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

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported): August 5, 2005

REDWOOD TRUST, INC.
(Exact name of registrant as specified in its charter)

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

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

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

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

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

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

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

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

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

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Exhibits

Exhibit 99.1 Supplemental Financial Information for the Quarter Ended June 30, 2005

Exhibit 99.2 Press Release, dated August 5, 2005

Item 2.02 Results of Operations and Financial Condition.

On August 5, 2005, Redwood Trust, Inc. (the “Company”) issued a press release regarding its financial results for the quarter ended June 30, 2005, and released supplemental financial information for the quarter ended June 30, 2005. The Company hereby furnishes, as exhibits to this current report on Form 8-K, a copy of the second quarter 2005 press release and supplemental financial information.

Item 9.01 Financial Statements and Exhibits.

(c) Exhibits

99.1 Supplemental Financial Information for the Quarter Ended June 30, 2005

99.2 Press Release, dated August 5, 2005

SIGNATURES

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

Date: August 8, 2005	REDWOOD TRUST, INC.
	By: /s/ Harold F. Zagunis
	Harold F. Zagunis Vice President, Chief Financial Officer, Controller, Treasurer, and Secretary

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EXHIBIT INDEX

Exhibit No.	Exhibit Title
99.1	Supplemental Financial Information for the Quarter Ended June 30, 2005
99.2	Press Release, dated August 5, 2005

Exhibit 99.1

REDWOOD TRUST

SUPPLEMENTAL FINANCIAL INFORMATION

QUARTER ENDED June 30, 2005

This supplemental information package is designed to provide investors with information regarding Redwood Trust that is more detailed than can be found in our quarterly press release or SEC disclosures. If you have suggestions about how we could improve this supplemental financial information package, please call Nicole Klock at 415-380-2321 or email her at nicole.klock@redwoodtrust.com.

NON-GAAP MEASURES

A number of non-GAAP measures are presented in this supplemental information package, including Core Earnings, Core Equity, Core Return on Core Equity, and others. Non-GAAP measures are reconciled to our reported GAAP financials. Information is also provided on taxable income, which is our income as calculated for tax purposes.

GAAP attempts to present economic activity using a common format with a common set of rules for all companies. For this reason, GAAP is an important tool for investors. Each company, however, is different, and there are other measures of economic activity – ones that are more tailored to the individual circumstances of each business – that can also be useful for investors. In this supplement, we try to present a wide variety of information that might be useful to investors.

CORE EARNINGS

Core earnings are not a measure of earnings in accordance with GAAP. We attempt to strip some of the elements out of GAAP earnings that are temporary, one-time, or non-economic in nature or that relate to the past rather than the future, so that the underlying on-going “core” trend of earnings is more clear, at least in certain respects. We also exclude realized gains (and losses) from asset sales and calls. We sell assets from time to time as part of our on-going portfolio management activities. These occasional sales can produce material gains and losses that could obscure the underlying trend of our long-term portfolio earnings, so we exclude them from core earnings. Similarly, we exclude gains from calls of residential credit-enhancement securities, as these are essentially sales of assets that produce a highly variable stream of income that may obscure some underlying income generation trends. GAAP earnings include mark-to-market income and expenses for certain of our assets and interest rate agreements. These are unrealized market value fluctuations – we exclude them from core earnings. Similarly, we have issued certain stock options that are “variable” and thus are marked-to-market for GAAP purposes. When our stock price goes up, it is a GAAP expense. When our stock price goes down, GAAP income is created. We exclude all this from core earnings. Management believes that core earnings provide relevant and useful information regarding 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.

CORE EQUITY

Core equity is not a measure calculated in accordance with GAAP. A reconciliation of core equity to GAAP equity appears in the table presenting balance sheet data. GAAP equity includes mark-to-market adjustments for certain of our assets and interest rate agreements. This can be useful as a measure that approximates liquidation value (at least for those assets), but for other purposes GAAP equity is less useful, we believe. For instance, return on equity calculated using GAAP equity does not make much sense to us. When our assets that are marked-to-market through our balance sheet equity account appreciate (which is a good thing), our GAAP return on equity goes down because our equity base is larger but these particular mark-to-market gains are not recognized in GAAP income. Core equity GAAP equity with mark-to-market gains and losses (“accumulated other comprehensive income”) excluded. It is, we believe, a good measure of the amount of capital we have to run our business.

CORE RETURN ON CORE EQUITY

Core return on core equity, or core ROE, is core earnings divided by core equity. This is return on equity with mark-to-market gains and losses and one-time events stripped out.

ADJUSTED CORE EQUITY

We have minimum dividend distribution requirements as a REIT. We thus have future payment obligations, but these are not recognized in GAAP accounting until dividends are declared. Cash that we have earned but that we must pay out as dividends is not cash that will be available to us to acquire long-term assets and build our business. So when we try to answer questions such as “how much equity per share do we have available to build our business and to generate dividends in the long-term?” we use adjusted core equity per share. Adjusted core equity is core equity less undistributed REIT taxable income that is still undeclared but that will need to be paid out.

TAXABLE INCOME

Taxable income is the pre-tax income we earn calculated using calculation methods appropriate for tax purposes. Taxable income calculations differ significantly from GAAP. REIT taxable income is that portion of our taxable income that is subject to REIT tax rules. We must distribute at least 90% of this income as dividends to shareholders over time. As a REIT we are not subject to corporate income taxes on the REIT taxable income we distribute. The remainder of our taxable income (the non-REIT taxable income) is income we earn in taxable subsidiaries. We pay income tax on this income and we generally retain the after-tax income at the subsidiary level.

CORE REIT TAXABLE INCOME

Core REIT taxable income is defined by Redwood management. Core REIT taxable income is the pre-tax income we earn at the REIT before taxable income from gains on asset sales and calls and other non-recurring expenses such as deductions for stock option exercises.

REDWOOD EARNING ASSETS

Redwood's real earning assets in an economic sense (real assets that are sitting in our custodial account) totaled approximately $1.3 billion at the end of the second quarter of 2005. Included in this amount are securities we have acquired from securitizations we have sponsored with a cost basis of approximately $219 million. All of the $21 billion of assets and asset-backed securities liabilities of the securitization entities we have sponsored are shown on our consolidated GAAP balance sheet, even though we do not own these assets and we are not responsible for the payment of these liabilities. For some analytical tasks (such as determining how much financial leverage Redwood carries on its balance sheet) we believe it makes more sense to consider the assets Redwood actually owns and the debt Redwood actually owes rather than including all GAAP assets and liabilities consolidated from securitization entities that are independent of Redwood.

REDWOOD DEBT

Redwood's real economic debt — the money we have to pay back to a lender — was $453 million at the end of the second quarter of 2005. Our GAAP balance sheet shows liabilities of $21 billion because all of the assets and liabilities of the independent securitization entities we have sponsored are consolidated.

LEVERAGE RATIOS

Because of the consolidation of independent securitization entities, it appears from our GAAP financial statements that Redwood is highly leveraged, with liabilities greater than twenty-two times equity. In fact, Redwood has $453 million of true debt and $992 million of GAAP equity supporting $1.3 billion of earning assets and $1.4 billion of total assets (as of June 30, 2005). We only use debt to finance on a temporary basis the accumulation of assets prior to sale to a securitization entity. Our permanent asset portfolio, the assets we have acquired or created to own on a long-term basis, is financed entirely with equity capital.

PROFITABILITY RATIOS

Many financial institution analysts use asset-based profitability ratios such as interest rate spread and interest rate margin in their work analyzing financial institutions. Because of our consolidation of securitization entities for GAAP, we believe equity-based profitability ratios are more appropriate for Redwood. Net interest income as a percentage of equity is a useful measure, we believe. For operating expenses, we believe a useful measure is the efficiency ratio, or operating expenses as a percentage of net interest income.

Table 1: GAAP Earnings (all $ in thousands, except per share data)

Table 1
GAAP Earnings
(all $ in thousands, except per share data)

	Q2:2005	Q1:2005	Q4:2004	Q3:2004	Q2:2004	Q1:2004	Six Months Q2:2005	Six Months Q2:2004
Interest income (Redwood and consolidated trusts)	$ 248,669	$ 236,957	$ 204,834	$ 171,804	$144,865	$130,158	$ 485,626	$ 275,023
Discount amortization income	8,156	9,201	9,146	9,012	9,077	8,836	17,357	17,913
Premium amortization expense	(9,964)	(7,967)	(7,105)	802	(14,463)	(11,646)	(17,931)	(26,109)
Provision for credit losses	1,527	(1,025)	(1,697)	(1,528)	(1,500)	(2,511)	502	(4,011)
Total GAAP Interest Income	248,388	237,166	205,178	180,090	137,979	124,837	485,554	262,816
Interest expense on Redwood Trust's debt	(1,825)	(2,728)	(2,560)	(2,312)	(2,490)	(2,571)	(4,553)	(5,061)
ABS expenses consolidated from trusts	(191,985)	(173,182)	(143,078)	(108,237)	(78,809)	(69,069)	(365,167)	(147,878)
ABS issuance expense amortization	(5,386)	(5,273)	(4,783)	(4,197)	(4,305)	(3,543)	(10,659)	(7,848)
ABS interest agreement expense	876	1,469	606	(2,888)	(5,988)	(4,965)	2,345	(10,953)
ABS issuance premium amortization income	3,140	3,747	2,644	2,823	1,233	571	6,887	1,804
Total consolidated ABS expense	(193,355)	(173,239)	(144,611)	(112,499)	(87,869)	(77,006)	(366,594)	(164,875)
GAAP net interest income	53,208	61,199	58,007	65,279	47,620	45,260	114,407	92,880
Fixed compensation expense	(2,623)	(2,778)	(2,009)	(1,959)	(1,842)	(2,230)	(5,401)	(4,072)
Variable compensation expense	(4,824)	(4,279)	(2,908)	(3,443)	(4,722)	(4,022)	(9,103)	(8,744)
Fair value of stock options granted	(348)	(370)	(299)	(133)	(547)	(310)	(718)	(857)
Other operating expense	(3,179)	(3,322)	(2,565)	(2,512)	(1,781)	(1,735)	(6,501)	(3,516)
Operating expenses	(10,974)	(10,749)	(7,781)	(8,047)	(8,892)	(8,297)	(21,723)	(17,189)
Excise taxes	(308)	(307)	165	(301)	(190)	(300)	(615)	(490)
Variable stock option market value change	(2)	84	3	(213)	621	(1,429)	82	(808)
Total GAAP operating expenses	(11,284)	(10,972)	(7,613)	(8,561)	(8,461)	(10,026)	(22,256)	(18,487)
Realized gains on calls of residential CES	4,421	7,548	11,205	20,472	15,246	11,816	11,969	27,062
Realized gains on asset sales	516	8,347	—	489	971	6,255	8,863	7,226
Loss on repurchase of ABS issued	—	—	—	—	—	—	—	—
Valuation write-downs for EITF 99-20	(1,710)	(391)	(1,573)	(422)	(3,846)	(558)	(2,101)	(4,404)
Interest rate agreements valuation adjustments	(182)	(492)	(411)	47	(113)	(1)	(674)	(114)
Valuation adjustments on real estate loans	—	—	(375)	—	—	(75)	—	(75)
Net gains and valuation adjustments	3,045	15,012	8,846	20,586	12,258	17,437	18,057	29,695
Dividends on and earnings allocated to preferred stock	—	—	—	—	—	—	—	—

Deferred tax benefit (one time Q2:2004)	—	—	—	—	5,180	—	—	5,180
Provision for income taxes	(4,054)	(4,677)	(4,826)	(4,962)	(1,509)	(1,880)	(8,731)	(3,389)
GAAP Net Income	$ 40,915	$ 60,562	$ 54,414	$ 72,342	$ 55,088	$ 50,791	$ 101,477	$ 105,879
Diluted shares for GAAP (000)	25,196	25,021	24,491	22,728	21,325	20,399	25,109	20,856
GAAP earnings per share	$ 1.62	$ 2.42	$ 2.22	$ 3.18	$ 2.58	$ 2.49	$ 4.04	$ 5.08

Table 2: Core Earnings (all $ in thousands, except per share data)

Table 2
Core Earnings
(all $ in thousands, except per share data)

	Q2:2005	Q1:2005	Q4:2004	Q3:2004	Q2:2004	Q1:2004	Six Months Q2:2005	Six Months Q2:2004
GAAP income items not included in CORE								
Variable stock option market value change	($ 2)	$ 84	$ 3	($ 213)	$ 621	($ 1,429)	$ 82	($ 808)
Realized gains on calls of residential CES	4,421	7,548	11,205	20,472	15,246	11,816	11,969	27,062
Realized gains on asset sales	516	8,347	—	489	971	6,255	8,863	7,226
Loss on repurchase of ABS issued	—	—	—	—	—	—	—	—
Valuation write-downs for EITF 99-20	(1,710)	(391)	(1,573)	(422)	(3,846)	(558)	(2,101)	(4,404)
Interest rate agreements valuation adjustments	(182)	(492)	(411)	47	(113)	(1)	(674)	(114)
Commercial real estate valuation adjustments	—	—	(375)	—	—	(75)	—	(75)
Net gains and valuation adjustments	3,045	15,012	8,846	20,586	12,258	17,437	18,057	29,695
Deferred tax benefit (one time Q2:2004)		—	—	—	5,180	—	—	5,180
Total GAAP / CORE differences	3,043	15,096	8,849	20,373	18,059	16,008	18,139	34,067
Core earnings	37,872	45,466	45,565	51,969	37,029	34,783	83,338	71,812
GAAP / CORE differences	3,043	15,096	8,849	20,373	18,059	16,008	18,139	34,067
GAAP Net Income	$40,915	$60,562	$54,414	$72,342	$55,088	$50,791	$101,477	$105,879
Per Share Analysis								
Variable stock option market value change	($ 0.00)	$ 0.00	$ 0.00	($ 0.01)	$ 0.03	($ 0.07)	$ 0.00	($ 0.04)
Realized gains on calls of residential CES	0.18	0.30	0.46	0.90	0.71	0.58	0.48	1.31
Realized gains on asset sales	0.02	0.33	0.00	0.02	0.05	0.30	0.35	0.35
Loss on repurchase of ABS issued	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Valuation write-downs for EITF 99-20	(0.07)	(0.02)	(0.06)	(0.02)	(0.18)	(0.03)	(0.09)	(0.21)
Interest rate agreements valuation adjustments	(0.01)	(0.01)	(0.02)	0.00	0.00	(0.00)	(0.02)	(0.01)
Commercial real estate valuation adjustements	0.00	0.00	(0.02)	0.00	(0.01)	0.00	0.00	(0.01)
Deferred tax benefit (one time Q2:2004)	0.00	0.00	0.00	0.00	0.24	0.00	0.00	0.25
GAAP / CORE differences per share	0.12	0.60	0.36	0.89	0.84	0.78	0.72	1.64
CORE earnings per share	1.50	1.82	1.86	2.29	1.74	1.71	3.32	3.44
GAAP / CORE differences per share	0.12	0.60	0.36	0.89	0.84	0.78	0.72	1.64
GAAP earnings per share	$ 1.62	$ 2.42	$ 2.22	$ 3.18	$ 2.58	$ 2.49	$ 4.04	$ 5.08
Diluted shares outstanding (000)	25,196	25,021	24,491	22,728	21,325	20,399	25,109	20,856

Table 3: GAAP / TAX Differences (all $ in thousands, except per share data)

Table 3
GAAP/TAX Differences
(all $ in thousands, except per share data)

	Estimated Q2:2005	Estimated Q1:2005	Estimated Q4:2004	Estimated Q3:2004	Estimated Q2:2004	Estimated Q1:2004	Estimated 2004	Actual 2003	Estimated Six Months Q2:2005	Estimated Six Months Q2:2004
GAAP net income	$40,915	$ 60,562	$54,414	$ 72,342	$ 55,088	$ 50,791	$232,635	$131,698	$101,477	$105,879
Interest income and expense differences	(4,868)	(20,091)	(6,209)	(23,527)	5,208	(1,150)	(25,678)	22,324	(24,959)	4,058
Provision for credit losses — GAAP	(1,527)	1,025	1,697	1,528	1,500	2,511	7,236	8,646	(502)	4,011
Tax deductions for realized credit losses	(737)	(438)	(247)	(127)	(506)	(4)	(884)	(825)	(1,175)	(510)
Long-term compensation differences	2,138	1,969	(2,506)	402	2,428	2,904	3,228	7,522	4,107	5,332
Stock option exercise deduction differences	(143)	(477)	(3,094)	(745)	(109)	(12,073)	(16,021)	(2,483)	(620)	(12,182)
Depreciation of fixed asset differences	166	151	(169)	(589)	46	(6)	(718)	(686)	317	40
Other operating expense differences	(31)	69	(2,165)	(34)	5	(16)	(2,210)	885	38	(11)
Sale of assets to third parties differences	(2,476)	(967)	1,859	(576)	(536)	(566)	181	(69)	(3,443)	(1,102)
Call income of residential CES differences	120	(2,324)	(2,873)	(3,961)	(2,157)	(1,899)	(10,890)	(8,402)	(2,204)	(4,056)
Tax gain on securitizations	808	2,558	10,139	11,153	10,303	—	31,595	—	3,366	10,303
Tax gain on intercompany sales and transfers	2,371	3,260	3,074	28	(71)	7,546	10,577	2,823	5,631	7,475
GAAP market valuation write downs (EITF 99-20)	820	391	1,572	422	3,846	558	6,398	7,646	1,211	4,404
Interest rate agreements differences	53	202	(723)	(278)	502	50	(449)	(229)	255	552
Provision for excise tax — GAAP	308	307	(165)	301	190	300	626	1,203	615	490
Provision for income tax differences	3,035	134	4,827	2,834	(3,672)	1,881	5,870	5,502	3,169	(1,791)
Preferred dividend — GAAP	—	—	—	—	—	—	—	696	—	—
Total taxable income (pre-tax)	40,952	46,331	59,431	59,173	72,065	50,827	241,496	176,251	87,283	122,892
Earnings from taxable subsidiaries	(1,715)	(1,170)	(9,045)	(10,143)	(11,721)	(8,337)	(39,246)	(7,861)	(2,885)	(20,058)
REIT taxable income (pre-tax)	$39,237	$ 45,161	$50,386	$ 49,030	$ 60,344	$ 42,490	202,250	$168,390	$ 84,398	$102,834
Common shares outstanding at period end (000)	24,647	24,514	24,154	23,346	21,511	19,796	24,154	19,063	24,647	21,511
Total taxable income per share	$ 1.66	$ 1.89	$ 2.46	$ 2.53	$ 3.35	$ 2.57	$ 10.91	$ 9.64	$ 3.55	$ 5.92
REIT taxable income per share	$ 1.59	$ 1.84	$ 2.09	$ 2.10	$ 2.81	$ 2.15	$ 9.15	$ 9.21	$ 3.43	$ 4.96

Table 4: Taxable Income Estimates (all $ in thousands, except per share data)

Table 4
Taxable Income Estimates
(all $ in thousands, except per share data)

