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

August 5, 2004
Date of Report (Date of earliest event reported)

REDWOOD TRUST, INC.

(Exact Name of Registrant as Specified in 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)	(Zip Code)

(415) 389-7373

(Registrant's Telephone Number,
Including Area Code)

INFORMATION TO BE INCLUDED IN THE REPORT

Item 7(c). **Exhibit**

99.1 “Supplemental Financial Information Quarter Ended June 30, 2004.”

99.2 Press Release, dated August 5, 2004 “Redwood Trust Reports Earnings for the Second Quarter of 2004”.

Item 12. **Results of Operation and Financial Condition**

Redwood Trust, Inc. is hereby furnishing, as an Exhibit to this current report on Form 8-K, a copy of its Supplemental Financial Information for the second quarter of 2004, publicly released on August 5, 2004.

Also, Redwood Trust, Inc. is hereby furnishing, as an Exhibit to this current report on Form 8-K, a copy of its earnings release for the second quarter of 2004, publicly released on August 5, 2004.

SIGNATURE

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

Date: August 5, 2004

REDWOOD TRUST, INC.

By: /s/ Harold F. Zagunis
Harold F. Zagunis
Vice President, Chief Financial Officer and Secretary

Exhibit Index

Exhibit Number	
99.1	"Supplemental Financial Information Quarter Ended June 30, 2004."
99.2	Press Release, dated August 5, 2004 "Redwood Trust Reports Earnings for the Second Quarter of 2004".

Exhibit 99.1

SUPPLEMENTAL FINANCIAL INFORMATION
QUARTER ENDED JUNE 30, 2004

Financial Results

Table 1
Earnings
($ in Thousands, except per share data)

	GAAP Earnings	Core Earnings	Average Diluted Shares Outstanding	GAAP EPS	Core EPS	GAAP Earnings / Average GAAP Common Equity (Annualized)	Core Earnings / Average Common Core Equity (Annualized)
Q1: 2002	$ 11,219	$ 10,887	14,077,405	$ 0.80	$0.77	14.2%	14.2%
Q2: 2002	13,802	12,546	15,747,048	0.88	0.80	15.4%	14.5%
Q3: 2002	14,306	12,831	16,240,194	0.88	0.79	14.1%	14.3%
Q4: 2002	14,566	13,183	16,529,075	0.88	0.80	13.7%	14.2%
2002	**53,893**	**49,447**	**15,658,623**	**3.44**	**3.16**	**14.3%**	**14.3%**
Q1: 2003	14,932	14,962	16,983,513	0.88	0.88	12.9%	15.4%
Q2: 2003	22,212	20,761	18,433,165	1.21	1.13	17.6%	19.4%
Q3: 2003	24,636	24,481	19,018,487	1.30	1.29	17.8%	21.4%
Q4: 2003	69,933	30,485	19,800,863	3.53	1.54	50.0%	26.0%
2003	**131,713**	**90,689**	**18,586,649**	**7.09**	**4.88**	**25.3%**	**20.8%**
Q1: 2004	50,791	34,783	20,398,644	2.49	1.71	34.8%	27.5%
Q2: 2004	55,088	37,029	21,325,075	2.58	1.74	33.2%	25.4%

*See **Tables 5 & 6** for a description of core earnings and core equity and a related reconciliation of GAAP earnings to core earnings and GAAP equity to core equity.*

Table 2
Net Interest Income
($ in Thousands)

	Total Interest Income	Total Interest Expense	Net Interest Income	Earning Asset Yield	Cost of Funds	Interest Rate Spread	Interest Rate Margin	Net Interest Income/ Average GAAP Equity	Net Interest Income/ Average Core Equity
Q1: 2002	$ 30,716	$ 15,602	$ 15,114	4.92%	2.82%	2.10%	2.36%	17.69%	18.13%
Q2: 2002	36,252	18,489	17,763	4.71%	2.69%	2.02%	2.25%	18.41%	19.12%
Q3: 2002	42,093	24,291	17,802	4.07%	2.57%	1.51%	1.68%	16.47%	18.51%
Q4: 2002	54,155	33,323	20,832	3.59%	2.35%	1.24%	1.35%	18.50%	20.92%
2002	**163,216**	**91,705**	**71,511**	**4.13%**	**2.54%**	**1.60%**	**1.77%**	**17.75%**	**19.21%**
Q1: 2003	61,125	36,933	24,192	3.31%	2.10%	1.21%	1.28%	19.79%	23.33%
Q2: 2003	71,426	41,802	29,624	3.35%	2.05%	1.30%	1.36%	23.45%	27.63%
Q3: 2003	90,163	55,532	34,631	3.03%	1.92%	1.11%	1.14%	25.07%	30.23%
Q4: 2003	108,262	68,594	39,668	2.79%	1.81%	0.98%	1.01%	28.38%	33.77%
2003	**330,976**	**202,861**	**128,115**	**3.05%**	**1.93%**	**1.12%**	**1.16%**	**24.32%**	**28.91%**
Q1: 2004	124,837	79,577	45,260	2.75%	1.79%	0.96%	0.98%	30.98%	35.75%
Q2: 2004	137,979	90,359	47,620	2.72%	1.82%	0.90%	0.92%	28.69%	32.62%

Table 3
Interest Expense
($ in Thousands)

	Average Total Obligations	Total Interest Expense	Total Cost Of Funds	Average Consolidated Asset-Backed Securites (ABS) Issued	Interest Expense On Consolidated ABS Issued	Cost of Funds of Consolidated ABS Issued	Average Short Term Debt	Interest Expense On Short Term Debt	Cost of Funds of Short Term Debt
Q1: 2002	$ 2,211,927	$ 15,602	2.82%	$ 1,280,503	$ 10,661	3.33%	$ 931,424	$ 4,941	2.12%
Q2: 2002	2,752,215	18,489	2.69%	1,806,884	12,894	2.85%	945,331	5,595	2.37%
Q3: 2002	3,781,717	24,291	2.57%	2,893,682	18,893	2.61%	888,035	5,398	2.43%
Q4: 2002	5,680,238	33,323	2.35%	5,018,353	28,945	2.31%	661,885	4,378	2.65%
2002	**3,616,506**	**91,705**	**2.54%**	**2,760,490**	**71,393**	**2.59%**	**856,016**	**20,312**	**2.37%**
Q1: 2003	7,036,183	36,933	2.10%	6,637,053	34,993	2.11%	399,130	1,940	1.94%
Q2: 2003	8,160,393	41,802	2.05%	7,861,252	40,163	2.04%	299,141	1,639	2.19%
Q3: 2003	11,541,894	55,532	1.92%	11,197,470	53,861	1.92%	344,424	1,671	1.94%
Q4: 2003	15,119,594	68,594	1.81%	14,708,963	66,806	1.82%	410,631	1,788	1.74%
2003	**10,489,614**	**202,861**	**1.93%**	**10,126,303**	**195,823**	**1.93%**	**363,311**	**7,038**	**1.94%**
Q1: 2004	17,747,434	79,577	1.79%	17,299,503	77,006	1.78%	447,931	2,571	2.30%
Q2: 2004	19,890,064	90,359	1.82%	19,350,833	87,869	1.82%	539,231	2,490	1.85%

Financial Results (continued)

Table 4

Net Interest Income on an "At Risk" Assets and Recourse Debt Basis
($ in Thousands)

	Interest Income On "At Risk" Assets	Interest Expense On Recourse Debt	Net Interest Income on "At Risk" Basis	"At Risk" Asset Yield	Recourse Cost of Funds	"At Risk" Asset Interest Rate Spread	"At Risk" Asset Interest Rate Margin	Net Interest Income/ Average Core Equity
Q1: 2002	$ 20,055	$ 4,941	$ 15,114	6.30%	2.12%	4.18%	4.75%	18.13%
Q2: 2002	23,358	5,595	17,763	7.02%	2.37%	4.65%	5.34%	19.12%
Q3: 2002	23,200	5,398	17,802	7.03%	2.43%	4.60%	5.39%	18.51%
Q4: 2002	25,210	4,378	20,832	9.07%	2.65%	6.42%	7.49%	20.92%
2002	**91,823**	**20,312**	**71,511**	**7.29%**	**2.37%**	**4.92%**	**5.68%**	**19.21%**
Q1: 2003	26,132	1,940	24,192	11.77%	1.94%	9.82%	10.89%	23.33%
Q2: 2003	31,263	1,639	29,624	15.54%	2.19%	13.35%	14.73%	27.63%
Q3: 2003	36,302	1,671	34,631	16.19%	1.94%	14.25%	15.44%	30.23%
Q4: 2003	41,456	1,788	39,668	17.10%	1.74%	15.36%	16.36%	33.77%
2003	**135,153**	**7,038**	**128,115**	**15.18%**	**1.94%**	**13.25%**	**14.39%**	**28.91%**
Q1: 2004	47,831	2,571	45,260	18.53%	2.30%	16.24%	17.54%	35.75%
Q2: 2004	50,110	2,490	47,620	16.66%	1.85%	14.81%	15.83%	32.62%

*See **Table** 7 for a reconciliation of GAAP interest income to net interest income on an "at risk" basis and GAAP interest expense to recourse cost of funds. See Table 8 for a description of recourse assets and recourse debt and a related reconciliation to reported GAAP assets and reported GAAP debt.*

Table 5
Core Earnings (1)
($ in Thousands)

	GAAP Earnings	Less: Net Realized & Unrealized Market Value Gains/ (Losses)	Less: Variable Stock Option Valuation Adjustments	Less: Deferred Tax Benefit	Core Earnings
Q1: 2002	$ 11,219	$ 875	$ (543)	$ —	$ 10,887
Q2: 2002	13,802	2,045	(789)	—	12,546
Q3: 2002	14,306	730	745	—	12,831
Q4: 2002	14,566	1,461	(78)	—	13,183
2002	**53,893**	**5,111**	**(665)**	**—**	**49,447**
Q1: 2003	14,932	918	(948)	—	14,962
Q2: 2003	22,212	2,941	(1,490)	—	20,761
Q3: 2003	24,636	668	(513)	—	24,481
Q4: 2003	69,933	42,149	(2,701)	—	30,485
2003	**131,713**	**46,676**	**(5,652)**	**—**	**90,689**
Q1: 2004	50,791	17,437	(1,429)	—	34,783
Q2: 2004	55,088	12,258	621	5,180	37,029

***(1)** Core earnings is not a measure of earnings in accordance with generally accepted accounting principles (GAAP). It is calculated as GAAP earnings from ongoing operations less net recognized gains (losses) and valuation adjustments (which include gains and losses from sales and calls and valuation adjustments on certain assets hedges) and deferred tax benefits. Management believes that core earnings provides relevant and useful information regarding its results from operations in addition to GAAP measures of performance. This is, in part, because market valuation adjustments on only a portion of the company's assets and stock options and none of its liabilities are recognized through the income statement under GAAP and thus GAAP valuation adjustments may not be fully indicative of changes in market values on the balance sheet as a whole or a reliable guide to current operating performance. Furthermore, gains or losses realized upon sales of assets vary based on portfolio management decisions; a sale of an asset for a gain or a loss may or may not affect ongoing earnings from operations. Because all companies and analysts do not calculate non-GAAP measures such as core earnings in the same fashion, core earnings as calculated by the company may not be comparable to similarly titled measures reported by other companies.*

Financial Results (continued)

Table 6
Core Equity (2)
($ in Thousands)

	Total GAAP Equity	Balance Sheet Mark-to-Mkt Adjustments	Core Equity	Average GAAP Equity	Average Balance Sheet Mark-to-Mkt Adjustments	Average Core Equity	Average Preferred Equity	Average Common Equity	Average Common Core Equity
Q1: 2002	$364,444	$ 11,015	$353,429	$341,766	$ 8,360	$333,406	$ 26,517	$315,249	$306,889
Q2: 2002	417,930	35,826	382,104	385,887	14,213	371,674	26,517	359,370	345,157
Q3: 2002	445,728	54,148	391,580	432,310	47,705	384,605	26,517	405,793	358,088
Q4: 2002	473,033	69,146	403,887	450,464	52,200	398,264	26,517	423,947	371,747
2002	**473,033**	**69,146**	**403,887**	**402,986**	**30,786**	**372,200**	**26,517**	**376,469**	**345,683**
Q1: 2003	485,402	68,077	417,325	489,086	74,231	414,855	26,517	462,569	388,338
Q2: 2003	547,176	108,409	438,767	505,373	76,477	428,896	—	505,373	428,896
Q3: 2003	566,134	90,592	475,542	552,645	94,341	458,304	—	552,645	458,304
Q4: 2003	553,328	82,179	471,149	559,073	89,216	469,857	—	559,073	469,857
2003	**553,328**	**82,179**	**471,149**	**526,808**	**83,637**	**443,171**	**6,538**	**520,270**	**436,633**
Q1: 2004	608,122	78,517	529,605	584,385	77,940	506,445	—	584,385	506,445
Q2: 2004	757,940	111,221	646,719	663,873	79,998	583,875	—	663,873	583,875

***(2)** Core equity is calculated as GAAP equity less unrealized gains and losses on certain assets and hedges. Management believes measurements based on core equity provide relevant and useful information regarding its results of operations in addition to GAAP measures of performance. This is, in part, because market valuation adjustments reflected in GAAP equity represent unrealized gains and losses on a portion of the balance sheet only and may not be reflective of the equity available to invest in operations. Because all companies and analysts do not calculate non-GAAP measures in the same fashion, core equity and ratios using core equity as calculated by the company may not be comparable to similarly titled measures reported by other companies.*

Table 7
Reconciliation of GAAP Interest Income and Interest Expense to Interest Income on "At Risk" Assets and Interest Expense on Recourse Debt
($ in Thousands)

