doubled our capital allocation to Residential Mortgage Banking in the third quarter and expect that allocation to grow further in 2024.

CoreVest – our business-purpose lending (“BPL”) platform – is beginning to benefit as well from the broader changes afoot. Borrowers who have historically sought funding from banks now frequent our pipeline discussions, and while the overall credit environment calls for continued caution and selectivity, demand from capital partners remains strong for well-underwritten BPL loans to quality sponsors. While this transition is moving more slowly than in our Residential business, the early indicators are unmistakable. We have been engaged in dialogue with several banks on partnership opportunities that would allow us to access their existing loan pipelines with an eye toward mutually beneficial outcomes. With a life-cycle lending platform that offers both bridge and stabilized term financing, we are well-positioned to capture incremental market share that will continue shifting to private lenders. Our deep capital markets presence remains a key advantage, which in the third quarter allowed us to complete a highly accretive term loan securitization and two bulk whole loan sales.

The BPL sector overall continues to manage through macro crosswinds that have impacted sponsor sentiment and reduced transaction volumes across the industry. Our asset management team has been proactively working with borrowers well in advance of their loan maturities to assess project plans and ensure they manage towards successful completions. While 90+ day delinquencies across the bridge and term books declined slightly to 4.0% at September 30, 2023, we continue to manage through pockets of stress, particularly in our bridge portfolio, where certain sponsors have required loan modifications or an infusion of fresh equity from existing or new sponsorship to ease the burden of rapidly rising rates. Though bridge lending continues to be one of our strongest drivers of net interest income, the lumpiness of the portfolio and intermittent nature of workout activity have contributed to recent volatility in our quarterly GAAP earnings.

Overall, we funded $411 million of BPL loans in the third quarter, a slight increase from second quarter volumes. Within bridge, our build-for-rent (“BFR”) aggregation product has seen increased demand from borrowers and carries a favorable risk profile given the turnkey nature of the homes being financed. While we expect volumes for our fixed-rate term loans to remain influenced by benchmark rates, our bridge portfolio remains fertile ground for refinances into term loans as borrowers progress with projects.

We were also excited in the third quarter to formally launch our in-house home equity investment ("HEI") platform, Aspire. After years of investing in and financing HEI, this development was a natural next step in the progression of our support for this nascent but growing sector. Since 2019, Redwood has been a leading participant in the HEI market, purchasing approximately $350 million in assets, co-sponsoring the first-ever securitization backed entirely by HEI, and subsequently procuring a dedicated financing facility for the asset class. With our track record of supporting housing accessibility, we believe we have a unique opportunity to help scale and institutionalize HEI in a way that will benefit consumers. As we have noted many times, the opportunity to help homeowners access the equity in their homes remains the largest addressable market in housing finance. Through Aspire, we now directly serve this market by originating HEI in partnership with our nationwide correspondent network of loan officers, which we believe will be a significant advantage over more traditional, high-cost marketing campaigns.

As we think more holistically about the overall Redwood platform and the significant market opportunities we see ahead, evolving our capital structure and procuring long-term private capital partnerships will be a top priority. We continue to observe a secular transition occurring in our markets, with the roles of banks, private credit institutions, and specialty finance companies such as Redwood rapidly evolving. In particular, regulatory crosscurrents are redefining the most efficient holders of real estate-related assets, as well as those who finance and service them. As evidenced by our Oaktree BPL bridge joint venture that we announced during the summer, the value proposition that platforms like ours offer institutional private credit investors has grown dramatically over the past few years. These investors include the likes of pension funds, life insurance companies, sovereign wealth funds, and other non-publics who have accretive capital and a strong demand for our products, but lack the origination or sourcing capabilities that we are able to achieve. Recently, we've engaged with a handful of large private credit investors who are deeply familiar with our franchise and track record, and who have shown interest in forging strategic partnerships that we believe could be very beneficial to our shareholders.

In keeping with these trends, our long-term strategic focus will be to position our mortgage banking businesses to meet this unprecedented market opportunity, with ample working capital and access to a varied and complementary set of products. Our investment strategy will naturally evolve in kind, with a continued focus on deployment side by side with capital partners, in lieu of traditional direct investing. As we did in the third quarter, we also expect to continue de-emphasizing third-party investments and further reduce our exposure to this lower-yielding portion of our investment portfolio to further optimize overall returns for our shareholders.

As we head towards year-end, we are already starting to see a diminution of market activity consistent with a year ago when market participants, from homebuyers to bond investors, took stock of a volatile landscape and decided to save their dry powder for the year ahead. If anything, the market is in a more challenging spot today than it was a year ago, factoring in a strong probability of a U.S government shutdown, along with a geopolitical backdrop that has deteriorated significantly. We remain saddened to have witnessed the inexcusable and horrific attack on Israel in the Middle East, as we remain focused as well on those resisting the aggression that began last year in Eastern Europe with the invasion of Ukraine. Though paling in relevance to the human toll, the additional volatility these exogenous tragedies have caused will likely continue to pressure our near-term GAAP results – particularly the market valuations of our portfolio assets. And while the resiliency of the U.S. economy has surprised even the most ardent optimists, the prospect of a rate-driven recession in 2024 still remains a likelihood, in our view. As such, we will continue to prioritize liquidity and exercise caution as we work to ensure our franchise is positioned for the generational opportunity we see ahead.

Thank you for your continued support,

Christopher J. Abate
Chief Executive Officer

Dashiell I. Robinson
President

### 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, 2023, references to the “second quarter” refer to the quarter ended June 30, 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 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 opportunities for our residential and BPL mortgage banking businesses, including our positioning to increase market share and wallet share, opportunities to help scale and institutionalize HEI, opportunities to procure private capital partnerships that we believe could be beneficial to shareholders, and our expectations to continue de-emphasizing third-party investments and reducing our exposure to this portion of our investment portfolio to optimize overall returns. 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.

REDWOOD

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Exhibit 99.3

# Q3 2023 Redwood Review

October 30, 2023

REDWOOD TRUST

# Cautionary Statement; Forward-Looking Statements

This presentation contains forward-looking statements, including statements regarding our 2023 forward outlook, current illustrative returns on assets that are either distributed through our various channels or retained on our balance sheet, estimates of upside and potential earnings in our investment portfolio from embedded discounts to par value on securities, outlook on jumbo residential loan purchase opportunities, and opportunities to capture jumbo residential mortgagee banking market share. 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, opportunities, 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, 2022 and any subsequent Quarterly Reports on Form 10-Q 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 Current Reports on Form 8-K.

Additionally, this presentation contains estimates and information concerning our industry, including market size and growth rates of the markets in which we participate, that are based on industry publications and reports. This information involves many assumptions and limitations, and you are cautioned not to give undue weight to these estimates. We have not independently verified the accuracy or completeness of the data contained in these industry publications and reports. The industry in which we operate is subject to a high degree of uncertainty and risk due to a variety of factors, including those referred to above, that could cause results to differ materially from those expressed in these publications and reports.

# **Redwood's mission is to make quality housing, whether** rented or owned, accessible to all American households

OUR DIFFERENTIATORS

29-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

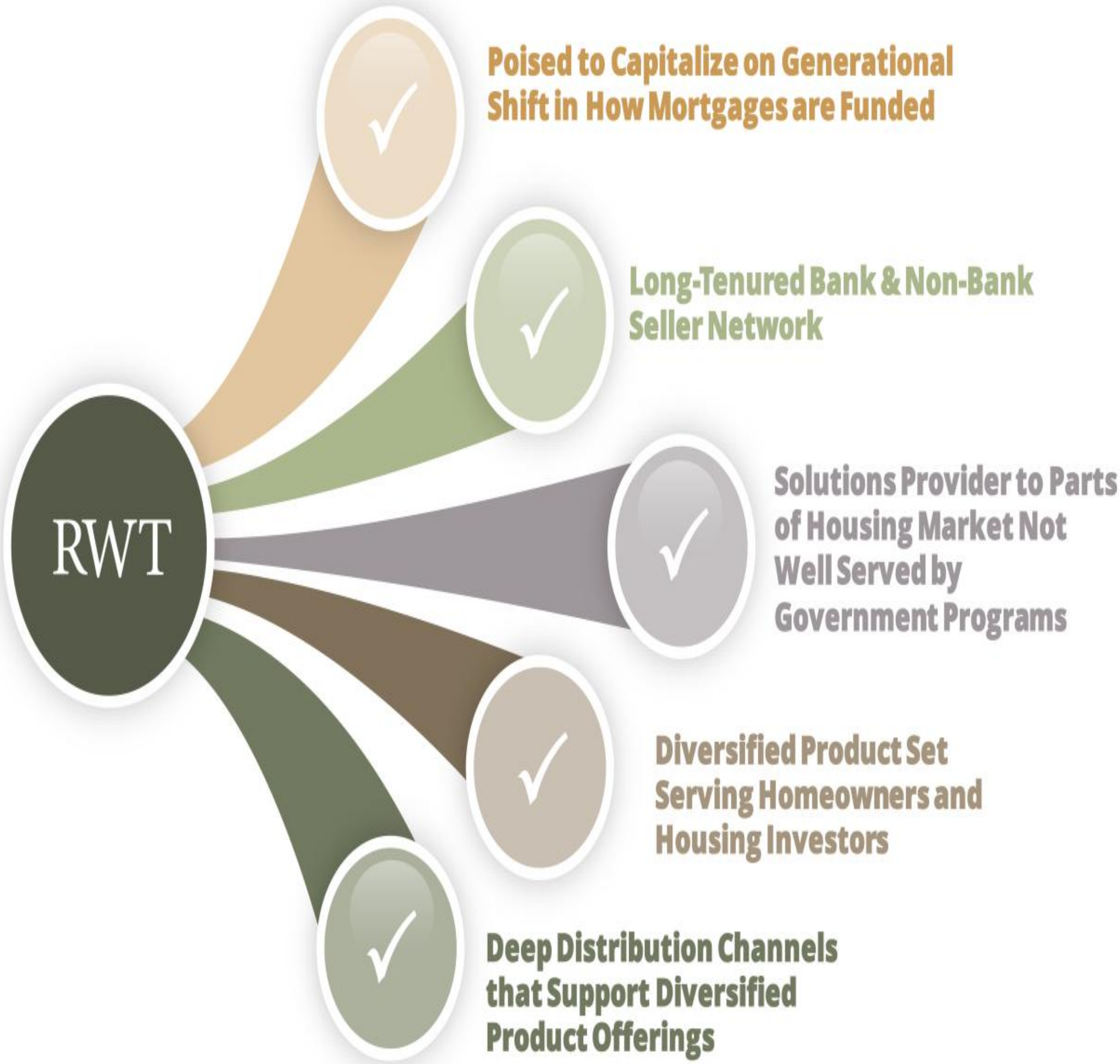
Ability to Organically Create Assets for Balance Sheet

