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): May 2, 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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Item 2.02. Results of Operations and Financial Condition.

On May 3, 2005, Redwood Trust, Inc. (the "Company") issued a press release regarding its financial results for the quarter ended March 31, 2005, and released supplemental financial information for the quarter ended March 31, 2005. The Company hereby furnishes, as exhibits to this current report on Form 8-K, a copy of the first quarter 2005 press release and supplemental financial information.

Item 4.01 Changes in Registrant's Certifying Accountant

As disclosed in the Company's proxy statement, filed with the Securities and Exchange Commission on April 7, 2005 for the annual meeting of stockholders to be held May 5, 2005, the Audit Committee of the Company's Board of Directors has determined that, as a matter of good corporate governance, it is in the best interests of the Company to consider the periodic rotation of its independent registered public accounting firm. The Company has requested and is considering proposals from various independent registered public accounting firms to provide auditing services for the fiscal year ending December 31, 2005.

PricewaterhouseCoopers LLP

On May 2, 2005, PricewaterhouseCoopers LLP ("PwC") advised the Audit Committee of the Board of Directors of the Company that it declined to stand for re-appointment as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2005 and would no longer serve as the Company's independent registered public accounting firm after completion of procedures described in the next sentence. On May 4, 2005, PwC completed its procedures related to the unaudited interim financial statements of the Company as of and for the quarter ended March 31, 2005 and the Quarterly Report on Form 10-Q in which such financial statements are included.

The reports of PwC on the Company's consolidated financial statements for the fiscal years ended December 31, 2004 and 2003 did not contain an adverse opinion or a disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope, or accounting principle.

During the fiscal years ended December 31, 2004 and 2003 and through May 4, 2005, there were no disagreements with PwC on any matters of accounting principles or practices, financial statement disclosure, or auditing scope or procedure which, disagreements, if not resolved to the satisfaction of PwC, would have caused PwC to make reference thereto in their reports on the financial statements for such years.

During the fiscal years ended December 31, 2004 and 2003 and through May 4, 2005, there were no reportable events (as the term is defined in Item 304(a) (1) (v) of Regulation S-K).

PwC has furnished the Company a letter addressed to the Securities and Exchange Commission stating that it agrees with the above statements. A copy of this letter dated May 5, 2005, is filed as Exhibit 16.1 to this Form 8-K.

Item 9.01. Financial Statements and Exhibits

(c) Exhibits

16.1 Letter dated May 5, 2005 from PricewaterhouseCoopers LLP

99.1 Supplemental Financial Information for the Quarter Ended March 31, 2005.

99.2 Press Release, dated May 3, 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: May 5, 2005

REDWOOD TRUST, INC.

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

EXHIBIT INDEX

Exhibit No.	Exhibit Title
16.1	Letter dated May 5, 2005 from PricewaterhouseCoopers LLP
99.1	Supplemental Financial Information for the Quarter Ended March 31, 2005
99.2	Press Release, dated May 3, 2005

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
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San Francisco CA 94105
Telephone (415) 498 5000
Facsimile (415) 498 5100
www.pwc.com

May 5, 2005

Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549

Commissioners:

We have read the statements made by Redwood Trust, Inc. (copy attached), which we understand will be filed with the United States Securities and Exchange Commission, pursuant to Item 4.01 of Form 8-K, as part of Redwood Trust's Form 8-K, report dated May 2, 2005. We agree with the statements concerning our Firm in such Form 8-K. We make no comment whatsoever concerning the disclosure of the Redwood Trust rationale regarding periodic rotation of independent registered public accounting firms.

Very truly yours,

PricewaterhouseCoopers LLP

Exhibit 99.1

REDWOOD TRUST

SUPPLEMENTAL FINANCIAL INFORMATION

QUARTER ENDED MARCH 31, 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 is defined by Redwood management. We attempt to strip some of the elements out of GAAP 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.

To calculate core earnings, we first attempt to adjust for events that are not likely to be repeated. For example, in accordance with GAAP, in the second quarter of 2004 we reported GAAP income of $5.2 million as a one-time recognition of the remaining tax NOLs we expect to benefit from in the future. This GAAP income item will not be repeated, so we excluded it from our core income calculation.

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 includes 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. 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.

CORE EQUITY

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 is defined by Redwood management. It is GAAP equity with mark-to-market gains and losses ("accumulated other comprehensive income") excluded. It is, we believe, a better 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 differs 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.

REDWOOD EARNING ASSETS

Redwood's real earning assets in an economic sense (real assets that are sitting in our custodial account) totaled approximately $1.1 billion at the end of the first quarter. Included in this amount are securities we have acquired from securitizations we have sponsored with a cost basis of approximately $167 million. All of the $23 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 $199 million at the end of the first quarter of 2005. Our GAAP balance sheet shows liabilities of $23 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-five times equity. In fact, Redwood has $199 million of true debt and $948 million of GAAP equity supporting $1.0 billion of earning assets and $1.2 billion of total assets (as of March 31, 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)

	Q1:2005	Q4:2004	Q3:2004	Q2:2004	Q1:2004	Q4:2003	Q3:2003	Q2:2003	Q1:2003
Interest income (Redwood and consolidated trusts)	236,957	204,834	171,804	144,865	130,158	111,071	88,905	68,659	63,397
Discount amortization income	9,201	9,146	9,012	9,077	8,836	10,407	11,574	10,110	5,661
Premium amortization expense	(7,967)	(7,105)	802	(14,463)	(11,646)	(9,948)	(8,858)	(5,180)	(6,177)
Provision for credit losses	(1,025)	(1,697)	(1,528)	(1,500)	(2,511)	(3,268)	(1,458)	(2,163)	(1,756)
Total GAAP Interest Income	237,166	205,178	180,090	137,979	124,837	108,262	90,163	71,426	61,125
Interest expense on Redwood Trust's debt	(2,728)	(2,560)	(2,312)	(2,490)	(2,571)	(1,788)	(1,671)	(1,639)	(1,940)
ABS expenses consolidated from trusts	(173,182)	(143,078)	(108,237)	(78,809)	(69,069)	(67,552)	(46,479)	(36,769)	(32,414)
ABS issuance expense amortization	(5,273)	(4,783)	(4,197)	(4,305)	(3,543)	(4,333)	(4,991)	(1,702)	(1,779)
ABS interest agreement expense	1,469	606	(2,888)	(5,988)	(4,965)	(2,358)	(2,855)	(1,873)	(1,089)
ABS issuance premium amortization income	3,747	2,644	2,823	1,233	571	7,437	464	181	289
Total consolidated ABS expense	(173,239)	(144,611)	(112,499)	(87,869)	(77,006)	(66,806)	(53,861)	(40,163)	(34,993)
GAAP net interest income	61,199	58,007	65,279	47,620	45,260	39,668	34,631	29,624	24,192
Fixed compensation expense	(2,778)	(2,009)	(1,959)	(1,842)	(2,230)	(1,641)	(1,515)	(1,394)	(1,398)
Variable compensation expense	(4,279)	(2,908)	(3,443)	(4,722)	(4,022)	(3,575)	(4,643)	(4,658)	(3,810)
Fair value of stock options granted	(370)	(299)	(133)	(547)	(310)	(388)	—	—	—
Other operating expense	(3,322)	(2,565)	(2,512)	(1,781)	(1,735)	(2,076)	(2,427)	(1,251)	(1,264)
Operating expenses	(10,749)	(7,781)	(8,047)	(8,892)	(8,297)	(7,680)	(8,585)	(7,303)	(6,472)
Excise taxes	(307)	165	(301)	(190)	(300)	(341)	—	—	(862)
Variable stock option market value change	84	3	(213)	621	(1,429)	(2,701)	(513)	(1,490)	(948)
Total GAAP operating expenses	(10,972)	(7,613)	(8,561)	(8,461)	(10,026)	(10,722)	(9,098)	(8,793)	(8,282)
Realized gains on calls of residential CES	7,548	11,205	20,472	15,246	11,816	47,562	3,800	4,345	853
Realized gains on asset sales	8,347	—	489	971	6,255	46	130	(27)	721
Loss on repurchase of ABS issued	—	—	—	—	—	(2,160)	—	—	—
Valuation write-downs for EITF 99-20	(391)	(1,573)	(422)	(3,846)	(558)	(2,818)	(3,261)	(915)	(652)
Interest rate agreements valuation adjustments	(492)	(411)	47	(113)	(1)	19	(1)	(462)	(4)
Valuation adjustments on real estate loans	—	(375)	—	—	(75)	(500)	—	—	—
Net gains and valuation adjustments	15,012	8,846	20,586	12,258	17,437	42,149	668	2,941	918
Dividends on and earnings allocated to preferred stock	—	—	—	—	—	—	—	—	(813)
Deferred tax benefit (one time Q2:2004)	—	—	—	5,180	—	—	—	—	—
Provision for income taxes	(4,677)	(4,826)	(4,962)	(1,509)	(1,880)	(1,162)	(1,565)	(1,560)	(1,215)
GAAP Net Income **(1)**	60,562	54,414	72,342	55,088	50,791	69,933	24,636	22,212	14,800
Diluted shares for GAAP (000)	25,021	24,491	22,728	21,325	20,399	19,801	19,018	18,433	17,886
GAAP earnings per share	$ 2.42	$ 2.22	$ 3.18	$ 2.58	$ 2.49	$ 3.53	$ 1.30	$ 1.21	$ 0.87

(1) The first quarter 2003 and the total 2003 GAAP earnings are lower than previously reported due to the adoption of EITF 03-6 (Participating Securities and the Two-Class Method under FASB Statement No. 128), which allocates undistributed earnings between the common and preferred stock based upon their respective contractual rights to share in such earnings as if the earnings were distributed. EITF 03-6 had the effect of lowering GAAP earnings by $15,000 for 2003. EITF 03-6 also lowered GAAP earnings per share (diluted) by $0.05 per share.

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

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

	Q1:2005	Q4:2004	Q3:2004	Q2:2004	Q1:2004	Q4:2003	Q3:2003	Q2:2003	Q1:2003
GAAP income items not included in CORE									
Variable stock option market value change	84	3	(213)	621	(1,429)	(2,701)	(513)	(1,490)	(948)
Realized gains on calls of residential CES	7,548	11,205	20,472	15,246	11,816	47,562	3,800	4,345	853
Realized gains on asset sales	8,347	—	489	971	6,180	46	130	(24)	722
Loss on repurchase of ABS issued	—	—	—	—	—	(2,160)	—	—	—
Valuation write-downs for EITF 99-20	(391)	(1,573)	(422)	(3,846)	(558)	(2,818)	(3,261)	(915)	(652)
Interest rate agreements valuation adjustments	(492)	(411)	47	(113)	(1)	19	(1)	(462)	(4)
Commercial real estate valuation adjustments	—	(375)	—	—	—	(500)	—	(3)	(1)
Net gains and valuation adjustments	15,012	8,846	20,586	12,258	17,437	42,149	668	2,941	918
Deferred tax benefit (one time Q2:2004)	—	—	—	5,180	—	—	—	—	—
Total GAAP / CORE differences	15,096	8,849	20,373	18,059	16,008	39,448	155	1,451	(30)
Core earnings	45,466	45,565	51,969	37,029	34,783	30,485	24,481	20,761	14,830
GAAP / CORE differences	15,096	8,849	20,373	18,059	16,008	39,448	155	1,451	(30)
GAAP Net Income	60,562	54,414	72,342	55,088	50,791	69,933	24,636	22,212	14,800
Per Share Analysis									
Variable stock option market value change	$ 0.00	$ 0.00	($0.01)	$ 0.03	($0.07)	($0.14)	($0.03)	($0.08)	($0.05)
Realized gains on calls of residential CES	0.30	0.46	0.90	0.71	0.58	2.40	0.20	0.24	0.05
Realized gains on asset sales	0.33	0.00	0.02	0.05	0.30	0.00	0.01	(0.00)	0.04
Loss on repurchase of ABS issued	0.00	0.00	0.00	0.00	0.00	(0.11)	0.00	0.00	0.00
Valuation write-downs for EITF 99-20	(0.02)	(0.06)	(0.02)	(0.18)	(0.03)	(0.14)	(0.17)	(0.05)	(0.04)
Interest rate agreements valuation adjustments	(0.01)	(0.02)	0.00	(0.01)	(0.00)	0.00	(0.00)	(0.03)	(0.00)
Commercial real estate valuation adjustments	0.00	(0.02)	0.00	(0.01)	0.00	(0.02)	0.00	(0.00)	(0.00)
Deferred tax benefit (one time Q2:2004)	0.00	0.00	0.00	0.24	0.00	0.00	0.00	0.00	0.00
GAAP / CORE differences per share	$ 0.60	$ 0.36	$ 0.89	$ 0.84	$ 0.78	$ 1.99	$ 0.01	$ 0.08	($0.00)
CORE earnings per share	$ 1.82	$ 1.86	$ 2.29	$ 1.74	$ 1.71	$ 1.54	$ 1.29	$ 1.13	$ 0.87
GAAP / CORE differences per share	0.60	0.36	0.89	0.84	0.78	1.99	0.01	0.08	(0.00)
GAAP earnings per share	$ 2.42	$ 2.22	$ 3.18	$ 2.58	$ 2.49	$ 3.53	$ 1.30	$ 1.21	$ 0.87
Diluted shares outstanding (000)	25,021	24,491	22,728	21,325	20,399	19,801	19,018	18,433	17,886