	Total Interest Income	Interest Income On Non-Recourse Assets	Interest Income On "At Risk" Assets	Total Interest Expense	Interest Expense On Consolidated ABS Issued	Interest Expense On Recourse Debt
Q1: 2002	$ 30,716	$ 10,661	$ 20,055	$ 15,602	$ 10,661	$ 4,941
Q2: 2002	36,252	12,894	23,358	18,489	12,894	5,595
Q3: 2002	42,093	18,893	23,200	24,291	18,893	5,398
Q4: 2002	54,155	28,945	25,210	33,323	28,945	4,378
2002	**163,216**	**71,393**	**91,823**	**91,705**	**71,393**	**20,312**
Q1: 2003	61,125	34,993	26,132	36,933	34,993	1,940
Q2: 2003	71,426	40,163	31,263	41,802	40,163	1,639
Q3: 2003	90,163	53,861	36,302	55,532	53,861	1,671
Q4: 2003	108,262	66,806	41,456	68,594	66,806	1,788
2003	**330,976**	**195,823**	**135,153**	**202,861**	**195,823**	**7,038**
Q1: 2004	124,837	77,006	47,831	79,577	77,006	2,571
Q2: 2004	137,979	87,869	50,110	90,359	87,869	2,490

Table 8
Leverage Ratios

Equity to Assets and Debt to Equity
($ in thousands)

	Reported Assets	Non-Recourse Assets	(3) Recourse Assets	GAAP Equity to Reported Assets	GAAP Equity to Recourse Assets	Reported Debt	Non-Recourse Debt	(3) Recourse Debt	Reported Debt to GAAP Equity	Recourse Debt to GAAP Equity
Q1: 2002	$ 2,739,838	$ 1,252,881	$1,486,957	13%	25%	$ 2,356,972	$ 1,234,459	$1,122,513	6.5	3.1
Q2: 2002	3,689,782	2,266,849	1,422,933	11%	29%	3,246,603	2,241,600	1,005,003	7.8	2.4
Q3: 2002	5,674,302	4,394,493	1,279,809	8%	35%	5,199,362	4,365,281	834,081	11.7	1.9
Q4: 2002	7,007,772	6,435,025	572,747	7%	83%	6,496,734	6,397,020	99,714	13.7	0.2
2002	**7,007,772**	**6,435,025**	**572,747**	**7%**	**83%**	**6,496,734**	**6,397,020**	**99,714**	**13.7**	**0.2**
Q1: 2003	8,172,063	7,210,944	961,119	6%	51%	7,646,408	7,170,691	475,717	15.8	1.0
Q2: 2003	10,356,052	9,591,192	764,860	5%	72%	9,760,315	9,542,631	217,684	17.8	0.4
Q3: 2003	14,901,374	13,835,517	1,065,857	4%	53%	14,281,936	13,782,213	499,723	25.2	0.9
Q4: 2003	17,626,770	16,837,005	789,765	3%	70%	17,019,023	16,782,586	236,437	30.8	0.4
2003	**17,626,770**	**16,837,005**	**789,765**	3%	70%	**17,019,023**	**16,782,586**	**236,437**	30.8	0.4
Q2: 2004	19,543,573	18,657,541	886,032	3%	69%	18,860,940	18,583,030	277,910	31.0	0.5
Q1: 2004	21,962,372	20,934,548	1,027,824	3%	74%	21,140,086	20,870,202	269,884	27.9	0.4

***(3)** Assets that have been sold to non-recourse securitization trusts and asset-backed securities issued that are non-recourse to Redwood are reported on our balance sheet. Only our net investments in the equity of these trusts constitute "at-risk" assets to us. If we had used different terms or forms of securitization these transactions may have been accounted for as sales. With sales accounting, our reported balance sheet (both assets and liabilities) would be substantially smaller (although the economics of the transaction and our exposure to risks would be unchanged). If we structured the securitizations differently and therefore accounted for them as sales rather than financings, our asset-based margins would have been different and, in some respects, reported on a basis that is more comparable to some other financial institutions. Our interest rate spread and our interest rate margin would have been higher and would show a positive trend in recent quarters. Our reported debt-to-equity ratio would have been substantially lower. Table 4 above presents our interest income and interest expense as if we had structured our securitizations to obtain sales accounting treatment rather than financing accounting treatment; effectively, on an "at-risk" basis for assets and on a recourse basis for liabilities.*

Table 9
Reconciliation of Average Reported Assets to Average "At Risk" Assets and
Average Reported Debt to Average Recourse Debt
($ in Thousands)

	Average Reported Assets	Average Non-Recourse Assets	Average "At Risk" Assets	Average Reported Debt	Average Consolidated ABS Issued	Average Recourse Debt
Q1: 2002	$ 2,564,847	$ 1,291,657	$1,273,190	$ 2,211,927	$ 1,280,503	$931,424
Q2: 2002	3,158,751	1,827,533	1,331,218	2,752,215	1,806,884	945,331
Q3: 2002	4,234,477	2,914,133	1,320,344	3,781,717	2,893,682	888,035
Q4: 2002	6,158,898	5,046,549	1,112,349	5,680,238	5,018,353	661,885
2002	**4,039,652**	**2,780,650**	**1,259,002**	**3,616,506**	**2,760,490**	**856,016**
Q1: 2003	7,553,727	6,665,511	888,216	7,036,183	6,637,053	399,130
Q2: 2003	8,687,371	7,882,857	804,514	8,160,393	7,861,252	299,141
Q3: 2003	12,131,616	11,234,547	897,069	11,541,894	11,197,470	344,424
Q4: 2003	15,758,417	14,788,713	969,704	15,119,594	14,708,963	410,631
2003	**11,058,272**	**10,168,153**	**890,119**	**10,489,614**	**10,126,303**	**363,311**
Q1: 2004	18,385,969	17,353,653	1,032,316	17,747,434	17,299,503	447,931
Q2: 2004	20,610,362	19,407,258	1,203,104	19,890,064	19,350,833	539,231

Portfolios

Table 10
Balances & Yields
($ in Thousands)

	At period end					For period ended		
	Current Face	Unamortized Premium/ (Discount)	Credit Protection	Unrealized Gain/ (loss)	Net Book Value	Average Balance*	Interest Income	Yield
Total Earning Assets								
Q1: 2002	$ 2,912,217	$ (10,332)	$(200,037)	$ 11,016	2,712,864	$ 2,498,565	30,716	4.92%
Q2: 2002	3,854,545	(14,318)	(212,296)	35,827	3,663,758	3,080,165	36,252	4.71%
Q3: 2002	5,829,188	(6,941)	(227,346)	54,148	5,649,049	4,131,870	42,093	4.07%
Q4: 2002	7,158,374	(25,644)	(233,162)	72,226	6,971,794	6,042,042	54,155	3.59%
2002	**7,158,374**	**(25,644)**	**(233,162)**	**72,226**	**6,971,794**	**3,948,399**	**163,216**	**4.13%**
Q1: 2003	8,356,918	(50,540)	(244,056)	72,282	8,134,604	7,393,566	61,125	3.31%
Q2: 2003	10,471,188	(62,789)	(216,834)	115,903	10,307,468	8,523,925	71,426	3.35%
Q3: 2003	14,969,841	(23,059)	(191,264)	91,992	14,847,510	11,911,196	90,163	3.03%
Q4: 2003	17,657,339	21,354	(217,806)	82,600	17,543,487	15,503,865	108,262	2.79%
2003	**17,657,339**	**21,354**	**(217,806)**	**82,600**	**17,543,487**	**10,858,311**	**330,976**	**3.05%**
Q1: 2004	19,537,316	39,166	(244,412)	87,874	19,477,810	18,158,335	124,837	2.75%
Q2: 2004	21,975,772	49,407	(264,523)	91,454	21,852,110	20,283,156	137,979	2.72%
Residential Real Estate Loans								
Q1: 2002	$ 1,790,239	$ 9,502	$ (5,481)	$ —	1,794,260	$ 1,544,924	14,125	3.66%
Q2: 2002	2,795,628	13,881	(5,953)	—	2,803,556	2,201,384	19,601	3.56%
Q3: 2002	4,736,645	31,859	(6,611)	—	4,761,893	3,262,462	24,447	3.00%
Q4: 2002	6,190,674	32,776	(8,271)	—	6,215,179	5,318,910	37,264	2.80%
2002	**6,190,674**	**32,776**	**(8,271)**	**—**	**6,215,179**	**3,092,755**	**95,437**	**3.09%**
Q1: 2003	7,297,515	33,520	(9,996)	—	7,321,039	6,625,539	42,314	2.55%
Q2: 2003	9,206,986	52,593	(12,159)	—	9,247,420	7,670,484	47,299	2.47%
Q3: 2003	13,703,475	123,392	(13,617)	—	13,813,250	10,958,059	63,638	2.32%
Q4: 2003	16,110,748	144,748	(16,336)	—	16,239,160	14,381,270	82,727	2.30%
2003	**16,110,748**	**144,748**	**(16,336)**	**—**	**16,239,160**	**9,932,961**	**235,978**	**2.38%**
Q1: 2004	17,950,901	154,451	(18,847)	—	18,086,505	16,916,295	98,826	2.34%
Q2: 2004	19,766,481	169,174	(20,080)		19,915,575	18,754,200	109,880	2.34%
Home Equity Line of Credit								
Q1: 2002	$ —	$ —	$ —	$ —	$ —	$ —	$ —	—
Q2: 2002	—	—	—	—	—	—	—	—
Q3: 2002	—	—	—	—	—	—	—	—
Q4: 2002	—	—	—	—	—	—	—	—
2002	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**-**
Q1: 2003	—	—	—	—	—	—	—	—
Q2: 2003	—	—	—	—	—	—	—	—
Q3: 2003	—	—	—	—	—	—	—	—
Q4: 2003	—	—	—	—	—	—	—	—
2003	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**-**
Q1: 2004	—	—	—	—	—	—	—	—
Q2: 2004	317,045	10,043	(267)	—	326,821	124,053	536	1.73%
Residential Loan Credit-Enhancement Securities								
Q1: 2002	$ 460,035	$ (28,058)	$(194,556)	$ 12,411	249,832	$ 201,540	6,695	13.29%
Q2: 2002	492,642	(35,745)	(206,343)	34,205	284,759	238,282	9,006	15.12%
Q3: 2002	542,669	(49,360)	(220,735)	51,556	324,130	257,844	10,443	16.20%
Q4: 2002	559,186	(58,578)	(224,891)	76,762	352,479	271,016	11,283	16.65%
2002	**559,186**	**(58,578)**	**(224,891)**	**76,762**	**352,479**	**242,404**	**37,427**	**15.44%**
Q1: 2003	614,111	(84,648)	(234,060)	77,759	373,162	278,339	13,693	19.68%
Q2: 2003	598,134	(113,358)	(204,675)	113,310	393,411	279,010	17,977	25.77%
Q3: 2003	603,855	(145,356)	(177,647)	92,559	373,411	270,991	19,027	28.09%
Q4: 2003	623,692	(123,329)	(200,970)	79,334	378,727	272,999	17,394	25.49%
2003	**623,692**	**(123,329)**	**(200,970)**	**79,334**	**378,727**	**275,308**	**68,091**	**24.73%**
Q1: 2004	634,000	(110,994)	(216,924)	68,534	374,616	287,078	15,533	21.64%
Q2: 2004	712,908	(121,808)	(235,535)	86,674	442,239	317,235	16,077	20.27%

Portfolios (continued)

Table 10 (continued)
Balances & Yields

($ in Thousands)

	At period end					For period ended		
	Current Face	**Unamortized Premium/ (Discount)**	**Credit Protection**	**Unrealized Gain/ (loss)**	**Net Book Value**	**Average Balance***	**Interest Income**	**Yield**
Commercial Real Estate Loans								
Q1: 2002	$ 50,057	$ (677)	$ —	$ —	49,380	$ 50,170	1,274	10.16%
Q2: 2002	50,436	(638)	—	—	49,798	49,369	1,233	9.99%
Q3: 2002	51,318	(654)	—	—	50,664	50,102	1,280	10.22%
Q4: 2002	30,250	(980)	—	—	29,270	47,935	1,213	10.12%
2002	**30,250**	**(980)**	**—**	**—**	**29,270**	**49,390**	**5,000**	**10.12%**
Q1: 2003	32,223	(1,009)	—	—	31,214	30,888	816	10.57%
Q2: 2003	42,492	171	(8,141)	—	34,522	33,138	960	11.59%
Q3: 2003	31,211	538	(8,141)	—	23,608	30,471	939	12.33%
Q4: 2003	31,180	(120)	(8,641)	—	22,419	23,464	244	4.16%
2003	**31,180**	**(120)**	**(8,641)**	**—**	**22,419**	**29,473**	**2,959**	**10.04%**
Q1: 2004	31,136	(318)	(8,641)	—	22,177	22,316	701	12.56%
Q2: 2004	43,448	(1,261)	(8,641)	—	33,546	26,129	868	13.29%
Securities								
Q1: 2002	$ 601,926	$ 8,901	$ —	$ (1,395)	609,432	$676,692	8,514	5.03%
Q2: 2002	502,684	8,184	—	1,622	512,490	529,843	6,222	4.70%
Q3: 2002	477,950	11,214	—	2,592	491,756	493,997	5,719	4.63%
Q4: 2002	339,095	1,138	—	(4,536)	335,697	320,154	3,949	4.93%
2002	**339,095**	**1,138**	**—**	**(4,536)**	**335,697**	**504,401**	**24,404**	**4.84%**
Q1: 2003	370,187	1,597	—	(5,477)	366,307	360,084	4,192	4.66%
Q2: 2003	587,038	5,946	—	2,593	595,577	453,546	5,057	4.46%
Q3: 2003	599,144	6,508	—	(567)	605,085	602,622	6,478	4.30%
Q4: 2003	833,252	8,196	—	3,266	844,714	709,867	7,803	4.40%
2003	**833,252**	**8,196**	**—**	**3,266**	**844,714**	**532,683**	**23,530**	**4.42%**
Q1: 2004	921,279	(3,973)	—	19,340	936,646	862,005	9,611	4.46%
Q2: 2004	1,097,429	(6,741)	—	4,780	1,095,468	980,089	10,545	4.30%
Cash & Equivalents								
Q1: 2002	$ 9,960	$ —	$ —	$ —	9,960		108	
Q2: 2002	13,155	—	—	—	13,155		190	
Q3: 2002	20,606	—	—	—	20,606		204	
Q4: 2002	39,169	—	—	—	39,169		446	
2002	**39,169**	**—**	**—**	**—**	**39,169**		**948**	
Q1: 2003	42,882	—	—	—	42,882		110	
Q2: 2003	36,539	—	—	—	36,539		133	
Q3: 2003	32,156	—	—	—	32,156		81	
Q4: 2003	58,467	—	—	—	58,467		94	
2003	**58,467**	**—**	**—**	**—**	**58,467**		**418**	
Q1: 2004	57,866	—	—	—	57,866		166	
Q2: 2004	38,461	—	—	—	38,461		73	