Innovative Technology Organically and Through Partnerships

Deep and Experienced Management Team

Detailed Endnotes are included at the end of this presentation.

# Redwood's Leadership in Housing Finance Has Never Been More Relevant Than It Is Today






Detailed Endnotes are included at the end of this presentation.

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# Redwood is a Full Spectrum Mortgage Platform

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 185 bank and non-bank originators<br>REDWOOD RESIDENTIAL | Leading direct life-cycle lender to single-family and multifamily housing investors; Term and Bridge loans<br>COREVEST A DIVISION OF REDWOOD TRUST |
| Products* | <u>Organically Created</u> RMBS & BPL<br><u>Third-Party Purchased</u> RPLs, HEI, CRT, Multifamily Securities | Prime Jumbo, Expanded Prime Jumbo and Non-QM Loans | <u>Term</u> Single-Family Rental ("SFR"), Multifamily<br><u>Bridge</u> Multifamily, Build/Renovate to Rent, Fix & Flip |
| % of Allocated Capital(1) | 81% | 10% | 9% |
| Annual Addressable Market Opportunity(2) | ~$45bn | ~$170bn Jumbo Lock Volume (Flow)<br>~$1tr+ Jumbo Loan Sales | ~$130bn (SFR + Multifamily) |

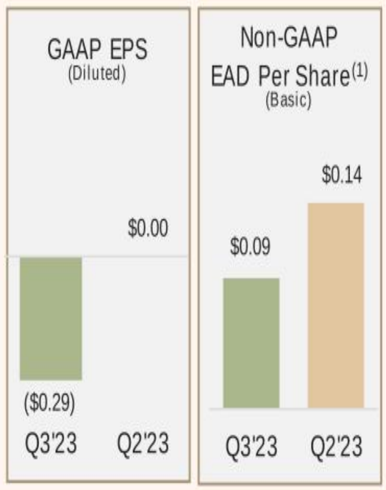
Detailed Endnotes are included at the end of this presentation.

*BPL refers to business purpose loans. RPLs refer to reperforming loans. HEI refers to home equity investments. CRT refers to credit risk transfer.

RWT

# Q3’23 Financial Performance

## Earnings Per Share




## GAAP Book Value

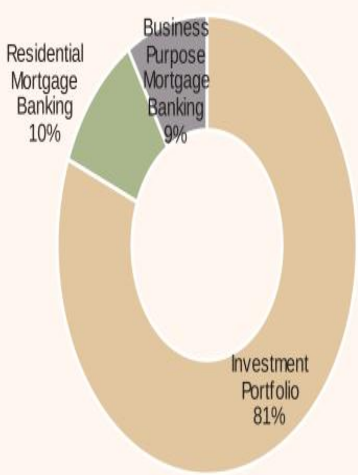

**Q3’23 Total Economic Return:** (3.6)%[2]

## Common Dividend


9.0% Indicative Dividend Yield as of September 30, 2023[3]

## Capital Allocation[4]

$1.5 billion of allocated capital




## 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.

RWT

# Q3'23 Business Performance

| | |
|---|---|
| Financing & Capital | ▪ Unrestricted cash and cash equivalents of $204 million at September 30, 2023<br>▪ $2.2 billion of excess capacity on warehouse facilities as of September 30, 2023 |
| Residential Mortgage Banking | ▪ Increased capital allocated to this segment to $150 million, up from $80 million in Q2'23<br>▪ Distributed $391 million of loans through securitization ($338 million) and whole loan sales ($54 million)<br>▪ $1.6 billion of locks[1], representing a significant QoQ increase driven by growth in seller base and favorable securitization market<br>▪ Achieved gross margins of 80bps during the quarter, within our historical 75bps to 100bps range |
| BPL Mortgage Banking | ▪ $411 million of loan fundings (74% bridge / 26% term)<br>    ▪ Volumes increased modestly QoQ driven by a 10% increase in bridge fundings<br>▪ Distributed $340 million of BPL loans through private securitization ($278 million) and whole loan sales ($62 million) |
| Investment Portfolio | ▪ Deployed approximately $70 million of capital into internally sourced investments, while generating incremental capital from sales of non-strategic third-party assets |
| **Q4'23 QTD** Activity[2] | ▪ Closed SEMT 2023-4 securitization, backed by $369 million of jumbo loans<br>▪ Priced securitization backed by HEI, with approximately $139 million of securities expected to be issued through co-sponsored deal[3]<br>▪ Sold $44 million of BPL term loans<br>▪ Repurchased approximately $5 million of convertible debt due July 2024[4] |

Detailed Endnotes are included at the end of this presentation. Note: Totals may not foot due to rounding.

# Select Q3'23 Corporate Highlights

## Jumbo Loan Network

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**50+ New or Re-Established Bank Seller Relationships in Q3'23**

✓ To date, over 50% of these new sellers have already begun selling Redwood loans(1)

## Distribution Activity

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**Distributed ~$730 Million of Loans**

✓ Through securitizations and whole loan sales, we distributed $730 million of residential and BPL loans

## Product & Platform Launch

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**Launched Aspire, In-House HEI Platform**

✓ Formally launched Aspire, HEI origination platform to support homeowners' ability to access the equity in their homes

## ESG

SUSTAINABILITY ACCOUNTING STANDARDS BOARD SASB

REDWOOD TRUST

**Issued Annual ESG Report with Enhanced Disclosure**

✓ For the second consecutive year, published an ESG report in accordance with SASB Standards, demonstrating our continued progress on ESG disclosure

Detailed Endnotes are included at the end of this presentation.

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# Basel III Endgame: Bank Regulatory Capital in Focus

While it will take time for the Basel III regulations to be finalized, banks have already begun responding to forthcoming changes

## Summary of Basel III Endgame

- In July 2023, Basel III Endgame was unveiled, proposing stricter capital requirements for banks with over $100 billion in assets
- Banks are expected to comply with these changes before the official compliance date (estimated mid-2028)
- Coupled with higher capital requirements, we expect changes to meaningfully impact bank business models going forward, including sales of mortgage production or ceding of market share[1]

## Banks are Already Preparing for Basel III Endgame

"Looking ahead to Basel III finalization, we intend to adapt and manage to the new rules very quickly as we have shown in the **past…**

\- Jamie Dimon, JPM Q3'23 Earnings Conference Call

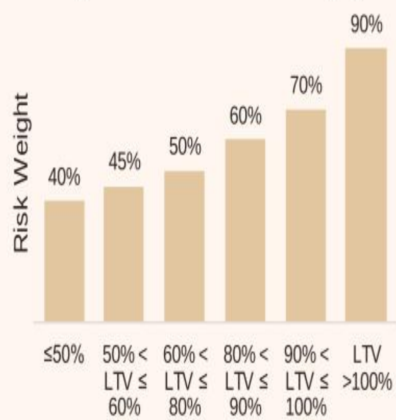
"And while the ultimate impact of potentially higher capital requirements won't be known until the Basel III Endgame is finalized, we have been actively working through mitigating actions.