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

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 Q1:2005	Estimated Q4:2004	Estimated Q3:2004	Estimated Q2:2004	Estimated Q1:2004	Estimated 2004	Actual 2003
Taxable income in taxable subs (pre-tax)	$ 1,170	$ 9,045	$ 10,143	$ 11,721	$ 8,337	$ 39,246	$ 7,861
REIT taxable income (pre-tax)	45,161	50,386	49,030	60,344	42,490	202,250	168,390
Total taxable income (pre-tax)	$ 46,331	$ 59,431	$ 59,173	$ 72,065	$ 50,827	$ 241,496	$ 176,251
Income in taxable subs (pre-tax)	$ 1,170	$ 9,045	$ 10,143	$ 11,721	$ 8,337	$ 39,246	$ 7,861
Income tax for taxable subs (actual tax due)	(830)	(3,571)	(4,574)	(1,600)	(1,150)	(10,895)	(873)
After-tax income in taxable subs	$ 340	$ 5,474	$ 5,569	$ 10,121	$ 7,187	$ 28,351	$ 6,988
Ordinary REIT taxable income	$ 30,176	$ 40,015	$ 33,527	$ 46,931	$ 27,635	$ 148,108	$ 123,045
Capital gain REIT taxable income	14,985	10,371	15,503	13,413	14,855	54,142	45,345
REIT taxable income (pre-tax)	$ 45,161	$ 50,386	$ 49,030	$ 60,344	$ 42,490	$ 202,250	$ 168,390
REIT taxable income (pre-tax)	$ 45,161	$ 50,386	$ 49,030	$ 60,344	$ 42,490	$ 202,250	$ 168,390
Excise taxes due to deferrals	(307)	165	(301)	(190)	(300)	(626)	(1,305)
Income taxes due to earnings retention (actual tax due)	(1,450)	(2,722)	(1,537)	(2,151)	(1,267)	(7,677)	(5,619)
REIT taxable income (after-tax)	$ 43,404	$ 47,829	$ 47,192	$ 58,003	$ 40,923	$ 193,947	$ 161,466
After-tax income in taxable subs	$ 340	$ 5,474	$ 5,569	$ 10,121	$ 7,187	$ 28,351	$ 6,988
REIT taxable income (after-tax)	43,404	47,829	47,192	58,003	40,923	193,947	161,466
Total taxable income (after-tax)	$ 43,744	$ 53,303	$ 52,761	$ 68,124	$ 48,110	$ 222,298	$ 168,454
Regular dividend per share	$ 0.70	$ 0.67	$ 0.67	$ 0.67	$ 0.67	$ 2.68	$ 3.36
Special dividend per share	—	5.50	—	—	0.50	6.00	4.75
Total dividends per share	0.70	6.17	0.67	0.67	1.17	8.68	8.11
Shares at period end (000)	24,514	24,154	23,346	21,511	19,796	24,154	19,063
Dividends declared	$ 17,160	$ 146,707	$ 15,642	$ 14,412	$ 23,162	$ 199,923	$ 137,436
Dividend deduction on stock issued through DRIP	56	1,048	844	712	655	3,259	1,161
Total dividend deductions	$ 17,216	$ 147,755	$ 16,486	$ 15,124	$ 23,817	$ 203,182	$ 138,597
Taxable income (after-tax) retained in tax subs	$ 340	$ 5,474	$ 5,569	$ 10,121	$ 7,187	$ 28,351	$ 6,988
Taxable income (after-tax) retained in REIT — (1)	1,260	1,445	1,515	2,352	1,197	6,509	5,381
Total retained taxable earnings (after-tax)	$ 1,600	$ 6,919	$ 7,084	$ 12,473	$ 8,384	$ 34,860	$ 12,369
Per share outstanding at quarter end							
REIT taxable income (pre-tax)	1.84	$ 2.09	$ 2.10	$ 2.81	$ 2.15	$ 9.15	$ 9.21
Total taxable income (pre-tax)	1.89	2.46	2.53	3.35	2.57	10.91	9.64
Total retained taxable earnings (after-tax)	0.07	0.29	0.30	0.58	0.42	1.59	0.65

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.

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(1) 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 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	$ 37,611	$ 138,981	$ 109,790	$ 69,263	$ 53,354	$ 53,354	$ 35,865
REIT taxable income (pre-tax)	45,161	50,386	49,030	60,344	42,490	202,250	168,390
Permanently retained (pre-tax)	(3,018)	(4,002)	(3,353)	(4,693)	(2,764)	(14,811)	(12,305)
Dividend of 2002 income	—	—	—	—	—	—	(35,865)
Dividend of 2003 income	(17,216)	—	(14,413)	(15,124)	(23,817)	(53,354)	(102,732)
Dividend of 2004 income	—	(147,755)	(2,073)	—	—	(149,828)	—
Undistributed REIT taxable income (pre-tax): end	$ 62,538	$ 37,611	$ 138,981	$ 109,790	$ 69,263	$ 37,611	$ 53,354
Shares outstanding at period end	24,514	24,154	23,346	21,511	19,796	24,154	19,063
Undistributed REIT taxable income (pre-tax) per share outstanding	$ 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	20,395	37,611	138,982	95,377	39,727	37,611	—
From 2005’s income	42,143	—	—	—	—	—	—
Total	$ 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)

	Q1:2005	Q4:2004	Q3:2004	Q2:2004	Q1:2004	Q4:2003	Q3:2003	Q2:2003	Q1:2003
Residential loans owned by Redwood	$ 256	$ 193	$ 259	$ 161	$ 97	$ 43	$ 406	$ 218	$ 454
Residential loans consolidated from entities	21,237	22,015	21,299	19,755	17,989	16,196	13,407	9,030	6,867
Total GAAP residential loans	21,493	22,208	21,558	19,916	18,086	16,239	13,813	9,248	7,321
HELOC loans owned by Redwood	—	—	—	—	—	—	—	—	—
HELOC loans consolidated from entities	279	296	317	327	—	—	—	—	—
Total GAAP HELOC loans	279	296	317	327	—	—	—	—	—
Commercial loans owned by Redwood	22	32	21	25	14	14	15	25	22
Commercial loans consolidated from entities	35	22	12	8	8	9	9	10	9
Total GAAP commercial loans	57	54	33	33	22	23	24	35	31
Residential CES owned by Redwood	373	351	327	312	256	251	204	203	214
Residential CES consolidated from entities	238	211	170	131	119	128	169	190	159
Total GAAP residential CES	611	562	497	443	375	379	373	393	373
Other securities owned by Redwood	99	129	170	215	239	167	125	104	89
Other securities consolidated from entities	1,435	1,266	1,069	881	698	678	480	491	277
Total GAAP other securities	1,534	1,395	1,239	1,096	937	845	605	595	366
Cash owned by Redwood	65	57	76	38	58	58	32	37	43
Restricted cash consolidated from entities	58	36	45	20	14	22	14	18	12
Accrued interest receivable	82	72	62	49	44	40	33	24	22
Principal receivable	—	3	1	12	—	13	2	1	1
Interest rate agreements	29	16	10	17	1	2	—	—	—
Deferred tax asset	8	11	9	5	—	—	—	—	—
Deferred asset-backed security issuance costs	63	61	58	53	47	44	36	29	22
Other assets	6	7	7	7	6	5	5	5	2
Total GAAP assets	$ 24,285	$ 24,778	$ 23,912	$ 22,016	$ 19,590	$ 17,670	$ 14,937	$ 10,385	$ 8,193
Residential loans owned by Redwood	$ 256	$ 193	$ 259	$ 161	$ 97	$ 43	$ 406	$ 218	$ 454
HELOC loans owned by Redwood	—	—	—	—	—	—	—	—	—
Commercial loans owned by Redwood	22	32	21	25	14	14	15	25	22
Residential CES owned by Redwood	373	351	327	312	256	251	204	203	214
Other securities owned by Redwood	99	129	170	215	239	167	125	104	89
Cash owned by Redwood	65	57	76	38	58	58	32	37	43
Assets of securitizations for GAAP	23,224	23,810	22,867	21,102	18,814	17,011	14,065	9,721	7,312
ABS liabilities of entities for GAAP	(23,057)	(23,630)	(22,680)	(20,923)	(18,630)	(16,826)	(13,818)	(9,571)	(7,192)
Redwood earning assets — GAAP basis	$ 982	$ 942	$ 1,040	$ 930	$ 848	$ 718	$ 1,029	$ 737	$ 942

Table 7: Liabilities (all $ in millions)

Table 7
Liabilities
(all $ in millions)

	Q1:2005	Q4:2004	Q3:2004	Q2:2004	Q1:2004	Q4:2003	Q3:2003	Q2:2003	Q1:2003
Redwood Trust debt: short-term	$ 199	$ 203	$ 246	$ 270	$ 278	$ 236	$ 500	$ 218	$ 476
Redwood Trust debt: long-term	—	—	—	—	—	—	—	—	—
Total Redwood Trust debt	$ 199	$ 203	$ 246	$ 270	$ 278	$ 236	$ 500	$ 218	$ 476
ABS issued, consolidated from entities	22,821	23,383	22,449	20,724	18,458	16,661	13,743	9,554	7,188
Unamortized IO issuance premium	202	210	185	161	162	153	66	13	—
Unamortized ABS issuance premium	34	37	46	38	10	12	9	4	4
ABS obligations of entities	$ 23,057	$ 23,630	$ 22,680	$ 20,923	$ 18,630	$ 16,826	$ 13,818	$ 9,571	$ 7,192
Accrued interest payable	38	35	29	22	18	17	10	7	5
Interest rate agreements	—	1	7	1	12	4	4	8	4
Accrued expenses and other liabilities	26	29	32	28	21	22	27	22	20
Dividends payable	17	16	16	14	23	12	12	12	11
Total GAAP liabilities	$ 23,337	$ 23,914	$ 23,010	$ 21,258	$ 18,982	$ 17,117	$ 14,371	$ 9,838	$ 7,708
Preferred Stock	—	—	—	—	—	—	—	—	27
Common stock	795	773	727	625	549	518	489	465	428
Accumulated other comprehensive income	125	105	97	111	79	82	91	109	68
Cumulative GAAP earnings	542	482	427	355	299	249	179	154	132
Cumulative distributions to shareholders	(514)	(496)	(349)	(333)	(319)	(296)	(193)	(181)	(170)
GAAP stockholders’ equity	948	864	902	758	608	553	566	547	485
Total GAAP liabilities and equity	$ 24,285	$ 24,778	$ 23,912	$ 22,016	$ 19,590	$ 17,670	$ 14,937	$ 10,385	$ 8,193
Total Redwood Trust debt	$ 199	$ 203	$ 246	$ 270	$ 278	$ 236	$ 500	$ 218	$ 476
GAAP stockholders’ equity	948	864	902	758	608	553	566	547	485
Redwood capital	$ 1,147	$ 1,067	$ 1,148	$ 1,028	$ 886	$ 789	$ 1,066	$ 765	$ 961
Redwood debt to equity ratio	21%	23%	27%	36%	46%	43%	88%	40%	98%
Debt to capital ratio	17%	19%	21%	26%	31%	30%	47%	28%	50%
Redwood earning assets	$ 982	$ 942	$ 1,040	$ 930	$ 848	$ 718	$ 1,029	$ 737	$ 942
Redwood debt	199	203	246	270	278	236	500	218	476
Redwood net earning assets (GAAP basis)	$ 783	$ 739	$ 794	$ 660	$ 570	$ 482	$ 529	$ 519	$ 466
Equity to earning assets	97%	92%	87%	82%	72%	77%	55%	74%	51%

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)