** Average excludes unrealized gains(losses) from mark-to-market adjustments.*

Portfolios (continued)

Table 11
Portfolio Activity
($ in Thousands)

	Acquisitions	Sales	Principal Payments	Discount/ (Premium) Amortization	Credit Provision	Net Charge-offs/ (Recoveries)	Net Mark-to-Mkt Adjustment	Net Increase/ (Decrease)
Residential Real Estate Loans								
Q1: 2002	$ 417,276	$ —	$ (95,924)	$ (1,672)	$ (282)	$ —	$ —	$ 319,398
Q2: 2002	1,146,621	(46,683)	(89,582)	(1,060)	(472)	—	472	1,009,296
Q3: 2002	2,075,296	(2,960)	(109,896)	(3,502)	(894)	236	57	1,958,337
Q4: 2002	1,616,400	—	(155,915)	(5,754)	(1,660)	—	215	1,453,286
2002	**5,255,593**	**(49,643)**	**(451,317)**	**(11,988)**	**(3,308)**	**236**	**744**	**4,740,317**
Q1: 2003	1,338,920	(73,137)	(152,768)	(6,156)	(1,756)	31	726	1,105,860
Q2: 2003	2,168,181	—	(234,582)	(5,055)	(2,163)	—	—	1,926,381
Q3: 2003	4,996,403	—	(420,395)	(8,720)	(1,458)	—	—	4,565,830
Q4: 2003	2,897,863	(605)	(458,957)	(9,684)	(2,769)	50	12	2,425,910
2003	**11,401,367**	**(73,742)**	**(1,266,702)**	**(29,615)**	**(8,146)**	**81**	**738**	**10,023,981**
Q1: 2004	2,321,706	—	(460,334)	(11,516)	(2,511)	—	—	1,847,345
Q2: 2004	2,703,443	—	(859,148)	(13,992)	(1,233)	—	—	1,829,070
Home Equity Line of Credit								
Q1: 2002	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Q2: 2002	—	—	—	—	—	—	—	—
Q3: 2002	—	—	—	—	—	—	—	—
Q4: 2002	—	—	—	—	—	—	—	—
2002	**—**	**—**	**—**	**—**	**—**	**—**	**—**	—
Q1: 2003	—	—	—	—	—	—	—	—
Q2: 2003	—	—	—	—	—	—	—	—
Q3: 2003	—	—	—	—	—	—	—	—
Q4: 2003	—	—	—	—	—	—	—	—
2003	**—**	**—**	**—**	**—**	**—**	**—**	**—**	—
Q1: 2004	—	—	—	—	—	—	—	—
Q2: 2004	335,044	—	(7,706)	(250)	(267)	—	—	326,821
Residential Loan Credit-Enhancement Securities								
Q1: 2002	$ 59,157	$ (5,037)	$ (4,270)	$ 366	$ —	$ —	$ 8,803	$ 59,019
Q2: 2002	25,849	(898)	(15,801)	1,767	—	—	24,010	34,927
Q3: 2002	28,983	—	(9,437)	2,722	—	—	17,103	39,371
Q4: 2002	13,442		(13,573)	3,275	—	—	25,205	28,349
2002	**127,431**	**(5,935)**	**(43,081)**	**8,130**	**—**	**—**	**75,121**	**161,666**
Q1: 2003	37,077	—	(23,212)	5,545	—	—	1,273	20,683
Q2: 2003	11,265	(1,248)	(38,773)	10,024	—	—	38,981	20,249
Q3: 2003	23,164	—	(37,647)	11,432	—	—	(16,949)	(20,000)
Q4: 2003	77,367	—	(116,575)	10,188	—	—	34,336	5,316
2003	**148,873**	**(1,248)**	**(216,207)**	**37,189**	**—**	**—**	**57,641**	**26,248**
Q1: 2004	37,608	(22,416)	(34,640)	8,637	—	—	6,700	(4,111)
Q2: 2004	75,027	—	(46,997)	8,847	—	—	30,746	67,623
Commercial Real Estate Loans								
Q1: 2002	$ 140	$ —	$ (1,873)	$ 28	$ —	$ —	$ 1	$ (1,704)
Q2: 2002	470	—	(53)	—	—	—	1	418
Q3: 2002	919	—	(54)	—	—	—	1	866
Q4: 2002	—	—	(21,068)	24	—	—	(350)	(21,394)
2002	**1,529**	**—**	**(23,048)**	**52**	**—**	**—**	**(347)**	**(21,814)**
Q1: 2003	2,011	—	(68)	—	—	—	1	1,944
Q2: 2003	3,408	—	(34)	(67)	—	—	1	3,308
Q3: 2003	1,023	—	(12,034)	(33)	—	—	130	(10,914)
Q4: 2003	—	—	(31)	(158)	(500)	—	(500)	(1,189)
2003	**6,442**	**—**	**(12,167)**	**(258)**	**(500)**	**—**	**(368)**	**(6,851)**
Q1: 2004	—	—	(45)	(122)	—	—	(75)	(242)
Q2: 2004	17,066	(2,339)	(3,233)	(102)			(23)	11,369
Securities								
Q1: 2002	$ 76,701	$ (89,395)	$ (60,040)	$ (1,701)	$ —	$ —	$ 385	$ (74,050)
Q2: 2002	23,026	(56,802)	(65,617)	(1,249)	—	—	3,700	(96,942)
Q3: 2002	6,811	—	(31,830)	(1,052)	—	—	5,337	(20,734)
Q4: 2002	196,279	(315,308)	(31,009)	(24)	—	—	(5,997)	(156,059)
2002	**302,817**	**(461,505)**	**(188,496)**	**(4,026)**	**—**	**—**	**3,425**	**(347,785)**
Q1: 2003	42,955	—	(11,329)	3	—	—	(1,019)	30,610
Q2: 2003	237,515	(4,051)	(12,126)	(111)	—	—	8,043	229,270
Q3: 2003	28,702	—	(12,677)	(96)	—	—	(6,421)	9,508
Q4: 2003	256,588	—	(17,658)	(343)	—	—	1,042	239,629
2003	**565,760**	**(4,051)**	**(53,790)**	**(547)**	**—**	**—**	**1,645**	**509,017**
Q1: 2004	86,278	(142)	(9,807)	(484)	—	—	16,087	91,932
Q2: 2004	192,700	(8,333)	(10,069)	(705)	—	—	(14,771)	158,822

Portfolios (continued)

Table 12
Residential Credit Results
($ in Thousands)

	Underlying Loans	Internally-Designated Credit Reserves	External Credit Enhancement	(4) Total Credit Protection	Total Credit Protection As % of Loans	Delinquent Loans	Delinquent Loan %	Total Credit Losses	Losses To Securities Junior To Redwood's Interest	Redwood's Share of Net Charge Offs (Recoveries)	Total Credit Losses As % of Loans (Annualized)
Total Residential Portfolio											
Q1: 2002	$ 66,620,865	$ 200,037	$ 79,924	$ 279,961	0.42%	$ 134,775	0.20%	$ 452	$ 618	$ (166)	0.01%
Q2: 2002	68,864,715	212,296	65,102	277,398	0.40%	153,217	0.22%	115	189	(74)	0.01%
Q3: 2002	73,245,252	227,346	64,147	291,493	0.40%	152,894	0.21%	386	103	283	0.01%
Q4: 2002	64,874,289	233,162	63,179	296,341	0.46%	150,353	0.23%	377	163	214	0.01%
2002	**64,874,289**	**233,162**	**63,179**	**296,341**	**0.46%**	**150,353**	**0.23%**	**1,330**	**1,073**	**257**	**0.01%**
Q1: 2003	68,069,255	244,056	61,814	305,870	0.45%	162,657	0.24%	1,171	456	715	0.01%
Q2: 2003	61,071,919	216,834	58,296	275,130	0.45%	163,894	0.27%	384	152	232	0.01%
Q3: 2003	57,493,402	191,264	51,985	243,249	0.42%	179,871	0.31%	986	38	948	0.01%
Q4: 2003	84,372,335	217,306	46,476	263,782	0.31%	137,978	0.16%	1,645	357	1,288	0.01%
2003	**84,372,335**	**217,306**	**46,476**	**263,782**	**0.31%**	**137,978**	**0.16%**	**4,186**	**1,003**	**3,183**	**0.01%**
Q1: 2004	89,448,075	235,771	43,797	279,568	0.31%	146,055	0.16%	103	—	103	0.01%
Q2: 2004	117,020,797	255,615	70,460	326,075	0.28%	136,654	0.12%	1,781	75	1,706	0.01%
Residential Real Estate Loans											
Q1: 2002	$ 1,790,239	$ 5,481	$ —	$ 5,481	0.31%	$ 4,926	0.28%	$ —	$ —	$ —	0.00%
Q2: 2002	2,795,628	5,953	—	5,953	0.21%	3,257	0.12%	—	—	—	0.00%
Q3: 2002	4,736,645	6,611	—	6,611	0.14%	1,387	0.03%	236	—	236	0.01%
Q4: 2002	6,190,674	8,271	—	8,271	0.13%	4,127	0.07%	—	—	—	0.00%
2002	**6,190,674**	**8,271**	**—**	**8,271**	**0.13%**	**4,127**	**0.07%**	**236**	**—**	**236**	**0.01%**
Q1: 2003	7,297,515	9,996	—	9,996	0.14%	1,159	0.02%	31	—	31	0.01%
Q2: 2003	9,206,986	12,159	—	12,159	0.13%	3,895	0.04%	—	—	—	0.00%
Q3: 2003	13,703,475	13,617	—	13,617	0.10%	1,598	0.01%	—	—	—	0.00%
Q4: 2003	16,110,748	16,336	—	16,336	0.10%	5,419	0.03%	50	—	50	0.01%
2003	**16,110,748**	**16,336**	**—**	**16,336**	**0.10%**	**5,419**	**0.03%**	**81**	**—**	**81**	**0.01%**
Q1: 2004	17,950,901	18,847	—	18,847	0.10%	3,439	0.02%	—	—	—	0.00%
Q2: 2004	19,766,481	20,080	—	20,080	0.10%	5,362	0.03%	—	—	—	0.00%
Residential Loan Credit-Enhancement Securities											
Q1: 2002	$ 64,826,605	$ 194,556	$ 79,924	$ 274,480	0.42%	$ 129,849	0.20%	$ 452	$ 618	$ (166)	0.01%
Q2: 2002	66,061,159	206,343	65,102	271,445	0.41%	149,960	0.23%	115	189	(74)	0.01%
Q3: 2002	68,483,359	220,735	64,147	284,882	0.42%	151,507	0.22%	150	103	47	0.01%
Q4: 2002	58,659,110	224,891	63,179	288,070	0.49%	146,226	0.25%	377	163	214	0.01%
2002	**58,659,110**	**224,891**	**63,179**	**288,070**	**0.49%**	**146,226**	**0.25%**	**1,094**	**1,073**	**21**	**0.01%**
Q1: 2003	60,748,216	234,060	61,814	295,874	0.49%	161,498	0.27%	1,140	456	684	0.01%
Q2: 2003	51,824,499	204,675	58,296	262,971	0.51%	159,999	0.31%	384	152	232	0.01%
Q3: 2003	43,680,152	177,647	51,985	229,632	0.53%	178,273	0.41%	986	38	948	0.01%
Q4: 2003	68,133,175	200,970	46,476	247,446	0.36%	132,559	0.19%	1,595	357	1,238	0.01%
2003	**68,133,175**	**200,970**	**46,476**	**247,446**	**0.36%**	**132,559**	**0.19%**	**4,105**	**1,003**	**3,102**	**0.01%**
Q1: 2004	71,361,570	216,924	43,797	260,721	0.37%	142,616	0.20%	103	—	103	0.01%
Q2: 2004	97,105,222	235,535	70,460	305,995	0.32%	131,292	0.14%	1,781	75	1,706	0.01%

(4) *The credit reserve on residential real estate loans owned is only available to absorb losses on the residential real estate loan portfolio. The internally-designated credit reserves on loans credit enhanced and the external credit enhancement on loans credit enhanced are only available to absorb losses on the residential loan credit-enhancement portfolio. This table excludes residential home equity lines of credit.*

Loan Characteristics

Table 13
Residential Real Estate Loan Characteristics
(at period end, all dollars in thousands)

	Jun. 2004	Mar. 2004	Dec. 2003	Sep. 2003	Jun. 2003	Mar. 2003	Dec. 2002
Retained Residential Loans	**$19,915,575**	**$18,086,505**	**$16,239,160**	**$13,813,250**	**$9,247,420**	**$7,321,039**	**$6,215,179**
Number of loans	56,097	49,756	43,919	37,122	24,988	19,805	16,669
Average loan size	$ 355	$ 364	$ 370	$ 372	$ 370	$ 370	$ 373
Adjustable %	99%	99%	99%	99%	99%	99%	99%
Hybrid %	1%	1%	1%	1%	1%	1%	1%
Fixed %	0%	0%	0%	0%	0%	0%	0%
Northern California	14%	13%	13%	13%	13%	13%	12%
Southern California	12%	12%	12%	12%	12%	12%	12%
Florida	11%	11%	11%	11%	12%	12%	12%
Georgia	5%	5%	6%	6%	5%	5%	6%
New York	5%	5%	5%	6%	6%	7%	8%
New Jersey	4%	4%	5%	5%	4%	5%	5%
Illinois	3%	4%	4%	4%	4%	4%	4%
Texas	4%	4%	4%	4%	3%	3%	3%
Arizona	4%	4%	4%	3%	3%	3%	3%
Colorado	4%	4%	4%	3%	3%	3%	3%
Virgina	3%	2%	3%	2%	2%	2%	2%
Other states (none greater than 3%)	31%	32%	29%	31%	33%	31%	30%
Year 2004 origination	23%	11%	0%	0%	0%	0%	0%
Year 2003 origination	52%	60%	66%	58%	40%	11%	0%
Year 2002 origination	21%	24%	28%	34%	49%	72%	78%
Year 2001 origination	3%	3%	4%	5%	6%	11%	13%
Year 2000 origination	0%	0%	0%	0%	0%	0%	0%
Year 1999 origination	1%	1%	1%	1%	1%	2%	2%
Year 1998 origination or earlier	1%	1%	1%	2%	4%	4%	7%
% balance in loans > $1mm per loan	14%	15%	16%	17%	15%	14%	14%

