Investor Presentation |

Morgan Stanley US Financials, Payments and CRE Conference

June 15, 2021

REDWOOD TRUST

RWT

Forward Looking Statements

This presentation contains forward-looking statements, including estimates on revenue mix through second quarter of 2021, estimated returns on our operating business and investment portfolio, and potential earnings related to securitization transactions that could become callable through 2024. Forward-looking statements involve numerous risks and uncertainties. Our actual results may differ from our beliefs, expectations, estimates, and projections and, consequently, you should not rely on these forward-looking statements as predictions of future events. Forward-looking statements are not historical in nature and can be identified by words such as “anticipate,” “estimate,” “will,” “should,” “expect,” “believe,” “intend,” “seek,” “plan” and similar expressions or their negative forms, or by references to strategy, plans, or intentions. These forward-looking statements are subject to risks and uncertainties, including, among other things, those described in the Company’s Annual Report on Form 10-K for the year ended December 31, 2020 and any subsequent Quarterly Reports on Form 10-Q and Annual Reports on Form 10-K under the caption “Risk Factors.” Other risks, uncertainties, and factors that could cause actual results to differ materially from those projected may be described from time to time in reports the Company files with the Securities and Exchange Commission, including reports on Form 8-K.

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.

Our business is well positioned to continue growth trajectory and further capitalize on strong macro tailwinds

13% increase in Q2 dividend to **$0.18/share**, the **3rd increase** in 12 months

Diversified and recurring revenues support earnings in excess of a rising dividend

~5% increase in value of investment portfolio in second quarter to date[(1)] with further upside reflective of retained earnings and continued call activity

Earnings from operating businesses can be retained

~70% of Revenue forecasted for 1H 2021 generated from operating businesses[(2)]

Growing portion of revenue from mortgage banking businesses creates organic capital and evolves valuation framework

$3T opportunity in non-agency market, and growing[(3)]

$18B annualized run rate origination/lock volume across BPL and Residential[(4)]

Gaining share of growing markets

Over $100M loans called in second quarter to date[(1)]

~$2B loans potentially callable through 2022[(5)]

Embedded security discount and loan premium drive further upside to book value

$4.4B loans distributed across **6** securitizations and **22** whole loan sales year-to-date[(6)]

Leading securitization platforms and multichannel distribution model support durable margins

Detailed Endnotes are included at the end of this presentation

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Long-term growth drivers for our business have potential to deliver attractive shareholder returns

MACRO & REGULATORY BACKDROP + ALPHA GENERATION = DELIVERING SHAREHOLDER VALUE

MACRO & REGULATORY BACKDROP

Sizeable & Growing Non-agency Market

Residential

- Home price trends expected to push more loans outside the conforming loan limit
- Evolution of Qualified Mortgage ("QM") rules and shrinking GSE footprint likely to expand the size of the non-agency market
- Structural homeownership and mobility trends support market growth

Business Purpose

- Affordability concerns and consumer housing preferences present a tailwind to the rental market
- Supply/demand imbalance presents opportunities for a full life-cycle lender
- Single-family rental homes are increasing as a percentage of total single-family homes in all top 20 SFR markets[(1)]

ALPHA GENERATION

Gaining Market Share

- Record volume growth driven by operational head start post COVID
- Multiple loan programs to meet evolving borrower needs

Realizing Embedded Value Within Investment Portfolio

- Portfolio cannot be replicated today
- Call rights strategy and substantial portfolio discount provide near-term upside to earnings and book value

Capital & Operating Leverage

- Highly scalable platform supports growing volumes while increasing profitability
- Continuous drive to optimize capital mix and diversify funding sources
- Innovative technology and processes drive further efficiencies

DELIVERING SHAREHOLDER VALUE

Unique Total Return

- Book value growth combined with attractive dividend delivers strong total returns
  - Retained earnings from operating businesses contribute to book value growth
  - Investments created organically from operating businesses grow the investment portfolio, supporting a stable-to-growing dividend
- Increasing share of earnings from mortgage banking operations evolves company's valuation framework
  - Earnings mix and higher profitability supports a higher valuation multiple
- Prudent leverage combined with non-recourse and non-marginable debt delivers attractive risk adjusted portfolio returns

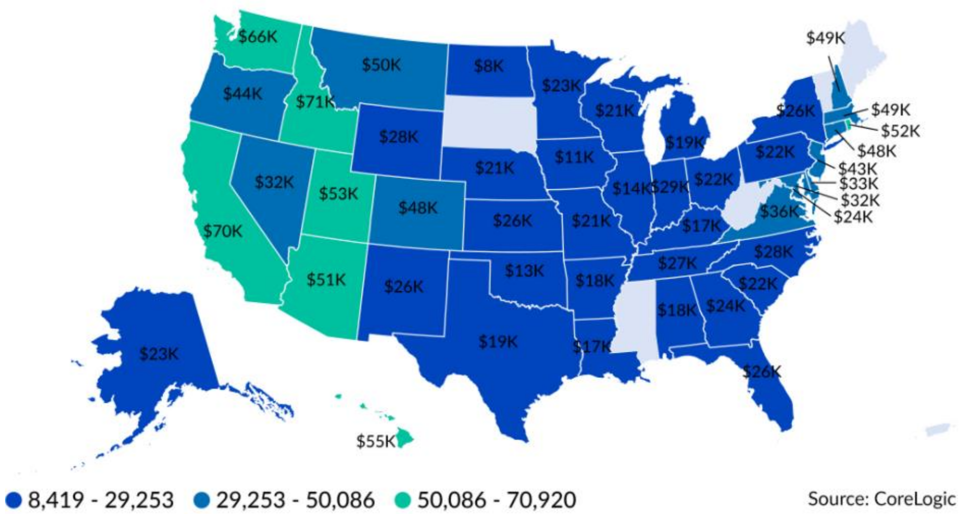
Detailed Endnotes are included at the end of this presentation