	Q1:2005	Q4:2004	Q3:2004	Q2:2004	Q1:2004	Q4:2003	Q3:2003	Q2:2003	Q1:2003	2004
BOOK VALUE										
GAAP equity	$948,001	$864,156	$901,841	$757,940	$608,122	$553,328	$566,134	$547,176	$485,402	864,156
Balance sheet mark-to-market adjustments	124,784	105,357	96,452	111,221	78,517	82,179	90,592	108,409	68,077	105,357
Core equity	$823,217	$758,799	$805,389	$646,719	$529,605	$471,149	$475,542	$438,767	$417,325	$758,799
Core equity	823,217	758,799	805,389	646,719	529,605	471,149	475,542	438,767	417,325	758,799
REIT taxable income to be paid as dividends	62,538	37,611	138,982	109,790	69,263	53,354	83,212	64,966	47,138	37,611
Adjusted core equity	$760,679	$721,188	$666,407	$536,929	$460,342	$417,796	$392,330	$373,801	$370,187	$721,188
Shares outstanding at quarter end	24,514	24,154	23,346	21,511	19,796	19,063	18,468	17,821	16,605	24,154
GAAP equity per share	$ 38.67	$ 35.78	$ 38.63	$ 35.24	$ 30.72	$ 29.03	$ 30.65	$ 30.70	$ 29.23	$ 35.78
Core equity per share	33.58	31.42	34.50	30.06	26.75	24.72	25.75	24.62	25.13	31.42
Adjusted core equity per share	31.03	29.86	28.55	24.96	23.25	21.92	21.24	20.98	22.29	29.86
PROFITABILITY										
Net interest income	$ 61,199	$ 58,007	$ 65,279	$ 47,620	$ 45,260	$ 39,668	$ 34,631	$ 29,624	$ 24,192	$216,166
Net interest income / average core equity	31%	30%	38%	33%	36%	34%	30%	28%	23%	34%
Operating expenses (before excise and VSOE)	10,749	7,781	8,047	8,892	8,297	7,680	8,585	7,303	6,472	33,017
Efficiency ratio: op exp / core net interest income	18%	13%	12%	19%	18%	19%	25%	25%	27%	15%
Core earnings	45,466	$ 45,565	$ 51,969	$ 37,029	$ 34,783	$ 30,485	$ 24,481	$ 20,761	$ 14,830	$169,346
Core return on average core equity	23%	23%	30%	25%	27%	26%	21%	19%	14%	26%

Table 9: Asset / Liability Matching at March 31, 2005 (all $ in thousands) (1)

Table 9
Asset/Liability Matching at March 31, 2005
(all $ in thousands)

Asset Type	Asset Amount	One-Month LIBOR Liabilities	Six-Month LIBOR Liabilities	One-Year Treasury Liabilities	Fixed/ Hybrid Liabilities	Non Interest Bearing Liabilities	Equity	Total Liabilities And Equity
Cash (unrestricted)	64,714	64,714	—	—	—	—	—	64,714
One-Month LIBOR	6,478,359	6,478,359	—	—	—	—	—	6,478,359
Six-Month LIBOR	16,231,361	—	16,218,277	—	—	—	13,084	16,231,361
Other ARM	319,787	267,842	—	—	—	—	51,945	319,787
Fixed / Hybrid < 1yr*	56,708	—	—	—	23,807	—	32,901	56,708
Fixed / Hybrid > 1yr	888,426	—	—	—	202,705	—	685,721	888,426
Non-Earning Assets	245,740	—	—	—	—	81,390	164,350	245,740
Total	24,285,095	6,810,915	16,218,277	—	226,512	81,390	948,001	24,285,095

* *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)

	Q1:2005	Q4:2004	Q3:2004	Q2:2004	Q1:2004	Q4:2003	Q3:2003	Q2:2003	Q1:2003	2004
Average residential real estate loans	$ 21,640,501	$ 21,716,898	$ 20,484,287	$ 18,754,200	$ 16,916,295	$ 14,381,270	$ 10,958,059	$ 7,670,484	$ 6,625,540	$ 19,476,842
Average residential HELOC	285,142	303,119	323,100	124,053	—	—	—	—	—	188,254
Average residential loan CES	493,412	424,879	368,887	317,235	287,078	272,999	270,991	279,010	278,339	349,779
Average commercial real estate loans	56,080	39,836	33,461	26,129	22,316	23,464	30,471	33,138	30,888	30,469
Average securities portfolio	1,442,742	1,278,528	1,148,828	980,089	862,005	709,867	602,622	453,546	360,084	1,068,162
Average cash and cash equivalents	124,685	126,556	101,937	81,450	70,641	116,265	49,053	87,747	98,715	95,251
Average earning assets	24,042,562	23,889,816	22,460,500	20,283,156	18,158,335	15,503,865	11,911,196	8,523,925	7,393,566	21,208,757
Average other assets	520,622	430,219	416,736	327,205	227,634	254,552	220,420	163,446	160,161	$ 350,847
Average total assets	$ 24,563,184	$ 24,320,035	$ 22,877,236	$ 20,610,361	$ 18,385,969	$ 15,758,417	$ 12,131,616	$ 8,687,371	$ 7,553,727	$ 21,559,604
Average Redwood debt	$ 277,423	$ 348,177	$ 404,589	$ 539,231	$ 447,931	$ 410,631	$ 344,424	$ 299,141	$ 399,130	$ 434,662
Average asset-backed securities issues	23,324,111	22,956,247	21,606,164	19,350,833	17,299,503	14,708,963	11,197,470	7,861,252	6,637,053	20,313,996
Average total obligations	23,601,534	23,304,424	22,010,753	19,890,064	17,747,434	15,119,594	11,541,894	8,160,393	7,036,183	20,748,657
Average other liabilities	66,188	145,752	64,916	56,424	54,150	79,750	37,077	21,605	28,458	80,448
Average total liabilities	23,667,722	23,450,176	22,075,669	19,946,488	17,801,584	15,199,344	11,578,971	8,181,998	7,064,641	20,829,105
Average core equity	794,866	776,833	695,488	583,875	506,445	469,857	458,304	428,896	414,855	641,182
Average balance sheet mark-to-market adjustments	100,596	93,026	106,079	79,998	77,940	89,216	94,341	76,477	74,231	89,317
Average total equity	895,462	869,859	801,567	663,873	584,385	559,073	552,645	505,373	489,086	730,499
Average total liabilities and equity	$ 24,563,184	$ 24,320,035	$ 22,877,236	$ 20,610,361	$ 18,385,969	$ 15,758,417	$ 12,131,616	$ 8,687,371	$ 7,553,727	$ 21,559,604

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)								
Q1: 2003	8,356,918	(50,540)	(244,056)	72,282	8,134,604	7,393,566	61,125	3.31%
Q2: 2003	10,471,188	(62,789)	(216,834)	115,903	10,307,468	8,523,925	71,426	3.35%
Q3: 2003	14,969,841	(23,059)	(191,264)	91,992	14,847,510	11,911,196	90,163	3.03%
Q4: 2003	17,657,339	21,354	(217,806)	82,600	17,543,487	15,503,865	108,262	2.79%
2003	**17,657,339**	**21,354**	**(217,806)**	**82,600**	**17,543,487**	**10,858,311**	**330,976**	**3.05%**
Q1: 2004	19,537,316	39,166	(244,412)	87,874	19,477,810	18,158,335	124,837	2.75%
Q2: 2004	21,975,772	49,407	(264,523)	91,454	21,852,110	20,283,156	137,979	2.72%
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%
Residential Real Estate Loans								
Q1: 2003	7,297,515	33,520	(9,996)	—	7,321,039	6,625,539	42,314	2.55%
Q2: 2003	9,206,986	52,593	(12,159)	—	9,247,420	7,670,484	47,299	2.47%
Q3: 2003	13,703,475	123,392	(13,617)	—	13,813,250	10,958,059	63,638	2.32%
Q4: 2003	16,110,748	144,748	(16,336)	—	16,239,160	14,381,270	82,727	2.30%
2003	**16,110,748**	**144,748**	**(16,336)**	**—**	**16,239,160**	**9,932,961**	**235,978**	**2.38%**
Q1: 2004	17,950,901	154,451	(18,847)	—	18,086,505	16,916,295	98,826	2.34%
Q2: 2004	19,766,481	169,174	(20,080)	—	19,915,575	18,754,200	109,880	2.34%
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%
Home Equity Lines of Credit								
Q1: 2003	—	—	—	—	—	—	—	—
Q2: 2003	—	—	—	—	—	—	—	—
Q3: 2003	—	—	—	—	—	—	—	—
Q4: 2003	—	—	—	—	—	—	—	—
2003	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**-**
Q1: 2004	—	—	—	—	—	—	—	—
Q2: 2004	317,045	10,043	(267)	—	326,821	124,053	536	1.73%
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%
Residential Credit-Enhancement Securities								
Q1: 2003	614,111	(84,648)	(234,060)	77,759	373,162	278,339	13,693	19.68%
Q2: 2003	598,134	(113,358)	(204,675)	113,310	393,411	279,010	17,977	25.77%
Q3: 2003	603,855	(145,356)	(177,647)	92,559	373,411	270,991	19,027	28.09%
Q4: 2003	623,692	(123,329)	(200,970)	79,334	378,727	272,999	17,394	25.49%
2003	**623,692**	**(123,329)**	**(200,970)**	**79,334**	**378,727**	**275,308**	**68,091**	**24.73%**
Q1: 2004	634,000	(110,994)	(216,924)	68,534	374,616	287,078	15,533	21.64%
Q2: 2004	712,908	(121,808)	(235,535)	86,674	442,239	317,235	16,077	20.27%
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%

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
Commercial Real Estate Loans								
Q1: 2003	32,223	(1,009)	—	—	31,214	30,888	816	10.57%
Q2: 2003	42,492	171	(8,141)	—	34,522	33,138	960	11.59%
Q3: 2003	31,211	538	(8,141)	—	23,608	30,471	939	12.33%
Q4: 2003	31,180	(120)	(8,641)	—	22,419	23,464	244	4.16%
2003	**31,180**	**(120)**	**(8,641)**	**—**	**22,419**	**29,473**	**2,959**	**10.04%**
Q1: 2004	31,136	(318)	(8,641)	—	22,177	22,316	701	12.56%
Q2: 2004	43,448	(1,261)	(8,641)	—	33,546	26,129	868	13.29%
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%
Securities								
Q1: 2003	370,187	1,597	—	(5,477)	366,307	360,084	4,192	4.66%
Q2: 2003	587,038	5,946	—	2,593	595,577	453,546	5,057	4.46%
Q3: 2003	599,144	6,508	—	(567)	605,085	602,622	6,478	4.30%
Q4: 2003	833,252	8,196	—	3,266	844,714	709,867	7,803	4.40%
2003	**833,252**	**8,196**	**—**	**3,266**	**844,714**	**532,683**	**23,530**	**4.42%**
Q1: 2004	921,279	(3,973)	—	19,340	936,646	862,005	9,611	4.46%
Q2: 2004	1,097,429	(6,741)	—	4,780	1,095,468	980,089	10,545	4.30%
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%
Cash & Equivalents								
Q1: 2003	42,882	—	—	—	42,882		110	
Q2: 2003	36,539	—	—	—	36,539		133	
Q3: 2003	32,156	—	—	—	32,156		81	
Q4: 2003	58,467	—	—	—	58,467		94	
2003	**58,467**	**—**	**—**	**—**	**58,467**		**418**	
Q1: 2004	57,866	—	—	—	57,866		166	
Q2: 2004	38,461	—	—	—	38,461		73	
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	

* *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)								
Q1: 2003	1,338,920	(73,137)	(152,768)	(6,156)	(1,756)	31	726	1,105,860
Q2: 2003	2,168,181	—	(234,582)	(5,055)	(2,163)	—	—	1,926,381
Q3: 2003	4,996,403	—	(420,395)	(8,720)	(1,458)	—	—	4,565,830
Q4: 2003	2,897,863	(605)	(458,957)	(9,684)	(2,769)	50	12	2,425,910
2003	**11,401,367**	**(73,742)**	**(1,266,702)**	**(29,615)**	**(8,146)**	**81**	**738**	**10,023,981**
Q1: 2004	2,321,706	—	(460,334)	(11,516)	(2,511)	—	—	1,847,345
Q2: 2004	2,703,443	—	(859,148)	(13,992)	(1,233)	—	—	1,829,070
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)
Home Equity Line of Credit								
Q1: 2003	—	—	—	—	—	—	—	—
Q2: 2003	—	—	—	—	—	—	—	—
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)
Residential Loan Credit-Enhancement Securities								
Q1: 2003	37,077	—	(23,212)	5,545	—	—	1,273	20,683
Q2: 2003	11,265	(1,248)	(38,773)	10,024	—	—	38,981	20,249
Q3: 2003	23,164	—	(37,647)	11,432	—	—	(16,949)	(20,000)
Q4: 2003	77,367	—	(116,575)	10,188	—	—	34,336	5,316
2003	**148,873**	**(1,248)**	**(216,207)**	**37,189**	**—**	**—**	**57,641**	**26,248**
Q1: 2004	37,608	(22,416)	(34,640)	8,637	—	—	6,700	(4,111)
Q2: 2004	75,027	—	(46,997)	8,847	—	—	30,746	67,623
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
Commercial Real Estate Loans								
Q1: 2003	2,011	—	(68)	—	—	—	1	1,944
Q2: 2003	3,408	—	(34)	(67)	—	—	1	3,308
Q3: 2003	1,023	(774)	(11,220)	(33)	—	—	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
Securities								
Q1: 2003	42,955	—	(11,329)	3	—	—	(1,019)	30,610
Q2: 2003	237,515	(4,051)	(12,126)	(111)	—	—	8,043	229,270
Q3: 2003	28,702	—	(12,677)	(96)	—	—	(6,421)	9,508
Q4: 2003	256,588	—	(17,658)	(343)	—	—	1,042	239,629
2003	**565,760**	**(4,051)**	**(53,790)**	**(547)**	**—**	**—**	**1,645**	**509,017**
Q1: 2004	86,278	(142)	(9,807)	(484)	—	—	16,087	91,932
Q2: 2004	192,700	(8,333)	(10,069)	(705)	—	—	(14,771)	158,822
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