Loan Characteristics (continued)

Table 14
Residential Loan Credit-Enhancement Securities – Underlying Collateral Characteristics
(all dollars in thousands)

	Jun. 2004	Mar. 2004	Dec. 2003	Sep. 2003	Jun. 2003	Mar. 2003	Dec. 2002
First loss position, principal value	$ 279,927	$ 262,329	$ 255,570	$ 236,968	$ 233,787	$ 236,122	$ 215,046
Second loss position, principal value	197,403	176,672	174,592	168,547	168,524	176,864	163,428
Third loss position, principal value	235,578	194,999	193,530	198,340	195,823	201,125	180,712
Total principal value	**$ 712,908**	**$ 634,000**	**$ 623,692**	**$ 603,855**	**$ 598,134**	**$ 614,111**	**$ 559,186**
First loss position, reported value	$ 102,088	$ 75,769	$ 78,030	$ 70,458	$ 74,470	$ 63,675	$ 65,292
Second loss position, reported value	145,211	133,167	134,225	128,280	139,788	130,415	121,491
Third loss position, reported value	194,940	165,680	166,472	174,673	179,153	179,072	165,696
Total reported value	**$ 442,239**	**$ 374,616**	**$ 378,727**	**$ 373,411**	**$ 393,411**	**$ 373,162**	**$ 352,479**
Internal Designated Credit Reserves	$ 235,535	$ 216,924	$ 200,970	$ 177,647	$ 204,675	$ 234,060	$ 224,891
External Credit Enhancement	70,460	43,797	46,476	51,985	58,296	61,814	63,179
Total Credit Protection	**$ 305,995**	**$ 260,721**	**$ 247,446**	**$ 229,632**	**$ 262,971**	**$ 295,874**	**$ 288,070**
As % of Total Portfolio	0.32%	0.37%	0.36%	0.53%	0.51%	0.49%	0.49%
Underlying Residential Real Estate Loans	$97,105,222	$71,361,570	$68,133,175	$43,680,152	$51,824,499	$60,748,216	$58,659,110
Number of credit-enhanced loans	216,048	163,673	152,083	96,424	116,730	138,327	135,196
Average loan size	$ 449	$ 436	$ 448	$ 453	$ 444	$ 439	$ 434
Adjustable %	13%	20%	21%	21%	36%	27%	20%
Hybrid %	44%	66%	64%	57%	36%	39%	37%
Fixed %	43%	14%	15%	22%	28%	34%	43%
Northern California	23%	26%	26%	25%	26%	26%	27%
Southern California	24%	25%	25%	25%	24%	24%	25%
New York	5%	5%	5%	6%	6%	5%	5%
Florida	4%	4%	4%	4%	4%	4%	3%
Massachusetts	3%	3%	3%	3%	3%	3%	3%
New Jersey	3%	3%	3%	3%	3%	3%	3%
Virginia	3%	3%	3%	3%	3%	3%	3%
Illinois	3%	3%	3%	3%	3%	3%	3%
Other states (none greater than 3%)	32%	28%	28%	28%	28%	29%	28%
Year 2004 origination	16%	0%	0%	0%	0%	0%	0%
Year 2003 origination	50%	58%	51%	28%	12%	2%	0%
Year 2002 origination	18%	22%	26%	34%	42%	41%	28%
Year 2001 origination	6%	8%	11%	18%	24%	31%	40%
Year 2000 origination	2%	2%	2%	4%	4%	4%	5%
Year 1999 origination	2%	3%	3%	6%	7%	9%	11%
Year 1998 or earlier origination	6%	7%	7%	10%	11%	13%	16%
% balance in loans > $1mm per loan	6%	9%	11%	11%	10%	10%	8%

Table 15
Commercial Real Estate Loans — Characteristics
(at period end, all dollars in thousands)

	Jun. 2004	Mar. 2004	Dec. 2003	Sep. 2003	Jun. 2003	Mar. 2003	Dec. 2002
Commercial Mortgage Loans	$33,546	$ 22,177	$22,419	$23,608	$34,522	$ 31,214	$29,270
Number of Loans	6	9	9	9	12	10	7
Average Loan Size	$ 5,591	$ 2,464	$ 2,491	$ 2,623	$ 2,877	$ 3,121	$ 4,181
Serious Delinquency	$ —	$ —	$ —	$ —	$ 650	$ 650	$ 650
Realized Credit losses	—	—	—	—	—	—	—
California %	72%	65%	65%	65%	46%	40%	36%

Table 16
Securities Portfolio – Characteristics at June 30, 2004
($ in thousands)

	Total	Rating: AAA	AA	A	BBB	BB	B	Unrated
Commercial Real Estate	$ 167,933	$15,083	$ —	$ 31,064	$ 91,686	$26,493	$1,513	$ 2,094
Residential Prime	328,045	30,271	178,766	52,814	66,194	—	—	—
Residential Subprime	310,357	—	25,699	212,062	72,596	—	—	—
Residential Second Lien	125,586	—	58,495	57,642	9,449	—	—	—
Manufactured Housing	13,905	2,810	5,438	—	—	3,750	1,907	—
Corporate REIT Debt	62,382	—	—	7,161	47,456	7,765	—	—
Real Estate CDOs	87,260	5,157	19,971	33,036	25,065	—	—	4,031
Total Securities Portfolio	$1,095,468	$53,321	$288,369	$393,779	$312,446	$38,008	$3,420	$ 6,125

Table 17
Asset / Liability Matching at June 30, 2004
($ in thousands)

Asset Type	Asset Amount	One-Month LIBOR Liabilities	Six-Month LIBOR Liabilities	One-Year Treasury Liabilities	Fixed/ Hybrid Liabilities	Non Interest Bearing Liabilities	Equity	Total Liabilities And Equity
Cash (unrestricted)	$ 38,461	$ 38,461	$ —	$ —	$ —	$ —	$ —	$ 38,461
One-Month LIBOR	4,965,073	4,887,756	77,317	—	—	—	—	4,965,073
Six-Month LIBOR	15,707,443	—	15,325,577	154,633	—	—	227,233	15,707,443
Other ARM	372,755	317,044	—	—	—	—	55,711	372,755
Fixed / Hybrid < 1yr*	130,624	—	—	—	46,368	—	84,256	130,624
Fixed / Hybrid > 1yr	637,754	—	—	—	292,930	—	344,824	637,754
Non-Earning Assets	110,262	—	—	—	—	64,346	45,916	110,262
Total	$21,962,372	$5,243,261	$15,402,894	$154,633	$339,298	$ 64,346	$757,940	$21,962,372

* *Projected principal receipts on fixed-rate and hybrid assets over the next twelve months.*

Long-Term Debt Characteristics

Table 18
Long-Term Debt Characteristics — Residential Mortgage Loans (Sequoia)
(all dollars in thousands)

Sequoia Long-Term Debt Issue	Debt Rating	Issue Date	Original Issue Amount	Index	Stated Maturity	Estimated Callable Date	Principal Outstanding At June. 30, 2004	Interest Rate At June. 30 2004
Sequoia 1 A1	AAA	07/29/97	$ 334,347	1m LIBOR	2028	Called	$ —	NM
Sequoia 1 A2	AAA	07/29/97	200,000	Fed Funds	2028	Called	—	NM
Sequoia 2 A1	AAA	11/06/97	592,560	1y Treasury	2029	2004	154,743	2.39%
Sequoia 2 A2	AAA	11/06/97	156,600	1m LIBOR	2029	2004	40,895	1.64%
Sequoia 3 A1	AAA	06/26/98	225,459	Fixed to 12/02	2028	Retired	—	NM
Sequoia 3 A2	AAA	06/26/98	95,000	Fixed to 12/02	2028	Retired	—	NM
Sequoia 3 A3	AAA	06/26/98	164,200	Fixed to 12/02	2028	Retired	—	NM
Sequoia 3 A4	AAA	06/26/98	121,923	1m LIBOR	2028	Called	—	NM
Sequoia 3 M1	AA/AAA	06/26/98	16,127	1m LIBOR	2028	Called	—	NM
Sequoia 3 M2	A/AA	06/26/98	7,741	1m LIBOR	2028	Called	—	NM
Sequoia 3 M3	BBB/A	06/26/98	4,838	1m LIBOR	2028	Called	—	NM
Sequoia 1A A1	AAA	05/04/99	157,266	1m LIBOR	2028	Called	—	NM
Sequoia 4 A	AAA	03/21/00	377,119	1m LIBOR	2024	2007	162,274	1.64%
Sequoia 5 A	AAA	10/29/01	496,667	1m LIBOR	2026	2008	336,284	1.63%
Sequoia 5 B1	AA	10/29/01	5,918	1m LIBOR	2026	2008	5,918	2.08%
Sequoia 5 B2	A	10/29/01	5,146	1m LIBOR	2026	2008	5,146	2.08%
Sequoia 5 B3	BBB	10/29/01	2,316	1m LIBOR	2026	2008	2,316	2.08%
Sequoia 6A	AAA	04/26/02	496,378	1m LIBOR	2027	2009	367,700	1.60%
Sequoia 6B1	AA	04/26/02	5,915	1m LIBOR	2027	2009	5,915	1.98%
Sequoia 7A	AAA	05/29/02	554,686	1m LIBOR	2032	2008	385,989	1.62%
Sequoia 7B1	AA	05/29/02	8,080	1m LIBOR	2032	2008	8,080	2.03%
Sequoia 8 1A-1	AAA	07/30/02	50,000	1m LIBOR	2032	Retired	—	NM
Sequoia 8 1A-2	AAA	07/30/02	61,468	Fixed to 12/04	2032	2008	18,071	3.46%
Sequoia 8 2A	AAA	07/30/02	463,097	1m LIBOR	2032	2008	351,971	1.58%
Sequoia 8 3A	AAA	07/30/02	49,973	6m LIBOR	2032	2008	32,239	2.97%
Sequoia 8 B1	AA	07/30/02	9,069	1m LIBOR	2032	2008	9,069	1.96%
Sequoia 9 1A	AAA	08/28/02	381,689	1m LIBOR	2032	2011	306,098	1.63%
Sequoia 9 2A	AAA	08/28/02	168,875	1m LIBOR	2032	2011	107,967	2.80%
Sequoia 9 B1	AA	08/28/02	7,702	1m LIBOR	2032	2011	7,702	2.03%
Sequoia 10 1A	AAA	09/26/02	822,375	1m LIBOR	2027	2011	654,688	1.68%
Sequoia 10 2A-1	AAA	09/26/02	190,000	1m LIBOR	2027	2011	154,353	1.60%
Sequoia 10 2A-2	AAA	09/26/02	3,500	1m LIBOR	2027	2011	3,500	1.96%
Sequoia 10 B1	AA	09/26/02	12,600	1m LIBOR	2027	2011	12,600	2.08%
Sequoia 10 B2	A	09/26/02	8,400	1m LIBOR	2027	2011	8,400	2.08%
Sequoia 10 B3	BBB	09/26/02	4,725	1m LIBOR	2027	2011	4,725	2.68%
Sequoia 11 A	AAA	10/30/02	695,210	1m LIBOR	2032	2011	540,224	1.73%
Sequoia 11 B1	AA	10/30/02	9,726	1m LIBOR	2032	2011	9,726	2.25%
Sequoia 12 A	AAA	12/19/02	1,080,076	1m LIBOR	2033	2009	877,224	1.73%
Sequoia 12 B1	AA	12/19/02	16,815	1m LIBOR	2033	2009	16,815	2.13%
Sequoia 2003-1 A1	AAA	02/27/03	798,206	1m LIBOR	2033	2009	654,518	1.66%
Sequoia 2003-1 A2	AAA	02/27/03	190,000	6m LIBOR	2033	2009	155,317	1.57%
Sequoia 2003-1 B1	AA	02/27/03	15,905	1m LIBOR	2033	2009	15,905	2.16%
Sequoia 2003-1 B2	A	02/27/03	8,210	Pass Through	2033	2009	8,210	2.61%
Sequoia 2003-2 A1	AAA	04/29/03	500,000	1m LIBOR	2022	2009	416,238	1.61%
Sequoia 2003-2 A2	AAA	04/29/03	303,600	6m LIBOR	2022	2009	249,984	1.62%
Sequoia 2003-2 M1	AA	04/29/03	11,480	1m LIBOR	2016	2009	11,480	1.93%
Sequoia 2003-3 A1	AAA	06/26/03	379,455	1m LIBOR	2023	2009	322,897	1.61%
Sequoia 2003-3 A2	AAA	06/26/03	149,922	6m LIBOR	2023	2009	132,738	2.22%
Sequoia 2003-3 B1	AA	06/26/03	9,075	1m LIBOR	2025	2009	9,075	1.93%
MLCC 2003-C A1	AAA	06/26/03	773,795	1m LIBOR	2023	2012	661,721	1.63%
MLCC 2003-C A2	AAA	06/26/03	200,002	6m LIBOR	2023	2012	170,427	2.22%
MLCC 2003-C B1	AA	06/26/03	10,553	1m LIBOR	2025	2012	10,553	1.95%
MLCC 2003-D A	AAA	07/29/03	992,833	1m LIBOR	2028	2012	891,033	1.61%
MLCC 2003-D B1	AA	07/29/03	10,758	1m LIBOR	2028	2012	10,758	1.93%
Sequoia 2003-4 1A1	AAA	07/29/03	148,641	1m LIBOR	2033	2009	135,212	1.59%
Sequoia 2003-4 1A2	AAA	07/29/03	150,000	6m LIBOR	2033	2009	139,083	1.50%
Sequoia 2003-4 1B1	AA	07/29/03	3,864	1m LIBOR	2033	2009	3,864	1.93%
Sequoia 2003-4 2A1	AAA	07/29/03	189,415	1m LIBOR	2033	2011	171,013	1.63%
Sequoia 2003-4 2M1	AA	07/29/03	9,986	1m LIBOR	2033	2011	9,986	1.75%
Sequoia 2003-4 2B1	AA	07/29/03	2,367	1m LIBOR	2033	2011	2,367	1.93%
Sequoia 2003-5 A1	AAA	08/27/03	675,596	1m LIBOR	2033	2009	582,222	1.59%
Sequoia 2003-5 A2	AAA	08/27/03	149,609	6m LIBOR	2033	2009	130,970	1.50%
Sequoia 2003-5 B1	AA	08/27/03	15,043	1m LIBOR	2033	2009	15,043	1.88%
Sequoia 2003-6 A1	AAA	10/29/03	458,238	1m LIBOR	2033	2009	409,496	1.59%
Sequoia 2003-6 A2	AAA	10/29/03	180,474	6m LIBOR	2033	2009	163,713	1.61%