Macro trends support non-agency residential market expansion

Growing Markets will Likely Require Increased Access to Non-Agency Lending[1]

City	Median Home Price	GSE 2021 Conforming Limit	Change in Limit Since 2014	Home Price Appreciation Since 2014
Austin, TX	$454,896	$548,250	31.5%	64.2%
Dallas, TX	$244,403	$548,250	31.5%	79.7%
Denver, CO	$498,911	$596,850	43.1%	73.2%
Los Angeles, CA	$809,865	$822,375	31.5%	52.8%
Miami, FL	$389,138	$548,250	31.5%	39.5%
Nashville, TN	$316,078	$586,500	40.6%	78.6%
Scottsdale, AZ	$594,314	$548,250	31.5%	47.5%
Seattle, WA	$813,154	$776,250	53.4%	75.6%
Tampa, FL	$281,097	$548,250	31.5%	86.2%
Average			**36.2%**	**66.4%**

Average Annual Equity Gains from Q1 2021 Underscore Homebuying & Mobility Trends Emerging from COVID[2]



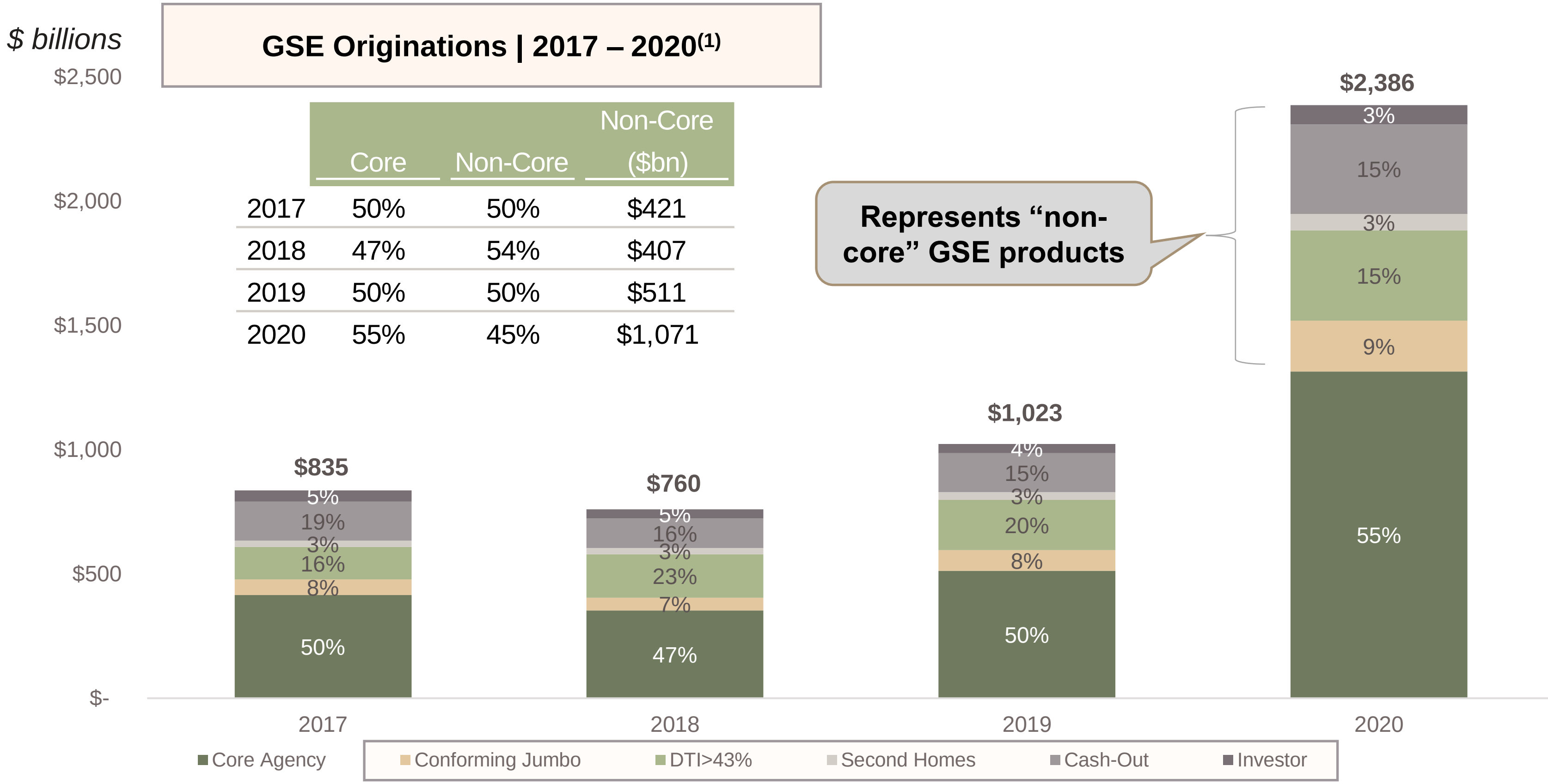
- Homebuying trends over the past year have driven homeowner equity to the highest levels in at least a decade
  - Current estimated total home equity now eclipses $20 trillion[3]
- The path of home prices in many markets has outpaced changes to loan balance limits for government lending programs
- This has evolved many parts of the country into more "non-conforming" markets in which jumbo loans now represent an increasing share of borrowings
- We are seeing this trend manifested in our YTD 2021 purchases[4]
  - In ten states, our purchases already equal or exceed amounts in those geographies in each of 2018 and 2019[4]
    - Loan purchases in these ten states represent almost 30% of our YTD 2021 volume[4]