	Estimated Q2:2005	Estimated Q1:2005	Estimated Q4:2004	Estimated Q3:2004	Estimated Q2:2004	Estimated Q1:2004	Estimated 2004	Actual 2003	Estimated Six Months Q2:2005	Estimated Six Months Q2:2004
Taxable income in taxable subs (pre-tax)	$ 1,715	$ 1,170	$ 9,045	$10,143	$11,721	$ 8,337	$ 39,246	$ 7,861	$ 2,885	$ 20,058
REIT taxable income (pre-tax)	39,237	45,161	50,386	49,030	60,344	42,490	202,250	168,390	84,398	102,834
Total taxable income (pre-tax)	$40,952	$46,331	$ 59,431	$59,173	$72,065	$ 50,827	$241,496	$176,251	$87,283	$122,892
Income in taxable subs (pre-tax)	$ 1,715	$ 1,170	$ 9,045	$10,143	$11,721	$ 8,337	$ 39,246	$ 7,861	$ 2,885	$ 20,058
Income tax for taxable subs (actual tax due)	(870)	(830)	(3,571)	(4,574)	(1,600)	(1,150)	(10,895)	(873)	(1,700)	(2,750)
After-tax income in taxable subs	$ 845	$ 340	$ 5,474	$ 5,569	$10,121	$ 7,187	$ 28,351	$ 6,988	$ 1,185	$ 17,308
Core REIT taxable income	36,198	30,741	43,133	34,080	47,037	39,055	163,305	122,622	66,939	86,092
Other ordinary REIT taxable income (expense)	3,166	(565)	(3,118)	(553)	(106)	(11,420)	(16,021)	423	2,601	(11,526)
Ordinary REIT taxable income	39,364	30,176	40,015	33,527	46,931	27,635	147,284	123,045	69,540	74,566
Net long-term capital gain REIT taxable income	(127)	14,985	10,371	15,503	13,413	14,855	54,142	45,345	14,858	28,268
REIT taxable income (pre-tax)	$39,237	$45,161	$ 50,386	$49,030	$60,344	$ 42,490	$202,250	$168,390	$84,398	$102,834
REIT taxable income (pre-tax)	$39,237	$45,161	$ 50,386	$49,030	$60,344	$ 42,490	$202,250	$168,390	84,398	$102,834
Excise taxes due to deferrals	(308)	(307)	165	(301)	(190)	(300)	(626)	(1,305)	(615)	($490)
Income taxes due to earnings retention (actual tax due)	(1,830)	(1,450)	(2,722)	(1,537)	(2,151)	(1,267)	(7,677)	(5,619)	(3,280)	($3,418)
REIT taxable income available for distribution	$37,099	$43,404	$ 47,829	$47,192	$58,003	$ 40,923	$193,947	$161,466	80,503	98,926
After-tax income in taxable subs	$ 845	$ 340	$ 5,474	$ 5,569	$10,121	$ 7,187	$ 28,351	$ 6,988	1,185	$ 17,308
REIT taxable income available for distribution	37,099	43,404	47,829	47,192	58,003	40,923	193,947	161,466	80,503	$ 98,926
Total taxable income (after-tax)	$37,944	$43,744	$ 53,303	$52,761	$68,124	$ 48,110	$222,298	$168,454	81,688	$116,234
Regular dividend per share	$ 0.70	$ 0.70	$ 0.67	$ 0.67	$ 0.67	$ 0.67	$ 2.68	$ 3.36	$ 1.40	$ 1.34
Special dividend per share	—	—	5.50	—	—	0.50	6.00	4.75	—	0.50
Total dividends per share	$ 0.70	$ 0.70	$ 6.17	$ 0.67	$ 0.67	$ 1.17	$ 8.68	$ 8.11	$ 1.40	$ 1.84
Shares at period end (000)	24,647	24,514	24,154	23,346	21,511	19,796	24,154	19,063	24,647	21510.6
Dividends declared	$17,253	$17,160	$146,707	$15,642	$14,412	$ 23,162	$199,923	$137,436	34,413	$ 37,574
Dividend deduction on stock issued through DRIP	112	56	1,048	844	712	655	3,259	1,161	168	$ 1,367
Total dividend deductions	$17,365	$17,216	$147,755	$16,486	$15,124	$ 23,817	$203,182	$138,597	34,581	$ 38,941
Taxable income (after-tax) retained in tax subs	$ 845	$ 340	$ 5,474	$ 5,569	$10,121	$ 7,187	$ 28,351	$ 6,988	1,185	$ 17,308
REIT retained taxable income (after-tax) **(2)**	1,798	1,260	1,445	1,515	2,352	1,197	6,509	5,381	3,058	$ 3,549

Total retained taxable earnings (after-tax)	$ 2,643	$ 1,600	$ 6,919	$ 7,084	$12,473	$ 8,384	$ 34,860	$ 12,369	4,243	$ 20,857
Per share outstanding at quarter end										
Core REIT taxable income (pre-tax)	$ 1.47	$ 1.25	$ 1.79	$ 1.46	$ 2.19	$ 1.97	$ 7.41	$ 6.79	$ 2.72	$ 4.16
REIT taxable income (pre-tax)	1.59	1.84	2.09	2.10	2.81	2.15	9.15	9.21	3.43	4.96
Total taxable income (pre-tax)	1.66	1.89	2.46	2.53	3.35	2.57	10.91	9.64	3.55	5.92
Total retained taxable earnings (after-tax)	0.11	0.07	0.29	0.30	0.58	0.42	1.59	0.65	0.17	1.00

The estimated taxable income amounts and the associated income tax provision numbers are based on taxable income for each of the four quarters of 2004. The twelve month tax provision amounts are consistent with the current provision per the twelve month GAAP financials.

(2) REIT retained taxable income equals 10% of ordinary REIT taxable income less income and excise taxes.

Table 5: Retention and Distribution of Taxable Income (all $ in thousands, except per share data)

Table 5
Retention and Distribution of Taxable Income
(all $ in thousands, except per share data)

	Estimated 6/30/2005	Estimated 3/31/2005	Estimated 12/31/2004	Estimated 9/30/2004	Estimated 6/30/2004	Estimated 3/31/2004	Estimated 2004	Actual 2003
Undistributed REIT taxable income (pre-tax): begin	$ 62,538	$ 37,611	$ 138,981	$109,790	$ 69,263	$ 53,354	$ 53,354	$ 35,865
REIT taxable income (pre-tax)	39,364	45,161	50,386	49,030	60,344	42,490	202,250	168,390
Permanently retained (pre-tax)	(3,924)	(3,018)	(4,002)	(3,353)	(4,693)	(2,764)	(14,811)	(12,305)
Dividend of 2002 income	—	—	—	—	—	—	—	(35,865)
Dividend of 2003 income	—	—	—	(14,413)	(15,124)	(23,817)	(53,354)	(102,732)
Dividend of 2004 income	(17,365)	(17,216)	(147,755)	(2,073)	—	—	(149,828)	—
Undistributed REIT taxable income (pre-tax): end	$ 80,613	$ 62,538	$ 37,611	$138,981	$109,790	$ 69,263	$ 37,611	$ 53,354
Shares outstanding at period end	24,647	24,514	24,154	23,346	21,511	19,796	24,154	19,063
Undistributed REIT taxable income (pre-tax) per share outstanding	$ 3.27	$ 2.55	$ 1.56	$ 5.95	$ 5.10	$ 3.50	$ 1.56	$ 2.80
Undistributed REIT taxable income (pre-tax)								
From 2003's income			—	—	14,413	29,537	—	53,354
From 2004's income	3,030	20,395	37,611	138,982	95,377	39,727	37,611	—
From 2005's income	77,583	42,143	—	—	—	—	—	—
Total	$ 80,613	$ 62,538	$ 37,611	$138,982	$109,790	$ 69,263	$ 37,611	$ 53,354

Table 6: Assets (all $ in millions)

Table 6
Assets
(all $ in millions)

	Q2:2005	Q1:2005	Q4:2004	Q3:2004	Q2:2004	Q1:2004	Q4:2003	Q3:2003
Residential loans owned by Redwood	$ 300	$ 256	$ 193	$ 259	$ 161	$ 97	$ 43	$ 406
Residential loans consolidated from entities	19,083	21,237	22,015	21,299	19,755	17,989	16,196	13,407
Total GAAP residential loans	19,383	21,493	22,208	21,558	19,916	18,086	16,239	13,813
HELOC loans owned by Redwood	—	—	—	—	—	—	—	—
HELOC loans consolidated from entities	247	279	296	317	327	—	—	—
Total GAAP HELOC loans	247	279	296	317	327	—	—	—
Commercial loans owned by Redwood	16	22	32	21	25	14	14	15
Commercial loans consolidated from entities	26	35	22	12	8	8	9	9
Total GAAP commercial loans	42	57	54	33	33	22	23	24
Residential CES owned by Redwood	469	373	351	327	312	256	251	204
Residential CES consolidated from entities	237	238	211	170	131	119	128	169
Total GAAP residential CES	706	611	562	497	443	375	379	373
Other securities owned by Redwood	237	99	129	170	215	239	167	125
Other securities consolidated from entities	1,441	1,435	1,266	1,069	881	698	678	480
Total GAAP other securities	1,678	1,534	1,395	1,239	1,096	937	845	605
Cash owned by Redwood	72	65	57	76	38	58	58	32
Restricted cash consolidated from entities	48	58	36	45	20	14	22	14
Accrued interest receivable	85	82	72	62	49	44	40	33
Principal receivable	—	—	3	1	12	—	13	2
Interest rate agreements	13	29	16	10	17	1	2	—
Deferred tax asset	7	8	11	9	5	—	—	—
Deferred asset-backed security issuance costs	59	63	61	58	53	47	44	36
Other assets	6	6	7	7	7	6	5	5
Total GAAP assets	$ 22,346	$ 24,285	$ 24,778	$ 23,912	$ 22,016	$ 19,590	$ 17,670	$ 14,937
Residential loans owned by Redwood	$ 300	$ 256	$ 193	$ 259	$ 161	$ 97	$ 43	$ 406
HELOC loans owned by Redwood	—	—	—	—	—	—	—	—
Commercial loans owned by Redwood	16	22	32	21	25	14	14	15
Residential CES owned by Redwood	469	373	351	327	312	256	251	204
Other securities owned by Redwood	237	99	129	170	215	239	167	125
Cash owned by Redwood	72	65	57	76	38	58	58	32
Assets of securitizations for GAAP	21,034	23,224	23,810	22,867	21,102	18,814	17,011	14,065
ABS liabilities of entities for GAAP	(20,815)	(23,057)	(23,630)	(22,680)	(20,923)	(18,630)	(16,826)	(13,818)
Redwood earning assets — GAAP basis	$ 1,313	$ 982	$ 942	$ 1,040	$ 930	$ 848	$ 718	$ 1,029

Table 7: Liabilities (all $ in millions)

Table 7
Liabilities
(all $ in millions)

	Q2:2005	Q1:2005	Q4:2004	Q3:2004	Q2:2004	Q1:2004	Q4:2003	Q3:2003
Redwood Trust debt: short-term	$ 453	$ 199	$ 203	$ 246	$ 270	$ 278	$ 236	$ 500
Redwood Trust debt: long-term	—	—	—	—	—	—	—	—
Total Redwood Trust debt	$ 453	$ 199	$ 203	$ 246	$ 270	$ 278	$ 236	$ 500
ABS issued, consolidated from entities	20,598	22,821	23,383	22,449	20,724	18,458	16,661	13,743
Unamortized IO issuance premium	186	202	210	185	161	162	153	66
Unamortized ABS issuance premium	31	34	37	46	38	10	12	9
ABS obligations of entities	$ 20,815	$ 23,057	$ 23,630	$ 22,680	$ 20,923	$ 18,630	$ 16,826	$ 13,818
Accrued interest payable	43	38	35	29	22	18	17	10
Interest rate agreements	3	—	1	7	1	12	4	4
Accrued expenses and other liabilities	23	26	29	32	28	21	22	27
Dividends payable	17	17	16	16	14	23	12	12
Total GAAP liabilities	$ 21,354	$ 23,337	$ 23,914	$ 23,010	$ 21,258	$ 18,982	$ 17,117	$ 14,371
Preferred Stock	—	—	—	—	—	—	—	—
Common stock	803	795	773	727	625	549	518	489
Accumulated other comprehensive income	137	125	105	97	111	79	82	91
Cumulative GAAP earnings	583	542	482	427	355	299	249	179
Cumulative distributions to shareholders	(531)	(514)	(496)	(349)	(333)	(319)	(296)	(193)
GAAP stockholders' equity	992	948	864	902	758	608	553	566
Total GAAP liabilities and equity	$ 22,346	$ 24,285	$ 24,778	$ 23,912	$ 22,016	$ 19,590	$ 17,670	$ 14,937
Total Redwood Trust debt	$ 453	$ 199	$ 203	$ 246	$ 270	$ 278	$ 236	$ 500
GAAP stockholders' equity	992	948	864	902	758	608	553	566
Redwood capital	$ 1,445	$ 1,147	$ 1,067	$ 1,148	$ 1,028	$ 886	$ 789	$ 1,066
Redwood debt to equity ratio	46%	21%	23%	27%	36%	46%	43%	88%
Debt to capital ratio	31%	17%	19%	21%	26%	31%	30%	47%
Redwood earning assets	$ 1,313	$ 982	$ 942	$ 1,040	$ 930	$ 848	$ 718	$ 1,029
Redwood debt	453	199	203	246	270	278	236	500
Redwood net earning assets (GAAP basis)	$ 860	$ 783	$ 739	$ 794	$ 660	$ 570	$ 482	$ 529
Equity to earning assets	76%	97%	92%	87%	82%	72%	77%	55%

Table 8: Book Value and Profitability (all $ in thousands, except per share data)

Table 8
Book Value and Profitability
(all $ in thousands, except per share data)

	Q2:2005	Q1:2005	Q4:2004	Q3:2004	Q2:2004	Q1:2004	Q4:2003	Q3:2003	Six Months Q2:2005	Six Months Q2:2004
BOOK VALUE										
GAAP equity	$991,757	$948,001	$864,156	$901,841	$757,940	$608,122	$553,328	$566,134	$991,757	757,940
Balance sheet mark-to-market adjustments	137,380	124,784	105,357	96,452	111,221	78,517	82,179	90,592	137,380	111,221
Core equity	$854,377	$823,217	$758,799	$805,389	$646,719	$529,605	$471,149	$475,542	$854,377	$646,719
Core equity	854,377	823,217	758,799	805,389	646,719	529,605	471,149	475,542	854,377	646,719
REIT taxable income to be paid as dividends	80,613	62,538	37,611	138,982	109,790	69,263	53,354	83,212	80,530	109,790
Adjusted core equity	$773,764	$760,679	$721,188	$666,407	$536,929	$460,342	$417,796	$392,330	$773,847	$536,929
Shares outstanding at quarter end	24,647	24,514	24,154	23,346	21,511	19,796	19,063	18,468	24,647	21,511
GAAP equity per share	$ 40.24	$ 38.67	$ 35.78	$ 38.63	$ 35.24	$ 30.72	$ 29.03	$ 30.65	$ 40.24	$ 35.24
Core equity per share	34.66	33.58	31.42	34.50	30.06	26.75	24.72	25.75	34.66	30.06
Adjusted core equity per share	31.39	31.03	29.86	28.55	24.96	23.25	21.92	21.24	31.40	24.96
PROFITABILITY										
Net interest income	$ 53,208	$ 61,199	$ 58,007	$ 65,279	$ 47,620	$ 45,260	$ 39,668	$ 34,631	$114,407	$ 92,880
Net interest income / average core equity	25%	31%	30%	38%	33%	36%	34%	30%	28%	34%
Operating expenses (before excise and VSOE)	10,974	10,749	7,781	8,047	8,892	8,297	7,680	8,585	$ 21,723	$ 17,189
Efficiency ratio: op exp / core net interest income	21%	18%	13%	12%	19%	18%	19%	25%	19%	19%
Core earnings	37,872	45,466	$ 45,565	$ 51,969	$ 37,029	$ 34,783	$ 30,485	$ 24,481	83,338	71,812
Core return on average core equity	18%	23%	23%	30%	25%	27%	26%	21%	20%	26%

Table 9: Asset / Liability Matching at June 30, 2005 (all $ in thousands) (1)

Table 9
Asset/Liability Matching at June 30, 2005
(all $ in thousands)

Asset Type	Asset Amount	One-Month LIBOR Liabilities	Six-Month LIBOR Liabilities	Fixed/ Hybrid Liabilities	Non Interest Bearing Liabilities	Equity	Total Liabilities And Equity
Cash (unrestricted)	$ 72,193	$ 72,193	$ 0	$ 0	$ 0	$ 0	$ 72,193
One-Month LIBOR	6,184,838	6,184,838	—	—	—	—	6,184,838
Six-Month LIBOR	14,566,552	—	14,554,747	—	—	11,805	14,566,552
Other ARM	289,466	237,189	—	—	—	52,277	289,466
Fixed / Hybrid < 1yr*	60,957	—	—	22,514	—	38,443	60,957
Fixed / Hybrid > 1yr	954,975	—	—	195,899	—	759,076	954,975
Non-Earning Assets	216,774	—	—	—	86,618	130,156	216,774
Total **(1)**	$22,345,755	$6,494,220	$14,554,747	$218,413	$86,618	$991,757	$22,345,755

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

(1) *includes assets and ABS liabilities of consolidated securitization entities.*

Table 10: Average Balance Sheet (all $ in thousands)

Table 10
Average Balance Sheet
(all $ in thousands)

	Q2:2005	Q1:2005	Q4:2004	Q3:2004	Q2:2004	Q1:2004	Q4:2003	Q3:2003	Six Months Q2:2005	Six Months Q2:2004
Average residential real estate loans	$20,054,970	$21,640,501	$21,716,898	$20,484,287	$18,754,200	$16,916,295	$14,381,270	$10,958,059	$20,843,356	$17,835,248
Average residential HELOC	257,515	285,142	303,119	323,100	124,053	—	—	—	271,252	62,026
Average residential loan CES	550,460	493,412	424,879	368,887	317,235	287,078	272,999	270,991	522,093	302,157
Average commercial real estate loans	45,214	56,080	39,836	33,461	26,129	22,316	23,464	30,471	50,617	24,222
Average securities portfolio	1,573,170	1,442,742	1,278,528	1,148,828	980,089	862,005	709,867	602,622	1,508,316	921,047
Average cash and cash equivalents	124,707	124,685	126,556	101,937	81,450	70,641	116,265	49,053	124,697	76,046
Average earning assets	22,606,036	24,042,562	23,889,816	22,460,500	20,283,156	18,158,335	15,503,865	11,911,196	23,320,331	19,220,746
Average other assets	759,517	520,622	430,219	416,736	327,205	227,634	254,552	220,420	640,793	276,964
Average total assets	$23,365,553	$24,563,184	$24,320,035	$22,877,236	$20,610,361	$18,385,969	$15,758,417	$12,131,616	$23,961,124	$19,497,710
Average Redwood debt	$ 216,639	$ 277,423	$ 348,177	$ 404,589	$ 539,231	$ 447,931	$ 410,631	$ 344,424	$ 246,863	$ 493,581
Average asset-backed securities issues	22,067,276	23,324,111	22,956,247	21,606,164	19,350,833	17,299,503	14,708,963	11,197,470	22,692,221	18,325,168
Average total obligations	22,283,915	23,601,534	23,304,424	22,010,753	19,890,064	17,747,434	15,119,594	11,541,894	22,939,084	18,818,749
Average other liabilities	111,294	66,188	145,752	64,916	56,424	54,150	79,750	37,077	88,930	55,288
Average total liabilities	22,395,209	23,667,722	23,450,176	22,075,669	19,946,488	17,801,584	15,199,344	11,578,971	23,028,014	18,874,037
Average core equity	840,098	794,866	776,833	695,488	583,875	506,445	469,857	458,304	817,650	544,704
Average balance sheet mark-to-market adjustments	130,246	100,596	93,026	106,079	79,998	77,940	89,216	94,341	115,460	78,969
Average total equity	970,344	895,462	869,859	801,567	663,873	584,385	559,073	552,645	933,110	623,673
Average total liabilities and equity	$23,365,553	$24,563,184	$24,320,035	$22,877,236	$20,610,361	$18,385,969	$15,758,417	$12,131,616	$23,961,124	$19,497,710