Table 18 (continued)
Long-Term Debt Characteristics — Residential Mortgage Loans (Sequoia)
(all dollars in thousands)

Sequoia Long-Term Debt Issue	Debt Rating	Issue Date	Original Issue Amount	Index	Stated Maturity	Estimated Callable Date	Principal Outstanding At June. 30, 2004	Interest Rate At June. 30 2004
Sequoia 2003-6 B1	AA	10/29/03	11,287	1m LIBOR	2033	2009	11,287	1.86%
Sequoia 2003-7 A1	AAA	11/25/03	290,000	1m LIBOR	2034	2009	267,427	1.60%
Sequoia 2003-7 A2	AAA	11/25/03	505,100	6m LIBOR	2034	2009	464,460	1.88%
Sequoia 2003-7 B1	AA	11/25/03	16,607	1m LIBOR	2034	2009	16,607	1.83%
Sequoia 2003-8 A1	AAA	12/23/03	791,768	1m LIBOR	2034	2009	745,848	1.60%
Sequoia 2003-8 A2	AAA	12/23/03	150,000	6m LIBOR	2034	2009	145,872	2.19%
Sequoia 2003-8 B1	AA	12/23/03	14,166	1m LIBOR	2034	2009	14,166	1.87%
Sequoia 2003-8 B2	A	12/23/03	8,304	1m LIBOR	2034	2009	8,304	2.53%
MLCC 2003-E A1	AAA	08/28/03	823,305	1m LIBOR	2028	2012	747,662	1.61%
MLCC 2003-E A2	AAA	08/28/03	150,000	6m LIBOR	2028	2012	132,441	1.51%
MLCC 2003-E B1	AA	08/28/03	10,547	1m LIBOR	2028	2012	10,547	1.90%
MLCC 2003-F A1	AAA	09/25/03	839,000	1m LIBOR	2028	2012	763,794	1.62%
MLCC 2003-F A2	AAA	09/25/03	270,000	6m LIBOR	2028	2012	245,495	1.49%
MLCC 2003-F A3	AAA	09/25/03	175,000	Pass Through	2028	2012	164,611	2.89%
MLCC 2003-F B1	AA	09/25/03	13,913	1m LIBOR	2028	2012	13,913	1.90%
MLCC 2003-H A1	AAA	12/22/03	365,708	1m LIBOR	2029	2012	348,424	1.62%
MLCC 2003-H A2	AAA	12/22/03	240,000	6m LIBOR	2029	2012	227,545	2.21%
MLCC 2003-H A3A	AAA	12/22/03	119,613	Pass Through	2029	2012	110,119	2.83%
MLCC 2003-H B1	AA	12/22/03	7,875	1m LIBOR	2029	2012	7,875	1.85%
MLCC 2003-H B2	A	12/22/03	6,000	1m LIBOR	2029	2012	6,000	2.55%
Sequoia 2004-1 A1	AAA	01/28/04	601,250	6m LIBOR	2034	2010	574,734	1.47%
Sequoia 2004-1 B1	AA	01/28/04	9,375	1m LIBOR	2034	2010	9,375	1.83%
Sequoia 2004-1 B2	A	01/28/04	5,937	1m LIBOR	2034	2010	5,937	2.33%
Sequoia 2004-2 A1	AAA	02/25/04	671,998	6m LIBOR	2034	2010	646,762	1.45%
Sequoia 2004-2 B1	AA	02/25/04	11,550	1m LIBOR	2034	2010	11,550	1.78%
Sequoia 2004-2 B2	A	02/25/04	7,000	1m LIBOR	2034	2010	7,000	2.26%
Sequoia 2004-3 A1	AAA	03/30/04	894,673	6m LIBOR	2034	2010	863,937	1.40%
Sequoia 2004-3 M1	AA	03/30/04	13,800	1m LIBOR	2034	2010	13,800	1.78%
Sequoia 2004-3 M2	A	03/30/04	9,200	1m LIBOR	2034	2010	9,200	2.18%
Sequoia 2004-4 A1	AAA	04/29/04	785,971	6m LIBOR	2010	2010	785,971	1.61%
Sequoia 2004-4 B1	AA	04/29/04	14,612	1m LIBOR	2010	2010	14,612	1.78%
Sequoia 2004-4 B2	A	04/29/04	8,350	1m LIBOR	2010	2010	8,350	2.18%
Sequoia 2004-5 A1	AAA	05/27/04	547,657	Pass Through	2012	2010	547,657	2.75%
Sequoia 2004-5 A2	AAA	05/27/04	185,613	1m LIBOR	2012	2010	185,613	1.54%
Sequoia 2004-5 A3	AAA	05/27/04	74,897	6m LIBOR	2012	2010	74,897	1.86%
Sequoia 2004-5 B1	AA	05/27/04	14,874	1m LIBOR	2012	2010	14,874	1.76%
Sequoia 2004-5 B2	A	05/27/04	8,499	1m LIBOR	2012	2010	8,499	2.16%
Sequoia 2004-6 A1	AAA	06/29/04	500,000	Pass Through	2012	2010	500,000	2.80%
Sequoia 2004-6 A2	AAA	06/29/04	185,687	1m LIBOR	2012	2010	185,687	1.61%
Sequoia 2004-6 A3a	AAA	06/29/04	196,500	6m LIBOR	2012	2010	196,500	2.16%
Sequoia 2004-6 A3b	AAA	06/29/04	3,500	6m LIBOR	2012	2010	3,500	2.31%
Sequoia 2004-6 B1	AA	06/29/04	15,725	1m LIBOR	2012	2010	15,725	1.83%
Sequoia 2004-6 B2	A	06/29/04	9,250	1m LIBOR	2012	2010	9,250	2.21%
SMHT 2004-1	AAA	06/29/04	317,044	1m LIBOR	2014	2007	317,044	1.56%
Total Sequoia Issuance			$24,301,767				$19,537,326	1.74%

Long-Term Debt Characteristics (continued)

Table 19
Long-Term Debt Characteristics — Residential Mortgage Loans
Sequoia Interest-Only Certificates Issued
($ in thousands)

Sequoia Long-Term Debt Issue	Debt Rating	Issue Date	Original Issue Amount	Index	Stated Maturity	Estimated Callable Date	Principal Outstanding At June. 30, 2004	Interest Rate At June. 30 2004
MLCC 2003-C X-A-2	AAA	06/26/03	12,662	Fixed	2007	2007	4,697	4.50%
MLCC 2003-D X-A-1	AAA	07/29/03	22,371	Fixed	2007	2007	10,085	4.50%
MLCC 2003-E X-A-1	AAA	08/28/03	16,550	Fixed	2007	2007	10,399	4.25%
MLCC 2003-F X-A-1	AAA	09/25/03	18,666	Fixed	2007	2007	12,120	4.50%
Sequoia 2003-6 X-1	AAA	10/29/03	8,220	Fixed	2007	2007	5,537	4.50%
SMFC 2003A AX1	AAA	10/31/03	70,568	Fixed	2007	2007	45,179	4.50%
Sequoia 2003-7 X-1	AAA	11/25/03	10,345	Fixed	2007	2007	7,276	4.25%
Sequoia 2003-8 X-1	AAA	12/23/03	12,256	Fixed	2007	2007	9,062	4.50%
Sequoia 2004-1 X-1	AAA	01/28/04	7,801	Fixed	2007	2007	6,108	4.00%
Sequoia 2004-2 X-1	AAA	02/25/04	8,776	Fixed	2007	2007	7,180	3.75%
SMFC 2004A AX1	AAA	02/26/04	10,626	Fixed	2007	2007	12,582	3.75%
MLCC 2003-H X-A-1	AAA	12/22/03	10,430	Fixed	2007	2007	7,847	4.25%
Sequoia 2004-4 X-1	AAA	05/28/04	9,789	Fixed	2010	2010	9,311	4.25%
Sequoia 2004-5 X-1	AAA	05/27/04	3,371	Fixed	2012	2012	3,203	4.15%
Sequoia 2004-6 X-A	AAA	06/29/04	10,884	WAC IO	2012	2012	10,884	N/A
Total Sequoia Issuance			$233,315				$ 161,470	4.03%

Table 20
Long-Term Debt Characteristics — Commercial Real Estate Loans
($ in thousands)

Commercial Long Term Debt Issue	Debt Rating	Issue Date	Original Issue Amount	Index	Stated Maturity	Estimated Callable Date	Principal Outstanding At June. 30, 2004	Interest Rate At June. 30 2004
Commercial 1	NR	03/30/01	$ 9,010	1m LIBOR	2002	Paid Off	$ —	NM
Commercial 2	NR	03/30/01	8,320	1m LIBOR	2003	Paid Off	—	NM
Commercial 3	NR	03/01/02	8,318	1m LIBOR	2003	Paid Off	—	NM
Commercial 4	NR	08/18/03	5,595	1m LIBOR	2009	NC	5,534	9.50%
Total Commercial Issuance			$31,243				$ 5,534	9.50%

Table 21
Long-Term Debt Characteristics
Collateralized Debt Obligations and Other Resecuritizations – Acacia and SMFC
($ in thousands)

Resecuritization Issuance	Debt Rating	Issue Date	Original Issue Amount	Index	Stated Maturity	Estimated Callable Date	Principal Outstanding At June. 30, 2004	Interest Rate At June. 30 2004
SMFC 2002A A1	AAA	04/30/02	64,761	1m LIBOR	2030	2006	$ 18,598	1.69%
SMFC 2002A A2	AAA	04/30/02	15,861	1m LIBOR	2029	2006	3,805	1.84%
Acacia CDO 1 A	AAA	12/10/02	224,250	3m LIBOR	2018	2010	219,038	1.70%
Acacia CDO 1 B	AA	12/10/02	45,000	3m LIBOR	2037	2010	45,000	2.42%
Acacia CDO 1 C	BBB	12/10/02	15,750	3m LIBOR	2037	2010	15,750	3.82%
SMFC 2002B I A1	AA	12/19/02	16,855	Fixed	2031	2004	1,893	5.43%
SMFC 2002B I A2	A	12/19/02	18,274	Fixed	2031	2004	2,052	5.68%
SMFC 2002B I A3	BBB	12/19/02	17,221	Fixed	2031	2004	1,934	6.38%
SMFC 2002B I A4	BB	12/19/02	25,133	Fixed	2031	2004	2,823	6.75%
SMFC 2002B II A1	AA	12/19/02	15,517	Fixed	2039	2004	2,470	4.82%
SMFC 2002B II A2	A	12/19/02	18,345	Fixed	2039	2004	2,920	4.92%
SMFC 2002B II A3	BBB	12/19/02	14,989	Fixed	2039	2004	2,386	5.35%
SMFC 2002B II A4	BB	12/19/02	8,347	Fixed	2039	2004	1,329	6.00%
Acacia CDO 2 A	AAA	05/13/03	222,000	3m LIBOR	2023	2011	221,306	1.77%
Acacia CDO 2 B	AA	05/13/03	45,375	3m LIBOR	2038	2011	45,375	2.42%
Acacia CDO 2 C	BBB	05/13/03	16,500	3m LIBOR	2038	2011	16,500	4.37%
Acacia CDO 3 A	AAA	11/04/03	222,000	3m LIBOR	2038	2011	221,844	1.70%
Acacia CDO 3 B	AA	11/04/03	45,750	3m LIBOR	2038	2011	45,750	2.32%
Acacia CDO 3 C	BBB	11/04/03	16,500	3m LIBOR	2038	2011	16,500	4.52%
Acacia CDO 4 A	AAA	04/08/04	229,400	3m LIBOR	2039	2014	229,400	1.52%
Acacia CDO 4 B1	AA	04/08/04	45,300	3m LIBOR	2039	2014	45,300	1.99%
Acacia CDO 4 B2	AA	04/08/04	2,000	Fixed	2039	2014	2,000	4.80%
Acacia CDO 4 C1	BBB	04/08/04	13,700	3m LIBOR	2039	2014	13,700	3.99%
Acacia CDO 4 C2	BBB	04/08/04	3,000	Fixed	2039	2014	3,000	6.81%
Total Resecuritizations			$1,361,828				$ 1,180,673	1.98%

Other Supplemental Financial Data

Table 22
Operating Expenses
($ in Thousands)