Detailed Endnotes are included at the end of this presentation

Migration of "non-core" GSE products also supports continued growth for both Residential and BPL

GSE Originations | 2017 – 2020(1)

	Core	Non-Core	Non-Core ($bn)
2017	50%	50%	$421
2018	47%	54%	$407
2019	50%	50%	$511
2020	55%	45%	$1,071



- "Non-Core" GSE business has grown from ~$400 billion in 2017 to in excess of $1 trillion in 2020
- Given regulatory changes – most notably amendments to the Preferred Stock Purchase Agreements (PSPAs) – we expect a growing share of GSE business will continue shifting to the non-agency market
  - This includes loans made on second homes and investor properties

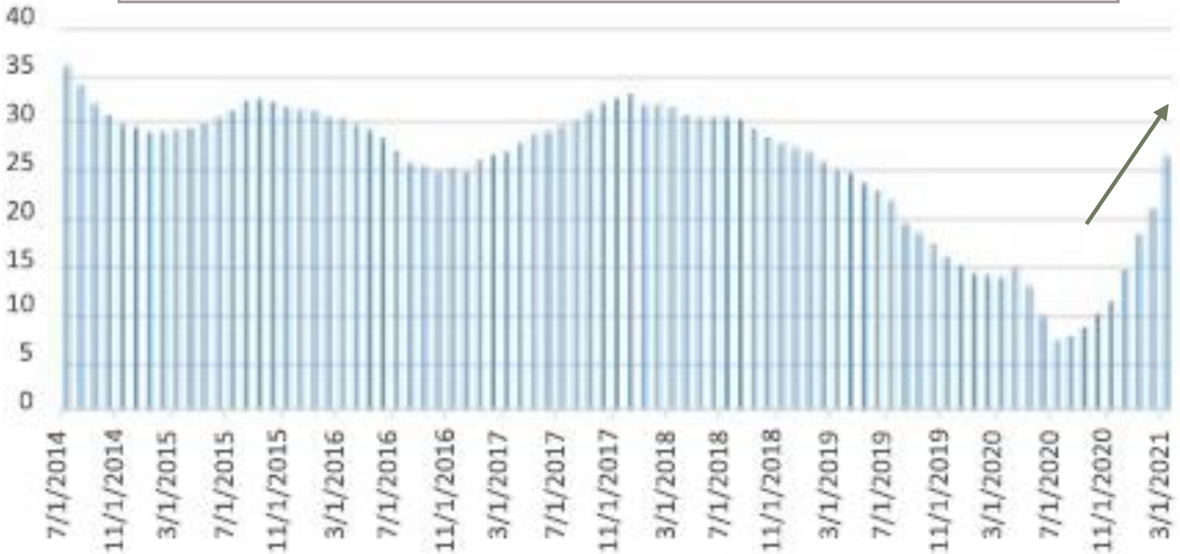
Detailed Endnotes are included at the end of this presentation

As housing investors gain market share, the GSE footprint for those borrowers is shrinking

The recently-enacted 7% loan cap on GSE purchases represents increased supply opportunities for private capital

- On January 14, 2021, the U.S. Department of the Treasury and the FHFA announced caps on GSE purchases of loans backed by second home and investment properties (NOOs), and loans with certain layered risks[1]
- This decision was made "to safeguard Treasury's funding commitment and to ensure the GSEs business activities are consistent with their mission and Treasury's capital support"
- This new limit means that loan originators who sell NOO loans to the GSEs will require more support from private capital to meet their distribution needs
- Redwood is uniquely positioned to benefit from the potential increase in market size for both our Residential and Business Purpose lending businesses

Trailing 12-Month Volume of Non-Owner Occupied (NOO) mortgages in excess of the new cap[2]



Research currently estimates the Jumbo + Expanded private label mortgage-backed securities (PLS) market to total ~$50 billion for 2021[3]

From 2014-2018, it is estimated that between ~$25 and $35 billion per year would have been in excess of the FHFA's 7% NOO cap, which could potentially increase PLS volumes by ~70%+[2]