\- Jane Fraser, Citi Q3'23 Earnings Conference Call

## Proposed Risk Weight Impact to Bank Holdings of Mortgages[2]

- More stringent stress testing including treatment of mortgage holdings
- Higher overall capital thresholds
- Inclusion of AOCI in capital for larger cohort of banks
- Higher risk-transfer thresholds for regulatory capital relief transactions

Basel III Endgame Proposed Risk Weight for Residential Mortgages




Detailed Endnotes are included at the end of this presentation.

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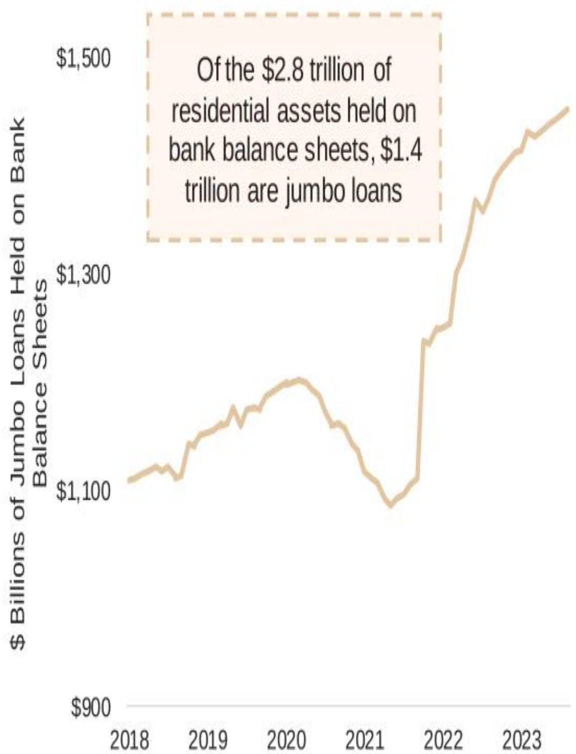
# Substantial Opportunity for Redwood Residential

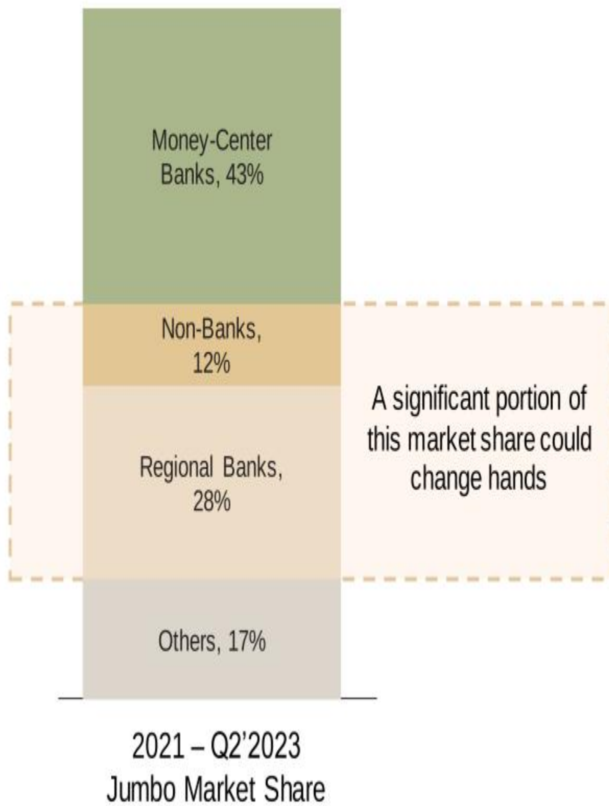
Shifting regulatory landscape could result in massive opportunity for our Residential Mortgage Banking platform(1)

## Holdings of Jumbo Loans by Bank Portfolios(2)




We have seen an increase in pools for sale from banks, a trend that we expect to continue(1)

## Jumbo Market Share by Lender Type(3)




We see an opportunity to unlock market and wallet ***share as depositories pivot to an "originate to sell" model***

Detailed Endnotes are included at the end of this presentation.

# Update on Our Progress in Residential Mortgage Banking

Even if volumes in the jumbo origination market remain lower than historical averages, we still see considerable opportunity to capture incremental market share(1)

**Market Share**

~4% Q3'23 Estimated Market Share (Up from ~1% in Q2'23)(2)

**Banking Partners**

50+ New or Re-Established Depository Relationships Onboarded in the Third Quarter

**Loan Purchases**

50% of Total Q3'23 Purchase Volume from Banks

**Lock Volume**

189% QoQ Increase in Lock Volumes(3)

Detailed Endnotes are included at the end of this presentation.

# Redwood's Ability to Source, Retain and Distribute Assets

We play an integral role in providing liquidity to the housing market while sourcing and retaining assets for our investors and our own portfolio

## Asset Creation + Fee-Based Revenue

Through our operating businesses (Residential and Business Purpose Mortgage Banking) we organically create assets that are either distributed through our various channels or retained on our balance sheet

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### Asset Distribution

- ✓ Securitization
- ✓ Whole Loan Sales
- ✓ Managed Funds / Joint Ventures

- Asset distribution of our mortgage banking products generates:
  - Origination Fees
  - Gain on Sale
  - Asset Management Fees
  - Ancillary Fees
  - Warehouse Interest Income

15-20%+
Current Illustrative Returns(1)

### Asset Retention

- ✓ Residential Subordinate RMBS
- ✓ Interest-Only RMBS
- ✓ SFR Term Subordinate MBS
- ✓ SFR Term Interest-Only MBS
- ✓ Bridge Loans
- ✓ MSRs

- Asset retention of our organically created assets generates:
  - Net Interest Income
  - Risk Adjusted Returns

~12-18%
Current Illustrative Returns(1)

Detailed Endnotes are included at the end of this presentation.

# Continued Evolution of Distribution Channels

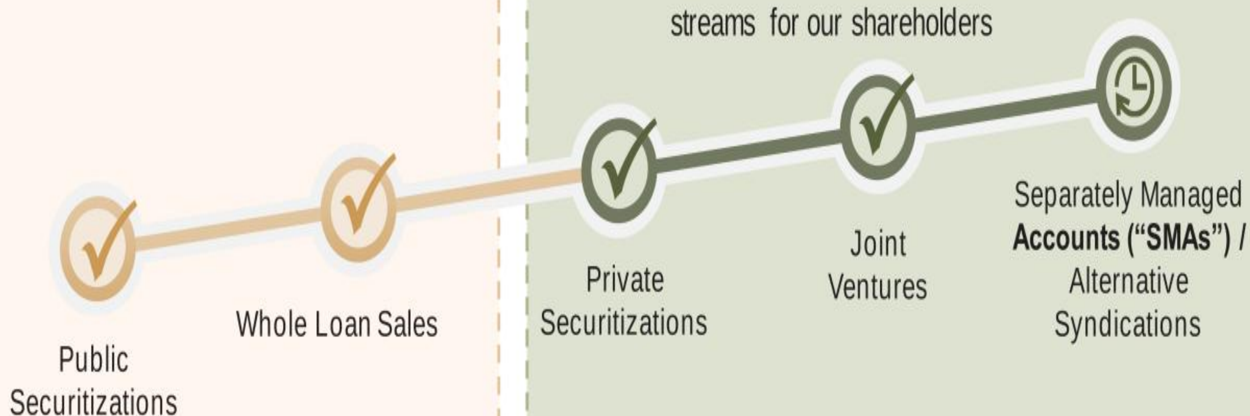
Distribution has served as our key differentiator and we continue to evolve our channels as institutions place a premium on access to our assets

## Where We've Been

- Since inception, Redwood has built best-in-class securitization programs (Sequoia and CAFL) while also growing a distinguished and reliable network of whole loan buyers
  - ~$100 billion of loans sold or securitized since inception
- The efficiency of these distribution channels has served as a critical differentiator for our platform

## How We're Evolving

- In recent quarters, we have witnessed continued interest from private credit partners in Redwood's asset creation and sourcing capabilities
- In light of this demand, we have evolved our distribution channels and intend to continue pursuing additional structures across our platforms
- We continue to see additional channels / strategies for distribution that allow us to further:
  - Deliver solutions to borrowers and lenders
  - Enhance the efficiency of our capital
  - Create durable and differentiated revenue streams for our shareholders




✓ Active Channel  In-Progress Channel

Detailed Endnotes are included at the end of this presentation.