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	(4) 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											
Q1: 2003	68,069,255	244,056	61,814	305,870	0.45%	162,657	0.24%	1,171	456	715	<0.01%
Q2: 2003	61,071,919	216,834	58,296	275,130	0.45%	163,894	0.27%	384	152	232	<0.01%
Q3: 2003	57,493,402	191,264	51,985	243,249	0.42%	179,871	0.31%	986	38	948	<0.01%
Q4: 2003	84,372,335	217,306	46,476	263,782	0.31%	137,978	0.16%	1,645	357	1,288	<0.01%
2003	**84,372,335**	**217,306**	**46,476**	**263,782**	**0.31%**	**137,978**	**0.16%**	**4,186**	**1,003**	**3,183**	**<0.01%**
Q1: 2004	89,448,075	235,771	43,797	279,568	0.31%	146,055	0.16%	103	—	103	<0.01%
Q2: 2004	117,020,797	255,615	70,460	326,075	0.28%	136,654	0.12%	1,781	75	1,706	<0.01%
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	67,424	457,653	0.30%	217,159	0.14%	1,377	—	1,377	<0.01%
Residential Real Estate Loans											
Q1: 2003	7,297,515	9,996	—	9,996	0.14%	1,159	0.02%	31	—	31	<0.01%
Q2: 2003	9,206,986	12,159	—	12,159	0.13%	3,895	0.04%	—	—	—	<0.01%
Q3: 2003	13,703,475	13,617	—	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%
Residential Loan Credit-Enhancement Securities											
Q1: 2003	60,748,216	234,060	61,814	295,874	0.49%	161,498	0.27%	1,140	456	684	<0.01%
Q2: 2003	51,824,499	204,675	58,296	262,971	0.51%	159,999	0.31%	384	152	232	<0.01%
Q3: 2003	43,680,152	177,647	51,985	229,632	0.53%	178,273	0.41%	986	38	948	<0.01%
Q4: 2003	68,133,175	200,970	46,476	247,446	0.36%	132,559	0.19%	1,595	357	1,238	<0.01%
2003	**68,133,175**	**200,970**	**46,476**	**247,446**	**0.36%**	**132,559**	**0.19%**	**4,105**	**1,003**	**3,102**	**<0.01%**
Q1: 2004	71,361,570	216,924	43,797	260,721	0.37%	142,616	0.20%	103	—	103	<0.01%
Q2: 2004	97,105,222	235,535	70,460	305,995	0.32%	131,292	0.14%	1,781	75	1,706	<0.01%
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	67,424	433,422	0.33%	201,093	0.15%	1,223	—	1,223	<0.01%

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

	Mar. 2005	Dec. 2004	Sep. 2004	Jun. 2004	Mar. 2004	Dec. 2003	Sep. 2003
Residential Loans	$ 21,493,224	$ 22,208,417	$ 21,557,912	$ 19,915,575	$ 18,086,505	$ 16,239,160	$ 13,813,250
Number of loans	62,551	63,236	61,299	56,097	49,756	43,919	37,122
Average loan size	$ 341	$ 348	$ 352	$ 355	$ 364	$ 370	$ 372
Adjustable %	99%	99%	99%	99%	99%	99%	99%
Hybrid %	0%	1%	1%	1%	1%	1%	1%
Fixed %	0%	0%	0%	0%	0%	0%	0%
Northern California	13%	13%	13%	14%	13%	13%	13%
Southern California	13%	13%	12%	12%	12%	12%	12%
Florida	11%	11%	11%	11%	11%	11%	11%
Georgia	5%	5%	5%	5%	5%	6%	6%
Arizona	5%	4%	4%	4%	4%	4%	3%
New York	4%	5%	5%	5%	5%	5%	6%
New Jersey	4%	4%	4%	4%	4%	5%	5%
Texas	4%	4%	4%	4%	4%	4%	4%
Colorado	4%	4%	4%	4%	4%	4%	3%
Illinois	3%	3%	3%	3%	4%	4%	4%
Virgina	3%	3%	3%	3%	2%	3%	2%
Other states (none greater than 3%)	31%	32%	32%	31%	32%	29%	31%
Year 2005 origination	5%	0%	0%	0%	0%	0%	0%
Year 2004 origination	47%	38%	32%	23%	11%	0%	0%
Year 2003 origination	26%	42%	46%	52%	60%	66%	58%
Year 2002 origination	19%	16%	18%	21%	24%	28%	34%
Year 2001 origination	2%	2%	3%	3%	3%	4%	5%
Year 2000 origination	0%	0%	0%	0%	0%	0%	0%
Year 1999 origination	1%	0%	0%	1%	1%	1%	1%
Year 1998 origination or earlier	0%	1%	1%	1%	1%	1%	2%
% balance in loans > $1mm per loan	12%	14%	14%	14%	15%	16%	17%

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)

	Mar. 2005	Dec. 2004	Sep. 2004	Jun. 2004	Mar. 2004	Dec. 2003	Sep. 2003
First loss position, principal value	$ 375,646	$ 352,752	$ 320,975	$ 279,927	$ 262,329	$ 255,570	$ 236,968
Second loss position, principal value	265,639	276,720	244,042	197,403	176,672	174,592	168,547
Third loss position, principal value	337,593	304,300	265,507	235,578	194,999	193,530	198,340
Total principal value	**$ 978,878**	**$ 933,772**	**$ 830,524**	**$ 712,908**	**$ 634,000**	**$ 623,692**	**$ 603,855**
First loss position, reported value	$ 126,694	$ 110,933	99,783	$ 102,088	$ 75,769	$ 78,030	$ 70,458
Second loss position, reported value	191,962	195,536	174,371	145,211	133,167	134,225	128,280
Third loss position, reported value	292,738	255,189	222,655	194,940	165,680	166,472	174,673
Total reported value	**$ 611,394**	**$ 561,658**	**$ 496,809**	**$ 442,239**	**$ 374,616**	**$ 378,727**	**$ 373,411**
Internal Designated Credit Reserves	365,998	$ 340,123	298,925	$ 235,535	$ 216,924	$ 200,970	$ 177,647
External Credit Enhancement	67,424	67,650	69,244	70,460	43,797	46,476	51,985
Total Credit Protection	**$ 433,422**	**$ 407,773**	**$ 368,169**	**$ 305,995**	**$ 260,721**	**$ 247,446**	**$ 229,632**
As % of Total Portfolio	0.33%	0.32%	0.30%	0.32%	0.37%	0.36%	0.53%
Underlying Residential Real Estate Loans	$ 130,127,109	$ 126,486,797	$ 121,585,353	$ 97,105,222	$ 71,361,570	$ 68,133,175	$ 43,680,152
Number of credit-enhanced loans	295,073	279,838	272,003	216,048	163,673	152,083	96,424
Average loan size	$ 441	$ 452	$ 447	$ 449	$ 436	$ 448	$ 453
Adjustable %	28%	26%	18%	13%	20%	21%	21%
Hybrid %	30%	30%	30%	44%	66%	64%	57%
Fixed %	42%	44%	52%	43%	14%	15%	22%
Northern California	23%	23%	23%	23%	26%	26%	25%
Southern California	23%	23%	23%	24%	25%	25%	25%
Florida	6%	6%	6%	4%	4%	4%	4%
New York	5%	5%	5%	5%	5%	5%	6%
Massachusetts	3%	3%	3%	3%	3%	3%	3%
New Jersey	3%	3%	3%	3%	3%	3%	3%
Virginia	3%	3%	3%	3%	3%	3%	3%
Colorado	3%	3%	3%	3%	3%	3%	3%
Illinois	3%	3%	3%	3%	3%	3%	3%
Other states (none greater than 3%)	28%	28%	28%	29%	25%	25%	25%
Year 2005 origination	8%	0%	0%	0%	0%	0%	0%
Year 2004 origination	34%	36%	28%	16%	0%	0%	0%
Year 2003 origination	39%	43%	48%	50%	58%	51%	28%
Year 2002 origination	11%	12%	14%	18%	22%	26%	34%
Year 2001 origination	3%	3%	4%	6%	8%	11%	18%
Year 2000 origination	1%	1%	1%	2%	2%	2%	4%
Year 1999 origination	1%	1%	1%	2%	3%	3%	6%
Year 1998 or earlier origination	3%	4%	4%	6%	7%	7%	10%
% balance in loans > $1mm per loan	9%	10%	10%	6%	9%	11%	11%

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 period end, all $ in thousands)

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

	Mar. 2005	Dec. 2004	Sep. 2004	Jun. 2004	Mar. 2004	Dec. 2003	Sep. 2003
Commercial Mortgage Loans	$ 56,604	$ 54,479	$ 33,389	$ 33,546	$ 22,177	$ 22,419	$ 23,608
Number of Loans	12	9	7	6	9	9	9
Average Loan Size	$ 4,717	$ 6,053	$ 4,770	$ 5,591	$ 2,464	$ 2,491	$ 2,623
Serious Delinquency	—	—	—	—	—	—	—
Realized Credit losses	—	—	—	—	—	—	—
California %	42%	44%	72%	72%	65%	65%	65%

Table 17: Securities Portfolio — Characteristics at March 31, 2005 (all $ in thousands)

Table 17
Securities Portfolio — Characteristics at March 31, 2005
(all $ in thousands)

	Total	Rating: AAA	AA	A	BBB	BB	B	Unrated
Commercial Real Estate	$ 279,125	$ 14,276	$ 1,930	$ 34,254	$ 102,136	$ 74,836	$ 23,123	$ 28,570
Residential Prime	430,037	18,510	214,274	100,232	97,021	—	—	—
Residential Subprime	487,531	—	82,975	309,825	94,731	—	—	—
Residential Second Lien	131,088	—	60,498	63,010	7,580	—	—	—
Manufactured Housing	15,109	2,865	6,094	6,150	—	—	—	—
Corporate REIT Debt	62,886	—	—	7,080	47,745	8,061	—	—
Real Estate CDOs	128,171	25,561	23,211	38,069	37,896	2,060	—	1,374
Total Securities Portfolio	$ 1,533,947	$ 61,212	$ 388,982	$ 558,620	$ 387,109	$ 84,957	$ 23,123	$ 29,944