Detailed Endnotes are included at the end of this presentation

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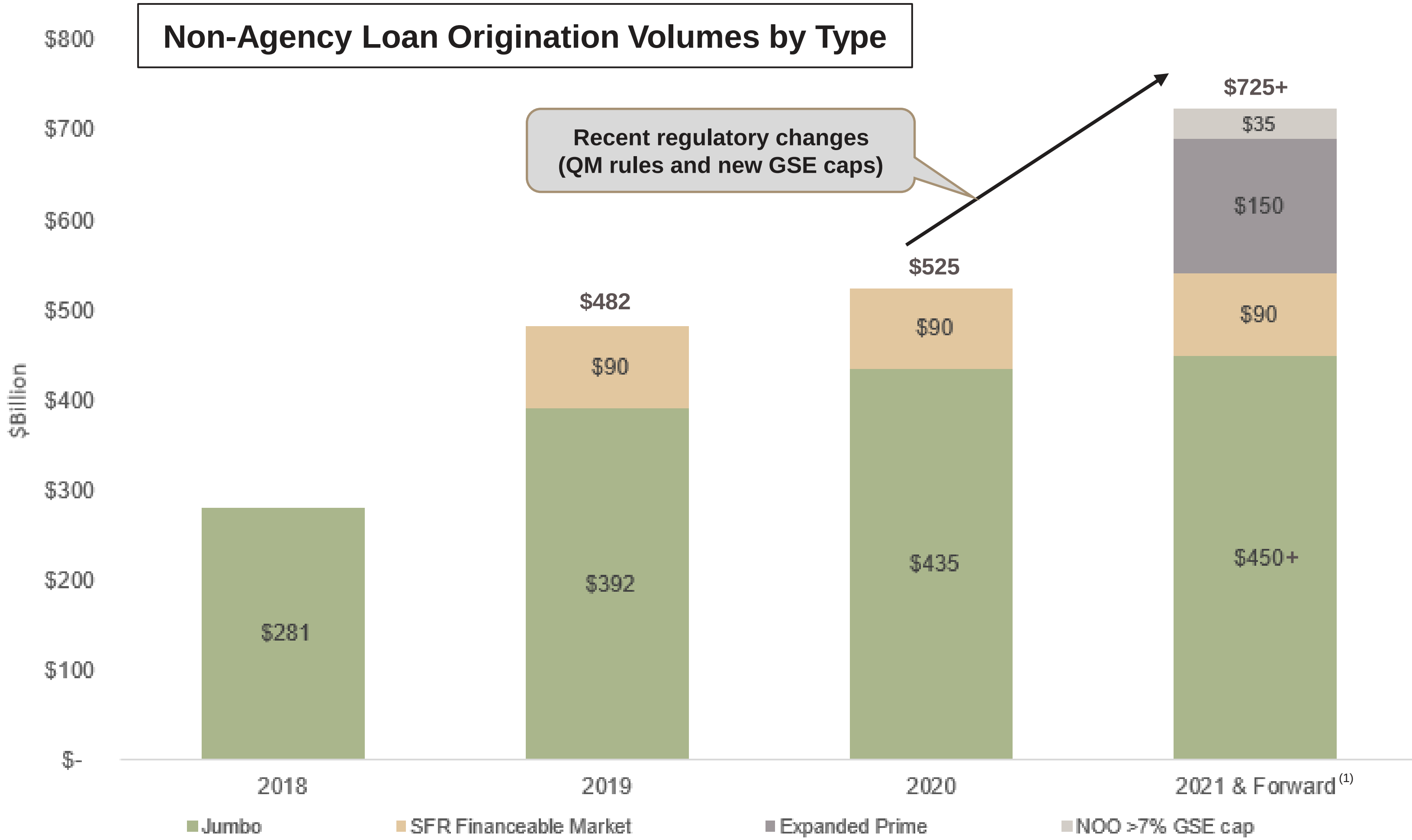
Addressable market for non-agency lending is primed to expand, in part due to regulatory tailwinds



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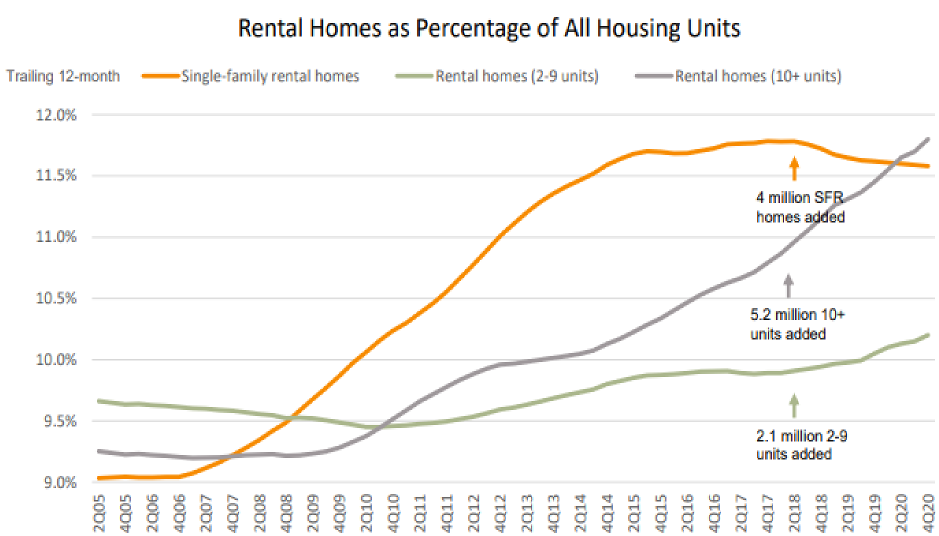
SFR lending is a large and growing sector of the non-agency market with limited competitors