Table 11: Balances & Yields (all $ in thousands)

Table 11
Balances & Yields
(all $ 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 (GAAP)								
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%
Q3: 2004	23,883,198	75,814	(329,441)	90,818	23,720,389	22,460,500	180,090	3.21%
Q4: 2004	24,863,331	55,841	(372,535)	95,396	24,572,723	23,889,816	205,178	3.44%
2004	**24,863,331**	**55,841**	**(372,535)**	**95,396**	**24,572,723**	**21,208,757**	648,084	**3.06%**
Q1: 2005	24,301,644	34,281	(399,281)	102,711	24,039,355	24,042,562	237,166	3.95%
Q2: 2005	22,414,482	8,428	(427,139)	133,210	22,128,981	22,606,036	248,388	4.40%
Residential Real Estate Loans								
Q3: 2003	$13,703,475	$ 123,392	($ 13,617)	$ 0	$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%
Q3: 2004	21,381,784	197,472	(21,344)	—	21,557,912	20,484,287	147,974	2.89%
Q4: 2004	22,023,888	207,607	(23,078)	—	22,208,417	21,716,898	168,831	3.11%
2004	**22,023,888**	**207,607**	**(23,078)**	—	**22,208,417**	**19,476,842**	**525,511**	**2.70%**
Q1: 2005	21,307,080	210,375	(24,231)	—	21,493,224	21,640,501	194,877	3.60%
Q2: 2005	19,202,109	203,480	(22,396)	—	19,383,193	20,054,970	203,743	4.06%
Home Equity Lines of Credit								
Q3: 2003	—	—	—	—	—	—	—	—
Q4: 2003	—	—	—	—	—	—	—	—
2003	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Q1: 2004	—	—	—	—	—	—	—	—
Q2: 2004	$ 317,045	$ 10,043	($ 267)	$ 0	$ 326,821	$ 124,053	$ 536	1.73%
Q3: 2004	308,697	9,029	(531)	—	317,195	303,119	1,618	2.14%
Q4: 2004	288,954	8,087	(693)	—	296,348	303,119	2,177	2.87%
2004	**288,954**	**8,087**	**(693)**	**—**	**296,348**	**188,254**	**4,331**	**2.30%**
Q1: 2005	272,591	7,477	(596)	—	279,472	285,142	2,558	3.59%
Q2: 2005	241,278	6,657	(563)	—	247,372	257,515	2,467	3.83%
Residential Credit-Enhancement Securities								
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%
Q3: 2004	830,524	(109,367)	(298,925)	74,577	496,809	368,887	16,007	17.36%
Q4: 2004	933,772	(108,141)	(342,706)	78,733	561,658	424,879	16,985	15.99%
2004	**933,772**	**(108,141)**	**(342,706)**	**78,733**	**561,658**	**349,779**	**64,602**	**18.47%**
Q1: 2005	978,878	(89,405)	(365,998)	87,919	611,394	493,412	19,624	15.91%
Q2: 2005	1,103,737	(96,488)	(404,180)	103,126	706,195	550,460	19,439	14.13%
Commercial Real Estate Loans								
Q3: 2003	$ 31,211	$ 538	($ 8,141)	$ 0	$ 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%
Q3: 2004	43,410	(1,380)	(8,641)	—	33,389	33,461	1,038	12.41%
Q4: 2004	65,598	(2,478)	(8,641)	—	54,479	39,836	1,162	11.67%
2004	**65,598**	**(2,478)**	**(8,641)**	**—**	**54,479**	**30,469**	**3,769**	**12.37%**
Q1: 2005	67,365	(2,305)	(8,456)	—	56,604	56,080	1,587	11.32%
Q2: 2005	51,778	(9,984)	—	—	41,794	45,214	1,208	10.68%
Securities								
Q3: 2003	$ 599,144	$ 6,508	$ 0	($ 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%
Q3: 2004	1,242,777	(19,940)	—	16,241	1,239,078	1,148,828	13,278	4.62%
Q4: 2004	1,424,563	(46,651)	—	16,663	1,394,575	1,278,528	15,515	4.85%
2004	**1,424,563**	**(46,651)**	**—**	**16,663**	**1,394,575**	**1,068,162**	**48,949**	**4.58%**

Q1: 2005	1,611,016	(91,861)		14,792	1,533,947	1,442,742	17,940	4.97%
Q2: 2005	1,743,387	(95,237)	—	30,084	1,678,234	1,573,170	20,727	5.27%
Cash & Equivalents								
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	
Q3: 2004	76,006	—	—	—	76,006		175	
Q4: 2004	126,556	—	—	—	57,246		508	
2004	**95,251**	**—**	**—**	**—**	**57,246**		**922**	
Q1: 2005	64,714	—	—	—	64,714		580	
Q2: 2005	72,193	—	—	—	72,193		804	

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

Table 12: Portfolio Activity (all $ in thousands)

Table 12
Portfolio Activity
(all $ 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 (GAAP)								
Q3: 2003	$ 4,996,403	$ 0	($ 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
Q3: 2004	2,898,165	(112,811)	(1,144,320)	2,078	(1,264)	—	489	1,642,337
Q4: 2004	1,791,951	(865)	(1,132,854)	(5,993)	(1,535)	176	(375)	650,505
2004	**9,715,265**	**(113,676)**	**(3,596,656)**	**(29,423)**	**(6,543)**	**176**	**114**	**5,969,257**
Q1: 2005	832,383	—	(1,539,387)	(7,036)	(1,307)	154	—	(715,193)
Q2: 2005	426,806	(3,378)	(2,526,361)	(8,937)	1,494	34	254	(2,110,088)
Home Equity Line of Credit								
Q3: 2003	—	—	—	—	—	—	—	—
Q4: 2003	—	—	—	—	—	—	—	—
2003	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Q1: 2004	—	—	—	—	—	—	—	—
Q2: 2004	$ 335,044	—	($ 7,706)	($ 250)	($ 267)	—	—	$ 326,821
Q3: 2004	—	—	(8,290)	(1,072)	(264)	—	—	(9,626)
Q4: 2004	—	—	(19,743)	(942)	(162)	—	—	(20,847)
2004	**335,044**	**—**	**(35,739)**	**(2,264)**	**(693)**	**—**	**—**	**296,348**
Q1: 2005	—	—	(16,365)	(608)	97	—	—	(16,876)
Q2: 2005	127	—	(31,439)	(821)	33	—	—	(32,100)
Residential Loan Credit-Enhancement Securities								
Q3: 2003	$ 23,164	$ 0	($ 37,647)	$ 11,432	$ 0	$ 0	($ 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
Q3: 2004	82,918	—	(44,822)	8,181	—	—	8,293	54,570
Q4: 2004	72,976	—	(30,900)	8,443	—	—	14,330	64,849
2004	**268,529**	**(22,416)**	**(157,359)**	**34,108**	**—**	**—**	**60,069**	**182,931**
Q1: 2005	67,809	(27,293)	(23,932)	8,727	—	—	24,425	49,736
Q2: 2005	87,849	—	(20,400)	7,775	—	—	19,577	94,801
Commercial Real Estate Loans								
Q3: 2003	$ 1,023	($ 774)	($ 11,220)	($ 33)	$ 0	$ 0	$ 130	($ 10,914)
Q4: 2003	—	—	(31)	(198)	(500)	—	(500)	(1,189)
2003	**6,442**	**(774)**	**(11,353)**	**(298)**	**(500)**	**—**	**(368)**	**(6,851)**
Q1: 2004	—	—	(45)	(122)	—	—	(75)	(242)
Q2: 2004	17,066	(2,339)	(3,233)	(102)	—	—	(23)	11,369
Q3: 2004	—	—	(29)	(128)	—	—	—	(157)
Q4: 2004	21,305	—	(83)	(132)	—	—	—	21,090
2004	**38,371**	**(2,339)**	**(3,390)**	**(484)**	**—**	**—**	**(98)**	**32,060**
Q1: 2005	6,732	—	(5,267)	(30)	185	—	505	2,125
Q2: 2005	—	(11,192)	(3,769)	(99)	—	—	250	(14,810)
Securities								
Q3: 2003	$ 28,702	$ 0	($ 12,677)	($ 96)	$ 0	$ 0	($ 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
Q3: 2004	151,064	—	(18,489)	(86)	—	—	11,121	143,610
Q4: 2004	181,111	—	(25,189)	(304)	—	—	(121)	155,497
2004	**611,153**	**(8,475)**	**(63,554)**	**(1,579)**	**—**	**—**	**12,316**	**549,861**
Q1: 2005	181,207	(12,362)	(27,070)	(294)	—	—	(2,109)	139,372
Q2: 2005	156,182	(3,012)	(22,333)	(195)	—	—	13,645	144,287

Table 13: Residential Credit Results (all $ in thousands)

Table 13
Residential Credit Results
(all $ in thousands)

	Underlying Loans	Internally-Designated Credit Reserves	External Credit Enhancement	(1) Total Credit Protection	Total Credit Protection As % of Loans	Seriously Delinquent Loans	Seriously 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 Managed Residential Portfolio											
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%
Q3: 2004	142,967,137	320,269	69,244	389,513	0.27%	185,023	0.13%	730	196	534	<0.01%
Q4: 2004	148,510,685	365,784	67,650	433,434	0.29%	163,554	0.11%	689	—	689	<0.01%
2004	**148,510,685**	**365,784**	**67,650**	**433,434**	**0.29%**	**163,554**	**0.11%**	**3,303**	**271**	**3,032**	**<0.01%**
Q1: 2005	151,434,189	390,229	92,467	482,696	0.32%	217,159	0.14%	1,377	—	1,377	<0.01%
Q2: 2005	183,248,239	426,576	141,970	568,546	0.31%	245,399	0.13%	740	196	578	<0.01%
Residential Real Estate Loans											
Q3: 2003	$ 13,703,475	$ 13,617	$ 0	$ 13,617	0.10%	1,598	0.01%	—	—	—	<0.01%
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%	—	—	—	<0.01%
Q2: 2004	19,766,481	20,080	—	20,080	0.10%	5,362	0.03%	—	—	—	<0.01%
Q3: 2004	21,381,784	21,344	—	21,344	0.10%	10,785	0.05%	—	—	—	<0.01%
Q4: 2004	22,023,888	23,078	—	23,078	0.10%	13,338	0.06%	176	—	176	<0.01%
2004	**22,023,888**	**23,078**	**—**	**23,078**	**0.10%**	**13,338**	**0.06%**	**176**	**—**	**176**	**<0.01%**
Q1: 2005	21,307,080	24,231	—	24,231	0.11%	16,066	0.08%	154	—	154	<0.01%
Q2: 2005	19,202,109	22,396	—	22,396	0.12%	16,514	0.09%	(34)	—	—	0.00%
Residential Loan Credit-Enhancement Securities											
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%
Q3: 2004	121,585,353	298,925	69,244	368,169	0.30%	174,238	0.14%	730	196	534	<0.01%
Q4: 2004	126,486,797	342,706	67,650	410,356	0.32%	150,216	0.12%	513	—	513	<0.01%
2004	**126,486,797**	**342,706**	**67,650**	**410,356**	**0.32%**	**150,216**	**0.12%**	**3,127**	**271**	**2,856**	**<0.01%**
Q1: 2005	130,127,109	365,998	92,467	458,465	0.35%	201,093	0.15%	1,223	—	1,223	<0.01%
Q2: 2005	164,046,130	404,180	141,970	546,150	0.33%	228,885	0.14%	774	196	578	<0.01%

(1) *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 the residential home equity lines of credit.*

Table 14: Residential Real Estate Loan Characteristics (at period end, all $ in thousands)

Table 14
Residential Real Estate Loan Characteristics
(at period end, all $ in thousands)

	Jun. 2005	Mar. 2005	Dec. 2004	Sep. 2004	Jun. 2004	Mar. 2004	Dec. 2003
Residential Loans	$19,202,109	$21,307,080	$22,023,888	$21,381,784	$19,766,481	$17,950,901	$16,110,748
Number of loans	56,653	62,059	63,236	60,859	55,679	49,619	43,917
Average loan size	$ 339	$ 343	$ 348	$ 351	$ 355	$ 362	$ 367
Adjustable %	100%	100%	100%	100%	100%	100%	100%
Hybrid %	0%	0%	0%	0%	0%	0%	0%
Fixed %	0%	0%	0%	0%	0%	0%	0%
Negam%	0%	0%	0%	0%	0%	0%	0%
Interest Only%	100%	100%	100%	100%	100%	100%	100%
LIBOR 1 M %	25%	24%	24%	22%	21%	22%	23%
LIBOR 6 M%	75%	76%	76%	78%	79%	78%	77%
HYBRID %	0%	0%	0%	0%	0%	0%	0%
Northern CA	12%	12%	13%	13%	12%	12%	12%
Southern CA	12%	12%	13%	13%	14%	13%	13%
Florida	11%	11%	11%	11%	11%	11%	11%
New York	5%	5%	5%	5%	5%	5%	6%
Georgia	5%	5%	5%	5%	5%	5%	5%
New Jersey	4%	4%	4%	4%	4%	4%	5%
Texas	4%	4%	4%	4%	4%	4%	4%
Arizona	4%	4%	4%	4%	4%	4%	4%
Colorado	4%	4%	4%	4%	4%	4%	4%
Illinois	3%	3%	3%	3%	3%	3%	4%
Virginia	3%	3%	3%	3%	3%	3%	3%
Other states	33%	32%	32%	31%	31%	31%	31%
Year 2005 origination	4%	3%	0%	0%	0%	0%	0%
Year 2004 origination	37%	38%	38%	32%	23%	11%	0%
Year 2003 origination	40%	40%	42%	46%	52%	60%	66%
Year 2002 origination	15%	16%	16%	18%	21%	24%	28%
Year 2001 origination	2%	2%	2%	3%	3%	3%	4%
Year 2000 origination	0%	0%	0%	0%	0%	0%	0%
Year 1999 origination	0%	0%	0%	0%	1%	1%	1%
Year 1998 origination or earlier	1%	1%	1%	1%	1%	1%	2%
Wtg Avg Original LTV	69%	68%	68%	68%	68%	68%	68%
Wtg Avg Original Effective LTV	67%	67%	67%	66%	66%	66%	65%
Original LTV: 0% - 20%	1%	1%	1%	1%	1%	1%	1%
Original LTV: 20% - 30%	2%	2%	2%	2%	2%	2%	2%
Original LTV: 30% - 40%	4%	4%	4%	4%	4%	5%	5%
Original LTV: 40% - 50%	7%	7%	7%	7%	8%	8%	9%
Original LTV: 50% - 60%	11%	11%	12%	12%	12%	12%	13%
Original LTV: 60% - 70%	20%	20%	21%	20%	20%	20%	20%
Original LTV: 70% - 80%	47%	46%	46%	44%	44%	43%	41%
Original LTV: 80% - 90%	2%	2%	2%	2%	2%	2%	2%
Original LTV: 90% - 100%	6%	6%	6%	6%	7%	7%	8%
Wtg Avg FICO	731	731	731	731	731	731	731
FICO: <= 600	1%	1%	1%	1%	1%	1%	1%
FICO: 601 -620	1%	1%	1%	1%	1%	1%	1%
FICO: 621 - 640	1%	1%	1%	2%	2%	2%	2%
FICO: 641 -660	3%	3%	3%	3%	3%	3%	4%
FICO: 661 - 680	8%	8%	8%	8%	8%	8%	7%
FICO: 681 - 700	12%	12%	12%	12%	12%	11%	11%
FICO: 701 - 720	14%	14%	14%	14%	14%	14%	14%
FICO: 721 - 740	14%	14%	14%	14%	14%	14%	14%
FICO: 741 - 760	15%	16%	16%	16%	16%	16%	16%
FICO: 761 - 780	17%	17%	17%	17%	17%	17%	17%
FICO: 781 - 800	11%	11%	11%	11%	11%	11%	12%
FICO: >= 801	2%	2%	2%	2%	2%	2%	2%
Conforming at Orgination %	37%	36%	36%	36%	35%	34%	34%
% balance in loans > $1mm per loan	13%	13%	14%	14%	14%	15%	16%

2nd Home %	10%	10%	10%	10%	10%	10%	10%
Investment Home %	2%	2%	2%	2%	2%	2%	2%
Purchase	33%	34%	33%	33%	31%	31%	30%
Cash Out Refi	34%	34%	34%	35%	36%	36%	35%
Rate-Term Refi	32%	31%	31%	31%	31%	31%	32%
Construction	0%	0%	0%	0%	0%	0%	0%
Other	1%	1%	1%	1%	1%	2%	2%

This table only includes loans shown under "residential real estate loans" on our GAAP balance sheet. These are the loans securitized by Sequoia securitization entities sponsored by Redwood. Not included are loans underlying residential credit-enhancement securities by Redwood from securitizations sponsored by others.