# Launch of Home Equity Investment ("HEI") Platform

In Q3'23, we formally launched our in-house HEI platform, Aspire, to support homeowners' ability to access the equity in their homes

aspire
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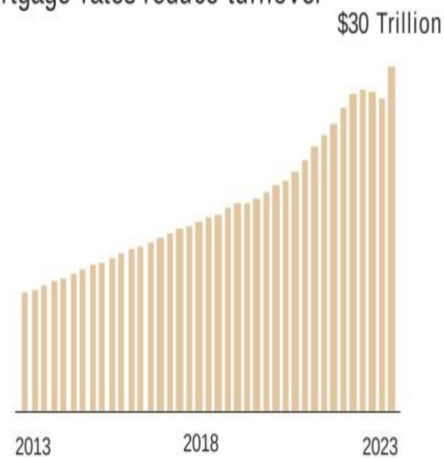
- After nearly five years of investing in third-party originated HEI, Redwood formally launched Aspire, our own in-house HEI origination platform
- Aspire's competitive strengths include:
  - Leverages Redwood's existing operating infrastructure
  - Robust access to financing and capital markets
  - Differentiated and efficient customer acquisition strategy
  - Quality products and solutions
  - Regulatory expertise and credibility
  - Mission alignment
- Our in-house platform can help support the scale and institutionalization of this growing product

## Why Invest in Home Equity Now?

Home equity remains elevated as low housing inventory and high mortgage rates reduce turnover

**Record Levels of Home Equity**(1)

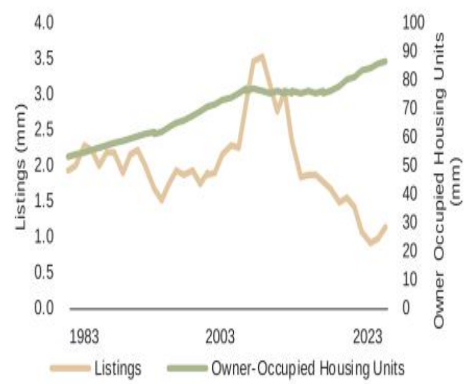
U.S. home equity has continued to trend near record highs for years, creating a significant addressable market for HEI




Source: Federal Reserve; Piper Sandler.

**Supply Technicals Support Home Prices**(2)

Home ownership is at multi-decade highs while available listings are at historical lows, providing support to overall home prices



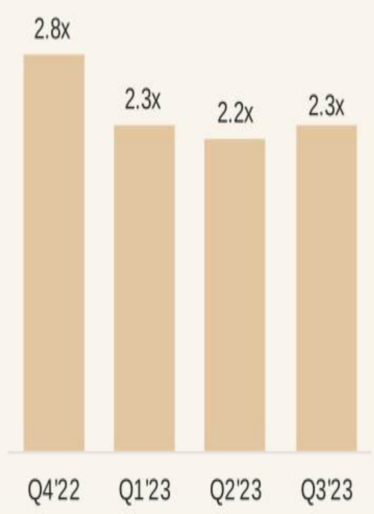

Source: John Burns Research and Consulting, LLC. Data subject to revisions.

# Strong Balance Sheet Supports Our Strategic Objectives

## Leverage

- Recourse leverage remains below historical range, notwithstanding an increase in warehouse borrowings to support growth in Residential Mortgage Banking
- We remain focused on maintaining a disciplined and flexible leverage profile

Recourse Leverage Ratio(1)




## Liquidity

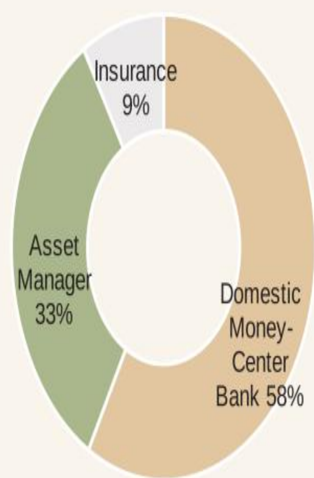
- We maintain the ability to unlock additional capital organically through further optimization of secured leverage
  - Portfolio recourse leverage of 1.0x

Unrestricted Cash ($mm)


## Secured Financing

- In Q3'23, we renewed maturing loan warehouse financing facilities with key counterparties (representing ~$1.0 billion of capacity)
- As of 9/30/23, we maintained $2.2 billion of excess warehouse capacity

Utilized Capacity by Counterparty Type




Detailed Endnotes are included at the end of this presentation.

# Operating Businesses & Investment Portfolio

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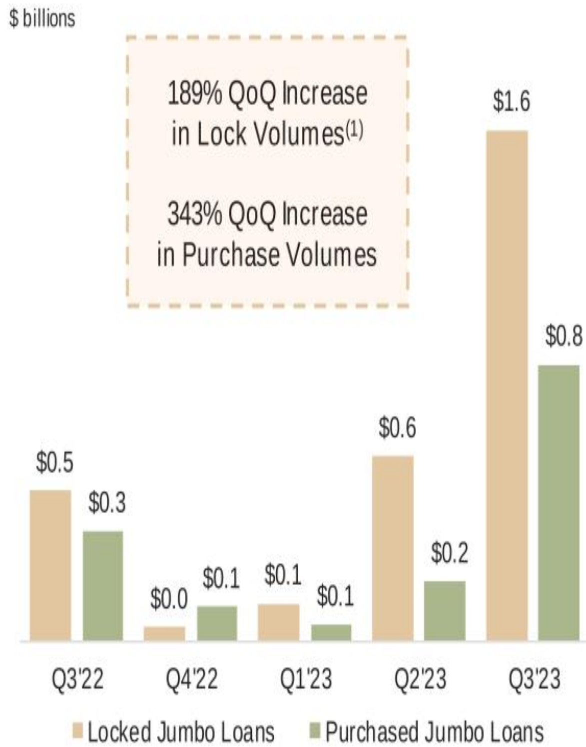
# Residential Mortgage Banking

We have reallocated capital to our Residential Mortgage Banking segment as significant opportunities for forward flow relationships have emerged

## Q3'23 Quarterly Overview

- $1.6 billion of locked loans(1) and $0.8 billion of loans purchased
  - 50% of purchase volume came from depositories, up from 10% in Q2'23
- Significant increase in lock and purchase volumes in Q3'23 driven by:
  - Onboarding of new depository loan sellers during the second and third quarter
  - Increased origination market share for independent mortgage banks ("IMBs")
  - Bulk loan sales from IMBs and banks
- Distributed $391 million of loans, predominantly through securitization activity
- Segment capital allocation of $150 million, up from $80 million in Q2'23 and $15 million in Q1'23
- In Q4'23, closed $369 million securitization (SEMT 2023-4)(2)
- Segment GAAP return and non-GAAP adjusted return of 15%*

## Redwood Residential Purchase and Lock Volume(1)




Looking ahead, we intend to leverage our flow purchase relationships to drive volumes and profitability

Detailed Endnotes are included at the end of this presentation.
*Adjusted returns are non-GAAP measures. See "Non-GAAP Measures" slides in the Endnotes for additional information and reconciliation to GAAP metrics.

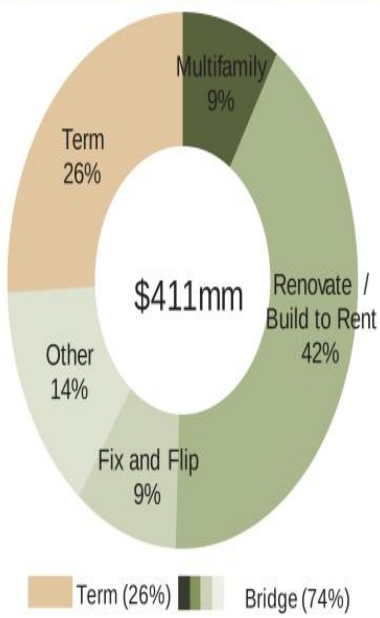
# Business Purpose Mortgage Banking

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

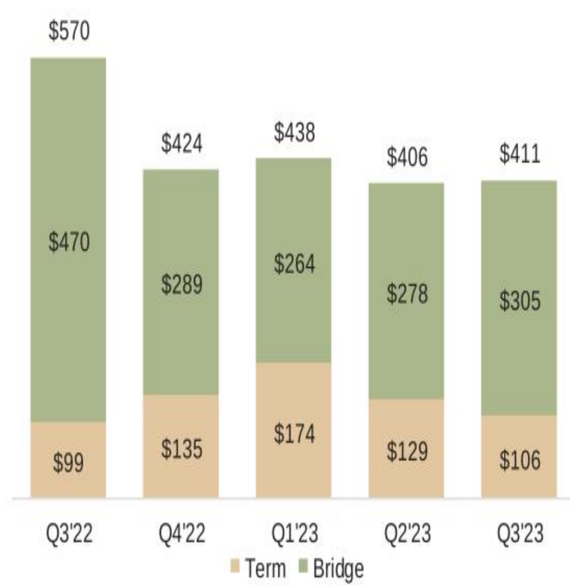
## Q3'23 Quarterly Overview

- CoreVest funded $411 million of loans in Q3'23 (74% bridge / 26% term)
  - Volumes increased modestly QoQ driven by a 10% QoQ increase in bridge fundings while term fundings were lower due to the impact of benchmark rates on overall activity
- Segment profitability increased QoQ driven primarily by improved margins
- Distributed $340 million of BPL loans through private securitization ($278 million) and whole loan sales ($62 million)
- Looking ahead, we expect sustained demand from sponsors seeking fixed-rate bridge loans, or term loans with more prepayment flexibility

## Composition of Q3'23 Quarterly Fundings[1]




## Quarterly Funded Volume ($mm)




Detailed Endnotes are included at the end of this presentation.