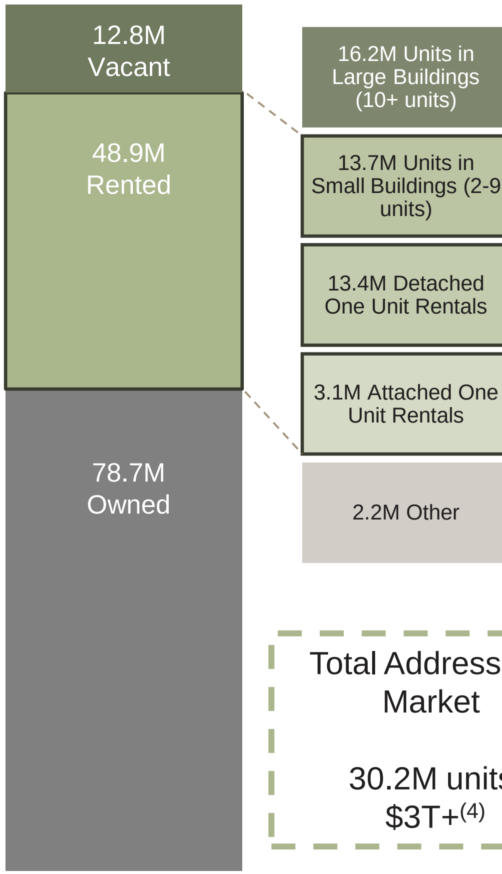
SFR Growing as % of Overall Housing Stock

- Housing investors continue to be a meaningful source of liquidity, especially in conforming balance markets
- Single-family build-for-rent completions are currently trending at close to twice their historical pace[2]



Single-Family Rental Units Make Up 11.7% of Total Housing Stock[1]

Total Housing Market (140.4M Unit Inventory)[2][3]



Total Addressable Market

30.2M units

$3T+[4]

Detailed Endnotes are included at the end of this presentation

We are growing volume and share across the non-agency mortgage market

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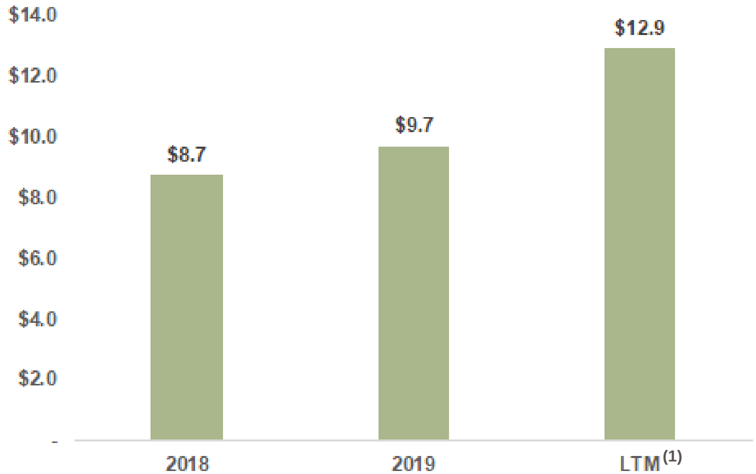
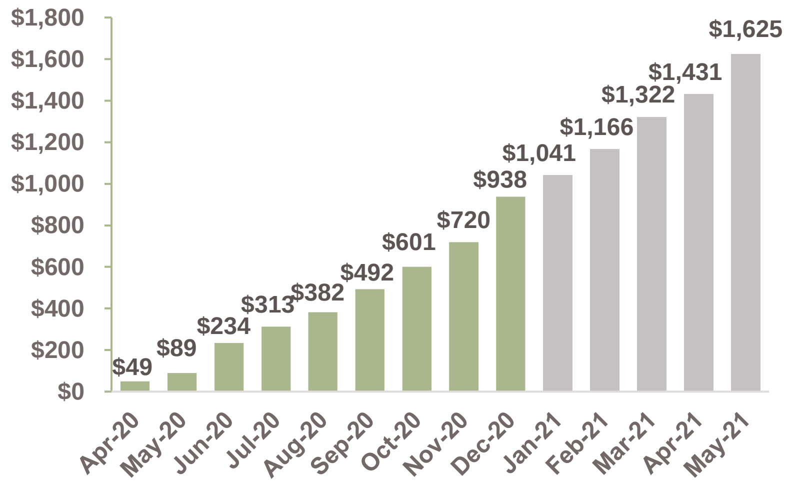