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 March 31, 2005	Interest Rate At March 31, 2005
Sequoia 1 A1	AAA	07/29/97	$ 334,347	1m LIBOR	2028	Called	—	NM
Sequoia 1 A2	AAA	07/29/97	200,000	Fed Funds	2028	Called	—	NM
Sequoia 2 A1	AAA	11/06/97	592,560	1y Treasury	2029	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	142,082	3.21%
Sequoia 5 A	AAA	10/29/01	496,667	1m LIBOR	2026	2009	277,278	3.20%
Sequoia 5 B1	AA	10/29/01	5,918	1m LIBOR	2026	2009	5,918	3.65%
Sequoia 5 B2	A	10/29/01	5,146	1m LIBOR	2026	2009	5,146	3.65%
Sequoia 5 B3	BBB	10/29/01	2,316	1m LIBOR	2026	2009	2,316	3.65%
Sequoia 6A	AAA	04/26/02	496,378	1m LIBOR	2027	2009	313,646	3.17%
Sequoia 6B1	AA	04/26/02	5,915	1m LIBOR	2027	2009	5,915	3.55%
Sequoia 7A	AAA	05/29/02	554,686	1m LIBOR	2032	2008	301,740	3.19%
Sequoia 7B1	AA	05/29/02	8,080	1m LIBOR	2032	2008	8,080	3.60%
Sequoia 8 1A-1	AAA	07/30/02	50,000	1m LIBOR	2032	Retired	—	0.00%
Sequoia 8 1A-2	AAA	07/30/02	61,468	Fixed to 12/04	2032	2008	9,195	4.79%
Sequoia 8 2A	AAA	07/30/02	463,097	1m LIBOR	2032	2008	279,764	3.15%
Sequoia 8 3A	AAA	07/30/02	49,973	6m LIBOR	2032	2008	24,268	4.04%
Sequoia 8 B1	AA	07/30/02	9,069	1m LIBOR	2032	2008	9,069	3.53%
Sequoia 9 1A	AAA	08/28/02	381,689	1m LIBOR	2032	2011	243,266	3.20%
Sequoia 9 2A	AAA	08/28/02	168,875	1m LIBOR	2032	2011	77,453	4.20%
Sequoia 9 B1	AA	08/28/02	7,702	1m LIBOR	2032	2011	7,702	3.60%
Sequoia 10 1A	AAA	09/26/02	822,375	1m LIBOR	2027	2011	542,715	3.25%
Sequoia 10 2A-1	AAA	09/26/02	190,000	1m LIBOR	2027	2011	132,053	3.23%
Sequoia 10 2A-2	AAA	09/26/02	3,500	1m LIBOR	2027	2011	3,500	3.53%
Sequoia 10 B1	AA	09/26/02	12,600	1m LIBOR	2027	2011	12,600	3.65%
Sequoia 10 B2	A	09/26/02	8,400	1m LIBOR	2027	2011	8,400	3.65%
Sequoia 10 B3	BBB	09/26/02	4,725	1m LIBOR	2027	2011	4,725	4.25%
Sequoia 11 A	AAA	10/30/02	695,210	1m LIBOR	2032	2011	430,146	3.30%
Sequoia 11 B1	AA	10/30/02	9,726	1m LIBOR	2032	2011	9,726	3.82%
Sequoia 12 A	AAA	12/19/02	1,080,076	1m LIBOR	2033	2009	720,243	3.30%
Sequoia 12 B1	AA	12/19/02	16,815	1m LIBOR	2033	2009	16,815	3.70%
Sequoia 2003-1 A1	AAA	02/27/03	798,206	1m LIBOR	2033	2009	536,599	3.23%
Sequoia 2003-1 A2	AAA	02/27/03	190,000	6m LIBOR	2033	2009	129,884	3.48%
Sequoia 2003-1 B1	AA	02/27/03	15,905	1m LIBOR	2033	2009	15,905	3.73%
Sequoia 2003-1 B2	A	02/27/03	8,210	Pass Through	2033	2009	8,210	3.86%
Sequoia 2003-2 A1	AAA	04/29/03	500,000	1m LIBOR	2022	2009	351,144	3.18%
Sequoia 2003-2 A2	AAA	04/29/03	303,600	6m LIBOR	2022	2009	201,966	2.54%
Sequoia 2003-2 M1	AA	04/29/03	11,480	1m LIBOR	2016	2009	11,480	3.50%
Sequoia 2003-3 A1	AAA	06/26/03	379,455	1m LIBOR	2023	2009	257,727	3.18%
Sequoia 2003-3 A2	AAA	06/26/03	149,922	6m LIBOR	2023	2009	103,084	3.07%
Sequoia 2003-3 B1	AA	06/26/03	9,075	1m LIBOR	2025	2009	9,075	3.50%
MLCC 2003-C A1	AAA	06/26/03	773,795	1m LIBOR	2023	2012	540,796	3.18%
MLCC 2003-C A2	AAA	06/26/03	200,002	6m LIBOR	2023	2012	138,006	3.12%
MLCC 2003-C B1	AA	06/26/03	10,553	1m LIBOR	2025	2012	10,553	3.50%
MLCC 2003-D A	AAA	07/29/03	992,833	1m LIBOR	2028	2012	735,036	3.16%
MLCC 2003-D B1	AA	07/29/03	10,758	1m LIBOR	2028	2012	10,758	3.48%
Sequoia 2003-4 1A1	AAA	07/29/03	148,641	1m LIBOR	2033	2009	117,516	3.16%
Sequoia 2003-4 1A2	AAA	07/29/03	150,000	6m LIBOR	2033	2009	120,439	3.23%
Sequoia 2003-4 1B1	AA	07/29/03	3,864	1m LIBOR	2033	2009	3,864	3.50%
Sequoia 2003-4 2A1	AAA	07/29/03	189,415	1m LIBOR	2033	2011	157,731	3.20%
Sequoia 2003-4 2M1	AA	07/29/03	9,986	1m LIBOR	2033	2011	9,986	3.32%
Sequoia 2003-4 2B1	AA	07/29/03	2,367	1m LIBOR	2033	2011	2,367	3.50%
Sequoia 2003-5 A1	AAA	08/27/03	675,596	1m LIBOR	2033	2009	458,992	3.16%
Sequoia 2003-5 A2	AAA	08/27/03	149,609	6m LIBOR	2033	2009	100,748	3.41%
Sequoia 2003-5 B1	AA	08/27/03	15,043	1m LIBOR	2033	2009	15,043	3.45%
Sequoia 2003-6 A1	AAA	10/29/03	458,238	1m LIBOR	2033	2009	324,067	3.16%
Sequoia 2003-6 A2	AAA	10/29/03	180,474	6m LIBOR	2033	2009	120,874	2.53%

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 March 31, 2005	Interest Rate At March 31, 2005
Sequoia 2003-6 B1	AA	10/29/03	11,287	1m LIBOR	2033	2009	11,287	3.43%
Sequoia 2003-7 A1	AAA	11/25/03	290,000	1m LIBOR	2034	2009	212,545	3.17%
Sequoia 2003-7 A2	AAA	11/25/03	505,100	6m LIBOR	2034	2009	357,366	2.89%
Sequoia 2003-7 B1	AA	11/25/03	16,607	1m LIBOR	2034	2009	16,607	3.40%
Sequoia 2003-8 A1	AAA	12/23/03	791,768	1m LIBOR	2034	2009	619,538	3.17%
Sequoia 2003-8 A2	AAA	12/23/03	150,000	6m LIBOR	2034	2009	122,542	3.06%
Sequoia 2003-8 B1	AA	12/23/03	14,166	1m LIBOR	2034	2009	14,166	3.44%
Sequoia 2003-8 B2	A	12/23/03	8,304	1m LIBOR	2034	2009	8,304	4.10%
MLCC 2003-E A1	AAA	08/28/03	823,305	1m LIBOR	2028	2012	616,939	3.16%
MLCC 2003-E A2	AAA	08/28/03	150,000	6m LIBOR	2028	2012	111,167	3.41%
MLCC 2003-E B1	AA	08/28/03	10,547	1m LIBOR	2028	2012	10,547	3.45%
MLCC 2003-F A1	AAA	09/25/03	839,000	1m LIBOR	2028	2012	640,620	3.17%
MLCC 2003-F A2	AAA	09/25/03	270,000	6m LIBOR	2028	2012	206,502	3.71%
MLCC 2003-F A3	AAA	09/25/03	175,000	Pass Through	2028	2012	138,437	4.10%
MLCC 2003-F B1	AA	09/25/03	13,913	1m LIBOR	2028	2012	13,913	1.00%
MLCC 2003-H A1	AAA	12/22/03	365,708	1m LIBOR	2029	2012	291,220	3.17%
MLCC 2003-H A2	AAA	12/22/03	240,000	6m LIBOR	2029	2012	197,119	3.11%
MLCC 2003-H A3A	AAA	12/22/03	119,613	Pass Through	2029	2012	95,317	3.85%
MLCC 2003-H B1	AA	12/22/03	7,875	1m LIBOR	2029	2012	7,875	0.86%
MLCC 2003-H B2	A	12/22/03	6,000	1m LIBOR	2029	2012	6,000	3.40%
Sequoia 2004-1 A1	AAA	01/28/04	601,250	6m LIBOR	2034	2010	480,696	3.20%
Sequoia 2004-1 B1	AA	01/28/04	9,375	1m LIBOR	2034	2010	9,375	3.40%
Sequoia 2004-1 B2	A	01/28/04	5,937	1m LIBOR	2034	2010	5,937	3.40%
Sequoia 2004-2 A1	AAA	02/25/04	671,998	6m LIBOR	2034	2010	519,224	3.35%
Sequoia 2004-2 B1	AA	02/25/04	11,550	1m LIBOR	2034	2010	11,550	3.35%
Sequoia 2004-2 B2	A	02/25/04	7,000	1m LIBOR	2034	2010	7,000	3.83%
Sequoia 2004-3 A1	AAA	03/30/04	894,673	6m LIBOR	2034	2010	698,493	3.55%
Sequoia 2004-3 M1	AA	03/30/04	13,800	1m LIBOR	2034	2010	13,800	3.35%
Sequoia 2004-3 M2	A	03/30/04	9,200	1m LIBOR	2034	2010	9,200	3.75%
Sequoia 2004-4 A1	AAA	04/29/04	785,971	6m LIBOR	2010	2010	638,664	2.46%
Sequoia 2004-4 B1	AA	04/29/04	14,612	1m LIBOR	2010	2010	14,612	3.35%
Sequoia 2004-4 B2	A	04/29/04	8,350	1m LIBOR	2010	2010	8,350	3.75%
Sequoia 2004-5 A1	AAA	05/27/04	547,657	Pass Through	2012	2012	445,318	3.59%
Sequoia 2004-5 A2	AAA	05/27/04	185,613	1m LIBOR	2012	2012	152,409	3.11%
Sequoia 2004-5 A3	AAA	05/27/04	74,897	6m LIBOR	2012	2012	61,499	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	411,244	3.71%
Sequoia 2004-6 A2	AAA	06/29/04	185,687	1m LIBOR	2012	2012	156,480	3.13%
Sequoia 2004-6 A3a	AAA	06/29/04	196,500	6m LIBOR	2012	2012	165,724	3.02%
Sequoia 2004-6 A3b	AAA	06/29/04	3,500	6m LIBOR	2012	2012	2,952	3.16%
Sequoia 2004-6 B1	AA	06/29/04	15,725	1m LIBOR	2012	2012	15,725	3.35%
Sequoia 2004-6 B2	A	06/29/04	9,250	1m LIBOR	2012	2012	9,250	3.73%
SEMHT 2004-01 A	AAA	06/29/04	317,044	1m LIBOR	2014	2012	268,628	3.08%
Sequoia 2004-7 A1	AAA	07/29/04	498,828	Pass Through	2034	2012	234,355	3.83%
Sequoia 2004-7 A2	AAA	07/29/04	252,102	1m LIBOR	2034	2012	222,202	3.16%
Sequoia 2004-7 A3a	AAA	07/29/04	247,874	6m LIBOR	2034	2012	209,855	3.23%
Sequoia 2004-7 A3b	AAA	07/29/04	3,956	6m LIBOR	2034	2012	3,349	3.45%
Sequoia 2004-7 B1	AA	07/29/04	18,900	1m LIBOR	2034	2012	18,900	3.40%
Sequoia 2004-7 B2	A	07/29/04	11,025	1m LIBOR	2034	2012	11,025	3.79%
Sequoia 2004-8 A1	AAA	08/27/04	365,049	1m LIBOR	2034	2012	327,505	3.20%
Sequoia 2004-8 A2	AAA	08/27/04	418,050	6m LIBOR	2034	2012	367,243	3.45%
Sequoia 2004-8 B1	AA	08/27/04	16,400	1m LIBOR	2034	2012	16,400	3.37%
Sequoia 2004-8 B2	A	08/27/04	8,200	1m LIBOR	2034	2012	8,200	3.75%
Sequoia 2004-9 A1	AAA	09/29/04	453,364	1m LIBOR	2034	2012	419,597	3.19%
Sequoia 2004-9 A2	AAA	09/29/04	296,310	6m LIBOR	2034	2012	271,620	3.66%
Sequoia 2004-9 B1	AA	09/29/04	14,915	1m LIBOR	2034	2012	14,915	3.36%
Sequoia 2004-9 B2	A	09/29/04	8,242	1m LIBOR	2034	2012	8,242	3.73%
Sequoia 2004-10 A-1A	AAA	10/28/04	110,000	1m LIBOR	2034	2012	103,850	3.16%
Sequoia 2004-10 A-1B	AAA	10/28/04	12,225	1m LIBOR	2034	2012	11,541	3.22%
Sequoia 2004-10 A-2	AAA	10/28/04	203,441	1m LIBOR	2034	2012	192,066	3.17%
Sequoia 2004-10 A-3A	AAA	10/28/04	180,000	6m LIBOR	2034	2012	164,008	2.57%
Sequoia 2004-10 A-3B	AAA	10/28/04	20,000	6m LIBOR	2034	2012	18,223	2.63%
Sequoia 2004-10 A-4	AAA	10/28/04	126,799	6m LIBOR	2034	2012	115,534	2.58%
Sequoia 2004-10 B-1	AA	10/28/04	14,042	1m LIBOR	2034	2012	14,042	3.35%
Sequoia 2004-10 B-2	A	10/28/04	6,849	1m LIBOR	2034	2012	6,849	3.70%

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 March 31, 2005	Interest Rate At March 31, 2005
Sequoia 2004-11 A1	AAA	11/23/04	433,985	1m LIBOR	2034	2012	412,607	3.15%
Sequoia 2004-11 A2	AAA	11/23/04	86,036	6m LIBOR	2034	2012	81,724	3.04%
Sequoia 2004-11 A3	AAA	11/23/04	170,694	1m LIBOR	2034	2012	160,308	3.15%
Sequoia 2004-11 B1	AA	11/23/04	8,947	1m LIBOR	2034	2012	8,947	3.35%
Sequoia 2004-11 B2	A	11/23/04	6,084	1m LIBOR	2034	2012	6,084	3.70%
Sequoia 2004-12 A1	AAA	12/22/04	380,510	1m LIBOR	2035	2012	366,652	3.12%
Sequoia 2004-12 A2	AAA	12/22/04	208,392	6m LIBOR	2035	2012	193,953	3.19%
Sequoia 2004-12 A3	AAA	12/22/04	218,331	6m LIBOR	2035	2012	202,130	3.22%
Sequoia 2004-12 B1	AA	12/22/04	8,588	1m LIBOR	2035	2012	8,588	3.35%
Sequoia 2004-12 B2	A	12/22/04	6,134	1m LIBOR	2035	2012	6,134	3.70%
Sequoia 2005-1 A1	AAA	01/27/05	298,055	1m LIBOR	2035	2013	290,513	3.08%
Sequoia 2005-1 A2	AAA	01/27/05	100,000	6m LIBOR	2035	2013	98,408	3.17%
Sequoia 2005-1 B1	AA	01/27/05	7,067	1m LIBOR	2035	2013	7,067	3.27%
Sequoia 2005-1 B2	A	01/27/05	3,949	1m LIBOR	2035	2013	3,949	3.55%
Sequoia 2005-2 A1	AAA	02/24/05	202,462	1m LIBOR	2035	2013	199,388	3.07%
Sequoia 2005-2 A2	AAA	02/24/05	126,737	6m LIBOR	2035	2013	126,179	3.36%
Sequoia 2005-2 B1	AA	02/24/05	6,016	1m LIBOR	2035	2013	6,016	3.24%
Sequoia 2005-2 B2	A	02/24/05	3,266	1m LIBOR	2035	2013	3,266	3.52%
Total Sequoia ABS Issuance			$ 29,863,591				20,854,559	3.22%