Table 15: Residential Loan Credit-Enhancement Securities — Underlying Collateral Characteristics (all $ in thousands)

Table 15
Residential Loan Credit-Enhancement Securities — Underlying Collateral Characteristics
(all $ in thousands)

	Jun. 2005	Mar. 2005	Dec. 2004	Sep. 2004	Jun. 2004	Mar. 2004	Dec. 2003
First loss position, principal value	$ 425,080	$ 375,646	$ 352,752	$ 320,975	$ 279,927	$ 262,329	$ 255,570
Second loss position, principal value	306,145	265,639	276,720	244,042	197,403	176,672	174,592
Third loss position, principal value	372,512	337,593	304,300	265,507	235,578	194,999	193,530
Total principal value	$ 1,103,737	$ 978,878	$ 933,772	$ 830,524	$ 712,908	$ 634,000	$ 623,692
First loss position, reported value	$ 150,621	$ 126,694	$ 110,933	$ 99,783	$ 102,088	$ 75,769	$ 78,030
Second loss position, reported value	228,737	191,962	195,536	174,371	145,211	133,167	134,225
Third loss position, reported value	326,837	292,738	255,189	222,655	194,940	165,680	166,472
Total reported value	$ 706,195	$ 611,394	$ 561,658	$ 496,809	$ 442,239	$ 374,616	$ 378,727
Internal Designated Credit Reserves	$ 404,180	$ 365,998	$ 340,123	$ 298,925	$ 235,535	$ 216,924	$ 200,970
External Credit Enhancement	141,970	92,467	67,650	69,244	70,460	43,797	46,476
Total Credit Protection	$ 546,150	$ 458,465	$ 407,773	$ 368,169	$ 305,995	$ 260,721	$ 247,446
As % of Total Portfolio	0.33%	0.35%	0.32%	0.30%	0.32%	0.37%	0.36%
Underlying Residential Real Estate Loans	$164,046,130	$130,127,109	$126,486,797	$121,585,353	$97,105,222	$71,361,570	$68,133,175
Number of credit-enhanced loans	403,062	295,073	279,838	272,003	216,048	163,673	152,083
Average loan size	$ 407	$ 441	$ 452	$ 447	$ 449	$ 436	$ 448
Adjustable %	7%	9%	9%	8%	8%	7%	8%
Negam %	18%	18%	17%	14%	12%	11%	12%
Hybrid %	30%	28%	28%	29%	33%	37%	42%
Fixed %	45%	45%	46%	49%	47%	45%	38%
Interest Only %	23%	24%	24%	24%	24%	22%	25%
Northern California	20%	20%	19%	21%	22%	23%	23%
Southern California	24%	23%	22%	23%	23%	23%	24%
Florida	5%	5%	6%	5%	5%	4%	4%
New York	5%	5%	5%	5%	5%	5%	5%
New Jersey	4%	4%	4%	4%	4%	4%	4%
Virginia	4%	4%	4%	4%	4%	4%	4%
Texas	3%	3%	3%	3%	3%	3%	3%
Colorado	3%	3%	3%	3%	3%	3%	3%
Illinois	3%	3%	3%	3%	3%	3%	3%
Other states (none greater than 3%)	29%	30%	31%	29%	28%	28%	27%
Year 2005 origination	15%	6%	0%	0%	0%	0%	0%
Year 2004 origination	51%	55%	55%	51%	39%	16%	0%
Year 2003 origination	26%	29%	32%	36%	44%	59%	64%
Year 2002 origination	5%	6%	7%	7%	9%	14%	19%
Year 2001 origination	2%	2%	3%	3%	4%	6%	9%
Year 2000 origination	0%	0%	0%	0%	1%	1%	1%
Year 1999 origination	0%	0%	1%	1%	1%	1%	2%
Year 1998 or earlier origination	1%	2%	2%	2%	2%	3%	5%
Wtg Avg Original LTV	68%	68%	68%	68%	67%	67%	67%
Original LTV: 0% - 20%	0%	0%	0%	0%	0%	0%	0%
Original LTV: 20% - 30%	2%	2%	2%	2%	2%	2%	2%
Original LTV: 30% - 40%	3%	3%	3%	3%	3%	4%	4%
Original LTV: 40% - 50%	8%	8%	8%	8%	8%	8%	8%
Original LTV: 50% - 60%	12%	12%	12%	13%	13%	13%	13%
Original LTV: 60% - 70%	23%	23%	23%	23%	24%	24%	23%
Original LTV: 70% - 80%	48%	48%	48%	48%	47%	46%	46%
Original LTV: 80% - 90%	3%	3%	3%	2%	2%	2%	3%
Original LTV: 90% - 100%	1%	1%	1%	1%	1%	1%	1%
Wtg Avg FICO	731	730	730	728	731	732	732
FICO: <= 600	0%	0%	0%	0%	0%	0%	0%
FICO: 601 - 620	0%	0%	0%	0%	0%	0%	0%
FICO: 621 - 640	2%	2%	2%	2%	2%	2%	2%
FICO: 641 - 660	4%	4%	4%	4%	4%	4%	3%
FICO: 661 - 680	7%	7%	7%	7%	7%	7%	6%
FICO: 681 - 700	11%	11%	11%	11%	10%	10%	10%
FICO: 701 - 720	13%	13%	13%	13%	13%	13%	13%
FICO: 721 - 740	14%	14%	14%	14%	14%	14%	14%
FICO: 741 - 760	15%	16%	16%	16%	16%	16%	16%
FICO: 761 - 780	17%	17%	17%	18%	18%	17%	17%
FICO: 781 - 800	12%	11%	11%	11%	11%	11%	11%
FICO: >= 801	3%	2%	2%	2%	2%	2%	2%
Unknown	2%	2%	2%	2%	3%	4%	5%

Table 15: Residential Loan Credit-Enhancement Securities — Underlying Collateral Characteristics (all $ in thousands) — continued

Table 15
Residential Loan Credit-Enhancement Securities — Underlying Collateral Characteristics
(all $ in thousands)

	Jun. 2005	Mar. 2005	Dec. 2004	Sep. 2004	Jun. 2004	Mar. 2004	Dec. 2003
Conforming at Orgination %	22%	20%	17%	15%	17%	11%	9%
% balance in loans > $1mm per loan	6%	6%	5%	6%	7%	7%	8%
2nd Home %	5%	5%	5%	5%	6%	5%	5%
Investment Home %	3%	2%	2%	2%	2%	2%	2%
Purchase	40%	36%	34%	33%	32%	30%	31%
Cash Out Refi	25%	26%	26%	23%	23%	23%	23%
Rate-Term Refi	33%	38%	40%	44%	44%	46%	45%
Construction	0%	0%	0%	0%	0%	0%	0%
Other	2%	0%	0%	0%	1%	1%	1%

This table includes loans underlying residential credit-enhancement securities acquired from securitizations sponsored by others. Not included are loans underlying residential credit-enhancement securities acquired from Sequoia entities sponsored by Redwood.

Table 16: Commercial Real Estate Loans — Characteristics at June 30 (all $ in thousands)

Table 16
Commercial Real Estate Loans — Characteristics
(at period end, all $ in thousands)

	Jun. 2005	Mar. 2005	Dec. 2004	Sep. 2004	Jun. 2004	Mar. 2004	Dec. 2003
Commercial Mortgage Loans	$41,794	$56,604	$54,479	$33,389	$33,546	$22,177	$22,419
Number of Loans	9	12	9	7	6	9	9
Average Loan Size	$ 4,644	$ 4,717	$ 6,053	$ 4,770	$ 5,591	$ 2,464	$ 2,491
Serious Delinquency	—	—	—	—	—	—	—
Realized Credit losses	—	—	—	—	—	—	—
California %	37%	42%	44%	72%	72%	65%	65%

Table 17: Securities Portfolio — Characteristics at June 30, 2005 (all $ in thousands)

Table 17
Securities Portfolio — Characteristics at June 30, 2005
(all $ in thousands)

	Total	Rating: AAA	AA	A	BBB	BB	B	Unrated
Commercial Real Estate	$ 299,421	$19,335	$ 1,930	$ 32,106	$105,784	$86,519	$24,350	$29,397
Residential Prime	545,504	24,873	234,988	132,474	153,169	—	—	—
Residential Subprime	486,175	—	90,414	304,436	91,325	—	—	—
Residential Second Lien	124,450	3,033	51,919	63,378	6,120	—	—	—
Manufactured Housing	14,778	3,097	—	5,581	—	—	6,100	—
Corporate REIT Debt	64,496	—	—	7,302	57,194	—	—	—
Real Estate CDOs	143,408	30,033	26,317	42,051	39,597	4,576	—	834
Total Securities Portfolio	$1,678,232	$80,371	$405,568	$587,328	$453,189	$91,095	$30,450	$30,231

Includes a portion of Redwood's permanent investment portfolio, plus securities consolidated from Acacia CDO securitization entities sponsored by Redwood, plus securities held by Redwood temporarily prior to sale to Acacia.

Does not include securities purchased for Acacia or Redwood's permanent investment portfolio from securitization entities sponsored by Redwood, as those securities are eliminated in the GAAP consolidation of the underlying entities.

Does not include residential credit-enhancement securities.

Table 18: ABS Issued Characteristics — Residential Mortgage Loans (Sequoia) (all $ in thousands)

Table 18
ABS Issued Characteristics — Residential Mortgage Loans (Sequoia)
(all $ in thousands)

Sequoia ABS Issued	Debt Rating	Issue Date	Original Issue Amount	Index	Stated Maturity	Estimated Callable Date	Principal Outstanding At June 30, 2005	Interest Rate At June 30, 2005
Sequoia 1 A1	AAA	07/29/97	$ 334,347	1m LIBOR	2028	Called	$ 0	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	Called	—	NM
Sequoia 2 A2	AAA	11/06/97	156,600	1m LIBOR	2029	Called	—	NM
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	133,273	3.64%
Sequoia 5 A	AAA	10/29/01	496,667	1m LIBOR	2026	2009	243,330	3.61%
Sequoia 5 B1	AA	10/29/01	5,918	1m LIBOR	2026	2009	5,918	4.06%
Sequoia 5 B2	A	10/29/01	5,146	1m LIBOR	2026	2009	5,146	4.06%
Sequoia 5 B3	BBB	10/29/01	2,316	1m LIBOR	2026	2009	2,316	4.06%
Sequoia 6A	AAA	04/26/02	496,378	1m LIBOR	2027	2009	272,840	3.58%
Sequoia 6B1	AA	04/26/02	5,915	1m LIBOR	2027	2009	5,915	3.96%
Sequoia 7A	AAA	05/29/02	554,686	1m LIBOR	2032	2008	256,632	3.60%
Sequoia 7B1	AA	05/29/02	8,080	1m LIBOR	2032	2008	8,080	4.01%
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	7,848	4.73%
Sequoia 8 2A	AAA	07/30/02	463,097	1m LIBOR	2032	2008	245,394	3.56%
Sequoia 8 3A	AAA	07/30/02	49,973	6m LIBOR	2032	2008	19,213	4.21%
Sequoia 8 B1	AA	07/30/02	9,069	1m LIBOR	2032	2008	8,702	3.94%
Sequoia 9 1A	AAA	08/28/02	381,689	1m LIBOR	2032	2011	212,014	3.61%
Sequoia 9 2A	AAA	08/28/02	168,875	1m LIBOR	2032	2011	63,741	4.23%
Sequoia 9 B1	AA	08/28/02	7,702	1m LIBOR	2032	2011	7,702	4.01%
Sequoia 10 1A	AAA	09/26/02	822,375	1m LIBOR	2027	2011	477,349	3.66%
Sequoia 10 2A-1	AAA	09/26/02	190,000	1m LIBOR	2027	2011	107,208	3.64%
Sequoia 10 2A-2	AAA	09/26/02	3,500	1m LIBOR	2027	2011	3,500	3.94%
Sequoia 10 B1	AA	09/26/02	12,600	1m LIBOR	2027	2011	12,600	4.06%
Sequoia 10 B2	A	09/26/02	8,400	1m LIBOR	2027	2011	8,400	4.06%
Sequoia 10 B3	BBB	09/26/02	4,725	1m LIBOR	2027	2011	4,725	4.66%
Sequoia 11 A	AAA	10/30/02	695,210	1m LIBOR	2032	2011	377,246	3.71%
Sequoia 11 B1	AA	10/30/02	9,726	1m LIBOR	2032	2011	9,726	4.23%
Sequoia 12 A	AAA	12/19/02	1,080,076	1m LIBOR	2033	2009	622,054	3.71%
Sequoia 12 B1	AA	12/19/02	16,815	1m LIBOR	2033	2009	16,815	4.11%
Sequoia 2003-1 A1	AAA	02/27/03	798,206	1m LIBOR	2033	2009	464,932	3.64%
Sequoia 2003-1 A2	AAA	02/27/03	190,000	6m LIBOR	2033	2009	110,292	3.48%
Sequoia 2003-1 B1	AA	02/27/03	15,905	1m LIBOR	2033	2009	15,905	4.14%
Sequoia 2003-1 B2	A	02/27/03	8,210	Pass Through	2033	2009	8,210	4.05%
Sequoia 2003-2 A1	AAA	04/29/03	500,000	1m LIBOR	2022	2009	305,243	3.59%
Sequoia 2003-2 A2	AAA	04/29/03	303,600	6m LIBOR	2022	2009	171,850	3.67%
Sequoia 2003-2 M1	AA	04/29/03	11,480	1m LIBOR	2016	2009	11,480	3.91%
Sequoia 2003-3 A1	AAA	06/26/03	379,455	1m LIBOR	2023	2009	223,824	3.59%
Sequoia 2003-3 A2	AAA	06/26/03	149,922	6m LIBOR	2023	2009	89,324	3.99%
Sequoia 2003-3 B1	AA	06/26/03	9,075	1m LIBOR	2025	2009	9,075	3.91%
MLCC 2003-C A1	AAA	06/26/03	773,795	1m LIBOR	2023	2012	466,397	3.64%
MLCC 2003-C A2	AAA	06/26/03	200,002	6m LIBOR	2023	2012	120,851	4.00%
MLCC 2003-C B1	AA	06/26/03	10,553	1m LIBOR	2025	2012	10,553	3.96%
MLCC 2003-D A	AAA	07/29/03	992,833	1m LIBOR	2028	2012	640,962	3.62%
MLCC 2003-D B1	AA	07/29/03	10,758	1m LIBOR	2028	2012	10,758	3.94%
Sequoia 2003-4 1A1	AAA	07/29/03	148,641	1m LIBOR	2033	2009	107,876	3.57%

Sequoia 2003-4 1A2	AAA	07/29/03	150,000	6m LIBOR	2033	2009	111,476	3.23%
Sequoia 2003-4 1B1	AA	07/29/03	3,864	1m LIBOR	2033	2009	3,864	3.91%
Sequoia 2003-4 2A1	AAA	07/29/03	189,415	1m LIBOR	2033	2011	145,318	3.61%
Sequoia 2003-4 2M1	AA	07/29/03	9,986	1m LIBOR	2033	2011	9,986	3.73%
Sequoia 2003-4 2B1	AA	07/29/03	2,367	1m LIBOR	2033	2011	2,367	3.91%
Sequoia 2003-5 A1	AAA	08/27/03	675,596	1m LIBOR	2033	2009	408,547	3.57%
Sequoia 2003-5 A2	AAA	08/27/03	149,609	6m LIBOR	2033	2009	89,135	3.41%
Sequoia 2003-5 B1	AA	08/27/03	15,043	1m LIBOR	2033	2009	15,043	3.86%
Sequoia 2003-6 A1	AAA	10/29/03	458,238	1m LIBOR	2033	2009	274,745	3.57%
Sequoia 2003-6 A2	AAA	10/29/03	180,474	6m LIBOR	2033	2009	102,038	3.66

Table 18: ABS Issued Characteristics — Residential Mortgage Loans (Sequoia) — continued

Table 18
ABS Issued Characteristics — Residential Mortgage Loans (Sequoia)
(all $ in thousands)

Sequoia ABS Issued	Debt Rating	Issue Date	Original Issue Amount	Index	Stated Maturity	Estimated Callable Date	Principal Outstanding At June 30, 2005	Interest Rate At June 30, 2005
Sequoia 2003-6 B1	AA	10/29/03	$ 11,287	1m LIBOR	2033	2009	$ 11,287	3.84%
Sequoia 2003-7 A1	AAA	11/25/03	290,000	1m LIBOR	2034	2009	179,089	3.58%
Sequoia 2003-7 A2	AAA	11/25/03	505,100	6m LIBOR	2034	2009	302,990	3.84%
Sequoia 2003-7 B1	AA	11/25/03	16,607	1m LIBOR	2034	2009	16,607	3.81%
Sequoia 2003-8 A1	AAA	12/23/03	791,768	1m LIBOR	2034	2009	552,140	3.58%
Sequoia 2003-8 A2	AAA	12/23/03	150,000	6m LIBOR	2034	2009	104,133	3.96%
Sequoia 2003-8 B1	AA	12/23/03	14,166	1m LIBOR	2034	2009	14,166	3.85%
Sequoia 2003-8 B2	A	12/23/03	8,304	1m LIBOR	2034	2009	8,304	4.51%
MLCC 2003-E A1	AAA	08/28/03	823,305	1m LIBOR	2028	2012	533,506	3.62%
MLCC 2003-E A2	AAA	08/28/03	150,000	6m LIBOR	2028	2012	94,947	3.41%
MLCC 2003-E B1	AA	08/28/03	10,547	1m LIBOR	2028	2012	10,547	3.91%
MLCC 2003-F A1	AAA	09/25/03	839,000	1m LIBOR	2028	2012	559,729	3.63%
MLCC 2003-F A2	AAA	09/25/03	270,000	6m LIBOR	2028	2012	181,419	3.71%
MLCC 2003-F A3	AAA	09/25/03	175,000	Pass Through	2028	2012	126,822	4.67%
MLCC 2003-F B1	AA	09/25/03	13,913	1m LIBOR	2028	2012	13,913	3.91%
MLCC 2003-H A1	AAA	12/22/03	365,708	1m LIBOR	2029	2012	261,834	3.63%
MLCC 2003-H A2	AAA	12/22/03	240,000	6m LIBOR	2029	2012	174,788	3.99%
MLCC 2003-H A3A	AAA	12/22/03	119,613	Pass Through	2029	2012	84,149	4.14%
MLCC 2003-H B1	AA	12/22/03	7,875	1m LIBOR	2029	2012	7,875	3.86%
MLCC 2003-H B2	A	12/22/03	6,000	1m LIBOR	2029	2012	6,000	4.56%
Sequoia 2004-1 A1	AAA	01/28/04	601,250	6m LIBOR	2034	2010	415,797	3.20%
Sequoia 2004-1 B1	AA	01/28/04	9,375	1m LIBOR	2034	2010	9,375	3.81%
Sequoia 2004-1 B2	A	01/28/04	5,937	1m LIBOR	2034	2010	5,937	4.31%
Sequoia 2004-2 A1	AAA	02/25/04	671,998	6m LIBOR	2034	2010	441,834	3.35%
Sequoia 2004-2 B1	AA	02/25/04	11,550	1m LIBOR	2034	2010	11,550	3.76%
Sequoia 2004-2 B2	A	02/25/04	7,000	1m LIBOR	2034	2010	7,000	4.24%
Sequoia 2004-3 A1	AAA	03/30/04	894,673	6m LIBOR	2034	2010	591,488	3.55%
Sequoia 2004-3 M1	AA	03/30/04	13,800	1m LIBOR	2034	2010	13,800	3.76%
Sequoia 2004-3 M2	A	03/30/04	9,200	1m LIBOR	2034	2010	9,200	4.16%
Sequoia 2004-4 A1	AAA	04/29/04	785,971	6m LIBOR	2010	2010	523,286	3.59%
Sequoia 2004-4 B1	AA	04/29/04	14,612	1m LIBOR	2010	2010	14,612	3.76%
Sequoia 2004-4 B2	A	04/29/04	8,350	1m LIBOR	2010	2010	8,350	4.16%
Sequoia 2004-5 A1	AAA	05/27/04	547,657	Pass Through	2012	2012	381,868	3.59%
Sequoia 2004-5 A2	AAA	05/27/04	185,613	1m LIBOR	2012	2012	129,108	3.11%
Sequoia 2004-5 A3	AAA	05/27/04	74,897	6m LIBOR	2012	2012	52,097	2.82%
Sequoia 2004-5 B1	AA	05/27/04	14,874	1m LIBOR	2012	2012	14,874	3.33%
Sequoia 2004-5 B2	A	05/27/04	8,499	1m LIBOR	2012	2012	8,499	3.73%
Sequoia 2004-6 A1	AAA	06/29/04	500,000	Pass Through	2012	2012	356,879	4.34%
Sequoia 2004-6 A2	AAA	06/29/04	185,687	1m LIBOR	2012	2012	142,554	3.54%
Sequoia 2004-6 A3a	AAA	06/29/04	196,500	6m LIBOR	2012	2012	145,579	3.94%
Sequoia 2004-6 A3b	AAA	06/29/04	3,500	6m LIBOR	2012	2012	2,593	4.08%
Sequoia 2004-6 B1	AA	06/29/04	15,725	1m LIBOR	2012	2012	15,725	3.76%
Sequoia 2004-6 B2	A	06/29/04	9,250	1m LIBOR	2012	2012	9,250	4.14%
SEMHT 2004-01 A	AAA	06/29/04	317,044	1m LIBOR	2014	2012	237,189	3.49%
Sequoia 2004-7 A1	AAA	07/29/04	498,828	Pass Through	2034	2012	206,220	3.90%
Sequoia 2004-7 A2	AAA	07/29/04	252,102	1m LIBOR	2034	2012	197,184	3.57%
Sequoia 2004-7 A3a	AAA	07/29/04	247,874	6m LIBOR	2034	2012	188,515	3.23%
Sequoia 2004-7 A3b	AAA	07/29/04	3,956	6m LIBOR	2034	2012	3,009	3.45%
Sequoia 2004-7 B1	AA	07/29/04	18,900	1m LIBOR	2034	2012	18,900	3.81%
Sequoia 2004-7 B2	A	07/29/04	11,025	1m LIBOR	2034	2012	11,025	4.20%
Sequoia 2004-8 A1	AAA	08/27/04	365,049	1m LIBOR	2034	2012	294,230	3.61%
Sequoia 2004-8 A2	AAA	08/27/04	418,050	6m LIBOR	2034	2012	330,942	3.45%
Sequoia 2004-8 B1	AA	08/27/04	16,400	1m LIBOR	2034	2012	16,400	3.78%
Sequoia 2004-8 B2	A	08/27/04	8,200	1m LIBOR	2034	2012	8,200	4.16%
Sequoia 2004-9 A1	AAA	09/29/04	453,364	1m LIBOR	2034	2012	370,218	3.60%
Sequoia 2004-9 A2	AAA	09/29/04	296,310	6m LIBOR	2034	2012	243,545	3.66%
Sequoia 2004-9 B1	AA	09/29/04	14,915	1m LIBOR	2034	2012	14,915	3.77%
Sequoia 2004-9 B2	A	09/29/04	8,242	1m LIBOR	2034	2012	8,242	4.14%
Sequoia 2004-10 A-1A	AAA	10/28/04	110,000	1m LIBOR	2034	2012	93,641	3.57%
Sequoia 2004-10 A-1B	AAA	10/28/04	12,225	1m LIBOR	2034	2012	10,407	3.63%
Sequoia 2004-10 A-2	AAA	10/28/04	203,441	1m LIBOR	2034	2012	173,186	3.58%
Sequoia 2004-10 A-3A	AAA	10/28/04	180,000	6m LIBOR	2034	2012	141,471	3.66%
Sequoia 2004-10 A-3B	AAA	10/28/04	20,000	6m LIBOR	2034	2012	15,719	3.72%
Sequoia 2004-10 A-4	AAA	10/28/04	126,799	6m LIBOR	2034	2012	99,657	3.67%
Sequoia 2004-10 B-1	AA	10/28/04	14,042	1m LIBOR	2034	2012	14,042	3.76%
Sequoia 2004-10 B-2	A	10/28/04	6,849	1m LIBOR	2034	2012	6,849	4.11%