Locked Loans

CoreVest A REDWOOD TRUST COMPANY



Cumulative Loans Closed

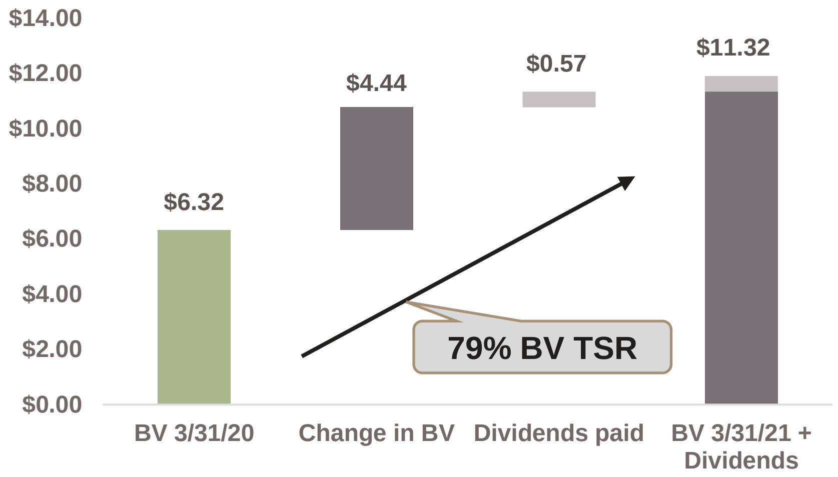
- We continue to see positive trajectory in our residential business, and we expect the platform to enter 2022 able to support continued growth in annual locks
  - Current YTD run-rate = $17 billion in locks
- We estimate our market share since Q3 2020 has increased to ~3%, an increase of 50% from December 31, 2019[(2)]

- Current run-rate in BPL originations continues to increase and is supportive of continued growth
- Expanding sourcing channels and procuring alternative funding capacity are key initiatives to continue growing originations

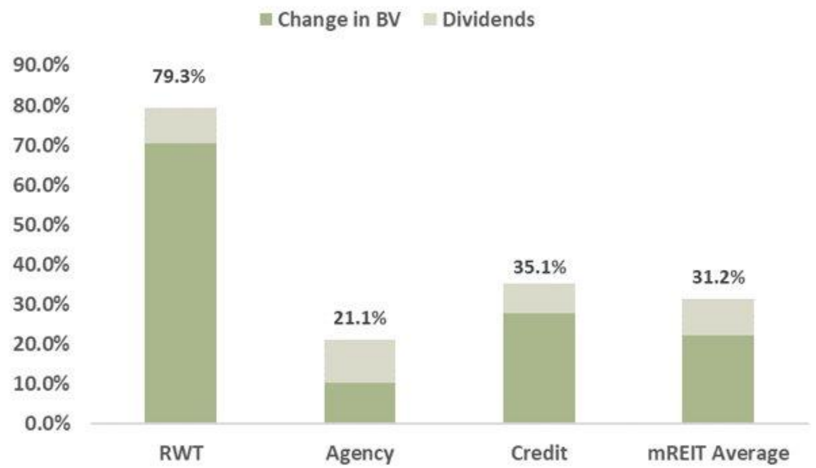
Detailed Endnotes are included at the end of this presentation

Total return profile post COVID volatility differentiates us from peers[1]

Q120-Q121 Year BV TSR Build



Comparative BV TSR 3/31/20 - 3/31/21[1]



- We generated a 79% book value TSR over the past 12 months, driven primarily by retained earnings from our operating businesses and strong performance from our investment portfolio
- Our ability to retain earnings from our mortgage banking platform reduces our reliance on external capital raising

- Differentiated story validated by differentiated results
  - Redwood's total economic return – inclusive of book value increases and dividends – is over 2x average of all mREIT peers for the past year

Detailed Endnotes are included at the end of this presentation

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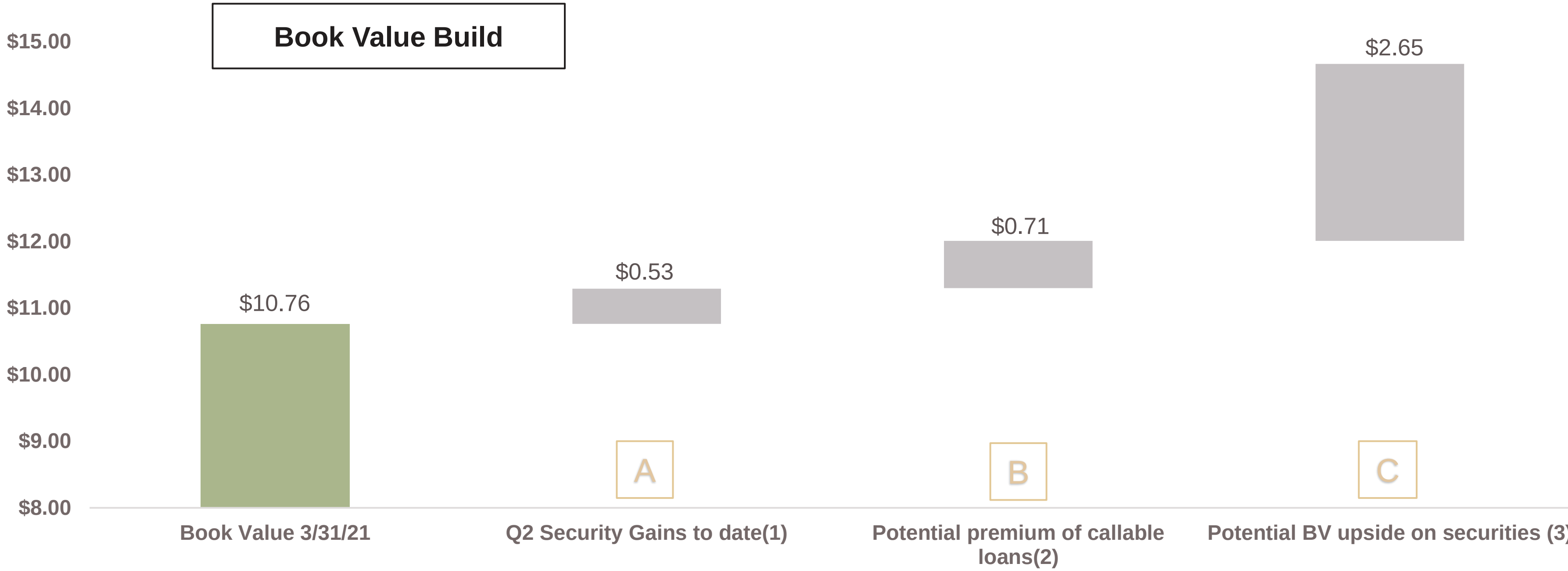
Call options in our securitizations and portfolio discount provide further upside to current book value