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 Cerfiticates 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 March 31, 2005	Interest Rate At March 31, 2005
MLCC 2003-C X-A-2	AAA	06/26/03	12,662	Fixed	2007	2007	2,890	4.50%
MLCC 2003-D X-A-1	AAA	07/29/03	22,371	Fixed	2007	2007	6,253	4.50%
MLCC 2003-E X-A-1	AAA	08/28/03	16,550	Fixed	2007	2007	6,495	4.25%
MLCC 2003-F X-A-1	AAA	09/25/03	18,666	Fixed	2007	2007	7,508	4.50%
Sequoia 2003-6 X-1	AAA	10/29/03	8,220	Fixed	2007	2007	3,328	4.50%
SMFC 2003A AX1	AAA	10/31/03	70,568	Fixed	2007	2007	25,495	4.50%
Sequoia 2003-7 X-1	AAA	11/25/03	10,345	Fixed	2007	2007	4,406	4.25%
Sequoia 2003-8 X-1	AAA	12/23/03	12,256	Fixed	2007	2007	5,549	4.50%
Sequoia 2004-1 X-1	AAA	01/28/04	7,801	Fixed	2007	2007	3,767	4.00%
Sequoia 2004-2 X-1	AAA	02/25/04	8,776	Fixed	2007	2007	4,458	3.75%
SMFC 2004A AX1	AAA	02/26/04	10,626	Fixed	2007	2007	7,224	3.75%
MLCC 2003-H X-A-1	AAA	12/22/03	10,430	Fixed	2007	2007	5,025	4.25%
Sequoia 2004-4 X-1	AAA	05/28/04	9,789	Fixed	2010	2010	5,869	4.25%
Sequoia 2004-5 X-1	AAA	05/27/04	3,371	Fixed	2012	2012	2,030	4.15%
Sequoia 2004-6 X-A	AAA	06/29/04	10,884	Pass Through	2012	2012	8,826	N/A
Sequoia 2004-7 X-A	AAA	07/29/04	12,145	Pass Through	2034	2012	9,809	N/A
Sequoia 2004-8 X-A	AAA	08/27/04	18,270	Pass Through	2034	2012	15,469	N/A
Sequoia 2004-9 X-A	AAA	09/29/04	16,951	Pass Through	2034	2012	14,480	N/A
Sequoia 2004-10 X-A	AAA	10/28/04	14,735	Pass Through	2034	2012	12,919	N/A
Sequoia 2004-11 X-A-1	AAA	11/23/04	12,603	Pass Through	2034	2012	11,361	N/A
Sequoia 2004-11 X-A-2	AAA	11/23/04	4,697	Pass Through	2034	2012	4,237	N/A
Sequoia 2004-12 X-A-1	AAA	12/22/04	14,453	Pass Through	2035	2012	13,732	N/A
Sequoia 2004-12 X-A-2	AAA	12/22/04	4,619	Pass Through	2035	2012	4,620	N/A
Sequoia 2005-1 X-A	AAA	01/27/05	9,669	Pass Through	2035	2013	9,179	N/A
Sequoia 2005-2 X-A	AAA	02/24/05	7,484	Pass Through	2035	2013	7,290	N/A
Total Sequoia Issuance			$ 348,941				$ 202,217	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 March 31, 2005	Interest Rate At March 31, 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	5,469	9.50%
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				$ 9,719	10.59%

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 March 31, 2005	Interest Rate At March 31, 2005
SMFC 2002A A1	AAA	04/30/02	64,761	1m LIBOR	2030	2005	—	2.88%
SMFC 2002A A2	AAA	04/30/02	15,861	1m LIBOR	2029	2005	—	3.43%
Acacia CDO 1 A	AAA	12/10/02	224,250	3m LIBOR	2018	2010	192,943	3.52%
Acacia CDO 1 B	AA	12/10/02	45,000	3m LIBOR	2037	2010	45,000	4.24%
Acacia CDO 1 C	BBB	12/10/02	15,750	3m LIBOR	2037	2010	15,750	5.64%
SMFC 2002B I A1	AA	12/19/02	16,855	Fixed	2031	2005	888	5.43%
SMFC 2002B I A2	A	12/19/02	18,274	Fixed	2031	2005	962	5.68%
SMFC 2002B I A3	BBB	12/19/02	17,221	Fixed	2031	2005	907	6.38%
SMFC 2002B I A4	BB	12/19/02	25,133	Fixed	2031	2005	1,323	6.75%
SMFC 2002B II A1	AA	12/19/02	15,517	Fixed	2039	2005	1,041	4.82%
SMFC 2002B II A2	A	12/19/02	18,345	Fixed	2039	2005	1,230	4.92%
SMFC 2002B II A3	BBB	12/19/02	14,989	Fixed	2039	2005	1,005	5.35%
SMFC 2002B II A4	BB	12/19/02	8,347	Fixed	2039	2005	560	6.00%
Acacia CDO 2 A	AAA	05/13/03	222,000	3m LIBOR	2023	2011	210,173	3.61%
Acacia CDO 2 B	AA	05/13/03	45,375	3m LIBOR	2038	2011	45,375	4.26%
Acacia CDO 2 C	BBB	05/13/03	16,500	3m LIBOR	2038	2011	16,500	6.21%
Acacia CDO 3 A	AAA	11/04/03	222,000	3m LIBOR	2038	2011	221,552	3.53%
Acacia CDO 3 B	AA	11/04/03	45,750	3m LIBOR	2038	2011	45,750	4.15%
Acacia CDO 3 C	BBB	11/04/03	16,500	3m LIBOR	2038	2011	16,500	6.35%
Acacia CDO 4 A	AAA	04/08/04	229,400	3m LIBOR	2039	2012	229,130	3.00%
Acacia CDO 4 B1	AA	04/08/04	45,300	3m LIBOR	2039	2012	45,300	3.47%
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	5.47%
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	222,447	3.33%
Acacia CDO 5 B	AA	07/14/04	42,250	3m LIBOR	2039	2012	42,250	3.75%
Acacia CDO 5 C	A	07/14/04	9,000	3m LIBOR	2039	2012	9,000	4.40%
Acacia CDO 5 D	A	07/14/04	3,000	3m LIBOR	2039	2012	3,000	4.95%
Acacia CDO 5 E	BBB	07/14/04	5,375	3m LIBOR	2039	2012	5,375	5.75%
Acacia CDO 6 A1	AAA	11/09/04	222,000	3m LIBOR	2040	2012	222,000	3.13%
Acacia CDO 6 A2	AAA	11/09/04	15,000	3m LIBOR	2040	2012	15,000	3.42%
Acacia CDO 6 B	AA	11/09/04	27,000	3m LIBOR	2040	2012	27,000	3.57%
Acacia CDO 6 C	A	11/09/04	6,500	3m LIBOR	2040	2012	6,500	4.12%
Acacia CDO 6 D	A	11/09/04	3,000	3m LIBOR	2040	2012	3,000	4.77%
Acacia CDO 6 E1	BBB	11/09/04	1,500	3m LIBOR	2040	2012	1,500	5.57%
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				$ 1,956,662	3.58%

Does not include securities acquired by Redwood or Acacia

End

Exhibit 99.2

REDWOOD TRUST

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FOR IMMEDIATE RELEASE
Tuesday, May 3, 2005

Redwood Trust Reports First Quarter 2005 Results

MILL VALLEY, California — May 3, 2005 – Redwood Trust, Inc. (NYSE: RWT) today reported GAAP earnings of $61 million ($2.42 per share) for the first quarter of 2005.

Our core earnings were $1.82 per share for the first quarter, an increase of 6% relative to first quarter 2004 core earnings of $1.71 per share but a slight decrease from fourth quarter 2004 core earnings of $1.86 per share. Core earnings exclude gains and losses from asset sales, calls, and market value changes that are included in reported GAAP earnings. 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. A reconciliation of our core earnings to GAAP earnings appears in the tables below.

Redwood declared dividends of $0.70 per share for the first quarter of 2005.

Doug Hansen, Redwood's President, said, "Our portfolio of high-quality real estate assets continues to produce strong cash flows and earnings, and real estate credit trends remain favorable."

Hansen continued, "As noted in the past, we expect our quarterly core earnings per share results will most likely decline somewhat during 2005 as our highest yielding assets from the past pay down or are called away."

"We are continuing to face increased levels of competition for asset acquisitions at a time when the supply of new high-quality real estate loan originations is declining," said Hansen. "We were able to source a reasonable amount of attractive new assets for our permanent asset portfolio during the first quarter, although our acquisition rate is slowing. Given current market conditions, we expect that our rate of asset acquisition will continue to decline."

"We have a material amount of cash that is not yet invested," Hansen continued. "In addition, we are actively working on a number of additional asset sales and capital recycling opportunities that could generate more cash. We are willing to hold this cash while looking patiently for attractive long-term high-quality investment opportunities. Even if current market conditions persist, we do expect to invest our unutilized cash over time, and to continue to grow by employing capital in both new and existing products. Accordingly, we are continuing to make significant new investments in staff, infrastructure, and information technologies."

"We expect our assets will continue to generate strong cash flows," said Hansen. "We expect to continue to post results and pay dividends that are attractive on an absolute basis, so long as real estate credit results for high-quality residential and commercial real estate loans are reasonably favorable."

Review of the First Quarter of 2005

From the fourth quarter of 2004 to the first quarter of 2005, GAAP return on equity rose slightly from 25.0% to 27.0% and core return on equity declined slightly from 23.5% to 22.9%. Our use of "core equity" is described below.

Redwood's estimated total taxable income (pre-tax income as calculated according to the tax rules) was $1.89 per share for the first quarter of 2005, $2.46 for the fourth quarter of 2004, and $2.57 per share for the first quarter of 2004. Estimated REIT taxable income (which excludes income earned in taxable non-REIT subsidiaries) was $1.84 per share for the first quarter of 2005, $2.09 per share for the fourth quarter of 2004, and $2.15 per share for the first quarter of 2004.

Permanent assets are the assets we own and hold in portfolio for the long term to earn interest income and to benefit from asset appreciation and call gains. Redwood's total permanent asset acquisitions for the first quarter were $50 million, including $0.5 million residential credit-enhancement securities (CES) and $0.5 million interest-only (IO) securities acquired from Sequoia residential securitizations we sponsored, $21 million residential credit-enhancement securities (CES) acquired from securitizations sponsored by others, $14 million commercial real estate CES, $3 million commercial real estate loans, and $11 million collateralized debt obligation (CDO) equity securities acquired from the $300 million Acacia CDO 7 securitization we sponsored during the first quarter. Permanent asset acquisitions for the four quarters of 2004 were $54 million, $80 million, $75 million, and $64 million, respectively. Redwood's asset acquisitions from Sequoia and Acacia securitizations do not appear as assets on our Consolidated Balance Sheets as these securitizations are accounted for as financings for GAAP purposes.

We sold $27 million (market value) permanent assets during the first quarter of 2005, generating GAAP gains of $8 million and estimated tax gains of $7 million. An additional $14 million permanent assets were called during the first quarter, generating GAAP gains of $8 million and estimated tax gains of $6 million. GAAP gains from these sales and calls represent the primary difference between GAAP and core earnings for the first quarter.

Total permanent assets increased by 6% (from $626 million to $660 million) during the first quarter as a net result of $50 million new acquisitions, $32 million market value appreciation, and $11 million net discount amortization income accruals, offset by $40 million sales (including $13 million sales to Acacia CDO 7), $7 million calls, and $12 million principal pay downs.