Table 18
ABS Issued Characteristics — Residential Mortgage Loans (Sequoia)
(all $ in thousands)

Sequoia ABS Issued	Debt Rating	Issue Date	Original Issue Amount	Index	Stated Maturity	Estimated Callable Date	Principal Outstanding At June 30, 2005	Interest Rate At June 30, 2005
Sequoia 2004-11 A1	AAA	11/23/04	$ 433,985	1m LIBOR	2034	2013	$ 367,708	3.56%
Sequoia 2004-11 A2	AAA	11/23/04	86,036	6m LIBOR	2034	2013	72,396	3.81%
Sequoia 2004-11 A3	AAA	11/23/04	170,694	1m LIBOR	2034	2013	152,022	3.56%
Sequoia 2004-11 B1	AA	11/23/04	8,947	1m LIBOR	2034	2013	8,947	3.76%
Sequoia 2004-11 B2	A	11/23/04	6,084	1m LIBOR	2034	2013	6,084	4.11%
Sequoia 2004-12 A1	AAA	12/22/04	380,510	1m LIBOR	2035	2013	340,925	3.53%
Sequoia 2004-12 A2	AAA	12/22/04	208,392	6m LIBOR	2035	2013	176,002	3.93%
Sequoia 2004-12 A3	AAA	12/22/04	218,331	6m LIBOR	2035	2013	177,863	3.96%
Sequoia 2004-12 B1	AA	12/22/04	8,588	1m LIBOR	2035	2013	8,588	3.76%
Sequoia 2004-12 B2	A	12/22/04	6,134	1m LIBOR	2035	2013	6,134	4.11%
Sequoia 2005-1 A1	AAA	01/27/05	298,055	1m LIBOR	2035	2013	264,853	3.49%
Sequoia 2005-1 A2	AAA	01/27/05	100,000	6m LIBOR	2035	2013	93,210	3.17%
Sequoia 2005-1 B1	AA	01/27/05	7,067	1m LIBOR	2035	2013	7,067	3.68%
Sequoia 2005-1 B2	A	01/27/05	3,949	1m LIBOR	2035	2013	3,949	3.96%
Sequoia 2005-2 A1	AAA	02/24/05	202,462	1m LIBOR	2035	2013	189,921	3.48%
Sequoia 2005-2 A2	AAA	02/24/05	126,737	6m LIBOR	2035	2013	111,355	3.36%
Sequoia 2005-2 B1	AA	02/24/05	6,016	1m LIBOR	2035	2013	6,016	3.65%
Sequoia 2005-2 B2	A	02/24/05	3,266	1m LIBOR	2035	2013	3,266	3.93%
Sequoia 2005-3 A1	AAA	04/28/05	349,687	1m LIBOR	2035	2013	334,740	3.46%
Sequoia 2005-3 B1	AA	04/28/05	6,208	1m LIBOR	2035	2013	6,208	3.63%
Sequoia 2005-3 B2	A	04/28/05	3,287	1m LIBOR	2035	2013	3,287	3.90%
Total Sequoia ABS Issuance			$30,222,773				$18,667,485	3.63%

Does not include Sequoia ABS acquired by Redwood or Acacia

Table 19: ABS Issued Characteristics — IO's from Residential Real Esate Loans
Sequoia Interest-Only Certificates Issued (all $ in thousands)

Table 19
ABS Characteristics — IO's from Residential Real Estate Loans — Sequoia Interest Only Certificates Issued
(all $ in thousands)

Sequoia ABS IO's Issued	Debt Rating	Issue Date	Original Issue Amount	Index	Stated Maturity	Estimated Callable Date	Adjusted Issue Amount At June 30, 2005	Interest Rate At June 30, 2005
MLCC 2003-C X-A-2	AAA	06/26/03	$ 12,662	Fixed	2007	2011	$ 2,407	4.50%
MLCC 2003-D X-A-1	AAA	07/29/03	22,371	Fixed	2007	2012	5,231	4.50%
MLCC 2003-E X-A-1	AAA	08/28/03	16,550	Fixed	2007	2012	5,455	4.25%
MLCC 2003-F X-A-1	AAA	09/25/03	18,666	Fixed	2007	2012	6,281	4.50%
Sequoia 2003-6 X-1	AAA	10/29/03	8,220	Fixed	2007	2009	2,741	4.50%
SMFC 2003A AX1	AAA	10/31/03	70,568	Fixed	2007	2007	20,466	4.50%
Sequoia 2003-7 X-1	AAA	11/25/03	10,345	Fixed	2007	2012	3,645	4.25%
Sequoia 2003-8 X-1	AAA	12/23/03	12,256	Fixed	2007	2009	4,617	4.50%
Sequoia 2004-1 X-1	AAA	01/28/04	7,801	Fixed	2007	2009	3,146	4.00%
Sequoia 2004-2 X-1	AAA	02/25/04	8,776	Fixed	2007	2009	3,735	3.75%
SMFC 2004A AX1	AAA	02/26/04	10,626	Fixed	2007	2007	5,855	3.75%
MLCC 2003-H X-A-1	AAA	12/22/03	10,430	Fixed	2007	2012	4,275	4.25%
Sequoia 2004-4 X-1	AAA	05/28/04	9,789	Fixed	2010	2009	4,954	4.25%
Sequoia 2004-5 X-1	AAA	05/27/04	3,371	Fixed	2012	2012	1,718	4.15%
Sequoia 2004-6 X-A	AAA	06/29/04	10,884	Pass Through	2012	2012	8,127	N/A
Sequoia 2004-7 X-A	AAA	07/29/04	12,145	Pass Through	2034	2012	9,056	N/A
Sequoia 2004-8 X-A	AAA	08/27/04	18,270	Pass Through	2034	2012	14,275	N/A
Sequoia 2004-9 X-A	AAA	09/29/04	16,951	Pass Through	2034	2012	13,353	N/A
Sequoia 2004-10 X-A	AAA	10/28/04	14,735	Pass Through	2034	2012	11,902	N/A
Sequoia 2004-11 X-A-1	AAA	11/23/04	12,603	Pass Through	2034	2013	10,490	N/A
Sequoia 2004-11 X-A-2	AAA	11/23/04	4,697	Pass Through	2034	2013	3,926	N/A
Sequoia 2004-12 X-A-1	AAA	12/22/04	14,453	Pass Through	2035	2013	12,732	N/A
Sequoia 2004-12 X-A-2	AAA	12/22/04	4,619	Pass Through	2035	2013	4,620	N/A
Sequoia 2005-1 X-A	AAA	01/27/05	9,669	Pass Through	2035	2013	8,491	N/A
Sequoia 2005-2 X-A	AAA	02/24/05	7,484	Pass Through	2035	2013	6,746	N/A
Sequoia 2005-3 X-A	AAA	04/28/05	8,183	Pass Through	2035	2013	7,774	N/A
Total Sequoia Issuance			$357,124				$ 186,018	4.31%

Does not include Sequoia IO's acquired by Redwood or Acacia

Table 20: ABS Characteristics — Commercial Real Estate Loans (all $ in thousands)

Table 20
ABS Characteristics — Commercial Real Estate Loans
(all $ in thousands)

Commercial ABS Issued	Debt Rating	Issue Date	Original Issue Amount	Index	Stated Maturity	Estimated Callable Date	Principal Outstanding At At June 30, 2005	Interest Rate At June 30, 2005
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	6m LIBOR	2009	NC	—	NM
Commercial 5	NR	12/10/04	4,030	6m LIBOR	2005	Paid Off	—	NM
Commercial 6	NR	02/07/05	4,250	Fixed	2009	NC	4,250	12.00%
Total Commercial Issuance			$39,523				$ 4,250	12.00%

Table 21: ABS, CDO and Resecuritization Characteristics
Collateralized Debt Obligations and Other Resecuritizations — Acacia and SMFC (all $ in thousands)

Table 21
ABS Characteristics
Collateralized Debt Obligations and Other Resecuritizations — Acacia and SMFC
(all $ in thousands)

CDO & Other Resecuritization Issuance	Debt Rating	Issue Date	Original Issue Amount	Index	Stated Maturity	Estimated Callable Date	Principal Outstanding At June 30, 2005	Interest Rate At June 30, 2005
SMFC 2002A A1	AAA	04/30/02	$ 64,761	1m LIBOR	2030	2005	—	NM
SMFC 2002A A2	AAA	04/30/02	15,861	1m LIBOR	2029	2005	—	NM
Acacia CDO 1 A	AAA	12/10/02	224,250	3m LIBOR	2018	2010	177,131	3.93%
Acacia CDO 1 B	AA	12/10/02	45,000	3m LIBOR	2037	2010	45,000	4.65%
Acacia CDO 1 C	BBB	12/10/02	15,750	3m LIBOR	2037	2010	15,750	6.05%
SMFC 2002B I A1	AA	12/19/02	16,855	Fixed	2031	2005	644	5.43%
SMFC 2002B I A2	A	12/19/02	18,274	Fixed	2031	2005	699	5.68%
SMFC 2002B I A3	BBB	12/19/02	17,221	Fixed	2031	2005	659	6.38%
SMFC 2002B I A4	BB	12/19/02	25,133	Fixed	2031	2005	962	6.75%
SMFC 2002B II A1	AA	12/19/02	15,517	Fixed	2039	2005	767	4.82%
SMFC 2002B II A2	A	12/19/02	18,345	Fixed	2039	2005	907	4.92%
SMFC 2002B II A3	BBB	12/19/02	14,989	Fixed	2039	2005	741	5.35%
SMFC 2002B II A4	BB	12/19/02	8,347	Fixed	2039	2005	413	6.00%
Acacia CDO 2 A	AAA	05/13/03	222,000	3m LIBOR	2023	2011	204,260	4.02%
Acacia CDO 2 B	AA	05/13/03	45,375	3m LIBOR	2038	2011	45,375	4.67%
Acacia CDO 2 C	BBB	05/13/03	16,500	3m LIBOR	2038	2011	16,500	6.62%
Acacia CDO 3 A	AAA	11/04/03	222,000	3m LIBOR	2038	2011	215,235	3.93%
Acacia CDO 3 B	AA	11/04/03	45,750	3m LIBOR	2038	2011	45,750	4.55%
Acacia CDO 3 C	BBB	11/04/03	16,500	3m LIBOR	2038	2011	16,500	6.75%
Acacia CDO 4 A	AAA	04/08/04	229,400	3m LIBOR	2039	2012	229,077	3.50%
Acacia CDO 4 B1	AA	04/08/04	45,300	3m LIBOR	2039	2012	45,300	3.97%
Acacia CDO 4 B2	AA	04/08/04	2,000	Fixed	2039	2012	2,000	4.81%
Acacia CDO 4 C1	BBB	04/08/04	13,700	3m LIBOR	2039	2012	13,700	5.97%
Acacia CDO 4 C2	BBB	04/08/04	3,000	Fixed	2039	2012	3,000	6.81%
Acacia CDO 5 A	AAA	07/14/04	222,500	3m LIBOR	2039	2012	222,404	3.61%
Acacia CDO 5 B	AA	07/14/04	42,250	3m LIBOR	2039	2012	42,250	4.08%
Acacia CDO 5 C	A	07/14/04	9,000	3m LIBOR	2039	2012	9,000	4.68%
Acacia CDO 5 D	A	07/14/04	3,000	3m LIBOR	2039	2012	3,000	5.23%
Acacia CDO 5 E	BBB	07/14/04	5,375	3m LIBOR	2039	2012	5,375	6.03%
Acacia CDO 6 A1	AAA	11/09/04	222,000	3m LIBOR	2040	2012	221,874	3.61%
Acacia CDO 6 A2	AAA	11/09/04	15,000	3m LIBOR	2040	2012	15,000	3.90%
Acacia CDO 6 B	AA	11/09/04	27,000	3m LIBOR	2040	2012	27,000	4.05%
Acacia CDO 6 C	A	11/09/04	6,500	3m LIBOR	2040	2012	6,500	4.60%
Acacia CDO 6 D	A	11/09/04	3,000	3m LIBOR	2040	2012	3,000	5.25%
Acacia CDO 6 E1	BBB	11/09/04	1,500	3m LIBOR	2040	2012	1,500	6.05%
Acacia CDO 6 E2	BBB	11/09/04	7,000	Fixed	2040	2012	7,000	6.95%
Acacia CDO 7 A	AAA	03/10/05	231,700	3m LIBOR	2045	2013	231,700	3.33%
Acacia CDO 7 B	AA	03/10/05	28,100	3m LIBOR	2045	2013	28,100	3.62%
Acacia CDO 7 C	A	03/10/05	6,000	3m LIBOR	2045	2013	6,000	4.22%
Acacia CDO 7 D	BBB	03/10/05	16,200	3m LIBOR	2045	2013	16,200	5.64%
Total Resecuritizations			$2,207,953				$ 1,926,273	3.93%

Does not include ABS acquired by Redwood or Acacia

End

Exhibit 99.2

REDWOOD TRUST

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FOR IMMEDIATE RELEASE
Friday, August 5, 2005

REDWOOD TRUST REPORTS SECOND QUARTER 2005 RESULTS

MILL VALLEY, California – August 5, 2005 – Redwood Trust, Inc. (NYSE: RWT) today reported GAAP earnings of $40.9 million ($1.62 per share) for the second quarter of 2005. In the second quarter of 2004, GAAP earnings were $55.1 million ($2.58 per share). On a GAAP basis for the comparable quarters, net income decreased by $14.2 million. Net interest income increased by $5.6 million, but this was offset by $2.9 million higher operating expenses, $9.2 million lower gains from asset sales and calls, and $7.7 million higher income tax provisions. The bulk of the increase in tax provisions was related to the recognition of a one-time tax benefit of $5.2 million for our remaining tax net operating losses (NOLs) in the second quarter of 2004.

Our core earnings were $37.8 million ($1.50 per share) for the second quarter of 2005, and were $37.0 million ($1.74 per share) for the second quarter of 2004. Core earnings excludes gains from asset sales, calls, and market value changes that are included in earnings reported for GAAP purposes, and also excludes the $5.2 million one-time tax benefit recorded for GAAP in the second quarter of 2004. A reconciliation of core to GAAP earnings appears in the table below. We believe core earnings can be a meaningful measure of Redwood's financial performance in addition to reported GAAP results because core earnings highlights that portion of our reported earnings that is more likely to be ongoing in nature.

"Certain aspects of this quarter were challenging, but overall it was a good quarter in many ways," said Doug Hansen, Redwood's President. "As we previously suggested may occur, our GAAP and core earnings remain strong on an absolute basis while continuing to decline relative to the extraordinary earnings we posted in 2004. During the second quarter, we generated a GAAP return on equity of 17%. Our credit results remain excellent. The general increase in housing prices has reduced credit risk for our more seasoned assets. Our taxable income generation remains strong, thus supporting our regular dividend, and also supporting the probability of a special dividend towards the end of the year. The overall long-term evolution and growth of our business is making good progress, we believe."