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COREVEST
A DIVISION OF REDWOOD TRUST

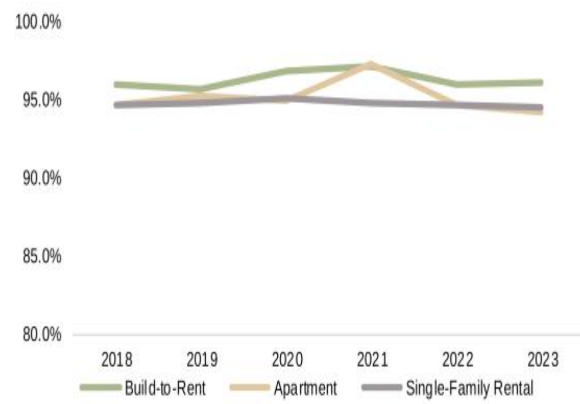
# Business Purpose Lending – Market Trends

Demand for our BPL products remains strong and supported by market fundamentals

## BPL Demand and Return Drivers

- We've seen continued borrower demand amid higher interest rates
- Housing affordability is now at its lowest level in at least 20 years
- Rental housing supply shortage and rental demand have driven healthy cash flows and low vacancy rates

## Occupancy Levels Remain Elevated(1)




Source: John Burns Research and Consulting, LLC. Data subject to revisions.

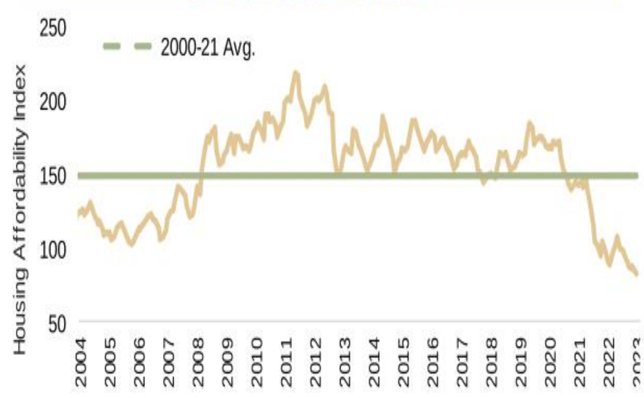
Overall occupancy levels remain high (particularly in Build for Rent) given rental demand

## Monthly Cost to Own vs Rent is Increasingly Expensive(1)


Source: John Burns Research and Consulting, LLC. Data subject to revisions.

The cost to own a home has been steadily increasing relative to cost to rent an apartment or single-family unit

## Housing Affordability Crisis Drives Rental Demand(2)




Source: National Association of Realtors, Bloomberg, Piper Sandler.

Low housing affordability results in more renters staying in place, supporting occupancies and rents

# Investment Portfolio

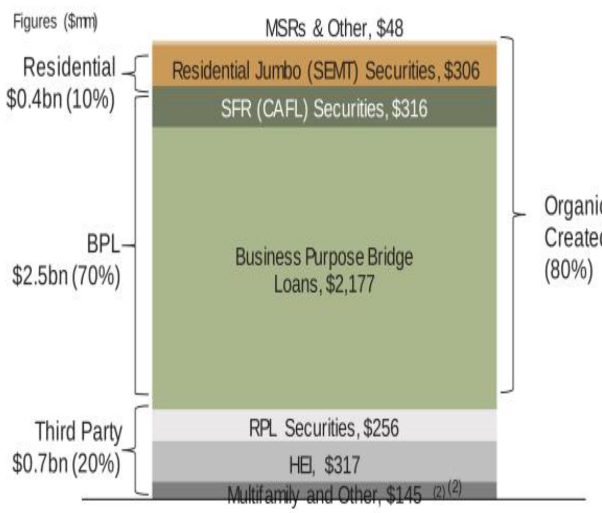
We see ongoing opportunities for capital deployment into our core investment strategies

## Q3'23 Quarterly Performance

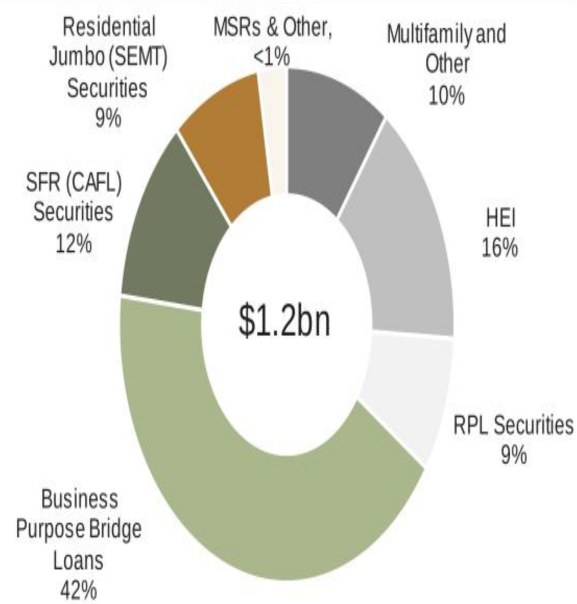
- Despite challenging market technicals, fundamental performance of our Investment Portfolio continues to be driven by strong employment data, embedded equity protection via loan seasoning and borrowers motivated to stay current on their low-coupon mortgages
- In Q3'23, we deployed approximately $70 million of capital into internally sourced investments, while generating incremental capital from sales of non-strategic third-party assets, which were executed at a premium to prior quarter marks

## Summary of Investment Portfolio at 9/30/23

### by Economic Investments[1]




### by Capital



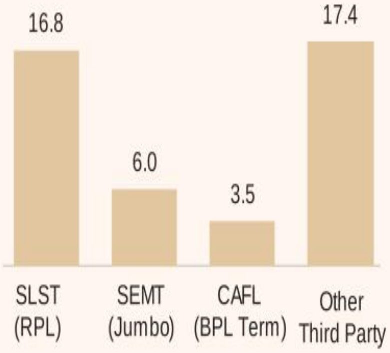

Detailed Endnotes are included at the end of this presentation.

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

We believe continued credit performance in our underlying securities portfolio could contribute to our ability to realize potential upside in book value over time

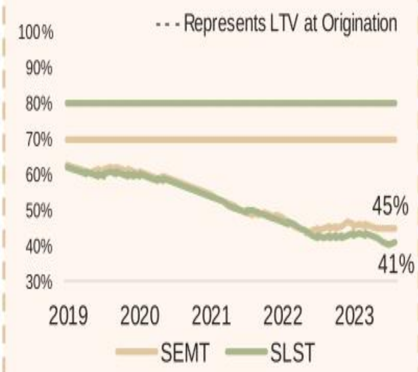
## Securities Portfolio Characteristics and Fundamentals Remain Strong

### Underlying Loan Seasoning (Years)



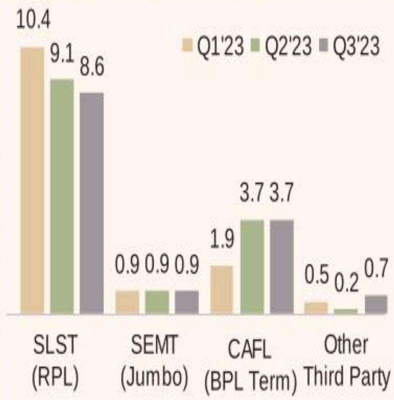

Balanced portfolio of seasoned assets with significant built up equity

### HPA Adjusted LTVs[2]



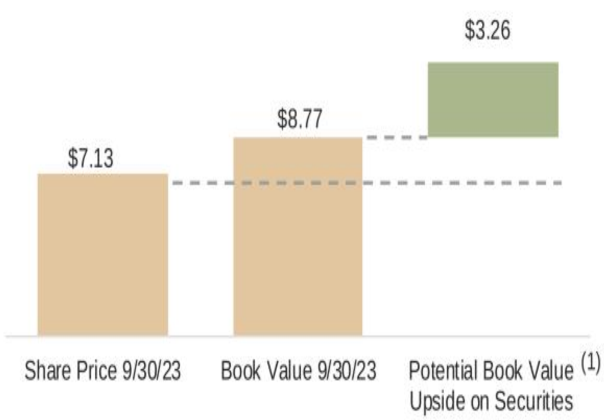

Assets are supported by many years of HPA well in excess of modeled expectations

### Delinquencies (% 90+ DQ)

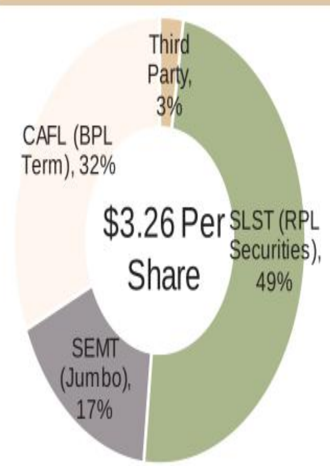



Delinquencies remain low and well below their long-term averages

### Illustrative Potential Book Value Upside[1]




### Net Portfolio Discount to Par by Investment[1]




As of 9/30/23, the weighted average carrying value of our securities portfolio was 62% of face[3]

Detailed Endnotes are included at the end of this presentation.