During the first quarter of 2005, we sponsored two Sequoia securitizations (Sequoia 2005-1 and Sequoia 2005-2), securitizing $767 million high-quality residential real estate loans. On average during 2004, we sponsored the securitization of $2.4 billion residential loans per quarter. Our residential loan securitization volume and our securitization margin (the gain-on-sale we generate for tax purposes in our taxable non-REIT subsidiaries when we sponsor a residential securitization) have declined. A flatter yield curve (higher short-term interest rates relative to longer-term interest rates) has reduced homeowner interest in the short-term adjustable rate loans (ARMs) we have been acquiring for sale to Sequoia. In addition, homeowners have increasingly favored competing short-term ARM products (negative amortization option ARMs and Moving Treasury Average ARMs), reducing interest in our core LIBOR-index ARM product. Our securitization margins have declined due to increased demand from banks for whole loans for their portfolios and increased securitization competition from Wall Street firms and others. We expect that our taxable income gains from securitization in 2005 will be substantially reduced from the $32 million taxable income gains we earned in 2004. The securitizations we sponsor are treated as financings for GAAP purposes, so no gain or loss on the sale of accumulated securitization assets to securitization entities is recorded in our GAAP statements.

As a result of sales of residential CES and prepayments within the loan pools underlying the CES we own, total residential real estate credit managed by Redwood increased only slightly to $152 billion at the end of the first quarter from $149 billion at year-end. Seriously delinquent loans (over 90 days, in foreclosure, in bankruptcy, or real estate owned) within Redwood's managed residential loans increased during the first quarter while remaining at low levels. Serious delinquencies were $217 million (0.14% of loan balances) at quarter-end and $164 million (0.11 % of loan balances) at the beginning of the quarter. One year ago, serious delinquencies were $146 million (0.16% of loan balances of $89 billion).

Credit losses for Redwood's managed residential loans were $1.4 million for the first quarter, $0.7 million for the fourth quarter of 2004, and $0.1 million for the first quarter of 2004. Our residential credit loss rates remain under one basis point (0.01%) of loan balances on an annual basis.

At March 31, 2005, Redwood credit-enhanced (assumed first-loss credit risk on) $13 billion commercial real estate loans. Serious delinquencies on these loans at quarter-end totaled $5 million (0.04% of loan balances), and there were no commercial credit losses during the quarter.

Credit results for the remainder of our permanent assets were also strong during the first quarter of 2005.

During the quarter, interest rates rose, the yield curve flattened, prepayment rates for the adjustable-rate residential loans underlying our residential CES and IO securities (including assets acquired from Sequoia) increased, and prepayment rates for fixed-rate and hybrid residential loans underlying our residential CES decreased. We believe our balance sheet and operations are well balanced with respect to changes in interest rates and prepayment rates, and that there has been no major effect of these current trends on our results and cash flows.

Operating expenses (before excise taxes and variable stock option expense, but including FAS 123 expenses for the granting of stock options) for the first quarter of 2005 were $10.7 million and our efficiency ratio (operating expenses as a percent of net interest income) was 18%. In the first quarter of 2004, operating expenses were $8.3 million and our efficiency ratio was also 18%. From the first quarter of 2004 to the first quarter of 2005, our operating expenses grew by 30% while our business (as measured by the size of our permanent asset portfolio) grew by 64%.

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 sale to future securitizations.

At March 31, 2005, the assets Redwood owns (excluding assets owned by securitization entities that are consolidated for GAAP) included permanent assets of $660 million, assets held temporarily as inventory for sale to future securitizations of $379 million, unrestricted cash of $65 million, interest rate agreements of $28 million, and net working capital and fixed assets of $43 million, for a total of $1.1 billion. These assets were funded with Redwood debt of $199 million and equity of $948 million. Our debt-to-capital ratio was 17% and our debt-to-equity ratio was 0.2X.

Redwood issued 344,755 new common shares through its Direct Stock Purchase and Dividend Reinvestment Plan in the first quarter at an average net price to Redwood of $55.83 per share, raising $19 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, and setting aside cash equaling the estimated REIT taxable income we will distribute as dividends prior to September 2006, we had $80 million of excess cash available to invest in new permanent assets.

Reported GAAP book value per share at quarter-end was $38.67 per share, an increase of 8% during the quarter. Adjusted core book value per share at quarter-end was $31.03 per share, an increase of 4% 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 will need to be distributed as dividends prior to September 2006. We believe adjusted core equity is a 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 Second Quarter of 2005 (through May 2, 2005)

Permanent asset acquisitions completed during the second quarter of 2005 to date have totaled $7 million, including $0.8 million residential CES and $0.4 million IO securities acquired from the $365 million Sequoia 2005-3 residential securitization we sponsored in April, and $6 million residential CES acquired from securitizations sponsored by others. To date in the second quarter, we have not sold permanent assets.

Our credit results have remained excellent during the second quarter of 2005 to date.

Calls of residential CES were $7 million principal value in April, generating estimated gains of $3 million for GAAP and $2 million for tax.

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 first quarter of 2005. In addition, our Quarterly Report on Form 10-Q for the quarter ended March 31, 2005 also contains important additional information about the first quarter.

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

Redwood Trust invests in, credit-enhances, and securitizes residential and commercial real estate loans and securities. The company is a leader in the real estate loan marketplace, with assets backed by $151 billion of 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	First Quarter 2005	Fourth Quarter 2004	Third Quarter 2004	Second Quarter 2004	First Quarter 2004
Interest Income	$ 237.2	$ 205.2	$ 180.1	$ 138.0	$ 124.8
Interest Expense	(176.0)	(147.2)	(114.8)	(90.4)	(79.5)
Net Interest Income	$ 61.2	$ 58.0	$ 65.3	$ 47.6	$ 45.3
Operating Expenses	(10.7)	(7.9)	(8.0)	(8.9)	(8.3)
Net Recognized Gains (Losses) and Valuation Adjustments	15.0	8.9	20.5	12.3	17.4
Variable Stock Option (Expense) Income	0.1	(0.0)	(0.2)	0.6	(1.4)
Excise Tax (Expense) Credit	(0.3)	0.2	(0.3)	(0.2)	(0.3)
Provision For Income Taxes	(4.7)	(4.8)	(5.0)	(1.5)	(1.9)
Reversal of Deferred Tax Valuation Allowance	0.0	0.0	0.0	5.2	0.0
GAAP Earnings	$ 60.6	$ 54.4	$ 72.3	$ 55.1	$ 50.8
Less: Net Recognized (Gains) Losses and Valuation Adjustments	(15.0)	(8.9)	(20.5)	(12.3)	(17.4)
Less: Variable Stock Option (Expense) Income	(0.1)	0.0	0.2	(0.6)	1.4
Less: One Time Deferred Tax (Benefit)	0.0	(0.0)	(0.0)	(5.2)	0.0
Core Earnings**(1)**	$ 45.5	$ 45.5	$ 52.0	$ 37.0	$ 34.8
Average Diluted Shares (thousands)	25,021	24,491	22,728	21,325	20,399
GAAP Earnings per Share (Diluted)	$ 2.42	$ 2.22	$ 3.18	$ 2.58	$ 2.49
Core Earnings per Share**(1)**	$ 1.82	$ 1.86	$ 2.29	$ 1.74	$ 1.71
Estimated Total Taxable Income Per Share Outstanding	$ 1.89	$ 2.46	$ 2.53	$ 3.35	$ 2.57
Estimated REIT Taxable Income Per Share Outstanding	$ 1.84	$ 2.09	$ 2.10	$ 2.81	$ 2.15
Dividends Per Common Share (Regular)	$ 0.70	$ 0.67	$ 0.67	$ 0.67	$ 0.67
Dividends Per Common Share (Special)	$ 0.00	$ 5.50	$ 0.00	$ 0.00	$ 0.50
Total Dividends per Common Share	$ 0.70	$ 6.17	$ 0.67	$ 0.67	$ 1.17
GAAP Net Interest Income / Average GAAP Equity	27.3%	26.7%	32.6%	28.7%	31.0%
Core Net Interest Income / Average Core Equity**(2)**	30.8%	29.9%	37.5%	32.6%	35.7%
GAAP ROE: GAAP Earnings/ Avg GAAP Common Equity	27.1%	25.0%	36.1%	33.2%	34.8%
Core ROE: Core Earnings / Avg Common Core Equity	22.9%	23.5%	29.9%	25.4%	27.5%

(1) *Core earnings is not a measure of earnings in accordance with GAAP. It is calculated as GAAP earnings from ongoing operations less net recognized gains (losses) and valuation adjustments (which include gains and losses from sales and calls and valuation adjustments on certain assets hedges) and other temporary or one-time adjustments. Management believes that core earnings provides 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 calculated as GAAP equity less unrealized gains and losses on certain assets and hedges. (A reconciliation of core-equity to GAAP equity appears in the table presenting balance sheet data.) Management believes measurements based on core equity provide relevant and useful information regarding its results of operations in addition to GAAP measures of performance. This is, in part, because market valuation adjustments reflected in GAAP equity represent unrealized gains and losses on a portion of the balance sheet only and may not be reflective of the equity available to invest in operations. Because all companies and analysts do not calculate non-GAAP measures in the same fashion, core equity and ratios using core equity as calculated by the company may not be comparable to similarly titled measures reported by other companies.*

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

CONSOLIDATED BALANCE SHEET	31-Mar 2005	31-Dec 2004	30-Sept 2004	30-Jun 2004	31-Mar 2004
Residential Real Estate Loans	$ 21,493	$ 22,208	$ 21,558	$ 19,916	$ 18,086
Residential Home Equity Lines of Credit (HELOC)	279	296	317	327	—
Residential Loan Credit-Enhancement Securities	611	562	497	442	375
Commercial Real Estate Loans	57	54	33	34	22
Securities Portfolio	1,534	1,395	1,239	1,095	937
Cash and Cash Equivalents	65	57	76	38	58
Other Assets	246	206	192	163	113
Total Consolidated Assets	$ 24,285	$ 24,778	$ 23,912	$ 22,015	$ 19,591
Redwood Trust Debt	$ 199	$ 203	$ 246	$ 270	$ 278
Consolidated Asset-Back Securities Issued	23,057	23,630	22,680	20,923	18,630
Other Liabilities	81	81	84	64	75
Common Equity	948	864	902	758	608
Total Liabilities and Equity	$ 24,285	$ 24,778	$ 23,912	$ 22,015	$ 19,591
Total GAAP Equity	$ 948	$ 864	$ 902	$ 758	$ 608
Less: Accumulated Other Comprehensive Income	(125)	(105)	(96)	(111)	(79)
Core Equity	$ 823	$ 759	$ 806	$ 647	$ 529
Less: Undistributed REIT Taxable Income	(63)	(38)	(139)	(110)	(69)
Adjusted Core Equity	$ 760	$ 721	$ 667	$ 537	$ 460
Common Shares Outstanding at Period End (thousands)	24,514	24,154	23,346	21,511	19,796
GAAP Equity (GAAP Book Value) per Common Share	$ 38.67	$ 35.78	$ 38.63	$ 35.24	$ 30.72
Core Equity (Core Book Value) per Common Share **(1)**	$ 33.58	$ 31.42	$ 34.50	$ 30.06	$ 26.75
Adjusted Core Equity per Share **(2)**	$ 31.03	$ 29.86	$ 28.55	$ 24.96	$ 23.25
Average Total Consolidated Assets	$ 24,563	$ 24,320	$ 22,877	$ 20,610	$ 18,386
Average Consolidated Earning Assets	$ 24,043	$ 23,890	$ 22,461	$ 20,283	$ 18,158
Average Debt and Asset Backed Securities Issued	$ 23,602	$ 23,304	$ 22,011	$ 19,890	$ 17,747
Average Total GAAP Equity	$ 895	$ 870	$ 802	$ 664	$ 584

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

(2) *As a REIT we have minimum dividend distribution requirements. 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. Thus, we calculate adjusted core equity in order to provide additional information about our equity available after the distribution of our dividend requirements and review of equity available to fund our long-term assets.*

REDWOOD TRUST, INC.
(All dollars in millions)

LEVERAGE RATIOS**(1)**	31-Mar 2005	31-Dec 2004	30-Sep 2004	30-Jun 2004	31-Mar 2004
Total Reported Consolidated Assets	$ 24,285	$ 24,778	$ 23,912	$ 22,015	$ 19,591
Less: Assets Consolidated from Securitization Entities	(23,138)	(23,711)	(22,764)	(20,987)	(18,705)
Redwood's Permanent Assets and Inventory Assets	$ 1,147	$ 1,067	$ 1,148	$ 1,028	$ 886
Total Redwood Debt and Consolidated ABS Issued Securities	$ 23,256	$ 23,833	$ 22,926	$ 21,193	$ 18,908
Less: Consolidated ABS Issued Securities	(23,057)	(23,630)	(22,680)	(20,923)	(18,630)
Redwood's Debt	$ 199	$ 203	$ 246	$ 270	$ 278
Redwood Debt	$ 199	$ 203	$ 246	$ 270	$ 278
Redwood Equity	948	864	902	758	608
Redwood Capital	$ 1,147	$ 1,067	$ 1,148	$ 1,028	$ 886
Redwood Debt to GAAP Equity	0.2x	0.2x	0.3x	0.4x	0.5x
GAAP Equity / Redwood's Direct Assets	83%	81%	79%	74%	69%
Redwood Debt to Capital Ratio	17%	19%	21%	26%	31%

(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.*

(All dollars in millions, except per share data)