"Residential loan prepayment rates are not usually a primary factor for our earnings outlook," said Hansen. "During the last few months, however, prepayments have accelerated to a rapid rate. It looks like this trend might persist for a while, especially if the yield curve remains flat. We believe rapid prepayments, if they continue, will be beneficial for us in the long-term. In the short term, however, this prepayment acceleration has caused some GAAP earnings pressure. We own interest-only (IO) securities acquired from some of the Sequoia residential securitization entities we sponsor — faster prepayment rates on Sequoia adjustable rate loans (ARM) that underlie these securities served to reduce the current and future earnings and cash flows we anticipated receiving from these securities. As a result, this quarter's GAAP earnings per share fell more quickly than they otherwise would have. Net interest income from these IO securities (which appear on our GAAP balance sheet as the difference between residential loans and ABS issued liabilities) will continue to be reduced going forward, and will decline at a more rapid rate to the extent higher prepayment rates on Sequoia's ARM loans continue. Faster prepayment rates generally persisted in July and additional near-term earnings pressure may result."

Hansen continued, "The effect of rapid prepayments on our IO securities has been immediate for GAAP earnings results, while the potential beneficial effect of rapid prepayments on our investment returns from our other assets will be recognized in GAAP earnings over time. We have made a substantial investment in residential credit enhancement securities, and we generally buy these securities at a significant discount to their face value. We realize this net discount as GAAP income over time to the extent it is not diminished by credit losses. The faster prepayments come in, the earlier we will earn this discount. Including these securities, our net residential discount balance for GAAP purposes (netting premiums, discounts, and credit reserves for all consolidated residential real estate loans and securities) was $484 million ($20 per share) at June 30, 2005.”

“We continue to find some good new permanent assets at reasonable prices,” continued Hansen. “We acquired $45 million new permanent assets in the second quarter. We believe permanent asset acquisitions for the third quarter will likely continue at a reasonable pace, as we are actively working to acquire additional residential real estate assets, commercial real estate assets, and real estate collateralized debt obligation (CDO) assets.”

“As asset prices have increased and the average loan quality of new originations has declined, we have generally reduced our asset acquisition rate while increasing our asset sales,” said Hansen. “We have not loosened our credit standards, and we continue to generally steer clear of credit-enhancing or buying loans made to highly leveraged or lower-quality borrowers.”

On a per share basis, core earnings were reduced over the last year in part because we increased our shares outstanding by 15% and we have not yet fully employed our capital. Unutilized capital (excess cash) at June 30, 2005 was $148 million.

“Even if we maintain a reasonable pace of asset acquisitions, the overall near-term outlook for improvements in our capital utilization rate is unclear because we are also pursuing a number of asset sale, re-securitization, and other capital recycling opportunities,” said Hansen. “While we aim to utilize our available capital to a high degree over time, increasing our capital utilization rate is not a significant goal for us right now. Rather, we are focused on maintaining investment discipline and assuring asset quality, while remaining flexible and ready to deal with risks and opportunities as they may arise.”

“Of course, we do not manage the company with an eye on quarter-to-quarter, or even year-to-year, GAAP results,” said Hansen. “We are working to acquire real estate assets in a smart and disciplined manner, with the goal of generating cash flow sufficient to sustain our regular quarterly dividends. If we have achieved this, then over the long term we would also like to be able to distribute a combination of regular and special dividends that is highly attractive to shareholders.”

“With our current assets, our current risk posture, and the current business environment, we believe we will likely be able to meet these goals for the next couple of years,” said Hansen. “Going out several years, however, our results will largely be determined by assets we have yet to buy and by actions we have yet to take. As a result, meeting our goals in the longer term could be a bigger challenge. We believe we have an efficient structure, a growing market, a specialized expertise and focus, and an ability to generate and manage attractive real estate assets. If we can add investment discipline and innovation in a manner that works, that should be a good combination.”

Taxable Income

Our estimated taxable income at the REIT level (pre-tax income as calculated according to the tax rules excluding income earned in taxable non-REIT subsidiaries) was $39.2 million for the second quarter of 2005, or $1.59 per share outstanding. “Core” REIT taxable income – income before gains from asset sales and calls and other non-recurring expenses such as deductions for stock option exercises — was $36.2 million or $1.47 per share for the second quarter of 2005. REIT taxable income in the second quarter of 2004 was $60.3 million, or $2.81 per share. Core REIT taxable income was $47.0 million, or $2.19 per share, for the second quarter of 2004. For the first quarter of 2005, core REIT taxable income was $30.7 million, or $1.25 per share.

We also earned taxable income in our taxable subsidiaries. We pay corporate income taxes on these amounts and retain the after-tax income to help us build our business over time. Taxable income in taxable subsidiaries was $1.7 million pre-tax ($0.07 per share) in the second quarter of 2005, $11.7 million pre-tax ($0.54 per share) in the second quarter of 2004, and $1.2 million pre-tax ($0.05 per share) in the first quarter of 2005.

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 required minimum dividend distributions to stockholders. A reconciliation of these measures to the most comparable GAAP measure appears in the table below.

Results for the First Half of 2005

GAAP earnings for the first half of 2005 were $101.5 million ($4.04 per share). For the first half of 2004, GAAP earnings were $105.9 million ($5.08 per share).

Core earnings for the first half of 2005 were $83.3 million ($3.32 per share). For the first half of 2004, core earnings were $71.8 million ($3.44 per share).

REIT taxable income for the first half of 2005 was $84.4 million ($3.43 per share). For the first half of 2004, REIT taxable income was $102.8 million ($4.96 per share).

Core REIT taxable income for the first half of 2005 was $66.9 million ($2.72 per share). For the first half of 2004, core REIT taxable income was $86.1 million ($4.16 per share).

Taxable income (pre-tax) in taxable subsidiaries for the first half of 2005 was $2.9 million ($0.12 per share). For the first half of 2004, taxable income in taxable subsidiaries was $20.1 million ($0.96 per share).

Residential Real Estate Permanent Assets

Our earning assets consist of permanent assets and inventory assets. Permanent assets are assets we hold in portfolio for the long term to generate interest income and capital gains. Inventory assets are loans and securities we accumulate on a temporary basis as part of our residential loan conduit and CDO securitization activities. We generally hold inventory assets for a short period of time (generally a few weeks or months) prior to sale via securitization or a whole loan sale.

We acquired $45 million new residential permanent assets during the second quarter of 2005, including $0.8 million residential CES from a Sequoia securitization we sponsored during the quarter. Nearly all of these new assets were credit-enhancement securities. Calls of residential credit-enhancement securities of $4 million principal value during the quarter generated GAAP gains of $3 million and estimated tax gains of $2 million. Including pay downs and market value changes, the market value of total residential permanent assets decreased from $518 million to $482 million during the quarter. Significant declines in the estimated market values of our IO securities ($72 million) were only partially offset by increases in the estimated market values of our residential credit-enhancement and other securities ($19 million). Prepayments accelerated in the second quarter – this had an immediate effect on IO market values. Additional increases in market values for residential credit-enhancement securities as a result of rapid prepayments may be realized over time if rapid prepayments persist. At quarter-end, our residential permanent assets included $398 million estimated market value credit-enhancement securities (mostly first-loss plus some second-loss securities), $79 million estimated market value interest-only securities acquired from securitization sponsored by us, and $5 million estimated market value interest-only securities acquired from securitizations sponsored by others.

Total managed residential real estate loans – the loans we credit-enhance through ownership of credit-enhancement securities – grew by 21% during the quarter, from $152 billion to $183 billion. Seriously delinquent loans (over 90 days, in foreclosure, in bankruptcy, or real estate owned) increased from $217 million to $246 million during the quarter. As a percentage of the current balance of loans credit-enhanced, serious delinquencies decreased during the second quarter from 0.15% to 0.14%. Credit losses for the second quarter for these loans continued at an annualized rate of loss of less than one basis point (0.01%) of current loan balances.

Our quality standards are high for the $183 billion residential loans we credit-enhance. Generally, all of these loans were considered to be “prime” quality loans at origination. The weighted average loan-to-value (LTV) ratio at origination for these loans was 68%. For all the loans (4% of the total loan balance) that have an LTV ratio over 80%, we benefit from insurance or credit-enhancement provided by others. The overall weighted average FICO credit score for the borrowers whose loans we credit-enhance was 731 at origination. Investor properties make up less than 4% of the loan balance of the overall credit-enhancement loan portfolio.

“Many observers, including us, are concerned about quality trends within the residential mortgage new origination market,” said Hansen. “Loan types that have a higher level of potential risk for the homeowner and the lender – adjustable-rate loans, interest-only loans, negative amortization loans, option ARMs, teaser rate ARMs, and the like – are now increasingly being extended to lower-quality borrowers and borrowers that are using a lower initial payment rate to justify taking out a larger loan than they may have been willing or able to do in the past."

Hansen continued, "We continue to follow our traditional credit philosophy: we seek to avoid credit-enhancing loans that have been made to weak or over-extended borrowers, no matter what the loan type may be. Conversely, we are willing to credit-enhance loans – even if they are interest-only or negative amortization loans — that have been made to strong borrowers, especially to borrowers such as our average borrower who has made a 32% down payment, has a 731 FICO score, has plenty of cash reserves, will have low debt service ratios even if the loan rate rises substantially, and whose loan has other high-quality characteristics. Our job when evaluating new credit-enhancement opportunities is to separate the wheat from the chaff. To do so we look primarily to the overall quality of the loan, the home, and the borrower rather than to the loan type."

Redwood has been credit-enhancing interest-only and negative amortization loans made to strong borrowers since the founding of the company in 1994. As a percentage of loans we credit-enhance, interest-only loans were 21% and negative amortization loans were 16% of the $183 billion total loans on June 30, 2005. Our credit results for interest-only and negative amortization loans have been, and continue to be, excellent.

"We have always credit-enhanced some loans, including negative amortization loans, that have strong borrowers but could be considered to be "near-prime", "expanded-criteria", or "Alt-A" loans due to loan type or other features," noted Hansen. "Eventually, we may expand our residential loan credit spectrum and credit-enhance some additional types of "near-prime", "expanded criteria", and "Alt-A" loans. In our opinion, however, now is not the right time to head in this direction. The right time to expand our criteria to include medium-quality loans will be when we can get paid significantly more while only taking on relatively small incremental risks. In the current market environment of excess liquidity and strong demand for assets, however, an expansion in this direction would (in our opinion) generally involve getting paid a small incremental amount while assuming additional risks that could be significant. So we will wait patiently for more attractive opportunities before making major commitments to new types of medium-quality loans. When considering our future evolution in this area, we will be driven, as always, by our touchstone for making investment decisions, which is: Would we make this investment with our personal money?"

Prepayment rates for the $183 billion loans we credit-enhance have increased in recent months, in part because of the flattening of the yield curve. Average conditional prepayment rates (CPR) for the adjustable-rate loans in this portfolio (35% of the total) increased from 15% CPR in the first quarter to 31% CPR in the second quarter. For hybrid loans (43% of the total), CPRs increased from 23% to 24%. For fixed rate loans (32% of the total), CPRs increased from 17% to 19%. We expect faster prepayments, if they continue over time, will increase our investment returns from residential credit-enhancement securities, as our potential credit loss exposure is decreased due to a reduced balance of underlying loans. In addition, we expect our long term cash flow yields will increase with faster prepayments (assuming credit results remain favorable), as we own these securities at a discount to principal value and we will receive principal earlier than otherwise anticipated as a result of faster prepayments.

While faster residential prepayment rates are beneficial for Redwood overall, they do not benefit our $79 million investment in residential interest-only securities issued by Sequoia. The loans underlying the IO securities that we acquired from Sequoia represent $13 billion out of the $19 billion total loans currently outstanding within the Sequoia securitization program. The loans underlying our IO securities are all adjustable-rate loans, and the prepayment rate for these particular loans increased from 26% CPR in the first quarter to 41% CPR in the second quarter. We currently anticipate that prepayment rates will continue at an accelerated pace for these loans.

Since May 2004, we have not acquired the prepayment-sensitive IO securities from Sequoia securitizations. Thus, for $6 billion out of the $19 billion currently outstanding loans that were securitized by Sequoia, we do not own the main IO security, and thus the cash generated from the spread between the yield on the underlying loans and the cost of the issued ABS is paid to others. Although we do not own the IOs, we do own the discount-priced credit-enhancement securities from these more recent Sequoia transactions As a result, we expect to benefit economically from faster prepayment rates for these newer Sequoia loans. Nevertheless, as prepayments accelerated in the second quarter, on a GAAP basis we reported lower earnings from these assets because of various GAAP calculation and timing differences for the assets and liabilities that are consolidated on our GAAP balance sheet from these newer Sequoia transactions.

Hansen added, “Perhaps the near-term GAAP earnings pressure from faster prepayments that we are experiencing is not as inappropriate as it might at first seem to be, given our overall discount position. Faster prepayment rates clearly and immediately reduce our economic returns from our premium interest-only securities, whereas the potential benefits of faster prepayments for our discount credit-enhancement securities will be realized in the longer term, and only if future credit results are also reasonably favorable.”

Commercial Real Estate Permanent Assets

We did not acquire new commercial permanent assets in the second quarter, but we do expect to acquire new commercial assets in the third quarter. We sold $7 million commercial permanent assets in the second quarter. Total commercial permanent assets decreased from $49 million to $43 million during the quarter. Our June 30, 2005 commercial permanent asset portfolio consisted of $26 first-loss (and some second-loss) commercial credit-enhancement securities, a $6 million first-loss position in a re-REMIC securitization of seasoned commercial CES, and $11 million commercial loans.

Total managed commercial real estate loans – the loans we credit-enhance through ownership of first loss commercial credit-enhancement securities – remained at $12 billion for the quarter. Seriously delinquent loans (over 90 days, in foreclosure, in bankruptcy, or real estate owned) decreased from $4.9 million to $0 million during the quarter. As a percentage of the current balance of loans credit-enhanced, serious delinquencies decreased to zero from 0.04%. There were no credit losses on these loans in the second quarter of 2005.

CDO Permanent Assets

Our June 30, 2005 CDO permanent assets consisted entirely of “CDO equity” securities, including preference shares, below-investment-grade rated bonds, and other credit-sensitive CDO assets. The estimated market value of our CDO permanent assets was $96 million at quarter-end, including CDO equity securities acquired from the seven Acacia CDO transactions we sponsored totaling $94 million and CDO equity securities acquired from transactions sponsored by others totaling $2 million.

We did not acquire or sell CDO permanent assets during the second quarter. During the third quarter of 2005, we invested in CDO equity securities ($15 million) from the Acacia 8 CDO transaction that closed in July.

The credit performance of the assets underlying the Acacia CDO transactions in which we have invested generally remains excellent, and overall credit performance is better than we originally expected. A small number of assets backing the Acacia transactions have on-going credit issues, but we do not expect that credit losses from these assets will materially reduce the returns we expect to earn in our investments in Acacia CDO equity securities.

Residential Loan Conduit Activities

Our residential loan conduit activities consist of acquiring closed residential loans on a flow or bulk basis from mortgage originators and selling these loans to generate an economic gain-on-sale. We generally have sold loans via securitization through our Sequoia program, but we also are potentially able to generate sales gains by selling whole loans.

During the second quarter, we acquired $427 million high-quality residential loans. We sold $369 million of these loans via a Sequoia securitization that we sponsored. This securitization was modestly profitable (i.e., Sequoia’s proceeds from selling all the securities exceeded the purchase cost of the loans plus deal expenses).

We finished the second quarter with $300 million residential loans in inventory, funded with equity and debt. Periodically, the market value of whole loans can exceed the effective sales price that can be achieved through securitization. This is generally true in today’s market for many product types. As a result, in July of 2005 we committed to sell $60 million of our loan inventory as whole loans, generating a small gain. We will sell the remaining loans as whole loans or via securitization, depending on our analysis of the best method to generate a gain-on-sale.

Our conduit loan purchase and sale volumes have declined significantly – we acquired $5.0 billion loans in the first half of 2004 but only $1.3 billion in the first half of 2005. Generally the loans we have acquired through our conduit have been one- and six-month LIBOR adjustable-rate loans. Origination volumes of this loan type have declined as a result of a decrease in refinance activity. Volumes have also declined due to a flatter yield curve (making hybrid and fixed rate loans more attractive to homeowners) and increased market penetration of types of adjustable-rate loans we have so far chosen not to acquire through our conduit (negative-amortization, option, moving-treasury-average, and other adjustable-rate loans that are now being marketed to more highly-leveraged homeowners).

In addition, our economic gain-on-sale margins (gain on sale as a percent of loan balance), which have generally been in the 0 to 100 basis point range, have declined over the last year as a result of increased competition in the conduit business. Much of this increased competition has come from Wall Street firms.

The economic sales gains generated by our residential conduit activities have generally been attractive to us, but have not been the largest component of our overall income generation. During 2004, these gains showed up for tax purposes as $32 million of pre-tax taxable sales gain income in our taxable non-REIT subsidiaries. Due to GAAP treatment of our sponsored securitizations, no GAAP gain-on-sale was recorded at the time of these transactions. Instead, our GAAP net interest income will reflect these economic gains over the lives of the assets and liabilities since these gains are effectively imbedded within our GAAP books and realized as our consolidated GAAP assets and liabilities pay down.

We continue to develop our residential loan conduit purchase network by implementing technology solutions for increased conduit efficiency and by expanding our residential loan product line. We expect to continue to earn economic gains from selling loans, both as whole loans and via securitization. As a result of reduced volume and reduced margins, however, we expect economic gains from our conduit activities to be materially smaller during 2005 than they were during 2003 or 2004.

For our residential permanent asset portfolio, we acquired $0.8 million residential credit-enhancement securities from the Sequoia securitization transaction we sponsored during the second quarter of 2005. In general, the bulk of the residential credit-enhancement securities that we acquire as permanent assets are issued by securitization programs other than Sequoia. As a result, we do not expect a reduction in Sequoia securitization volume to affect the ongoing development of our residential credit-enhancement activities in a material way.

CDO Securitization Activities

During the second quarter, we acquired $200 million residential and commercial real estate securities as inventory for the Acacia CDO program we sponsor. Acacia did not complete a new transaction in the second quarter. We sold $22 million inventory assets to previously established Acacia entities, some of which are still accumulating assets as part of their post-closing ramp-up operations and others of which have repayment proceeds to reinvest. Our June 30, 2005 CDO inventory was $361 million, funded with equity and debt. Acacia acquired the bulk of these assets, priced its eighth CDO re-securitization transaction in June, and closed this transaction in July.

Other Second Quarter Information

The market value of our permanent assets decreased from $667 million to $621 million during the second quarter. We acquired $45 million of the new permanent assets, had pay downs and sales of $38 million, a $72 million market value decline on interest-only securities owned by us, and an net increase in market value of $19 million on residential credit-enhancement and other securities.

We are continuing to make significant new investments in people and systems to prepare for the future growth and development of our business. From the second quarter of 2004 to the second quarter of 2005, our operating expenses (before excise taxes and variable stock option expense, but including FAS 123 expenses for the granting of stock options) grew by 23%. These operating expenses for the second quarter of 2005 were $11.1 million and our efficiency ratio (operating expenses as a percent of net interest income) was 21%. In the second quarter of 2004, these operating expenses were $8.9 million and our efficiency ratio was 19%.