# Investment Portfolio - BPL Bridge Loans

Our bridge loan portfolio is predominantly comprised of multi-asset loans that we originate directly to dynamic underwriting guidelines that reflect current market conditions

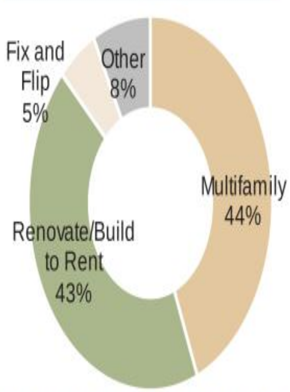
## Summary of Our Bridge Portfolio

- A significant portion of our borrowers utilize bridge loans or lines of credit to aggregate rental properties
  - 88%+ of loans backed by multiple assets
- Q3'23 90 day+ delinquency of 4.0% (from 4.9% in Q2'23) inclusive of successful loss mitigation resolutions completed during the quarter
  - Delinquencies remained within modeled expectations (historical range of 2% to 6%)
  - Cumulative life-to-date losses of 0.23% on over $5 billion of bridge loans

### Bridge Loan Credit Characteristics

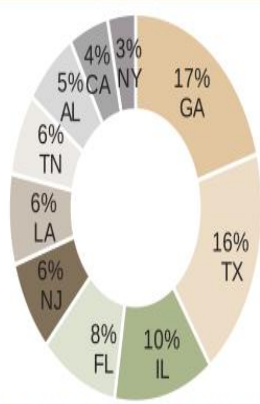
| | Q3'23 Bridge Portfolio | Q2'23 Bridge Portfolio |
|---|---|---|
| Market Value ($mm)(1) | $2,208 | $2,161 |
| Average LTV (as repaired) | 62% | 62% |
| Average LTC | 78.2% | 79% |
| Average Loan Size per Asset (,000s) | $688 | $715 |
| Average Loan/Facility Size ($mm) | $4.5 | $4.6 |
| 90 Day+ DQ | 4.0% | 4.9% |
| REO | 2.2% | 0.6% |

### Strategies



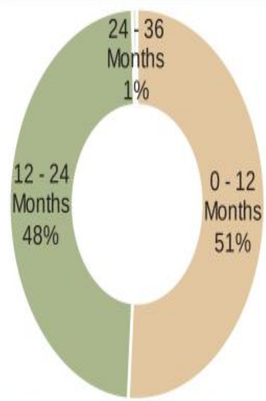

87% in Multifamily or Renovate/Build to Rent

### Loan Geography (Top 10)



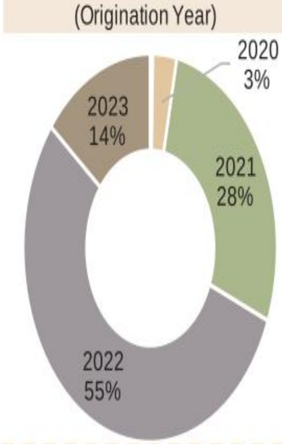

Strong geographic diversification

### Loan Maturity




Majority of maturities are within the next 24 months

### Vintage (Origination Year)




Our current exposure is *predominantly '21-'22 loans*

Detailed Endnotes are included at the end of this presentation.
Note: Pie charts on this slide include all CoreVest-originated bridge loans as well as those purchased from third parties. Composition percentages are based on unpaid principal balance.

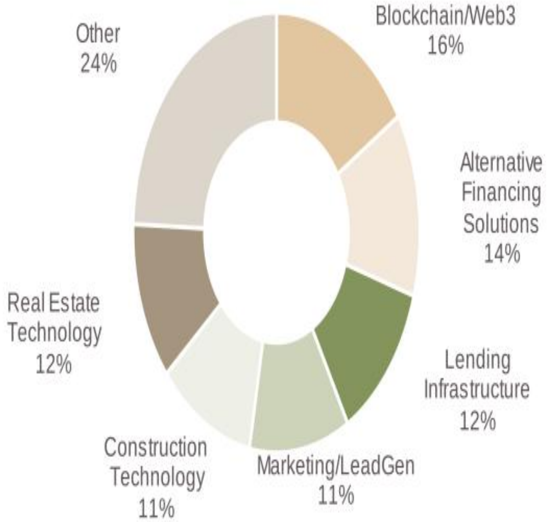
RWT HORIZONS®

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

## Q3'23 Portfolio Composition




6 portfolio companies are artificial intelligence ***("AI") companies or have AI as an extension of their*** core product offering

## RWT Horizons by the Numbers

**$28mm+** of Investment Commitments

**2** New Investments in **Q3'23**

**35** Total Investments

**28** Portfolio Companies

Detailed Endnotes are included at the end of this presentation.

# Financial Results

## Income Statement

($ in millions, except per share data)

| | Three Months Ended | |
|---|---|---|
| | 9/30/2023 | 6/30/2023 |
| Net interest income | | |
| Investment portfolio | $ 31 | $ 37 |
| Mortgage banking | 2 | 1 |
| Corporate (unsecured debt)[1] | (13) | (12) |
| Total net interest income | 20 | 26 |
| Non-interest income (loss) | | |
| Residential mortgage banking activities, net | 9 | 7 |
| Business Purpose mortgage banking activities, net | 10 | 9 |
| Investment fair value changes, net | (31) | (5) |
| Other income, net | 2 | 4 |
| Realized gains, net | — | 1 |
| Total non-interest income (loss), net | (10) | 17 |
| General and administrative expenses | (30) | (31) |
| Portfolio management costs | (4) | (3) |
| Loan acquisition costs | (2) | (1) |
| Other expenses | (5) | (5) |
| Provision for income taxes | (2) | — |
| Net income (loss) | $ (31) | $ 3 |
| Dividends on preferred stock | (2) | (2) |
| Net income (loss) available (related) to common stockholders | $ (33) | $ 1 |
| Earnings (loss) per diluted common share | $ (0.29) | $ 0.00 |

Detailed Endnotes are included at the end of this presentation.

## Balance Sheet

($ in millions)

| | 9/30/2023 | 6/30/2023 |
|---|---|---|
| Residential loans - held-for-sale | $ 611 | $ 197 |
| Residential loans - held-for-investment | 5,236 | 5,259 |
| Business purpose loans - held-for-sale | 103 | 283 |
| Business purpose loans - held-for-investment | 5,147 | 4,944 |
| Consolidated Agency multifamily loans | 421 | 420 |
| Real estate securities | 129 | 167 |
| Home equity investments | 431 | 427 |
| Other investments | 340 | 356 |
| Cash and cash equivalents | 204 | 357 |
| Other assets | 399 | 387 |
| Total assets | $ 13,021 | $ 12,797 |
| Short-term debt | $ 1,477 | $ 1,457 |
| Other liabilities | 217 | 230 |
| ABS issued | 8,392 | 8,183 |
| Long-term debt, net | 1,830 | 1,802 |
| Total liabilities | 11,915 | 11,673 |
| Equity | 1,106 | 1,124 |
| Total liabilities and equity | $ 13,021 | $ 12,797 |

Detailed Endnotes are included at the end of this presentation.

## Changes in Book Value per Common Share

($ in per share)

| | Three Months Ended | |
|---|---|---|
| | 9/30/2023 | 6/30/2023 |
| Beginning book value per common share | $ 9.26 | $ 9.40 |
| Basic earnings (loss) attributable to common shares | (0.29) | — |
| Changes in accumulated other comprehensive income | | |
| Unrealized gains (losses) on available-for-sale (AFS) securities, net | (0.03) | — |
| Common dividends | (0.16) | (0.16) |
| Equity compensation, net | 0.02 | 0.01 |
| Other, net | (0.03) | 0.01 |
| Ending book value per common share | $ 8.77 | $ 9.26 |

Detailed Endnotes are included at the end of this presentation.

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## Capital Allocation Summary

($ in millions)

| | As of September 30, 2023 | | | | As of 6/30/23 |
|---|---|---|---|---|---|
| | Fair Value of Assets [1] | Recourse Debt | Non-Recourse Debt [2] | Total Capital | Total Capital |
| **Residential Mortgage Banking** | | | | | |
| Loans and other working capital [3] | $ 698 | $ (548) | $ — | $ 150 | $ 80 |
| **Business Purpose Mortgage Banking** | | | | | |
| Loans and other working capital [3] | 129 | (54) | — | 75 | 100 |
| Platform premium | 55 | — | — | 55 | 58 |
| Total | 184 | (54) | — | 130 | 158 |
| **Investment Portfolio** | | | | | |
| Residential organic investments | 355 | (218) | — | 137 | 140 |
| Business purpose organic investments | 2,493 | (644) | (1,197) | 652 | 589 |
| Third-party investments | 718 | (304) | — | 414 | 470 |
| Total | 3,566 | (1,166) | (1,197) | 1,203 | 1,199 |
| Corporate (excluding debt) [4] | 305 | — | — | 305 | 485 |
| Total / Capital | 4,753 | (1,769) | (1,197) | 1,787 | 1,922 |
| Corporate debt | — | (681) | — | (681) | (798) |
| Total / Equity | $ 4,753 | $ (2,450) | $ (1,197) | $ 1,106 | $ 1,124 |

Detailed Endnotes are included at the end of this presentation.