	First Quarter 2005	Fourth Quarter 2004	Third Quarter 2004	Second Quarter 2004	First Quarter 2004
Consolidated Residential Real Estate Loans**(1)**					
Start of Period Balances	$ 22,208	$ 21,558	$ 19,916	$ 18,086	$ 16,239
Acquisitions	832	1,792	2,898	2,703	2,322
Sales Proceeds (Not Including Sales to Consolidated Asset-Backed Securities Trusts)	0	(1)	(113)	0	0
Principal Pay Downs	(1,539)	(1,133)	(1,144)	(858)	(460)
Net Amortization Expense	(7)	(6)	2	(14)	(12)
Net Charge Offs (Recoveries)	0	0	0	0	0
Credit Provisions	(1)	(2)	(1)	(1)	(3)
Net Recognized Gains (Losses)	0	0	0	0	0
End of Period Balances	$ 21,493	$ 22,208	$ 21,558	$ 19,916	$ 18,086
Average Amortized Cost During Period, Net of Credit Reserves	$ 21,640	$ 21,717	$ 20,484	$ 18,754	$ 16,916
Interest Income	$ 195	$ 169	$ 148	$ 110	$ 99
Yield	3.60%	3.11%	2.89%	2.34%	2.34%
Principal Value of Loans	$ 21,307	$ 22,024	$ 21,382	$ 19,767	$ 17,951
Credit Reserve	(24)	(23)	(21)	(20)	(19)
Net Premium to be Amortized	210	207	197	169	154
Residential Real Estate Loans	$ 21,493	$ 22,208	$ 21,558	$ 19,916	$ 18,086
Credit Reserve, Start of Period	$ 23	$ 21	$ 20	$ 19	$ 16
Net Charge-Offs	0	0	0	0	0
Credit Provisions	1	2	1	1	3
Credit Reserve, End of Period	$ 24	$ 23	$ 21	$ 20	$ 19
Delinquencies (90 days, in foreclosure, in bankruptcy, or real estate owned)	$ 16	$ 13	$ 11	$ 5	$ 3
Delinquencies as % of Residential Loans	0.08%	0.06%	0.05%	0.03%	0.02%
Net Charge-offs as % of Residential Loans (Annualized)	0.01%	0.01%	0.00%	0.00%	0.00%
Reserve as % of Residential Loans	0.11%	0.10%	0.10%	0.10%	0.10%
Reserve as % of Delinquencies	151%	173%	198%	374%	548%

(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)

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

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

	First Quarter 2005	Fourth Quarter 2004	Third Quarter 2004	Second Quarter 2004	First Quarter 2004
Consolidated Residential Loan Credit-Enhancement Securities**(1)**					
Start of Period Balances	$ 562	$ 497	$ 442	$ 375	$ 379
Acquisitions	68	73	83	75	38
Sales Proceeds (Not Including Sales to Consolidated Asset-Backed Securities Trusts)	(27)	0	0	0	(22)
Principal Pay Downs (Including Calls)	(24)	(30)	(45)	(48)	(35)
Net Amortization Income	8	8	9	9	9
Unrealized (Losses) Gains Reported Through Balance Sheet	9	4	(12)	18	(12)
Realized Gains and Market Valuation Losses Reported in Income Statement	15	10	20	13	18
End of Period Balances	$ 611	$ 562	$ 497	$ 442	$ 375
Average Amortized Cost During Period, Net of Credit Reserves	$ 493	$ 425	$ 369	$ 317	$ 287
Interest Income	$ 20	$ 17	$ 16	$ 16	$ 16
Yield	15.91%	15.99%	17.36%	20.27%	21.64%
Principal Value of Redwood's Credit-Enhancement Securities	$ 979	$ 934	$ 831	$ 713	$ 634
Internally Designated Credit Protection on Loans Credit-Enhanced	(366)	(343)	(299)	(236)	(217)
Net Discount to be Amortized	(89)	(107)	(109)	(122)	(111)
Net Investment in Credit-Enhancement Securities	$ 524	$ 484	$ 423	$ 355	$ 306
Net Unrealized Gains (Losses)	87	78	74	87	69
Residential Loan Credit-Enhancement Securities	$ 611	$ 562	$ 497	$ 442	$ 375
Securities Senior to Redwood's Interests	$ 129,081	$ 125,485	$ 120,685	$ 96,322	$ 70,684
Principal Value of Redwood's Credit-Enhancement Securities	979	934	831	713	634
Securities Junior to Redwood's Interests	67	68	69	70	44
Underlying Residential Real Estate Loan Balances	$ 130,127	$ 126,487	$ 121,585	$ 97,105	$ 71,362
Internally Designated Credit Protection on Loans Credit-Enhanced	$ 366	$ 340	$ 299	$ 236	$ 217
External Credit Enhancement on Loans Credit-Enhanced	67	68	69	70	44
Total Credit Protection**(2)**	$ 433	$ 408	$ 368	$ 306	$ 261
Delinquencies (90 days, in foreclosure, in bankruptcy, or real estate owned)	$ 201	$ 151	$ 174	$ 131	$ 143
Redwood's Net Charge-Offs	$ (1)	$ (1)	$ (1)	$ (2)	$ (0)
Losses to Securities Junior to Redwood's Interests	0	(0)	(0)	(0)	(0)
Total Underlying Loan Credit Losses	$ (1)	$ (1)	$ (1)	$ (2)	$ (0)
Delinquencies as % of Underlying Loans	0.15%	0.12%	0.14%	0.14%	0.20%
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%	0.32%	0.30%	0.32%	0.37%
Total Credit Protection as % of Delinquencies	216%	273%	211%	233%	183%

(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.*

(All dollars in millions, except per share data)

TOTAL MANAGED RESIDENTIAL LOANS**(1)**	First Quarter 2005	Fourth Quarter 2004	Third Quarter 2004	Second Quarter 2004	First Quarter 2004
Residential Real Estate Loans Owned by Redwood	$ 256	$ 193	$ 259	$ 161	$ 97
Residential Real Estate Loans Securitized by Redwood	21,237	22,015	21,299	19,755	17,989
Residential Real Estate Loans Securitized by Others	130,127	126,487	121,585	97,105	71,362
Total Residential Real Estate Loans Managed	$ 151,620	$ 148,695	$ 143,143	$ 117,021	$ 89,448
Credit Reserve on Residential Loans Securitized by Redwood	$ 24	$ 23	$ 21	$ 20	$ 19
Internally Designated Credit Reserve on Loans Securitized by Others	366	343	299	236	217
Redwood's Total Residential Credit Protection	$ 390	$ 366	$ 320	$ 256	$ 236
External Credit Enhancement on Loans Securitized by Others	67	68	69	70	44
Total Credit Protection**(2)**	$ 457	$ 434	$ 389	$ 326	$ 280
Total Credit Protection as % of Total Residential Loans	0.30%	0.29%	0.27%	0.28%	0.31%
Delinquencies for Residential Loans owned by Redwood	$ 0	$ 0	$ 0	$ 0	$ 0
Delinquencies for Residential Loans Securitized by Redwood	16	13	11	5	3
Delinquencies for Residential Loans Securitized by Others	201	151	174	131	143
Total Residential Loan Serious Delinquencies	$ 217	$ 164	$ 185	$ 136	$ 146
Delinquencies as % of Total Residential Loans	0.14%	0.11%	0.13%	0.12%	0.16%
Total Credit Protection as % of Delinquencies	211%	263%	211%	239%	191%
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)	(2)	0
Redwood's Shares of Net Credit (Losses) Recoveries	($1)	($1)	($1)	($2)	$ 0
Credit Losses to External Credit Enhancement	0	0	0	0	0
Total Residential Credit Losses	($1)	($1)	($1)	($2)	$ 0
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.*

(All dollars in millions, except per share data)

Commercial Real Estate Loans	First Quarter 2005	Fourth Quarter 2004	Third Quarter 2004	Second Quarter 2004	First Quarter 2004
Start of Period Balances	$ 54	$ 33	$ 34	$ 22	$ 22
Acquisitions	7	21	0	17	0
Sales Proceeds (Not Including Sales to Consolidated Asset-Backed Securities Trusts)	0	0	0	(2)	0
Principal Pay Downs	(5)	0	0	(3)	0
Net Amortization Income	0	0	(1)	0	0
Credit Provisions	1	0	0	0	0
Net Loss Adjustments through I/S	0	0	0	0	0
End of Period Balances	$ 57	$ 54	$ 33	$ 34	$ 22
Average Amortized Cost During Period, Net of Credit Reserves	$ 56	$ 40	$ 33	$ 26	$ 22
Interest Income	$ 1.6	$ 1.2	$ 1.0	$ 0.9	$ 0.7
Yield	11.32%	11.67%	12.40%	13.29%	12.56%
Principal Value of Loans	$ 67	$ 65	$ 43	$ 43	$ 31
Credit Reserve and Credit Protection	(8)	(9)	(9)	(8)	(8)
Net Discount to be Amortized	(2)	(2)	(1)	(1)	(1)
Commercial Mortgage Loans	$ 57	$ 54	$ 33	$ 34	$ 22
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	$ 1	$ 0	$ 0	$ 0	$ 0
Commercial Real Estate Loan Credit Reserves and Credit Protection	$ 8	$ 9	$ 8	$ 8	$ 8

Securities Portfolio	First Quarter 2005	Fourth Quarter 2004	Third Quarter 2004	Second Quarter 2004	First Quarter 2004
Start of Period Balances	$ 1,395	$ 1,239	$ 1,095	$ 937	$ 845
Acquisitions	181	181	151	193	86
Sales Proceeds (Not Including Sales to Consolidated Asset-Backed Securities Trusts)	(12)	0	0	(9)	0
Principal Pay Downs	(27)	(25)	(18)	(10)	(10)
Net Amortization Income (Expense)	(1)	0	0	(1)	0
Net Unrealized Gains (Losses)	(2)	0	11	0	16
Net Recognized Gains (Losses) & Valuation Adjustments	0	0	0	(15)	0
End of Period Balances	$ 1,534	$ 1,395	$ 1,239	$ 1,095	$ 937
Average Amortized Cost During Period	$ 1,443	$ 1,279	$ 1,149	$ 980	$ 862
Interest Income	$ 18	$ 15	$ 13	$ 11	$ 10
Yield	4.97%	4.85%	4.62%	4.30%	4.46%
Principal Value of Securities	1,611	1,425	1,243	$ 1,097	$ 921
Net (Discount) Premium to be Amortized	(92)	(47)	(20)	(7)	(4)
Net Unrealized Gains (losses)	15	17	16	5	20
Securities Portfolio	$ 1,534	$ 1,395	$ 1,239	$ 1,095	$ 937

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 First Quarter 2005	Estimated Fourth Quarter 2004	Estimated First Quarter 2004
GAAP Net Income	$ 60.6	$ 54.4	$ 50.8
Interest Income and Expense Differences	(20.1)	(6.2)	(1.1)
Provision for Credit Losses — GAAP	1.0	1.7	2.5
Tax Deductions for Realized Credit Losses	(0.4)	(0.2)	0.0
Long-Term Compensation Differences	1.9	(2.5)	2.9
Stock Option Exercise Deductions Differences	(0.5)	(3.1)	(12.1)
Depreciation of Fixed Asset Differences	0.1	(0.2)	0.0
Other Operating Expense Differences	0.1	(2.2)	0.0
Sales of Assets to Third Parties Differences	(0.9)	1.9	(0.6)
Call Income from Residential CES Differences	(2.3)	(2.9)	(1.9)
Tax Gain on Securitizations	2.5	10.1	0.0
Tax Gain on Intercompany Sales and Transfers	3.3	3.1	7.5
GAAP Market Valuation Write Downs (EITF 99-20)	0.4	1.6	0.6
Interest Rate Agreements Differences	0.2	(0.7)	0.0
Provision for Excise Tax — GAAP	0.3	(0.2)	0.3
Provision for Income Tax Differences	0.1	4.8	1.9
Total Taxable Income (Pre-Tax)	$ 46.3	$ 59.4	$ 50.8
(Earnings) Losses From Taxable Subsidiaries	(1.2)	(9.0)	(8.3)
REIT Taxable Income (Pre-Tax)	$ 45.1	$ 50.4	$ 42.5
GAAP Income per Share Based on Average Diluted Shares During Period **(2)**	$ 2.42	$ 2.22	$ 2.49
Total Taxable Income per Share Based on Shares Outstanding at Period End	$ 1.89	$ 2.46	$ 2.57
REIT Taxable Income per Share Based on Shares Outstanding at Period End	$ 1.84	$ 2.09	$ 2.15

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

(2) *Historic periods may be lower than previously reported earnings per share numbers as a result of the application of EITF 03-6 (Participating Securities and the Two-Class Method under FASB Statement No. 128) requirement that prior period basic and diluted earnings per share be restated for participating securities. Under the provision of EITF 03-6 our convertible preferred stock that was converted in the second quarter of 2003 is a participating security and thus our reported earnings per share for periods 2003 and earlier are revised downwards by up to 2% per period..*

[END]