Redwood continues to use only equity capital (no debt) to fund its permanent assets. We utilize debt only to fund assets accumulated and held temporarily as inventory for future sales via securitization or otherwise.

At June 30, 2005, Redwood owned a total of $1.4 billion assets, including $621 million permanent assets, $660 million inventory assets, $72 million unrestricted cash, $10 million interest rate agreements, and $121 million net working capital and fixed assets. These assets were funded with Redwood debt of $453 million and equity of $992 million. Our debt-to-capital ratio was 31% and our debt-to-equity ratio was 0.5 times. Redwood debt increased by $254 million during the second quarter due to an increase in inventory assets as a result of the timing of securitization and sale of these assets.

Redwood issued 124,801 shares of common stock through its Direct Stock Purchase and Dividend Reinvestment Plan in the second quarter at an average net price to Redwood of $50.65 per share, raising $6.3 million new equity capital.

At quarter-end, after setting aside the capital we need to run our current business under our risk-adjusted capital guidelines, we had $148 million of excess capital (cash) available to invest in new permanent assets and support our operations.

GAAP book value per share at quarter-end was $40.24 per share, an increase of 4% during the quarter. Adjusted core book value per share at quarter-end was $31.39 per share, an increase of 1% during the quarter. Core book value is reported GAAP book value less unrealized asset market value appreciation. Adjusted core book value is core book value less REIT taxable income earned that must be distributed as dividends prior to September 2006 to comply with REIT rules. We believe adjusted core equity is a reasonably good measure of the amount of capital we have available in the long term to run our business. A reconciliation of core equity and adjusted core equity to GAAP equity appears in the tables below.

Update for the Third Quarter of 2005 (through August 4, 2005)

In July 2005, securitization entities sponsored by us issued $300 million ABS through Acacia CDO 8. Various residential and commercial real estate loans and securities are collateral for these ABS issued. We invested in the CDO equity securities from Acacia 8.

In July 2005, residential loan CES with a principal value of $3 million were called. We will recognize gains on these calls of $2 million for GAAP purposes and $1 million for tax purposes in the third quarter of 2005. We also committed to sell inventory and permanent assets of $21 million residential real estate credit-enhancement securities loans for GAAP gains of $7 million and estimated taxable gains of $7 million and $77 million of residential real estate loans for a GAAP and tax gain of $0.1 million.

During the third quarter of 2005 (through August 4, 2005), we committed to purchase permanent assets totaling $42 million, including $15 million Acacia 8 CDO equity securities, $22 million residential credit-enhancement securities, and $5 million commercial credit-enhancement securities. We also committed to acquire inventory assets including residential real estate loans and residential and commercial real estate securities.

Prepayment rates (CPR) for the adjustable rate and hybrid loans underlying our residential loan CES were generally higher in July than they averaged in the second quarter. For fixed-rate loans, the CPR was slightly lower in July. The CPR for all Sequoia real estate loans averaged 49% in July, an increase from the 39% CPR prepayment speeds these loans averaged in the second quarter of 2005.

Additional Information

Please see our supplemental information package, released today on our web site (www.redwoodtrust.com) and included as an exhibit to our Current Report on Form 8-K, for more information about the second quarter of

2005. Our Quarterly Report on Form 10-Q for the quarter ended June 30, 2005 also contains important additional information about the first quarter.

As is our current practice, we simultaneously release our third quarter earnings release, Quarterly Report on Form 10-Q, and supplemental information package. Our current plan is to release these documents for the third quarter of 2005 no later than the SEC filing deadline for our Quarterly Report on Form 10-Q of November 9, 2005.

Redwood Trust invests in, credit-enhances, and securitizes residential and commercial real estate loans and securities. The company credit-enhances $183 billion residential real estate loans, representing approximately 10% of the U.S. jumbo residential real estate loan market.

CAUTIONARY STATEMENT

This press release contains forward-looking statements within the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Statements that are not historical in nature, including the words "anticipated," "estimated," "should," "expect," "believe," "intend," and similar expressions, are intended to identify forward-looking statements. These forward-looking statements are subject to risks and uncertainties, including, among other things, those described in our Annual Report on Form 10-K under the caption "Risk Factors." Other risks, uncertainties, and factors that could cause actual results to differ materially from those projected are detailed from time to time in reports filed by us with the Securities and Exchange Commission, or SEC, including Forms 10-Q and 8-K.

We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise. In light of these risks, uncertainties, and assumptions, the forward-looking events mentioned, or discussed in, this press release might not occur. Accordingly, our actual results may differ from our current expectations, estimates, and projections.

Important factors that may impact our actual results include changes in interest rates and market values; changes in prepayment rates; general economic conditions, particularly as they affect the price of earning assets and the credit status of borrowers; the level of liquidity in the capital markets as it affects our ability to finance our real estate asset portfolio; and other factors not presently identified. For a discussion of risk factors, readers should review the section of our Annual Report on Form 10-K entitled "Risk Factors". This press release contains statistics and other data that in some cases have been obtained from, or compiled from information made available, by servicers and other third party service providers.

REDWOOD TRUST, INC.

(All dollars in millions, except per share data)

CONSOLIDATED INCOME STATEMENT	Second Quarter 2005	First Quarter 2005	Fourth Quarter 2004	Third Quarter 2004	Second Quarter 2004	First Quarter 2004
Interest Income	$ 248.4	$ 237.2	$ 205.2	$ 180.1	$ 138.0	$ 124.8
Interest Expense	(195.2)	(176.0)	(147.2)	(114.8)	(90.4)	(79.5)
Net Interest Income	$ 53.2	$ 61.2	$ 58.0	$ 65.3	$ 47.6	$ 45.3
Operating Expenses	(11.1)	(10.7)	(7.9)	(8.0)	(8.9)	(8.3)
Net Recognized Gains (Losses) and Valuation Adjustments	3.1	15.0	8.9	20.5	12.3	17.4
Variable Stock Option (Expense) Income	(0.0)	0.1	(0.0)	(0.2)	0.6	(1.4)
Excise Tax (Expense) Credit	(0.3)	(0.3)	0.2	(0.3)	(0.2)	(0.3)
Provision For Income Taxes	(4.0)	(4.7)	(4.8)	(5.0)	(1.5)	(1.9)
Reversal of Deferred Tax Valuation Allowance	0.0	0.0	0.0	0.0	5.2	0.0
GAAP Earnings	$ 40.9	$ 60.6	$ 54.4	$ 72.3	$ 55.1	$ 50.8
Less: Net Recognized (Gains) Losses and Valuation Adjustments	(3.1)	(15.0)	(8.9)	(20.5)	(12.3)	(17.4)
Less: Variable Stock Option (Expense) Income	0.0	(0.1)	0.0	0.2	(0.6)	1.4
Less: One Time Deferred Tax (Benefit)	0.0	0.0	(0.0)	(0.0)	(5.2)	0.0
Core Earnings **(1)**	$ 37.8	$ 45.5	$ 45.5	$ 52.0	$ 37.0	$ 34.8
Average Diluted Shares (thousands)	25,196	25,021	24,491	22,728	21,325	20,399
GAAP Earnings per Share (Diluted)	$ 1.62	$ 2.42	$ 2.22	$ 3.18	$ 2.58	$ 2.49
Core Earnings per Share **(1)**	$ 1.50	$ 1.82	$ 1.86	$ 2.29	$ 1.74	$ 1.71
Estimated Total Taxable Income Per Share Outstanding	$ 1.66	$ 1.89	$ 2.46	$ 2.53	$ 3.35	$ 2.57
Estimated REIT Taxable Income Per Share Outstanding	$ 1.59	$ 1.84	$ 2.09	$ 2.10	$ 2.81	$ 2.15
Dividends Per Common Share (Regular)	$ 0.70	$ 0.70	$ 0.67	$ 0.67	$ 0.67	$ 0.67
Dividends Per Common Share (Special)	$ 0.00	$ 0.00	$ 5.50	$ 0.00	$ 0.00	$ 0.50
Total Dividends per Common Share	$ 0.70	$ 0.70	$ 6.17	$ 0.67	$ 0.67	$ 1.17
GAAP Net Interest Income / Average GAAP Equity	21.9%	27.3%	26.7%	32.6%	28.7%	31.0%
Core Net Interest Income / Average Core Equity **(2)**	25.3%	30.8%	29.9%	37.5%	32.6%	35.7%
GAAP ROE: GAAP Earnings / Avg GAAP Common Equity	16.9%	27.1%	25.0%	36.1%	33.2%	34.8%
Core ROE: Core Earnings / Avg Common Core Equity	18.0%	22.9%	23.5%	29.9%	25.4%	27.5%

(1) *Core earnings are not a measure of earnings in accordance with GAAP. We attempt to strip some of the elements out of GAAP earnings that are temporary, one-time, or non-economic in nature or that relate to the past rather than the future, so that the underlying on-going "core" trend of earnings is more clear, at least in certain respects. We also exclude realized gains (and losses) from asset sales and calls. We sell assets from time to time as part of our on-going portfolio management activities. These occasional sales can produce material gains and losses that could obscure the underlying trend of our long-term portfolio earnings, so we exclude them from core earnings. Similarly, we exclude gains from calls of residential credit-enhancement securities, as these are essentially sales of assets that produce a highly variable stream of income that may obscure some underlying income generation trends. GAAP earnings include mark-to-market income and expenses for certain of our assets and interest rate agreements. These are unrealized market value fluctuations – we exclude them from core earnings. Similarly, we have issued certain stock options that are "variable" and thus are marked-to-market for GAAP purposes. When our stock price goes up, it is a GAAP expense. When our stock price goes down, GAAP income is created. We exclude all this from core earnings. Management believes that core earnings provide relevant and useful information regarding 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 not a measure calculated in accordance with GAAP. A reconciliation of core equity to GAAP equity appears in the table presenting balance sheet data. GAAP equity includes mark-to-market adjustments for certain of our assets and interest rate agreements. This can be useful as a measure that approximates liquidation value (at least for those assets), but for other purposes GAAP equity is less useful, we believe. For instance, return on equity calculated using GAAP equity does not make much sense to us. When our assets that are marked-to-market through our balance sheet equity account appreciate (which is a good thing), our GAAP return on equity goes down because our equity base is larger but these particular mark-to-market gains are not recognized in GAAP income. Core equity GAAP equity with mark-to-market gains and losses ("accumulated other comprehensive income") excluded. It is, we believe, a good measure of the amount of capital we have to run our business.*

REDWOOD TRUST, INC.

(All dollars in millions, except per share data)

CONSOLIDATED INCOME STATEMENT	First Half 2005	First Half 2004
Interest Income	$ 485.6	$ 262.8
Interest Expense	(371.2)	(169.9)
Net Interest Income	$ 114.4	$ 92.9
Operating Expenses	(21.8)	(17.2)
Net Recognized Gains (Losses) and Valuation Adjustments	18.1	29.7
Variable Stock Option (Expense) Income	0.1	(0.8)
Excise Tax (Expense) Credit	(0.6)	(0.5)
Provision For Income Taxes	(8.7)	(3.4)
Reversal of Deferred Tax Valuation Allowance	0.0	5.2
GAAP Earnings	$ 101.5	$ 105.9
Less: Net Recognized (Gains) Losses and Valuation Adjustments	(18.1)	(29.7)
Less: Variable Stock Option (Expense) Income	(0.1)	0.8
Less: One Time Deferred Tax (Benefit)	0.0	(5.2)
Core Earnings **(1)**	$ 83.3	$ 71.8
Average Diluted Shares (thousands)	25,109	20,856
GAAP Earnings per Share (Diluted)	$ 4.04	$ 5.08
Core Earnings per Share **(1)**	$ 3.32	$ 3.44
Estimated Total Taxable Income Per Share Outstanding	$ 3.55	$ 5.92
Estimated REIT Taxable Income Per Share Outstanding	$ 3.43	$ 4.96
Dividends Per Common Share (Regular)	$ 1.40	$ 1.34
Dividends Per Common Share (Special)	$ 0.00	$ 0.50
Total Dividends per Common Share	$ 1.40	$ 1.84
GAAP Net Interest Income / Average GAAP Equity	24.5%	29.8%
Core Net Interest Income / Average Core Equity **(2)**	28.0%	34.1%
GAAP ROE: GAAP Earnings / Avg GAAP Common Equity	21.8%	33.9%
Core ROE: Core Earnings / Avg Common Core Equity	20.4%	26.3%

(1) *Core earnings are not a measure of earnings in accordance with GAAP. We attempt to strip some of the elements out of GAAP earnings that are temporary, one-time, or non-economic in nature or that relate to the past rather than the future, so that the underlying on-going "core" trend of earnings is more clear, at least in certain respects. We also exclude realized gains (and losses) from asset sales and calls. We sell assets from time to time as part of our on-going portfolio management activities. These occasional sales can produce material gains and losses that could obscure the underlying trend of our long-term portfolio earnings, so we exclude them from core earnings. Similarly, we exclude gains from calls of residential credit-enhancement securities, as these are essentially sales of assets that produce a highly variable stream of income that may obscure some underlying income generation trends. GAAP earnings include mark-to-market income and expenses for certain of our assets and interest rate agreements. These are unrealized market value fluctuations – we exclude them from core earnings. Similarly, we have issued certain stock options that are "variable" and thus are marked-to-market for GAAP purposes. When our stock price goes up, it is a GAAP expense. When our stock price goes down, GAAP income is created. We exclude all this from core earnings. Management believes that core earnings provide relevant and useful information regarding 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 not a measure calculated in accordance with GAAP. A reconciliation of core equity to GAAP equity appears in the table presenting balance sheet data. GAAP equity includes mark-to-market adjustments for certain of our assets and interest rate agreements. This can be useful as a measure that approximates liquidation value (at least for those assets), but for other purposes GAAP equity is less useful, we believe. For instance, return on equity calculated using GAAP equity does not make much sense to us. When our assets that are marked-to-market through our balance sheet equity account appreciate (which is a good thing), our GAAP return on equity goes down because our equity base is larger but these particular mark-to-market gains are not recognized in GAAP income. Core equity GAAP equity with mark-to-market gains and losses ("accumulated other comprehensive income") excluded. It is, we believe, a good measure of the amount of capital we have to run our business.*

REDWOOD TRUST, INC.

(All dollars in millions, except per share data)

CONSOLIDATED BALANCE SHEET	30-Jun 2005	31-Mar 2005	31-Dec 2004	30-Sept 2004	30-Jun 2004
Residential Real Estate Loans	$ 19,383	$ 21,493	$ 22,208	$ 21,558	$ 19,916
Residential Home Equity Lines of Credit (HELOC)	247	279	296	317	327
Residential Loan Credit-Enhancement Securities	706	611	562	497	442
Commercial Real Estate Loans	42	57	54	33	34
Securities Portfolio	1,678	1,534	1,395	1,239	1,095
Cash and Cash Equivalents	72	65	57	76	38
Other Assets	218	246	206	192	163
Total Consolidated Assets	$ 22,346	$ 24,285	$ 24,778	$ 23,912	$ 22,015
Redwood Trust Debt	$ 453	$ 199	$ 203	$ 246	$ 270
Consolidated Asset-Back Securities Issued	20,815	23,057	23,630	22,680	20,923
Other Liabilities	86	81	81	84	64
Common Equity	992	948	864	902	758
Total Liabilities and Equity	$ 22,346	$ 24,285	$ 24,778	$ 23,912	$ 22,015
Total GAAP Equity	$ 992	$ 948	$ 864	$ 902	$ 758
Less: Accumulated Other Comprehensive Income	(137)	(125)	(105)	(96)	(111)
Core Equity	$ 855	$ 823	$ 759	$ 806	$ 647
Less: Undistributed REIT Taxable Income	(81)	(63)	(38)	(139)	(110)
Adjusted Core Equity	$ 774	$ 760	$ 721	$ 667	$ 537
Common Shares Outstanding at Period End (thousands)	24,647	24,514	24,154	23,346	21,511
GAAP Equity (GAAP Book Value) per Common Share	$ 40.24	$ 38.67	$ 35.78	$ 38.63	$ 35.24
Core Equity (Core Book Value) per Common Share **(1)**	$ 34.66	$ 33.58	$ 31.42	$ 34.50	$ 30.06
Adjusted Core Equity per Share **(2)**	$ 31.39	$ 31.03	$ 29.86	$ 28.55	$ 24.96
Average Total Consolidated Assets	$ 23,366	$ 24,563	$ 24,320	$ 22,877	$ 20,610
Average Consolidated Earning Assets	$ 22,606	$ 24,043	$ 23,890	$ 22,461	$ 20,283
Average Debt and Asset Backed Securities Issued	$ 22,284	$ 23,602	$ 23,304	$ 22,011	$ 19,890
Average Total GAAP Equity	$ 970	$ 895	$ 870	$ 802	$ 664

(1) *Core equity is not a measure calculated in accordance with GAAP. A reconciliation of core equity to GAAP equity appears in the table presenting balance sheet data. GAAP equity includes mark-to-market adjustments for certain of our assets and interest rate agreements. This can be useful as a measure that approximates liquidation value (at least for those assets), but for other purposes GAAP equity is less useful, we believe. For instance, return on equity calculated using GAAP equity does not make much sense to us. When our assets that are marked-to-market through our balance sheet equity account appreciate (which is a good thing), our GAAP return on equity goes down because our equity base is larger but these particular mark-to-market gains are not recognized in GAAP income. Core equity GAAP equity with mark-to-market gains and losses ("accumulated other comprehensive income") excluded. It is, we believe, a good measure of the amount of capital we have to run our business.*

(2) *We have minimum dividend distribution requirements as a REIT. We thus have future payment obligations, but these are not recognized in GAAP accounting until dividends are declared. Cash that we have earned but that we must pay out as dividends is not cash that will be available to us to acquire long-term assets and build our business. So when we try to answer questions such as "how much equity per share do we have available to build our business and to generate dividends in the long-term?" we use adjusted core equity per share. Adjusted core equity is core equity less undistributed REIT taxable income that is still undeclared but that will need to be paid out.*

REDWOOD TRUST, INC.

(All dollars in millions)

LEVERAGE RATIOS **(1)**	30-Jun 2005	31-Mar 2005	31-Dec 2004	30-Sep 2004	30-Jun 2004
Total Reported Consolidated Assets	$ 22,346	$ 24,285	$ 24,778	$ 23,912	$ 22,015
Less: Assets Consolidated from Securitization Entities	(20,901)	(23,138)	(23,711)	(22,764)	(20,987)
Redwood Permanent Assets and Inventory Assets	$ 1,445	$ 1,147	$ 1,067	$ 1,148	$ 1,028
Total Redwood Debt and Consolidated ABS Issued Securities	$ 21,267	$ 23,256	$ 23,833	$ 22,926	$ 21,193
Less: Consolidated ABS Issued Securities	(20,814)	(23,057)	(23,630)	(22,680)	(20,923)
Redwood Debt	$ 453	$ 199	$ 203	$ 246	$ 270
Redwood Debt	$ 453	$ 199	$ 203	$ 246	$ 270
Redwood Equity	992	948	864	902	758
Redwood Capital	$ 1,445	$ 1,147	$ 1,067	$ 1,148	$ 1,028
Redwood Debt to GAAP Equity	0.5x	0.2x	0.2x	0.3x	0.4x
GAAP Equity / Redwood's Direct Assets **(2)**	69%	83%	81%	79%	74%
Redwood Debt to Capital Ratio	31%	17%	19%	21%	26%

(1) *The Asset-Backed Securities reported on our GAAP balance sheet as liabilities consist of asset-backed securities issued by bankruptcy-remote securitization entities. The owners of these securities have no recourse to Redwood and must look only to the assets of the securitization entities for repayment. Both the assets and liabilities of these entities, however, are consolidated on Redwood's balance sheet for GAAP reporting purposes. Management believes that 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 measures that incorporate Redwood's debt only.*

(2) *Direct Assets are Permanent Assets and Inventory Assets.*

REDWOOD TRUST, INC.