## Mortgage Banking Key Results

($ in millions)

| | Q3 2023 | | | Q2 2023 | | |
|---|---|---|---|---|---|---|
| | Business Purpose Mortgage Banking | Residential Mortgage Banking | Total | Business Purpose Mortgage Banking | Residential Mortgage Banking | Total |
| Net interest income | $ 1 | $ 1 | $ 2 | $ 1 | $ 1 | $ 1 |
| Mortgage banking activities | 10 | 9 | 19 | 9 | 7 | 17 |
| Other income | 1 | — | 1 | 1 | — | 1 |
| Mortgage banking income (loss) | 12 | 10 | 23 | 11 | 8 | 19 |
| Operating expenses | (14) | (5) | (19) | (16) | (4) | (20) |
| Benefit from income taxes | — | (1) | — | 1 | (1) | 1 |
| Net contribution (GAAP) | $ (1) | $ 4 | $ 3 | $ (3) | $ 3 | $ — |
| Adjustments: | | | | | | |
| Investment fair value changes | — | — | — | — | — | — |
| Acquisition related expenses | 3 | — | 3 | 3 | — | 3 |
| Organizational restructuring charges | — | — | — | — | — | — |
| Tax effect of adjustments | (1) | — | (1) | (1) | — | (1) |
| EAD Net Contribution (non-GAAP) (1) | $ 1 | $ 4 | $ 6 | $ (1) | $ 3 | $ 2 |
| Capital utilized (average for period) (2) | $ 92 | $ 120 | $ 212 | $ 100 | $ 30 | $ 130 |
| Return on capital (GAAP) | (5)% | 15 % | 6 % | (13)% | 43 % | — % |
| EAD Net Contribution return on capital (non-GAAP) (1) | 5 % | 15 % | 11 % | (3)% | 43 % | 7 % |
| Production Volumes | | | | | | |
| Term loan fundings | $ 106 | | | $ 129 | | |
| Bridge loan fundings | $ 305 | | | $ 278 | | |
| Residential loan locks | | $ 1,637 | | | $ 567 | |
| Residential loan purchase commitments (fallout adjusted) | | $ 1,272 | | | $ 437 | |

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

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## Investment Portfolio Key Results

($ in millions)

| | Three Months Ended | |
|---|---|---|
| | 9/30/2023 | 06/30/2023 |
| Net interest income | $ 31 | $ 37 |
| Investment fair value changes, net | (31) | (2) |
| Realized gains/(losses), net | — | 1 |
| Other income | 3 | 4 |
| Operating expenses | (7) | (6) |
| (Provision for) benefit from income taxes | (1) | (1) |
| Net contribution (GAAP) | $ (6) | $ 32 |
| Adjustments: | | |
| Investment fair value changes, net | 31 | 2 |
| Change in basis of investments | 9 | 8 |
| Realized (gains)/losses, net | — | (1) |
| Tax effect of adjustments | (1) | 1 |
| EAD net contribution (non-GAAP) [1] | $ 34 | $ 42 |
| Capital utilized (average for period) | $ 1,196 | $ 1,214 |
| Return on capital (GAAP) | (2) % | 11 % |
| EAD net contribution return on capital (non-GAAP) [1] | 11 % | 14 % |
| At period end | | |
| Carrying values of assets | $ 3,566 | $ 3,630 |
| Secured recourse debt | (1,166) | (1,158) |
| Secured non-recourse debt | (1,197) | (1,273) |
| Capital invested | $ 1,203 | $ 1,199 |
| Recourse leverage ratio [2] | 1.0x | 1.0x |

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

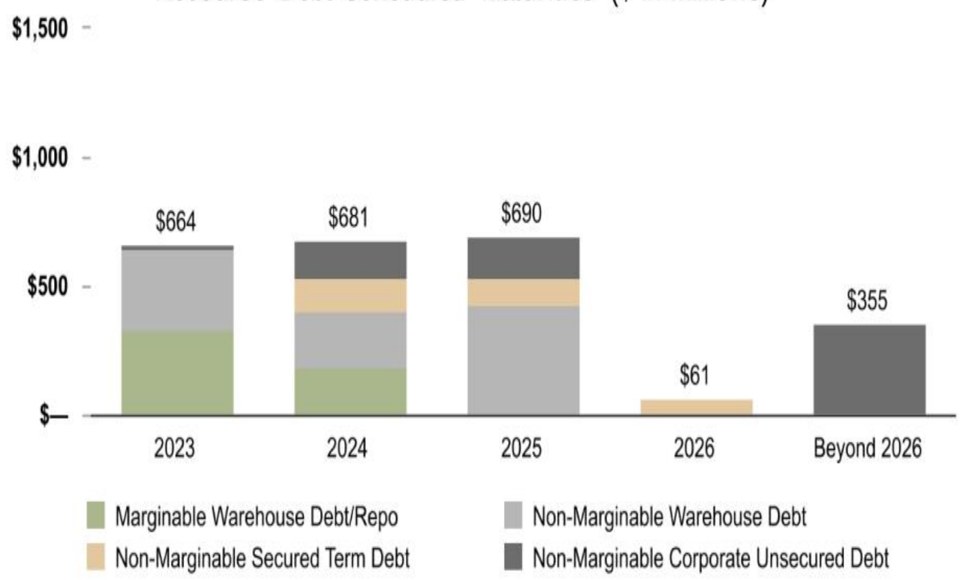
RWT

## Recourse Debt Balances

($ in millions)

| | At September 30, 2023 | | | | | | | At June 30, 2023 | |
|---|---|---|---|---|---|---|---|---|---|
| | | Secured Debt | | | | | | | |
| | Fair Value of Secured Assets | Non-Marginable Debt (1) | Marginable Debt (1) | Total Secured Debt | Unsecured Debt | Total Recourse Debt | Average Borrowing Cost (2) | Total Recourse Debt | Average Borrowing Cost (2) |
| Corporate debt | $ — | $ — | $ — | $ — | $ 681 | $ 681 | 6.8 % | $ 798 | 6.5 % |
| Securities portfolio | 737 | 288 | 238 | 526 | — | 526 | 6.2 % | 546 | 6.0 % |
| BPL term loans | 48 | 40 | — | 40 | — | 40 | 7.6 % | 185 | 7.5 % |
| BPL bridge loans | 668 | 479 | — | 479 | — | 479 | 8.0 % | 436 | 7.8 % |
| Residential loans | 609 | 314 | 234 | 548 | — | 548 | 7.3 % | 177 | 7.3 % |
| HEI Options | 230 | 127 | — | 127 | — | 127 | 9.9 % | 130 | 9.8 % |
| MSR(3) | 80 | — | 48 | 48 | — | 48 | 8.6 % | 47 | 8.4 % |
| Total | $ 2,370 | $ 1,249 | $ 520 | $ 1,769 | $ 681 | $ 2,450 | 7.2 % | $ 2,320 | 7.0 % |

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 (loss) available (related) to common shares and GAAP return on common equity ("GAAP ROE"), respectively. EAD is defined as: GAAP net income (loss) available (related) to common shares 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. Specifically, the adjustment for the change in economic basis of investments helps to distinguish between the component of market value changes of our investments associated with the passage of time based on our estimated economic yield (i.e., "the change in the economic basis"), from the component related to changes in benchmark interest rates, credit spreads and other factors, which can be volatile and may not be indicative of future economic performance of our investments. 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 (loss) available (related) to common shares, 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 | 9/30/2023 | 6/30/2023 |
| GAAP net income (loss) available (related) to common shares | $(33) | $1 |
| Adjustments: | | |
| Investment fair value changes, net(1) | $31 | $5 |
| Change in economic basis of investments(2) | 9 | 8 |
| Realized (gains)/losses, net(3) | — | (1) |
| Acquisition related expenses(4) | 3 | 3 |
| Organizational restructuring charges(5) | — | 1 |
| Tax effect of adjustments(6) | — | — |
| Earnings Available for Distribution (non-GAAP) to common shares | $11 | $16 |
| Earnings (loss) per basic common share | $(0.29) | $— |
| EAD per basic common share (non-GAAP) | $0.09 | $0.14 |

Footnotes:

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 current estimated economic income. We derive estimated economic income each quarter by first calculating the internal rate of return ("IRR") for an investment, using the investment's carrying value at the beginning of the quarter (which for nearly all of our investments is fair value) and our projected future cash flows for the investment (the same cash flows we use to value the assets at the beginning of the quarter, which include any expected losses). We apply this IRR (or estimated economic yield) to the average carrying value of the asset for the reported quarter to derive what we refer to as "estimated economic income." This adjustment is prospective in nature and is recalculated each quarter without regard to an investment's historical basis. As such, this measure should not be utilized to assess results cumulatively over multiple quarters. It is meant to provide an estimate of the yield we expect an investment to generate as of the beginning of each quarter, if held on a long-term basis.