QTD through May 31, 2021

A The fair value of our investment portfolio grew by ~5% given the constructive environment for risk assets, coupled with our careful credit selection

- Settled 3 call options across Sequoia and CAFL, purchasing ~$100 million of seasoned loans onto our balance sheet at par

Looking Forward

B We estimate that over $2.3 billion of additional loans in Sequoia and CAFL deals could become callable by the end of 2024, including $1.9 billion by the end of 2022[(2)]

C At March 31, 2021, our securities portfolio had approximately $300 million of net discount to par value, which we have the potential to realize over time, including through call options

FURTHER UPSIDE TO BOOK VALUE REMAINS FROM RETAINED EARNINGS POTENTIAL

Detailed Endnotes are included at the end of this presentation

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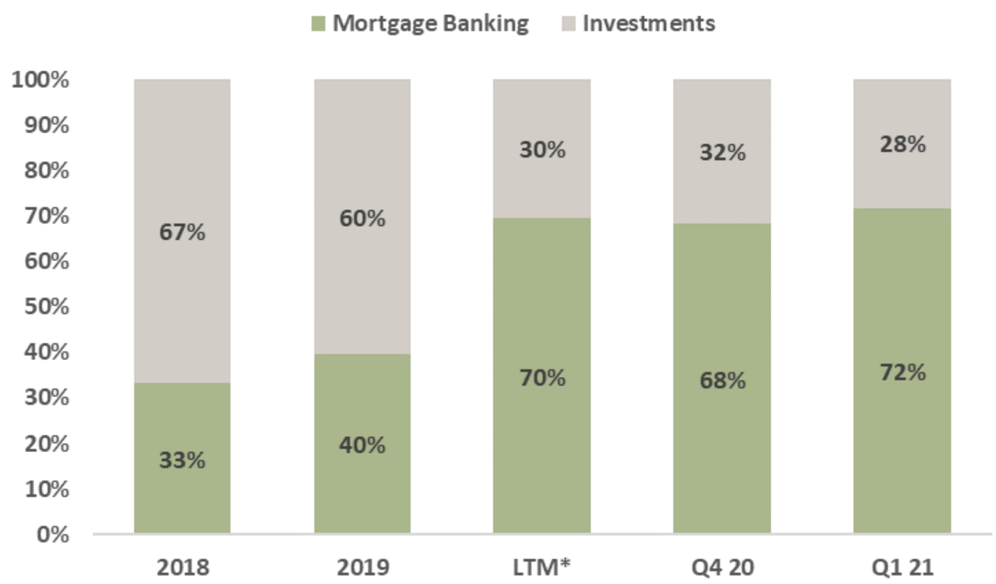
Growing contributions from our operating businesses support book value expansion

Adjusted Revenue Mix(1)



- Mortgage banking has grown to represent as much as 72% of our adjusted revenue mix in recent quarters, and is contributing an increasing amount of GAAP net income
- Growing volumes and durable margins at our mortgage banking businesses are shifting more of our earnings towards our taxable subsidiary
- We have the unique ability to retain these earnings and reinvest them in our business, supporting additional book value expansion

Detailed Endnotes are included at the end of this presentation

Our franchise sets us apart

Reputation and Brand

- Our brand equity was built from strong results over 27-year history, with unparalleled industry relationships
- Long standing reputation as a leader in the non-agency sector, including role as thought leader and innovator
- We have credibility in the mortgage market to influence key political and regulatory issues
- Leading governance practices and integrity are embedded in our culture

Human Capital

- Employees are the foundation of our franchise – cumulative experience and track record of success through many cycles
- Leadership position in the mortgage market, culture of innovation, and targeted DEIB programs makes us a sought-after employer, drawing top talent
- Full integration of new platforms creates a strong cultural tailwind to advance our strategy

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Differentiated Platform

- Operating businesses with ability to retain capital and create investments for tax advantaged portfolio can generate outsized returns relative to traditional REITs
- Non-agency residential and business purpose mortgage banking platforms cannot be easily replicated in market
- Investment portfolio comprised of high-quality assets that cannot be replicated in the market today, and possess considerable embedded value

Relationships

- Longstanding relationships with customers, investors, counterparties and other stakeholders
- Unabating focus on all our stakeholders fosters trust, confidence and buy-in for our strategic priorities
- People want to partner with Redwood because of our solutions based, customer driven approach built over decades

Appendix | Endnotes

Endnotes

Slide 3 (Our business is well positioned to continue growth trajectory and further capitalize on strong macro tailwinds)