	Total Operating Expenses	Less: Variable Stock Option Valuation Adjustments	Less: Excise Tax	Total Fixed and Variable Operating Expenses	Fixed Operating Expenses	Variable (Performance Based) Operating Expenses	Fixed and Variable Operating Expenses/ Average GAAP Equity	Fixed and Variable Operating Expenses/ Average Core Equity	Fixed Operating Expenses/ Average Core Equity	Efficiency Ratio: Fixed and Variable Operating Expenses/ Net Interest Income
Q1: 2002	$ 4,089	$ 543	$ 0	$ 3,546	$ 1,758	$ 1,788	4.2%	4.3%	2.1%	23%
Q2: 2002	5,325	789	—	4,536	2,081	2,455	4.7%	4.9%	2.2%	26%
Q3: 2002	3,545	(745)	—	4,290	2,101	2,189	4.0%	4.5%	2.2%	24%
Q4: 2002	7,046	78	959	6,009	2,230	3,779	5.3%	6.0%	2.2%	29%
2002	**20,005**	**665**	**959**	**18,381**	**8,170**	**10,211**	**4.6%**	**4.9%**	**2.2%**	**26%**
Q1: 2003	8,282	948	862	6,472	2,663	3,809	5.3%	6.2%	2.6%	27%
Q2: 2003	8,793	1,490	—	7,303	2,645	4,658	5.8%	6.8%	2.5%	25%
Q3: 2003	9,098	513	—	8,585	3,941	4,644	6.2%	7.5%	3.4%	25%
Q4: 2003	10,722	2,701	341	7,680	3,717	3,963	5.5%	6.5%	3.2%	19%
2003	**36,895**	**5,652**	**1,203**	**30,040**	**12,966**	**17,074**	**5.7%**	**6.8%**	**2.9%**	**23%**
Q1: 2004	10,026	1,429	300	8,297	3,966	4,331	5.7%	6.6%	3.1%	18%
Q2: 2004	8,461	(621)	190	8,892	3,623	5,269	5.4%	6.1%	2.5%	19%

Table 23
Unamortized Premium and Discount Balances*
($ in Thousands)

	Unamortized Gross Premium	Unamortized Gross Discount	Unamortized Net Premium/ (Discount)	Net Amortization (Expense) Income During Period
Q1: 2002	$ 23,036	($32,053)	($9,017)	($3,201)
Q2: 2002	31,155	(40,301)	(9,146)	(793)
Q3: 2002	57,951	(58,397)	(446)	(2,148)
Q4: 2002	60,478	(70,140)	(9,662)	(3,083)
2002	**60,478**	**(70,140)**	**(9,662)**	**(3,083)**
Q1: 2003	62,812	(96,131)	(33,319)	(2,098)
Q2: 2003	95,644	(139,297)	(43,653)	3,269
Q3: 2003	176,644	(239,139)	(62,495)	1,736
Q4: 2003	213,506	(314,139)	(100,633)	11,968
2003	**213,506**	**(314,139)**	**(100,633)**	**14,875**
Q1: 2004	226,738	(321,050)	(94,312)	17,930
Q2: 2004	259,375	(356,637)	(97,262)	14,851

* *Includes deferred bond issuance costs and net premium on asset-backed securities issued.*

Table 24
Differences Between GAAP Income and Estimated Taxable Income
($ in Thousands, Except Share Data)

	For the First Quarter Ended 3/31/2004	For the Second Quarter Ended 6/30/2004	For the Six Months Ended 6/30/2004	For the First Quarter Ended 3/31/2003	For the Second Quarter Ended 6/30/2003	For the Third Quarter Ended 9/30/2003	For the Fourth Quarter Ended 12/31/2003	For the Year Ended 12/31/2003
GAAP Income	$ 50,791	$ 55,088	$105,879	$ 14,932	$ 22,212	$ 24,636	$ 69,933	$ 131,713
Amortization and credit expenses	6,696	16,214	22,910	8,852	5,320	10,610	14,487	39,269
Operating expenses	3,449	2,692	6,141	2,826	4,468	2,223	472	9,989
Stock Options Exercised	(11,889)	(448)	(12,337)	—	—	—	(4,011)	(4,011)
Provision for excise tax	300	190	490	862	—	—	341	1,203
Deferred tax benefit	—	(5,180)	(5,180)	—	—	—	—	—
Mark-to-market expenses	(340)	(3,146)	(3,486)	(1,267)	2,474	(1,102)	(7,231)	(7,126)
Estimated REIT taxable income	$ 49,007	$ 65,410	$114,417	$ 26,205	$ 34,474	$ 36,367	$ 73,991	$ 171,037
(Earnings) losses from taxable subsidiaries	(2,983)	(6,060)	(9,043)	(545)	(1,952)	(2,484)	(2,672)	(7,653)
Estimated REIT Taxable Income	$ 46,024	$ 59,350	$105,374	$ 25,660	$ 32,522	$ 33,883	$ 71,319	$ 163,384
Common Shares Outstanding at Period End	19,796,237	21,510,600	—	16,604,910	17,820,856	18,468,138	19,062,983	—
Total Taxable Income Per Share	$ 2.48	$ 3.04	$ 5.52	$ 1.58	$ 1.93	$ 1.97	$ 3.88	$ 9.36
REIT Taxable Income Per Share	$ 2.33	$ 2.76	$ 5.09	$ 1.55	$ 1.82	$ 1.83	$ 3.74	$ 8.94

End

Exhibit 99.2

REDWOOD TRUST

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FOR IMMEDIATE RELEASE
Thursday, August 5, 2004

Redwood Trust Reports Earnings for the Second Quarter of 2004

GAAP Earnings of $2.58 per share and Core Earnings of $1.74 per share

Mill Valley, CA August 5, 2004 – Redwood Trust, Inc. (NYSE: RWT), a financial institution that invests in real estate loans and securities, today reported GAAP earnings of $55 million, or $2.58 per share, for the second quarter of 2004. GAAP earnings for the first half of 2004 were $5.08 per share.

Core earnings for the second quarter of 2004 were $1.74 per share, a 54% increase over second quarter 2003 core earnings of $1.13 per share. Core earnings are on-going earnings from operations and thus exclude gains and losses from asset sales, calls, and changes in market values that are included in reported GAAP earnings. Core earnings for the first half of 2004 were $3.44 per share, a 71% increase over the $2.01 we earned in the first half of 2003.

Redwood's total taxable income for the second quarter of 2004 was $3.04 per share outstanding. REIT taxable income (excluding income earned in taxable non-REIT subsidiaries) was $2.76 per share for the quarter. For the first half of 2004, total taxable income was $5.52 per share and REIT taxable income was $5.09 per share. All taxable income results reported here are estimates.

"The portfolio of real estate investments we have built over the last ten years continues to generate outstanding levels of cash flow and earnings," said Doug Hansen, Redwood's President.

"Our new investment activities continue to go well. We invested $80 million of equity capital in new real estate investments for our permanent portfolio during the second quarter," added Hansen. "This is an increase from the $54 million of equity capital we invested in new assets in the first quarter of 2004. Our permanent investments this year include residential credit-enhancement securities acquired from securitizations sponsored by others, credit-enhancement, interest-only, and similar securities acquired from the "Sequoia" and "Acacia" asset-backed securities transactions that we sponsor, and a small amount of other equity-funded assets such as commercial real estate loans and commercial real estate credit-enhancement securities."

“We believe our new real estate investments are likely to generate attractive cash flows and earnings for our shareholders in the future.”

Second Quarter Review

During the second quarter, Redwood acquired $2.7 billion high quality adjustable-rate residential real estate loans, $335 million high-quality home equity line of credit (HELOC) loans, $75 million residential loan credit-enhancement securities, $17 million in commercial real estate loans, and $193 million other residential and commercial real estate loan securities. Many of these assets were securitized during the quarter – Redwood sold assets to a securitization trust, and the trusts sold asset-backed securities (ABS) into the capital markets in order to fund the assets. Sales of asset-backed securities by trusts sponsored by Redwood totaled $3.2 billion for the quarter. Redwood invested its equity capital to purchase and hold for its permanent investment portfolio a small portion of the asset-backed securities issued by these trusts. For GAAP reporting purposes, all of the assets and ABS obligations of these trusts are consolidated onto Redwood’s reported balance sheet.

Redwood continues to use debt solely to fund the acquisition and accumulation of loans and securities on a short-term basis prior to selling these assets to securitization trusts. Redwood’s debt totaled $270 million at June 30, 2004.

Credit results for the second quarter of 2004 were excellent for all of Redwood’s asset portfolios.

Redwood has acquired the residential credit-enhancement securities from all of the Sequoia asset-backed securities trusts that Redwood has sponsored. This gives Redwood first-loss credit exposure (and opportunity) on all of the $20 billion of Sequoia residential loans that are consolidated on Redwood’s reported GAAP balance sheet. There were no credit losses in the Sequoia loan portfolio during the second quarter. Serious delinquencies rose slightly from 0.02% to 0.03% of loan balances (from $3 million to $5 million).

Redwood has built over a period of years a portfolio of $713 million principal value ($442 million market value) residential credit-enhancement securities acquired from securitization trusts sponsored by others. This portfolio gives Redwood credit exposure (and opportunity) on $97 billion of underlying residential real estate loans. Credit losses for these loans totaled $1.8 million for the second quarter, an annualized loss rate of less than one basis point (<0.01%) of loan balances. Serious delinquencies declined from $143 million to $131 million for these loans (from 0.20% to 0.14% of loan balances).

“Residential loan prepayment patterns continue to be beneficial for our portfolios,” noted Hansen. “We benefit from rapid prepayment rates on fixed rate and hybrid loans, and also from slow prepayment rates on adjustable-rate loans. Prepayment rates on fixed and hybrid loans have been rapid but have slowed recently. Prepayments on adjustable-rate loans have been slow but have recently have accelerated. Nevertheless, current prepayment rates are still attractive for our long-term results relative to the prepayment speeds we assume will occur when we acquire new assets.”

“We continue to closely match the interest rate characteristics of our assets and liabilities, with the goal of mitigating the direct effects that changes in interest rates could have on our earnings. During the second quarter, six-month LIBOR rates rose by 0.78% and one-month LIBOR rates rose by 0.26%. We do not believe these rate changes materially affected our second quarter results, nor do we believe these interest rate changes will materially impact our results going forward.”

During the second quarter, competition to acquire new assets continued to be strong, and acquisition prices for real estate loans and securities continued to be high relative to asset prices prevalent during the last few years. “Despite increased asset pricing, we continue to source a healthy supply of attractive investments for our portfolio,” noted Hansen. “Our relationships with originators, the specialized nature of many of the assets we focus on, and the strong brand names of the Sequoia and Acacia securitization programs allowed us to continue to acquire, securitize, and invest in assets profitably during the second quarter. In general, the effect of higher asset acquisition prices was fully offset by the higher prices (or lower funding costs) that Sequoia and Acacia trusts received from the issuance of their asset-backed securities into a strong fixed-income market.”

Redwood’s GAAP and taxable income exceeded core earnings due, in part, to calls of residential credit-enhancement securities. During the second quarter of 2004, calls of $31 million principal value of these securities generated $15 million of GAAP income and $10 million of estimated taxable income. Redwood does not include gains or losses from calls, sales, or market value fluctuations in core earnings.

For the second quarter of 2004, a $5.2 million one-time income item was included in Redwood’s GAAP income (but not in its core income). Redwood’s principal taxable non-REIT subsidiary, Holdings, has net operating loss carry-forwards for tax (NOLs) generated from operations that were closed a number of years ago. These NOLs have sheltered the income Holdings has earned in recent quarters. During the second quarter of 2004, Holdings earned sufficient income (primarily from gains-on-sale recognized for tax from profitable Sequoia securitizations plus fees earned from on-going management of Acacia transactions) such that it has now established (for GAAP) a track record of profitability, and thus under GAAP must recognize the remaining value of its NOLs as a one-time gain. Accordingly, in future quarters, Redwood will recognize – for GAAP and core earnings – an on-going tax expense accrual for Holding’s income.

The yield Redwood earns on its residential credit-enhancement securities portfolio continued to decline as the highest yielding assets are called away. Redwood’s yield from this portfolio was 20.3% in the second quarter of 2004 versus 21.6% in the prior quarter and 25.8% in the second quarter of 2003.

Outlook

“We earned a GAAP return on GAAP equity of 33% and a core return on core equity of 25% in the second quarter of 2004,” noted Hansen. “We do not believe these levels of return are sustainable.

“We expect that continued calls of the highest yielding assets in our residential credit-enhancement securities portfolio will diminish our on-going core earnings per share results over time, irrespective of market conditions, interest rates, or the quality and quantity of new assets we acquire.”

“In addition, many facets of our operating environment, including credit results, prepayment patterns, the level of supply of new loans, and the level of competition, have been extraordinarily favorable for several years. We are expecting a return to market conditions that could be considered more ‘normal’ or ‘average’ going forward. As a result, the long-term returns we realize from the assets we acquire today are not likely to reach the levels currently being produced by our seasoned assets.”

“We remain optimistic about our business, while recognizing that we will probably face some headwind (or enjoy less of a tailwind) going forward. We have a high-quality portfolio of long-life assets, our operations and balance sheet are strong and efficient, and we have a leading market position. We believe we will continue to produce attractive returns for shareholders.”

“We completed a $52 million equity offering in May. Including stock issued via our Direct Purchase and Dividend Reinvestment Plan, we raised a total of $100 million of new equity in the first half of 2004. Due to a strong supply of new investment opportunities, however, our equity capital was close to being fully invested by the end of the second quarter of 2004. To continue capitalizing on our market opportunities, we will most likely seek to raise additional equity capital during the second half of 2004. We believe additional equity issuance would be accretive to both earnings and book value. Nevertheless, we will continue to minimize our new stock issuance by aggressively recycling equity capital within our balance sheet and also by acquiring and securitizing only those new investments that we believe are both high quality and also have an attractive risk-reward profile.”

“The outlook for continuing our regular dividend payments of $0.67 per share per quarter remains excellent,” Hansen continued. “Since we earned an estimated $5.09 per share in REIT taxable income in the first half of 2004, it looks increasingly likely that we will be able to pay one or more special dividends during the remainder of 2004 or during 2005. Whether we pay special dividends, and the amount of any such special dividends, will depend on REIT taxable income results for the remainder of the year and on other factors Redwood’s Board may consider before declaring dividends.”