Footnotes Continued:

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 5 Arches acquisitions and any changes in the contingent consideration liability related to the potential earnout consideration for the acquisition of Riverbend.
5. In response to business and market developments in 2022, Redwood reduced its workforce - with effective dates for employee departures spanning the third quarter of 2022 through the second quarter of 2023. Organizational restructuring charges represent employee severance and related transition expenses associated with this reduction in force.
6. The tax effect of adjustments represent the hypothetical income taxes associated with all adjustments used to calculate EAD.

# 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.

| | Q3 2023 | | | Q2 2023 | | |
|---|---|---|---|---|---|---|
| $ in millions | Business Purpose Mortgage Banking | Residential Mortgage Banking | Investment Portfolio | Business Purpose Mortgage Banking | Residential Mortgage Banking | Investment Portfolio |
| Net contribution (GAAP) | $ (1) | $ 4 | $ (6) | $ (3) | $ 3 | $ 32 |
| Adjustments: | | | | | | |
| Investment fair value changes, net | — | — | 31 | — | — | 2 |
| Change in basis of investments | — | — | 9 | — | — | 8 |
| Realized (gains)/losses, net | — | — | — | — | — | (1) |
| Acquisition related expenses | 3 | — | — | 3 | — | — |
| Organizational restructuring charges | — | — | — | — | — | — |
| Tax adjustments | (1) | — | (1) | (1) | — | 1 |
| EAD Net Contribution (non-GAAP) | $ 1 | $ 4 | $ 34 | $ (1) | $ 3 | $ 42 |
| Capital utilized (average for period) | $ 92 | $ 120 | $ 1,136 | $ 100 | $ 30 | $ 1,214 |
| Return on capital (GAAP) | (5)% | 15 % | (2)% | (13)% | 43 % | 11 % |
| EAD Net Contribution return on capital (non-GAAP) | 5 % | 15 % | 11 % | (3)% | 43 % | 14 % |

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

# Endnotes

Slide 5 (Redwood is a Full Spectrum Mortgage Platform)

Source: Company financial data as of September 30, 2023 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. Annual Addressable Market Opportunity. Residential Mortgage Banking opportunity for Jumbo Lock Volume based on 1H'23 jumbo volumes (annualized). Residential Mortgage Banking opportunity for Jumbo Loan Sales based on quantity of jumbo loans held on bank balance sheets (Source: JP Morgan Research). Business Purpose Mortgage Banking based on combined opportunity for SFR and Multifamily Rental. SFR based on September 2023 data and potential financing opportunity for SFR of $128 billion over 3-4 years (Source: John Burns Research and Consulting, LLC and internal Company estimates). Multifamily based on Freddie Mac 2023 multifamily origination estimate of $370 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 6 (Q3'23 Financial **Performance)**

Source: Company financial data as of September 30, 2023 unless otherwise noted. Market data per Bloomberg as of September 30, 2023.

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 $7.13 on September 30, 2023.
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 at September 30, 2023 is defined as recourse debt at Redwood exclusive of other liabilities, divided by tangible stockholders' equity. Recourse debt excludes $8.4 billion of consolidated securitization debt (ABS issued and servicer advance financing) and $0.9 billion of other debt that is non-recourse to Redwood, and tangible stockholders' equity excludes $55 million of goodwill and intangible assets.

# Endnotes

Slide 7 (Q3'23 Business **Performance)**
Source: Company financial data as of September 30, 2023 unless otherwise noted.

1. Lock volume does not account for potential fallout from pipeline that typically occurs through the lending process.
2. Includes Q4'23 activity through October 28, 2023.
3. This securitization priced on October 23, 2023 and is expected to close on October 31, 2023.
4. Represents repurchase activity that settled after September 30, 2023.

Slide 8 (Select Q3'23 Corporate **Highlights)**
Source: Company financial data as of September 30, 2023 unless otherwise noted.

1. Represents new or re-established banks that have locked production with Redwood through October 27, 2023

Slide 9 (Basel III Endgame: Bank Regulatory Capital in **Focus)**
Source: Company financial data as of September 30, 2023 unless otherwise noted.

1. Represents management's expectations and actual results may differ materially.
2. Mayer Brown and BTIG research.

Slide 10 (Substantial Opportunity for Redwood **Residential)**

1. Represents management's expectations and actual results may differ materially
2. Source: JP Morgan Research, CoreLogic, Bank Filings and S&P.
3. Jumbo Market Share by Lender Type based on Inside Mortgage Finance data for jumbo origination volumes from January 2021 through June 2023.

Slide 11 (Update on Our Progress in Residential Mortgage **Banking)**
Source: Company financial data as of September 30, 2023 unless otherwise noted.

1. Represents management's expectations and actual results may differ materially
2. Current market share based on Redwood's Q3'23 jumbo lock volume (annualized). Market size based on 1H'23 jumbo volume (annualized).
3. Lock volume does not account for potential fallout from pipeline that typically occurs through the lending process.

Slide 12 (**Redwood's** Ability to Source, Retain and Distribute Assets)
Source: Company financial data as of September 30, 2023 unless otherwise noted.

1. Represents management's expectations and actual results may differ materially.

Slide 13 (Continued Evolution of Distribution **Channels)**
Source: Company financial data as of September 30, 2023 unless otherwise noted.

Slide 14 (Launch of Home Equity Investment **("HEI") Platform)**

1. Source: Federal Reserve; Piper Sandler.
2. Source: John Burns Research and Consulting, LLC. Data subject to revisions.

Slide 15 (Strong Balance Sheet Supports Our Strategic **Objectives)**
Source: Company financial data as of September 30, 2023 unless otherwise noted.

1. Recourse leverage ratio at September 30, 2023 is defined as recourse debt at Redwood exclusive of other liabilities, divided by tangible stockholders' equity. Recourse debt excludes $8.4 billion of consolidated securitization debt (ABS issued and servicer advance financing) and $0.9 billion of other debt that is non-recourse to Redwood, and tangible stockholders' equity excludes $55 million of goodwill and intangible assets.
2. $244 million represents our unrestricted cash position as of June 30, 2023 adjusted for repayment of our convertible notes due August 2023 which were fully repaid at maturity, using cash on hand.

# Endnotes

Slide 17 (Residential Mortgage **Banking)**

Source: Company financial data as of September 30, 2023 unless otherwise noted.

1. Lock volume does not account for potential fallout from pipeline that typically occurs through the lending process.
2. Includes Q4'23 activity through October 27, 2023.

Slide 18 (Business Purpose Mortgage **Banking)**

Source: Company financial data as of September 30, 2023 unless otherwise noted.

1. Composition percentages are based on unpaid principal balance.

Slide 19 (Business Purpose Lending – Market **Trends)**

1. Source: John Burns Research and Consulting, LLC. Data subject to revisions. Occupancy data through September 30, 2023.
2. Source: National Association of Realtors, Bloomberg, Piper Sandler.

Slide 20 (Investment **Portfolio)**

Source: Company financial data as of September 30, 2023 unless otherwise noted.

1. 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 September 30, 2023.
2. $145 million of "Multifamily, CRT, and Other" includes $43 million net investment of multifamily securities, $5 million of third-party securities, and $97 million of other investments.

Slide 21 (Potential Book Value Per Share Upside Driven by Underlying Asset **Strength)**

Source: Company financial data as of September 30, 2023 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. Source: Bloomberg (HPI LTV (Amort) %), Home Price Indexed Amortized Loan to Value.
3. Represents the market value of subordinate securities at September 30, 2023 divided by the outstanding principal balance at September 30, 2023 as a dollar price per $100 par value.

Slide 22 (Investment Portfolio - BPL Bridge **Loans)**

Source: Company financial data as of September 30, 2023 unless otherwise noted.

1. Represents the market value of our bridge loans held for investment and held for sale at the time periods presented.

Slide 23 (RWT Horizons)

Source: Company financial data as of September 30, 2023 unless otherwise noted.

Slide 25 (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.

# Endnotes

Slide 28 (Appendix: Capital Allocation Summary)

1. Amounts of assets in our Investment Portfolio, as presented in this table, represent our economic interests (including our economic interests in consolidated VIEs) and do not present the assets within VIEs that we consolidate under GAAP (except for our CAFL Bridge VIEs). See our GAAP Balance Sheet and Reconciliation to Non-GAAP Economic Balance Sheet in the Supplemental Financial Tables available on our website for additional information on consolidated VIEs.
2. Non-recourse debt presented within this table excludes ABS issued from certain securitizations consolidated on our balance sheet, including Residential Jumbo (SEMT), BPL Term (CAFL), Freddie Mac SLST and K-Series, and HEI, as well as 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. For Business Purpose Mortgage Banking segment, does not include platform premium.
4. Corporate capital includes among other things, capital allocated to RWT Horizons and other strategic investments as well as available capital.

Slide 29 (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 does not include platform premium.

Slide 30 (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 the Endnotes section of this presentation for more information on these measures.
2. Recourse Leverage ratio is calculated as Secured recourse debt balances divided by Capital invested, as presented within this table.

Slide 31 (Appendix: Recourse Debt Balances)

1. 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.
2. 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.
3. Includes certificated mortgage servicing rights.