1. Represents period from April 1, 2021 through May 31, 2021.
2. Based on actual results for the quarter ending March 30, 2021 and management's estimate of forecasted results for the quarter ending June 30, 2021.
3. Redwood estimate of total non-agency consumer plus investor financing needs, based on publicly available information including the Composition of the US Single Family Mortgage Market (source: Urban Institute, published April 2021) and John Burns Real Estate Consulting estimate for SFR market using 2010 Census and trending data from ACS / HVS, published December 2020.
4. Represents annualized Residential loan locks and BPL loan originations, based on actual amounts from January 1, 2021 through May 31, 2021
5. Our estimate of securitization transactions that could become callable through the end of 2022 is based on our current market observations, estimates, and assumptions, including our assumptions regarding prepayment speeds, credit losses, and market interest rates. Actual amounts may differ based on these or other factors.
6. Represents amounts distributed from January 1, 2021 through May 31, 2021 and includes six securitizations backed by $2.4B in Residential and SFR loans in aggregate, and 22 whole loan sales with an aggregate value of $2.0B.

Slide 4 (Long-term growth drivers for our business have potential to deliver attractive shareholder returns)

1. Sources: U.S. Census Bureau; John Burns Real Estate Consulting, LLC (Data: 2018, Published March 2021).

Slide 5 (Macro trends support non-agency residential market expansion)

1. Based on 2019 and 2020 overall market originations of jumbo loans. Source: IMF 2020 Mortgage Market Statistical Annual.
2. Source: CoreLogic, National Mortgage news.
3. KBW Research: New Businesses Have Become Big Growth Drivers, March 16, 2021.
4. Based on number of loans purchased (using loan count) from January 1, 2021, through May 31, 2021.

Slide 6 (Migration of "non-core" GSE products also supports continued growth for both Residential and BPL)

1. Inside Nonconforming Markets Issue 26:04, February 2021.

Slide 7 (As housing investors gain market share, the GSE footprint for those borrowers is shrinking)

1. US Treasury Department press release Treasury Department and FHFA Amend Terms of Preferred Stock Purchase Agreements for Fannie Mae and Freddie Mac, January 14, 2021
2. Morgan Stanley Resi Research, April 26, 2021.
3. Wells Fargo Research estimates, June 2021.

Slide 8 (Addressable market for non-agency lending is primed to expand, in part due to regulatory tailwinds)

1. We estimate the market opportunity set based on a) applying the 7% cap against average origination volumes between 2014 - 2018 to arrive at potential NOO mortgages coming to the private market ($35 billion assumed) b) $150 billion of estimated "expanded prime" volumes is calculated by assuming the volume outside of Agency/jumbo reverts to historical share averages from 2009 - 2020 (10% of a $1.5 trillion market). Total residential mortgage originations volume from 2009 to 2020 has ranged from $1.3 trillion to $4.0 trillion, with an average of $2.0 trillion and c) we project additional $15 billion of volume above 2020 levels driven by HPA pushing more loans beyond conforming limits and sustained low mortgage rates.

Slide 9 (SFR Lending is a large and growing sector of the non-agency market with limited competitors)

1. JBREC estimates using 2010 Census figures and trending data from ACS / HVS. Sources: U.S. Census Bureau ACS; John Burns Real Estate. Consulting, LLC (Data: 4Q20, updated quarterly†) published March 2021.
2. John Burns Real Estate Consulting estimated using 2010 Census and trending data from ACS / HVS. Source: John Burns Real Estate. Consulting, LLC (US Housing Analysis and Forecast Report) (Data: 1Q20, updated quarterly), published December 2020.
3. JBREC estimated using 2010 Census figures and trending data from ACS / HVS.

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Endnotes (continued)

Slide 9 (continued)

4. CoreVest estimates based on publicly available information and recent experience.

Slide10 (We are growing volume and share across the non-agency mortgage market)

1. Graph displays Loan Locks (unadjusted for fallout) from Q3 2020 through Q2 2021 to date, ending May 31, 2021.
2. Market share estimates based on Redwood's jumbo loan purchase commitments for the quarter ended March 31, 2021 compared to overall market originations of jumbo loans as reported by IMF for the same time period.

Slide 11 (Total return profile post COVID volatility differentiates us from peers)

1. Agency peers include: AGNC, ARR, CMO, DX, IVR, NLY, TWO; Credit peers include: CIM, MFA, MITT, NYMT, NRZ, PMT; mREIT peer average includes both of those groups, in addition to RWT.

Slide12 (Call options in our securitizations and portfolio discount provide further upside to current book value)

1. Represents estimated change in fair value of securities from April 1, 2021 through May 31, 2021.
2. Potential earnings related to securitization transactions that could become callable are based on our current market observations, estimates, and assumptions, including our assumptions regarding credit losses, prepayment speeds, market interest rates, and discount rates. We estimate that over $2.3 billion of additional loans in Sequoia and CAFL deals could become callable by the end of 2024, including $1.9 billion by the end of 2022. The $0.71 per share displayed relates to the estimate for transactions we estimate could become callable by the end of 2024. Actual returns may differ based on these or other factors.
3. Represents potential book value per share upside on the securities portfolio due to the net discount to par value. Credit performance, prepayment speeds and other factors may impact our ability to realize this value.

Slide 13 (Growing contributions from our operating businesses support book value expansion)

1. Adjusted revenue represents net interest income and non-interest income, excluding corporate debt expense, investment fair value changes and realized gains.