Disclosure and transparency

“We have always worked hard to keep our shareholders well informed in a clear and timely manner,” said Hansen. “We have recently made two changes to our shareholder communications that we believe will further improve our disclosure and transparency.”

“First, we are now releasing our press release, our Form 10-Q (including our financial statements, footnotes, and management’s discussion and analysis), and our supplemental information package all on the same day. We seek to make sure that all the up-to-date information on Redwood's business is included in these documents. We believe it is better for shareholders to have access to all these documents at the same time rather than having them released over a period of several weeks." (You can access these documents at our web site – www.redwoodtrust.com.)

"Second, we have revised some of the terminology we use to describe our business, and we are disclosing more specific information about our securitization activities and the financial nature of our balance sheet. Here is one example: We often invest in a small portion of the asset-backed securities issued by securitization trusts (Sequoia and Acacia) that we sponsor. Although our investment is limited, for GAAP purposes all of the assets and liabilities of these securitization trusts are consolidated on our reported balance sheet. As a result, we reported consolidated GAAP assets of $22 billion and consolidated GAAP liabilities of $21 billion as of June 30, 2004. This implies (correctly) that we have assumed the credit and prepayment risk on a large volume of real estate loans and securities relative to our equity base. It also perhaps implies (incorrectly) that Redwood has unlimited risk with respect to these assets, and also perhaps implies (again, incorrectly) that Redwood employs a high degree of financial leverage. In fact, Redwood had total debt of $270 million at June 30, 2004 (all of which was short-term recourse debt) not a particularly large amount for a financial institution, relative to our equity base of $758 million. The terminology we formerly used in our reported financial statements for the obligations of securitization trusts that are consolidated onto our balance sheet for GAAP purposes was "non-recourse long-term debt". These obligations are non-recourse to Redwood Trust, but they are not Redwood's long-term debt. They are solely the "long-term debt" obligations of the securitization trusts. Redwood does not have any long-term debt. Our new terminology for the obligations of these trusts that are consolidated onto our reported GAAP balance sheet is 'asset-backed securities issued'."

"Our GAAP balance sheet can be an important and valuable tool for investors. No single way of looking at our business, however, can effectively answer all the types of questions investors might have. So, at the risk of adding more complexity to a set of disclosures that are already complex, we continue to revise and expand our disclosures, seeking to provide greater transparency for shareholders. Please see our second quarter 2004 Form 10-Q, released today."

"Safe Harbor" Statement under the Private Securities Litigation Reform Act of 1995: Certain matters discussed in this news release may constitute forward-looking statements within the meaning of the federal securities laws that inherently include certain risks and uncertainties. Actual results and the timing of certain events could differ materially from those projected in or contemplated by the forward-looking statements due to a number of factors, including, among other things, changes in interest rates on our real estate loan assets and borrowings, changes in prepayment rates on our real estate loan assets, general economic conditions, particularly as they affect the price of real estate loan and the credit status of borrowers, and the level of liquidity in the capital markets, as it affects our ability to finance our real estate loan portfolio, and other risk factors outlined in the Company's 2003 Annual Report on Form 10-K (available on the Company's Web site or by request to the Contacts listed above). Other factors not presently identified may also cause actual results to differ. No one should assume that results or trends projected in or contemplated by the forward-looking statements included above will prove to be accurate in the future. We will revise our outlook from time to time and frequently will not disclose such revisions publicly.

REDWOOD TRUST, INC.
(All dollars in millions, except per share data)

INCOME STATEMENT	Second Quarter 2004	First Quarter 2004	Fourth Quarter 2003	Third Quarter 2003	Second Quarter 2003
Interest Income	$ 138.0	$ 124.8	$ 108.3	$ 90.2	$ 71.4
Interest Expense	(90.4)	(79.5)	(68.6)	(55.6)	(41.8)
Net Interest Income	$ 47.6	$ 45.3	$ 39.7	$ 34.6	$ 29.6
Operating Expenses	(9.1)	(8.6)	(8.0)	(8.5)	(7.3)
Net Recognized Gains (Losses) and Valuation Adjustments	12.3	17.4	42.1	0.6	3.0
Variable Stock Option (Expense) Income	0.6	(1.4)	(2.7)	(0.5)	(1.5)
Provision For Income Taxes	3.7	(1.9)	(1.2)	(1.5)	(1.6)
Preferred Dividends	0.0	0.0	0.0	0.0	0.0
GAAP Earnings	$ 55.1	$ 50.8	$ 69.9	$ 24.7	$ 22.2
Less: Net Recognized Gains (Losses) and Valuation Adjustments	(12.3)	(17.4)	(42.1)	(0.6)	(3.0)
Less: Variable Stock Option Expense (Income)	(0.6)	1.4	2.7	0.5	1.5
Deferred Tax Benefit	(5.2)	0.0	0.0	0.0	0.0
Core Earnings **(1)**	$ 37.0	$ 34.8	$ 30.5	$ 24.6	$ 20.7
Average Diluted Shares (thousands)	21,325	20,399	19,801	19,018	18,433
GAAP Earnings per Share (Diluted)	$ 2.58	$ 2.49	$ 3.53	$ 1.30	$ 1.21
Core Earnings per Share **(1)**	$ 1.74	$ 1.71	$ 1.54	$ 1.29	$ 1.13
Estimated Total Taxable Income Per Share Outstanding	$ 3.04	$ 2.48	$ 3.88	$ 1.97	$ 1.93
Dividends per Common Share (Regular)	$ 0.670	$ 0.670	$ 0.650	$ 0.650	$ 0.650
Dividends per Common Share (Special)	$ 0.000	$ 0.500	$ 4.750	$ 0.000	$ 0.000
Total Dividends per Common Share	$ 0.670	$ 1.170	$ 5.400	$ 0.650	$ 0.650
Yield on Earning Assets	2.72%	2.75%	2.79%	3.03%	3.35%
Cost of Debt and Consolidated Asset-Backed Securities	1.82%	1.79%	1.81%	1.92%	2.05%
Net Interest Income / Average GAAP Equity	28.7%	31.0%	28.4%	25.1%	23.4%
Net Interest Income / Average Core Equity **(2)**	32.6%	35.7%	33.8%	30.2%	27.6%
GAAP ROE: GAAP Earnings/ Avg GAAP Common Equity	33.2%	34.8%	50.0%	17.8%	17.6%
Core ROE: Core Earnings / Avg Common Core Equity	25.4%	27.5%	26.0%	21.4%	19.4%

(1) *Core earnings is not a measure of earnings in accordance with generally accepted accounting principles (GAAP). It is calculated as GAAP earnings from ongoing operations less net recognized gains (losses) and valuation adjustments (which include gains and losses from sales and calls and valuation adjustments on certain assets hedges) and deferred tax benefits. Management believes that core earnings provides relevant and useful information regarding its results from operations in addition to GAAP measures of performance. This is, in part, because market valuation adjustments on only a portion of the company's assets and stock options and none of its liabilities are recognized through the income statement under GAAP and thus GAAP valuation adjustments may not be fully indicative of changes in market values on the balance sheet as a whole or a reliable guide to current operating performance. Furthermore, gains or losses realized upon sales of assets vary based on portfolio management decisions; a sale of an asset for a gain or a loss may or may not affect on-going earnings from operations. Because all companies and analysts do not calculate non-GAAP measures such as core earnings in the same fashion, core earnings as calculated by the company may not be comparable to similarly titled measures reported by other companies.*

(2) *Core equity is calculated as GAAP equity less unrealized gains and losses on certain assets and hedges. Management believes measurements based on core equity provide relevant and useful information regarding its results of operations in addition to GAAP measures of performance. This is, in part, because market valuation adjustments reflected in GAAP equity represent unrealized gains and losses on a portion of the balance sheet only and may not be reflective of the equity available to invest in operations. Because all companies and analysts do not calculate non-GAAP measures in the same fashion, core equity and ratios using core equity as calculated by the company may not be comparable to similarly titled measures reported by other companies.*

REDWOOD TRUST, INC.
(All dollars in millions, except per share data)

INCOME STATEMENT	Six Months 2004	Six Months 2003
Interest Income	$ 262.8	$ 132.6
Interest Expense	(169.9)	(78.7)
Net Interest Income	$ 92.9	$ 53.8
Operating Expenses	(17.7)	(13.8)
Net Recognized Gains (Losses) and Valuation Adjustments	29.7	3.9
Variable Stock Option Expense	(0.8)	(2.4)
Provision for Income Taxes	1.8	(3.6)
Preferred Dividends	0	(0.7)
GAAP Earnings	$ 105.9	$ 37.1
Less: Net Recognized Gains (Losses) and Valuation Adjustments	(29.7)	(3.9)
Less: Variable Stock Option Expense (Income)	0.8	2.4
Deferred Tax Benefit	(5.2)	0.0
Core Earnings **(1)**	$ 71.8	$ 35.7
Average Diluted Shares	20,856	17,730
GAAP Earnings per Share (Diluted)	$ 5.08	$ 2.09
Core Earnings per Share **(1)**	$ 3.44	$ 2.01
Estimated Total Taxable Income Per Share Outstanding	$ 5.52	$ 3.51
Dividends per Common Share (Regular)	$ 1.340	$ 1.300
Dividends per Common Share (Special)	$ 0.500	$ 0.000
Total Dividends per Common Share	$ 1.840	$ 1.300
Yield on Earning Assets	2.73%	3.33%
Cost of Debt and Consolidated Asset-Backed Securities	1.81%	2.07%
Net Interest Income / Average GAAP Equity	29.8%	21.6%
Net Interest Income / Average Core Equity **(2)**	34.1%	25.5%
GAAP Return on Equity: GAAP Earnings/ Average GAAP Equity	33.9%	15.3%
Core Return on Equity: Core Earnings / Average Core Equity	26.3%	17.5%

(1) *Core earnings is not a measure of earnings in accordance with generally accepted accounting principles (GAAP). It is calculated as GAAP earnings from ongoing operations less net recognized gains (losses) and valuation adjustments (which include gains and losses from sales and calls and valuation adjustments on certain assets hedges) and deferred tax benefits. Management believes that core earnings provides relevant and useful information regarding its results from operations in addition to GAAP measures of performance. This is, in part, because market valuation adjustments on only a portion of the company's assets and stock options and none of its liabilities are recognized through the income statement under GAAP and thus GAAP valuation adjustments may not be fully indicative of changes in market values on the balance sheet as a whole or a reliable guide to current operating performance. Furthermore, gains or losses realized upon sales of assets vary based on portfolio management decisions; a sale of an asset for a gain or a loss may or may not affect on-going earnings from operations. Because all companies and analysts do not calculate non-GAAP measures such as core earnings in the same fashion, core earnings as calculated by the company may not be comparable to similarly titled measures reported by other companies.*

(2) *Core equity is calculated as GAAP equity less unrealized gains and losses on certain assets and hedges. Management believes measurements based on core equity provide relevant and useful information regarding its results of operations in addition to GAAP measures of performance. This is, in part, because market valuation adjustments reflected in GAAP equity represent unrealized gains and losses on a portion of the balance sheet only and may not be reflective of the equity available to invest in operations. Because all companies and analysts do not calculate non-GAAP measures in the same fashion, core equity and ratios using core equity as calculated by the company may not be comparable to similarly titled measures reported by other companies.*

REDWOOD TRUST, INC.
(All dollars in millions, except per share data)

CONSOLIDATED BALANCE SHEET	30-Jun 2004	31-Mar 2004	31-Dec 2003	30-Sep 2003	30-Jun 2003
Residential Real Estate Loans	$19,916	$18,086	$16,239	$13,813	$ 9,247
Residential Home Equity Lines of Credit (HELOC)	327	—	—	—	—
Residential Loan Credit-Enhancement Securities	442	375	379	373	393
Commercial Real Estate Loans	34	22	22	24	35
Securities Portfolio	1,095	937	845	605	596
Cash and Cash Equivalents	38	58	59	32	36
Working Capital and Other Assets	110	66	83	54	49
Total Consolidated Assets	$21,962	$19,544	$17,627	$14,901	$10,356
Short-Term Debt	$ 270	$ 278	$ 236	$ 500	$ 218
Consolidated Asset-Back Securities Issued	20,870	18,583	16,783	13,782	9,543
Working Capital and Other Liabilities	64	75	55	53	48
Preferred Equity	0	0	0	0	0
Common Equity	758	608	553	566	547
Total Liabilities and Equity	21,962	$19,544	$17,627	$14,901	$10,356
Total GAAP Equity	$ 758	$ 608	$ 553	$ 566	$ 547
Less: Accumulated Other Comprehensive Income	(111)	(79)	(82)	(91)	(108)
Core Equity	$ 647	$ 529	$ 471	$ 475	$ 439
Common Shares Outstanding at Period End (thousands)	21,511	19,796	19,063	18,468	17,821
GAAP Equity (GAAP Book Value) per Common Share	$ 35.24	$ 30.72	$ 29.03	$ 30.65	$ 30.70
Core Equity (Core Book Value) per Common Share	$ 30.06	$ 26.75	$ 24.72	$ 25.75	$ 24.62
Average Total Consolidated Assets	$20,610	$18,386	$15,758	$12,132	$ 8,687
Average Consolidated Earning Assets	$20,283	$18,158	$15,504	$11,911	$ 8,524
Average Debt and Asset Backed Securities Issued	$19,890	$17,747	$15,120	$11,542	$ 8,160
Average Total GAAP Equity (Common and Preferred)	$ 664	$ 584	$ 559	$ 553	$ 505

REDWOOD TRUST, INC.
(All dollars in millions)