(All dollars in millions, except per share data)

	Second Quarter 2005	First Quarter 2005	Fourth Quarter 2004	Third Quarter 2004	Second Quarter 2004
Consolidated Residential Real Estate Loans **(1)**					
Start of Period Balances	$ 21,493	$ 22,208	$ 21,558	$ 19,916	$ 18,086
Acquisitions	427	832	1,792	2,898	2,703
Sales Proceeds (Not Including Sales to Consolidated Asset-Backed Securities Trusts)	(3)	0	(1)	(113)	0
Principal Pay Downs	(2,527)	(1,539)	(1,133)	(1,144)	(858)
Net Amortization Expense	(9)	(7)	(6)	2	(14)
Net Charge Offs (Recoveries)	0	0	0	0	0
Credit Provisions	2	(1)	(2)	(1)	(1)
Net Recognized Gains (Losses)	0	0	0	0	0
End of Period Balances	$ 19,383	$ 21,493	$ 22,208	$ 21,558	$ 19,916
Average Amortized Cost During Period, Net of Credit Reserves	$ 20,055	$ 21,640	$ 21,717	$ 20,484	$ 18,754
Interest Income	$ 204	$ 195	$ 169	$ 148	$ 110
Yield	4.06%	3.60%	3.11%	2.89%	2.34%
Principal Value of Loans	$ 19,202	$ 21,307	$ 22,024	$ 21,382	$ 19,767
Credit Reserve	(22)	(24)	(23)	(21)	(20)
Net Premium to be Amortized	203	210	207	197	169
Residential Real Estate Loans	$ 19,383	$ 21,493	$ 22,208	$ 21,558	$ 19,916
Credit Reserve, Start of Period	$ 24	$ 23	$ 21	$ 20	$ 19
Net Charge-Offs	0	0	0	0	0
Credit Provisions	(2)	1	2	1	1
Credit Reserve, End of Period	$ 22	$ 24	$ 23	$ 21	$ 20
Delinquencies (90 days, in foreclosure, in bankruptcy, or real estate owned)	$ 17	$ 16	$ 13	$ 11	$ 5
Delinquencies as % of Residential Loans	0.09%	0.08%	0.06%	0.05%	0.03%
Net Charge-offs as % of Residential Loans (Annualized)	0.00%	0.01%	0.01%	0.00%	0.00%
Reserve as % of Residential Loans	0.12%	0.11%	0.10%	0.10%	0.10%
Reserve as % of Delinquencies	136%	151%	173%	198%	374%

(1) *Includes loans securitized by securitization entities sponsored by Redwood that are consolidated on Redwood's GAAP balance sheet as well as loans owned directly by Redwood on a temporary basis prior to sale to a securitization entity.*

REDWOOD TRUST, INC.

(All dollars in millions, except per share data)

	Second Quarter 2005	First Quarter 2005	Fourth Quarter 2004	Third Quarter 2004	Second Quarter 2004
Consolidated Residential Home Equity Lines of Credit (HELOC)					
Start of Period Balances	$ 279	$ 296	$ 317	$ 327	$ 0
Acquisitions	0	0	0	0	335
Sales Proceeds (Not Including Sales to Consolidated Asset-Backed Securities Trusts)	0	0	0	0	0
Principal Pay Downs	(31)	(16)	(20)	(8)	(8)
Net Amortization Expense	(1)	(1)	(1)	(1)	(0)
Net Charge Offs (Recoveries)	0	0	0	0	0
Credit Provisions	0	0	0	(1)	(0)
Net Recognized Gains (Losses) & Valuation Adjustments	0	0	0	0	0
End of Period Balances	$ 247	$ 279	$ 296	$ 317	$ 327
Average Amortized Cost During Period, Net of Credit Reserves	$ 258	$ 285	$ 303	$ 323	$ 124
Interest Income	$ 2	$ 3	$ 2	$ 1	$ 1
Yield	3.83%	3.59%	2.87%	2.00%	1.73%
Principal Value of Loans	$ 241	$ 273	$ 289	$ 309	$ 317
Credit Reserve	(1)	(1)	(1)	(1)	(0)
Net Premium to be Amortized	7	7	8	9	10
Residential Home Equity Lines of Credit	$ 247	$ 279	$ 296	$ 317	$ 327
Credit Reserve, Start of Period	$ 1	$ 1	$ 0	$ 0	$ 0
Net Charge-Offs	0	0	0	0	0
Credit Provisions	0	0	1	1	0
Credit Reserve, End of Period	$ 1	$ 1	$ 1	$ 1	$ 0
Delinquencies (90 days, in foreclosure, in bankruptcy, or real estate owned)	$ 0.4	$ 0.2	$ 0.3	$ 0.3	$ 0.0
Delinquencies as % of HELOCs	0.15%	0.06%	0.10%	0.09%	0.00%
Net charge-offs as % of HELOCs (Annualized)	0.00%	0.00%	0.00%	0.00%	0.00%
Reserve as % of HELOCs	0.23%	0.22%	0.24%	0.17%	0.08%
Reserve as % of Delinquencies	160%	363%	240%	202%	0.00%

REDWOOD TRUST, INC.

(All dollars in millions, except per share data)

	Second Quarter 2005	First Quarter 2005	Fourth Quarter 2004	Third Quarter 2004	Second Quarter 2004
Consolidated Residential Loan Credit-Enhancement Securities **(1)**					
Start of Period Balances	$ 611	$ 562	$ 497	$ 442	$ 375
Acquisitions	88	68	73	83	75
Sales Proceeds (Not Including Sales to Consolidated Asset-Backed Securities Trusts)	0	(27)	0	0	0
Principal Pay Downs (Including Calls)	(20)	(24)	(30)	(45)	(48)
Net Amortization Income	8	8	8	9	9
Unrealized (Losses) Gains Reported Through Balance Sheet	15	9	4	(12)	18
Realized Gains and Market Valuation Losses Reported in Income Statement	4	15	10	20	13
End of Period Balances	$ 706	$ 611	$ 562	$ 497	$ 442
Average Amortized Cost During Period, Net of Credit Reserves	$ 550	$ 493	$ 425	$ 369	$ 317
Interest Income	$ 19	$ 20	$ 17	$ 16	$ 16
Yield	14.13%	15.91%	15.99%	17.36%	20.27%
Principal Value of Redwood's Credit-Enhancement Securities	$ 1,103	$ 979	$ 934	$ 831	$ 713
Internally Designated Credit Protection on Loans Credit-Enhanced	(404)	(366)	(343)	(299)	(236)
Net Discount to be Amortized	(96)	(89)	(107)	(109)	(122)
Net Investment in Credit-Enhancement Securities	$ 603	$ 524	$ 484	$ 423	$ 355
Net Unrealized Gains	103	87	78	74	87
Residential Loan Credit-Enhancement Securities	$ 706	$ 611	$ 562	$ 497	$ 442
Securities Senior to Redwood's Interests	$ 162,801	$ 129,056	$ 125,485	$ 120,685	$ 96,322
Principal Value of Redwood's Credit-Enhancement Securities	1,103	979	934	831	713
Securities Junior to Redwood's Interests	142	92	68	69	70
Underlying Residential Real Estate Loan Balances	$ 164,046	$ 130,127	$ 126,487	$ 121,585	$ 97,105
Internally Designated Credit Protection on Loans Credit-Enhanced	$ 404	$ 366	$ 340	$ 299	$ 236
External Credit Enhancement on Loans Credit-Enhanced	142	92	68	69	70
Total Credit Protection **(2)**	$ 546	$ 458	$ 408	$ 368	$ 306
Delinquencies (90 days, in foreclosure, in bankruptcy, or real estate owned)	$ 229	$ 201	$ 151	$ 174	$ 131
Redwood's Net Charge-Offs	$ (1)	$ (1)	$ (1)	$ (1)	$ (2)
Losses to Securities Junior to Redwood's Interests	0	0	(0)	(0)	(0)
Total Underlying Loan Credit Losses	$ (1)	$ (1)	$ (1)	$ (1)	$ (2)
Delinquencies as % of Underlying Loans	0.14%	0.15%	0.12%	0.14%	0.14%
Total Pool Credit Losses/Underlying Loans (Annualized)	0.01%	0.01%	0.01%	0.01%	0.01%
Total Credit Protection as % of Underlying Loans	0.33%	0.35%	0.32%	0.30%	0.32%
Total Credit Protection as % of Delinquencies	239%	228%	273%	211%	233%

(1) *Includes credit-enhancement securities acquired from securitizations sponsored by third parties. Does not include residential CES acquired from securitizations sponsored by us.*

(2) *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.*

REDWOOD TRUST, INC.

(All dollars in millions, except per share data)

TOTAL MANAGED RESIDENTIAL LOANS **(1)**	Second Quarter 2005	First Quarter 2005	Fourth Quarter 2004	Third Quarter 2004	Second Quarter 2004
Residential Real Estate Loans Owned by Redwood	$ 300	$ 256	$ 193	$ 259	$ 161
Residential Real Estate Loans Securitized by Redwood	19,083	21,237	22,015	21,299	19,755
Residential Real Estate Loans Securitized by Others	164,046	130,127	126,487	121,585	97,105
Total Residential Real Estate Loans Managed	$ 183,429	$ 151,620	$ 148,695	$ 143,143	$ 117,021
Credit Reserve on Residential Loans Securitized by Redwood	$ 22	$ 24	$ 23	$ 21	$ 20
Internally Designated Credit Reserve on Loans Securitized by Others	404	366	343	299	236
Redwood's Total Residential Credit Protection	$ 426	$ 390	$ 366	$ 320	$ 256
External Credit Enhancement on Loans Securitized by Others	142	92	68	69	70
Total Credit Protection **(2)**	$ 568	$ 482	$ 434	$ 389	$ 326
Total Credit Protection as % of Total Residential Loans	0.31%	0.32%	0.29%	0.27%	0.28%
Delinquencies for Residential Loans owned by Redwood	$ 0	$ 0	$ 0	$ 0	$ 0
Delinquencies for Residential Loans Securitized by Redwood	17	16	13	11	5
Delinquencies for Residential Loans Securitized by Others	229	201	151	174	131
Total Residential Loan Serious Delinquencies	$ 246	$ 217	$ 164	$ 185	$ 136
Delinquencies as % of Total Residential Loans	0.13%	0.14%	0.11%	0.13%	0.12%
Total Credit Protection as % of Delinquencies	232%	222%	263%	211%	239%
Net Charge-Offs on Residential Loans Owned by Redwood	$ 0	$ 0	$ 0	$ 0	$ 0
Net Charge-Offs on Residential Loans Securitized by Redwood	$ 0	$ 0	$ 0	$ 0	$ 0
Net Charge-Offs on Residential Loan Securitized by Others	(1)	(1)	(1)	(1)	(2)
Redwood's Shares of Net Credit (Losses) Recoveries	($1)	($1)	($1)	($1)	($2)
Credit Losses to External Credit Enhancement	0	0	0	0	0
Total Residential Credit Losses	($1)	($1)	($1)	($1)	($2)
Total Credit Losses as % of Total Residential Loans (Annualized)	0.01%	0.01%	0.01%	0.01%	0.01%

(1) *Includes loans securitized by Sequoia securitization entities sponsored by Redwood from which Redwood has acquired the residential CES plus loans securitized by third parties from which Redwood has required the residential credit-enhanced securities, plus loans held temporarily by Redwood prior to securitization.*

(2) *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 reserve on loans credit-enhanced and the external credit enhancement on loans credit-enhanced are only available to absorb losses on the pool of loans related to each individual credit-enhancement security. External credit protection absorbs losses before Redwood is exposed to losses in such securities.*

REDWOOD TRUST, INC.

(All dollars in millions, except per share data)

	Second Quarter 2005	First Quarter 2005	Fourth Quarter 2004	Third Quarter 2004	Second Quarter 2004
Commercial Real Estate Loans					
Start of Period Balances	$ 57	$ 54	$ 33	$ 34	$ 22
Acquisitions	0	7	21	0	17
Sales Proceeds (Not Including Sales to Consolidated Asset-Backed Securities Trusts)	(11)	0	0	0	(2)
Principal Pay Downs	(4)	(5)	0	0	(3)
Net Amortization Income	0	0	0	(1)	0
Credit Provisions	0	1	0	0	0
Net Loss Adjustments through I/S	0	0	0	0	0
End of Period Balances	$ 42	$ 57	$ 54	$ 33	$ 34
Average Amortized Cost During Period, Net of Credit Reserves	$ 45	$ 56	$ 40	$ 33	$ 26
Interest Income	$ 1.2	$ 1.6	$ 1.2	$ 1.0	$ 0.9
Yield	10.68%	11.32%	11.67%	12.40%	13.29%
Principal Value of Loans	$ 52	$ 67	$ 65	$ 43	$ 43
Credit Reserve and Credit Protection	(8)	(8)	(9)	(9)	(8)
Net Discount to be Amortized	(2)	(2)	(2)	(1)	(1)
Commercial Mortgage Loans	$ 42	$ 57	$ 54	$ 33	$ 34
Commercial Real Estate Loan Delinquencies	$ 0	$ 0	$ 0	$ 0	$ 0
Commercial Real Estate Loan Net Charge-Offs	$ 0	$ 0	$ 0	$ 0	$ 0
Commercial Real Estate Loan Credit Provisions	$ 0	$ 1	$ 0	$ 0	$ 0
Commercial Real Estate Loan Credit Reserves and Credit Protection	$ 8	$ 8	$ 9	$ 9	$ 8

	Second Quarter 2005	First Quarter 2005	Fourth Quarter 2004	Third Quarter 2004	Second Quarter 2004
Securities Portfolio					
Start of Period Balances	$ 1,534	$ 1,395	$ 1,239	$ 1,095	$ 937
Acquisitions	156	181	181	151	193
Sales Proceeds (Not Including Sales to Consolidated Asset-Backed Securities Trusts)	(3)	(12)	0	0	(9)
Principal Pay Downs	(22)	(27)	(25)	(18)	(10)
Net Amortization Income (Expense)	0	(1)	0	0	(1)
Net Unrealized Gains (Losses)	15	(2)	0	11	0
Net Recognized Gains (Losses) & Valuation Adjustments	(2)	0	0	0	(15)
End of Period Balances	$ 1,678	$ 1,534	$ 1,395	$ 1,239	$ 1,095
Average Amortized Cost During Period	$ 1,573	$ 1,443	$ 1,279	$ 1,149	$ 980
Interest Income	$ 21	$ 18	$ 15	$ 13	$ 11
Yield	5.27%	4.97%	4.85%	4.62%	4.30%
Principal Value of Securities	1,743	1,611	1,425	1,243	$ 1,097
Net (Discount) Premium to be Amortized	(95)	(92)	(47)	(20)	(7)
Net Unrealized Gains	30	15	17	16	5
Securities Portfolio	$ 1,678	$ 1,534	$ 1,395	$ 1,239	$ 1,095

REDWOOD TRUST, INC.

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

	Estimated Second Quarter 2005	Estimated First Quarter 2005	Estimated First Half 2005	Estimated First Half 2004
GAAP Net Income	$ 40.9	$ 60.6	$ 101.5	$ 105.9
Interest Income and Expense Differences	(4.9)	(20.1)	(24.9)	4.2
Provision for Credit Losses — GAAP	(1.5)	1.0	(0.5)	4.0
Tax Deductions for Realized Credit Losses	(0.7)	(0.4)	(1.1)	(0.5)
Long-Term Compensation Differences	2.1	1.9	4.0	5.3
Stock Option Exercise Deductions Differences	(0.1)	(0.5)	(0.6)	(12.2)
Depreciation of Fixed Asset Differences	0.2	0.1	0.3	0.0
Other Operating Expense Differences	0	0.1	0.1	0.0
Sales of Assets to Third Parties Differences	(2.5)	(0.9)	(3.4)	(1.1)
Call Income from Residential CES Differences	0.1	(2.3)	(2.2)	(4.1)
Tax Gain on Securitizations	0.8	2.5	3.3	10.3
Tax Gain on Intercompany Sales and Transfers	2.4	3.3	5.7	7.5
GAAP Market Valuation Write Downs (EITF 99-20)	0.8	0.4	1.2	4.4
Interest Rate Agreements Differences	0	0.2	0.2	0.5
Provision for Excise Tax — GAAP	0.3	0.3	0.6	0.5
Provision for Income Tax Differences	3.0	0.1	3.1	(1.8)
Total Taxable Income (Pre-Tax) **(1)**	$ 40.9	$ 46.3	$ 87.3	$ 122.9
(Earnings) Losses From Taxable Subsidiaries	(1.7)	(1.2)	(2.9)	(20.1)
REIT Taxable Income (Pre-Tax)	$ 39.2	$ 45.1	$ 84.4	$ 102.8
GAAP Income per Share Based on Average Diluted Shares During Period	$ 1.62	$ 2.42	$ 4.04	$ 5.08
Total Taxable Income per Share Based on Shares Outstanding at Period End	$ 1.66	$ 1.89	$ 3.55	$ 5.92
REIT Taxable Income per Share Based on Shares Outstanding at Period End	$ 1.59	$ 1.84	$ 3.43	$ 4.96
REIT Taxable Income due to Gains on Sales and Calls and other Non-recurring Expenses	(0.12)	(0.59)	(0.71)	(0.80)
Core REIT Taxable Income per Share Based on Shares Outstanding at Period End **(2)**	$ 1.47	$ 1.25	$ 2.72	$ 4.16

(1) *Taxable income is the pre-tax income we earn calculated using calculation methods appropriate for tax purposes. Taxable income calculations differ significantly from GAAP. REIT taxable income is that portion of our taxable income that is subject to REIT tax rules. We must distribute at least 90% of this income as dividends to shareholders over time. As a REIT we are not subject to corporate income taxes on the REIT taxable income we distribute. The remainder of our taxable income (the non-REIT taxable income) is income we earn in taxable subsidiaries. We pay income tax on this income and we generally retain the after-tax income at the subsidiary level.*

(2) *Core REIT taxable income is defined by Redwood management. Core REIT taxable income is the REIT taxable income, excluding taxable income at the REIT from gains and losses on asset sales and calls and other non-recurring expenses such as deductions for stock option exercises. REIT taxable income is taxable income from these gains or losses and other non-reoccurring expenses plus core REIT taxable income. REIT taxable income, plus income at taxable subsidiaries, equals total taxable income which is reconciled to GAAP income in this table.*

[END]