LEVERAGE RATIOS (1)	30-Jun 2004	31-Mar 2004	31-Dec 2003	30-Sep 2003	30-Jun 2003
Total Reported Consolidated Assets	$ 21,962	$ 19,544	$ 17,627	$ 14,901	$10,356
Less: Assets Consolidated from Asset-Backed Securities Trusts	(20,934)	(18,658)	(16,838)	(13,835)	(9,591)
Redwood's Direct Assets	$ 1,028	$ 886	$ 789	$ 1,066	$ 765
Total Redwood Debt and Consolidated Asset-Backed Securities	$ 21,140	$ 18,861	$ 17,019	$ 14,282	$ 9,761
Less: Consolidated Asset-Backed Securities	(20,870)	(18,583)	(16,783)	(13,782)	(9,543)
Redwood's Debt	$ 270	$ 278	$ 236	$ 500	$ 218
Reported Debt and Consolidated Asset-Backed Securities to GAAP Equity	28x	31x	31x	25x	18x
GAAP Equity / Total Reported Consolidated Assets	3%	3%	3%	4%	5%
Redwood Debt to GAAP Equity	0.4x	0.5x	0.4x	0.9x	0.4x
GAAP Equity / Redwood's Direct Assets	74%	69%	70%	53%	72%

(1) *The Asset-Backed Securities reported on our GAAP balance sheet as liabilities consist of Asset-Backed securities issued by bankruptcy-remote securitization trusts. The owners of these securities have no recourse to Redwood and must look only to the assets of the securitization trust for repayment. Both the assets and liabilities of these trusts, however, are consolidated on Redwood's balance sheet for GAAP reporting purposes. Management believes that, in addition to using GAAP measures, an analyst could achieve insight into Redwood's business and balance sheet by distinguishing between debt that must be repaid by Redwood and Asset-Backed Securities that are consolidated onto Redwood's balance sheet from other entities. This table shows leverage ratios calculated for Redwood using both GAAP measures and also measures that incorporate Redwood's debt only.*

REDWOOD TRUST, INC.
(All dollars in millions, except per share data)

	Second Quarter 2004	First Quarter 2004	Fourth Quarter 2003	Third Quarter 2003	Second Quarter 2003
Consolidated Residential Real Estate Loans					
Start of Period Balances	$18,086	$16,239	$13,813	$ 9,247	$7,321
Acquisitions	2,703	2,322	2,897	4,997	2,168
Sales Proceeds (not including sales to consolidated asset-backed securities trusts)	0	0	(1)	0	0
Principal Pay Downs	(858)	(460)	(458)	(420)	(235)
Net Amortization Expense	(14)	(12)	(10)	(9)	(5)
Net Charge Offs (Recoveries)	0	0	0	0	0
Credit Provisions	(1)	(3)	(2)	(2)	(2)
Net Recognized Gains (losses) & Valuation Adjustments	0	0	0	0	0
End of Period Balances	$19,916	$18,086	$16,239	$13,813	$9,247
Average Amortized Cost During Period, Net of Credit Reserves	$18,754	$16,916	$14,381	$10,958	$7,670
Interest Income	$ 110	$ 99	$ 83	$ 64	$ 47
Yield	2.34%	2.34%	2.30%	2.32%	2.47%
Principal Value of Loans	$19,767	$17,951	$16,111	$13,704	$9,206
Credit Reserve	(20)	(19)	(16)	(14)	(12)
Net Premium to be Amortized	169	154	144	123	53
Residential Real Estate Loans	$19,916	$18,086	$16,239	$13,813	$9,247
Credit Reserve, Start of Period	$ 19	$ 16	$ 14	$ 12	$ 10
Net Charge-Offs	0	0	0	0	0
Credit Provisions	1	3	2	2	2
Credit Reserve, End of Period	$ 20	$ 19	$ 16	$ 14	$ 12
Delinquencies (90 days + FC + BK + REO)	$ 5	$ 3	$ 5	$ 2	$ 4
Delinquencies as % of Residential Loans	0.03%	0.02%	0.03%	0.01%	0.04%
Net charge-offs as % of Residential Loans (Annualized)	0.00%	0.00%	0.01%	0.00%	0.00%
Reserve as % of Residential Loans	0.10%	0.10%	0.10%	0.10%	0.13%
Reserve as % of Delinquencies	374%	548%	301%	852%	312%

REDWOOD TRUST, INC.
(All dollars in millions, except per share data)

	Second Quarter 2004	First Quarter 2004	Fourth Quarter 2003	Third Quarter 2003	Second Quarter 2003
Consolidated Residential Home Equity Lines of Credit (HELOC)					
Start of Period Balances	$ 0	$ 0	$ 0	$ 0	$ 0
Acquisitions	335	0	0	0	0
Sales Proceeds (not including sales to consolidated asset-backed securities trusts)	0	0	0	0	0
Principal Pay Downs	(8)	0	0	0	0
Net Amortization Expense	(0)	0	0	0	0
Net Charge Offs (Recoveries)	0	0	0	0	0
Credit Provisions	(0)	0	0	0	0
Net Recognized Gains (losses) & Valuation Adjustments	0	0	0	0	0
End of Period Balances	$ 327	$ 0	$ 0	$ 0	$ 0
Average Amortized Cost During Period, Net of Credit Reserves	$ 124	$ 0	$ 0	$ 0	$ 0
Interest Income	$ 1	$ 0	$ 0	$ 0	$ 0
Yield	1.73%	0.00%	0.00%	0.00%	0.00%
Principal Value of Loans	$ 317	$ 0	$ 0	$ 0	$ 0
Credit Reserve	(0)	0	0	0	0
Net Premium to be Amortized	10	0	0	0	0
Residential Home Equity Lines of Credit	$ 327	$ 0	$ 0	$ 0	$ 0
Credit Reserve, Start of Period	$ 0	$ 0	$ 0	$ 0	$ 0
Net Charge-Offs	0	0	0	0	0
Credit Provisions	0	0	0	0	0
Credit Reserve, End of Period	$ 0	$ 0	$ 0	$ 0	$ 0
Delinquencies (90 days + FC + BK + REO)	$ 0	$ 0	$ 0	$ 0	$ 0
Delinquencies as % of HELOCs	0.00%	0.00%	0.00%	0.00%	0.00%
Net charge-offs as % of HELOCs (Annualized)	0.00%	0.00%	0.00%	0.00%	0.00%
Reserve as % of HELOCs	0.01%	0.00%	0.00%	0.00%	0.00%
Reserve as % of Delinquencies	0.00%	0.00%	0.00%	0.00%	0.00%

REDWOOD TRUST, INC.
(All dollars in millions, except per share data)

	Second Quarter 2004	First Quarter 2004	Fourth Quarter 2003	Third Quarter 2003	Second Quarter 2003
Consolidated Residential Loan Credit-Enhancement Securities					
Start of Period Balances	$ 375	$ 379	$ 373	$ 393	$ 373
Acquisitions	75	38	78	23	11
Sales Proceeds (not including sales to consolidated Asset-Backed securities trusts)	0	(22)	0	0	(1)
Principal Pay Downs (including calls)	(48)	(35)	(117)	(37)	(39)
Net Amortization Income	9	9	10	11	10
Net Unrealized Gains (losses)	18	(12)	(12)	(21)	36
Net Recognized Gains (losses) & Valuation Adjustments	13	18	47	4	3
End of Period Balances	$ 442	$ 375	$ 379	$ 373	$ 393
Average Amortized Cost During Period, Net of Credit Reserves	$ 317	$ 287	$ 273	$ 271	$ 279
Interest Income	$ 16	$ 16	$ 17	$ 19	$ 18
Yield	20.27%	21.64%	25.49%	28.08%	25.77%
Principal Value of Redwood's Credit-Enhancement Securities	$ 713	$ 634	$ 624	$ 604	$ 598
Internally Designated Credit Protection on Loans Credit-Enhanced	(236)	(217)	(201)	(178)	(205)
Net Discount to be Amortized	(122)	(111)	(123)	(145)	(113)
Net Investment in Credit-Enhancement Securities	$ 355	$ 306	$ 300	$ 281	$ 280
Net Unrealized Gains (losses)	87	69	79	92	113
Residential Loan Credit-Enhancement Securities	$ 442	$ 375	$ 379	$ 373	$ 393
Securities Senior to Redwood's Interests	$96,322	$70,684	$67,463	$43,024	$51,168
Principal Value of Redwood's Credit-Enhancement Securities	713	634	624	604	598
Securities Junior to Redwood's Interests	70	44	46	52	58
Underlying Residential Real Estate Loan Balances	$97,105	$71,362	$68,133	$43,680	$51,824
Internally Designated Credit Protection on Loans Credit-Enhanced	$ 236	$ 217	$ 201	$ 178	$ 205
External Credit Enhancement on Loans Credit-Enhanced	70	44	46	52	58
Total Credit Protection **(1)**	$ 306	$ 261	$ 247	$ 230	$ 263
Delinquencies (90 days + FC + BK + REO)	$ 131	$ 143	$ 133	$ 178	$ 160
Redwood's Net Charge-Offs	$ (2)	$ (0)	$ (1)	$ (1)	$ (0)
Losses to Securities Junior to Redwood's Interests	(0)	(0)	(1)	(0)	(0)
Total Underlying Loan Credit Losses	$ (2)	$ (0)	$ (2)	$ (1)	$ (0)
Delinquencies as % of Underlying Loans	0.14%	0.20%	0.19%	0.41%	0.31%
Total Pool Credit Losses/Underlying Loans (Annualized)	0.01%	0.01%	0.01%	0.01%	0.01%
Total Credit Protection as % of Underlying Loans	0.32%	0.37%	0.36%	0.53%	0.51%
Total Credit Protection as % of Delinquencies	233%	183%	187%	129%	164%

(1) *Total credit protection represents the aggregate of the internally designated credit reserve and the amount of any junior securities with respect to each credit-enhanced security. The credit protection amount for any credit-enhanced security is only available to absorb losses on the pool of loans related to that security. To the extent such losses exceed the credit protection amount for that security, a charge-off of the net investment in that security would result.*

(All dollars in millions, except per share data)

Commercial Real Estate Loans	**Second Quarter 2004**	**First Quarter 2004**	**Fourth Quarter 2003**	**Third Quarter 2003**	**Second Quarter 2003**
Start of Period Balances	$ 22	$ 22	$ 24	$ 35	$ 31
Acquisitions	17	0	0	1	4
Sales Proceeds (not including sales to consolidated asset-backed securities trusts)	(2)	0	0	(1)	0
Principal Pay Downs	(3)	0	0	(11)	0
Net Amortization Income	0	0	0	0	0
Credit Provisions	0	0	(1)	0	0
Net Recognized Gains (losses) & Valuation Adjustments	0	0	(1)	0	0
End of Period Balances	$ 34	$ 22	$ 22	$ 24	$ 35
Average Amortized Cost During Period, Net of Credit Reserves	$ 26	$ 22	$ 23	$ 30	$ 33
Interest Income	$ 0.9	$ 0.7	$ 0.2	$ 0.9	$ 1.0
Yield	13.29%	12.56%	4.16%	12.33%	11.59%
Principal Value of Loans	$ 43	$ 31	$ 31	$ 31	$ 42
Credit Reserve and Credit Protection	(8)	(8)	(8)	(7)	(7)
Net Discount to be Amortized	(8)	(1)	(1)	(0)	(0)
Commercial Mortgage Loans	$ 34	$ 22	$ 22	$ 24	$ 35
Commercial Real Estate Loan Delinquencies	$ 0	$ 0	$ 0	$ 0	$ 1
Commercial Real Estate Loan Net Charge-Offs	$ 0	$ 0	$ 0	$ 0	$ 0
Commercial Real Estate Loan Credit Provisions	$ 0	$ 0	$ 1	$ 0	$ 0
Commercial Real Estate Loan Credit Reserves and Credit Protection	$ 8	$ 8	$ 8	$ 7	$ 7

Securities Portfolio	**Second Quarter 2004**	**First Quarter 2004**	**Fourth Quarter 2003**	**Third Quarter 2003**	**Second Quarter 2003**
Start of Period Balances	$ 937	$ 845	$ 605	$ 596	$ 366
Acquisitions	193	86	257	28	238
Sales Proceeds (not including sales to consolidated Asset-Backed securities trusts)	(9)	0	0	0	(4)
Principal Pay Downs	(10)	(10)	(17)	(13)	(12)
Net Amortization Income (Expense)	(1)	0	(1)	0	0
Net Unrealized Gains (losses)	0	16	4	(3)	8
Net Recognized Gains (losses) & Valuation Adjustments	(15)	0	(3)	(3)	0
End of Period Balances	$1,095	$ 937	$ 845	$ 605	$ 596
Average Amortized Cost During Period	$ 980	$ 862	$ 710	$ 603	$ 454
Interest Income	$ 11	$ 10	$ 8	$ 6	$ 5
Yield	4.30%	4.46%	4.40%	4.30%	4.46%
Principal Value of Securities	$1,097	$ 921	$ 833	$ 599	$ 587
Net (Discount) Premium to be Amortized	(7)	(4)	8	7	6
Net Unrealized Gains (losses)	5	20	4	(1)	3
Securities Portfolio	$1,095	$ 937	$ 845	$ 605	$ 596

REDWOOD TRUST, INC.
(All dollars in millions, except per share data)
Differences Between GAAP Net Income and Estimated Total Taxable and REIT Taxable Income

	For the Three Months Ended 6/30/04	For the six Months Ended 6/30/04	For the Year Ended 12/31/03
GAAP Net Income	$ 55.1	$ 105.9	$ 131.7
Amortization and credit provision expenses	16.2	22.9	39.3
Operating expenses	2.7	6.1	10.0
Stock options exercised	(0.5)	(12.3)	(4.0)
Provision for excise tax	0.2	0.5	1.2
Deferred tax benefit	(5.2)	(5.2)	—
Asset valuation adjustments	(3.1)	(3.5)	(7.1)
Estimated Total Taxable Income **(1)**	65.4	114.4	171.1
(Earnings)/losses from taxable subsidiaries	(6.1)	(9.0)	(7.7)
Estimated REIT taxable income **(1)**	$ 59.3	$ 105.4	$ 163.4
GAAP Income per share based on average diluted shares during period	$ 2.58	$ 5.08	$ 7.09
Total taxable income per share based on shares outstanding at period end **(1)**	$ 3.04	$ 5.52	$ 9.36
REIT taxable income per share based on shares outstanding at period end **(1)**	$ 2.76	$ 5.09	$ 8.94

(1) *Estimated total taxable income and estimated REIT taxable income are not GAAP performance measures but are important measures as they are the basis of our dividend distributions to shareholders.*

[END]