



New Residential Quarterly Supplement

Fourth Quarter & Full Year 2014

Disclaimers

IN GENERAL. This disclaimer applies to this document and the verbal or written comments of any person presenting it. This document, taken together with any such verbal or written comments, is referred to herein as the "Presentation."

FORWARD-LOOKING STATEMENTS. Certain statements in this Presentation may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including without limitation, expected lifetime IRRs and yields, expected cash flows, statements regarding commitments to purchase Excess MSRs, which New Residential Investment Corp. (together with its subsidiaries, "New Residential," the "Company" or "we") expects to close but the closing of which is subject to the completion of definitive documentation between the seller and buyer of the related MSR and the completion of definitive documentation between the buyer of the MSR and the Company, the expected closing, and the timing of the closing, of the merger with HLSS, the expected benefits of the merger, and statements regarding the Company's investment pipeline and investment opportunities. These statements are based on management's current expectations and beliefs and are subject to a number of trends and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements, many of which are beyond our control. New Residential can give no assurance that its expectations will be attained. Accordingly, you should not place undue reliance on any forward-looking statements made in this Presentation. For a discussion of some of the risks and important factors that could affect such forward-looking statements, see the sections entitled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's most recently filed reports on Form 10-Q and Form 10-K, which are available on the Company's website (www.newresi.com). In addition, new risks and uncertainties emerge from time to time, and it is not possible for the Company to predict or assess the impact of every factor that may cause its actual results to differ from those contained in any forward-looking statements. Such forward-looking statements speak only as of the date of this Presentation. New Residential expressly disclaims any obligation to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in the Company's expectations with regard thereto or change in events, conditions or circumstances on which any statement is based.

CAUTIONARY NOTE REGARDING ESTIMATED / EXPECTED RETURNS AND YIELDS. The Company calculates the estimated return/yield, or the IRR, of an investment as the annualized effective compounded rate of return (assuming monthly compounding) earned over the life of the investment after giving effect, in the case of returns, to existing leverage. Life to date IRR is based on the purchase price for an investment and the estimated value of the investment, or "mark", which is calculated based on cash flows actually received and the present value of expected cash flows over the life of the investment, using an estimated discount rate. Expected returns and expected yields reflect a variety of estimates and assumptions that could prove to be incorrect, such as an investment's coupon, amortization of premium or discount, costs and fees, and our assumptions regarding prepayments, defaults and loan losses, among other things. Income and cash flows recognized by the Company in future periods may be significantly less than the income and cash flows that would have been recognized had expected returns been realized. As a result, investment's lifetime return may differ materially from an IRR to date. In addition, the Company's calculation of IRR may differ from a calculation by another market participant, as there is no standard method for calculating IRRs. Statements about expected returns and expected yields in this Presentation are forward-looking statements. You should carefully read the cautionary statement above under the caption "Forward-looking Statements," which directly applies to our discussion of expected returns and expected yields.

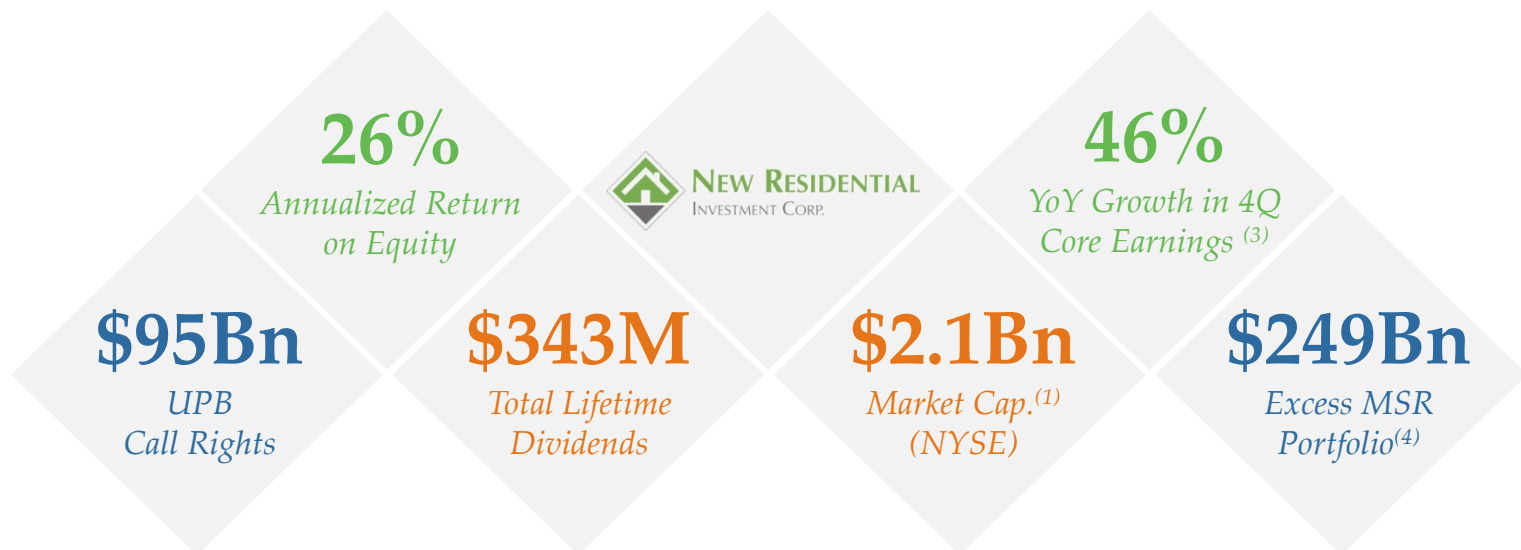
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New Residential Overview

New Residential (NYSE: NRZ) is a publicly traded mortgage real estate investment trust ("REIT") with a \$2.1 billion market capitalization ⁽¹⁾

- **Achieved 26% annualized return on equity since inception ⁽²⁾**
- **Aim to drive strong risk-adjusted returns primarily through investments in our core business segments:**
 - Excess MSR
 - Servicer Advances
 - Non-Agency Securities & Associated Call Rights
- **Portfolio is uniquely positioned to benefit from opportunities across the \$20 trillion U.S. residential market**



1) As of February 26, 2015.

2) Inception date of May 15, 2013, when New Residential spun off from Newcastle Investment Corp. (NYSE: NCT). Return On Equity ("ROE") is calculated by dividing annualized net income (loss) attributable to common stockholders since inception (of \$358 million, which is inception-to-date income of \$581 million annualized) by average quarter-end total New Residential stockholders' equity since inception (of \$1.4 billion).

3) Fourth quarter 2014 core earnings year-over-year growth is calculated based on per share amount.

4) Represents unpaid principal amount ("UPB").



Strong Financial Performance *

Full year 2014:

- ✓ GAAP Income of \$353 million, or \$2.53 per diluted share - 22% YoY increase
- ✓ Core Earnings of \$219 million, or \$1.57 per diluted share ⁽¹⁾ - 55% YoY increase
- ✓ Common dividend of \$218 million, or \$1.58 per share - 60% YoY increase
- ✓ Increased fourth quarter dividend by 9%, to \$0.38 per common share

	FY 2014		FY 2013 ⁽²⁾		4Q'14		3Q'14	
	(\$mm)	(\$ / diluted share) ⁽²⁾	(\$mm)	(\$ / diluted share) ⁽²⁾	(\$mm)	(\$ / diluted share) ⁽²⁾	(\$mm)	(\$ / diluted share) ⁽²⁾
GAAP Income	\$353	\$2.53	\$266	\$2.07	\$54	\$0.38	\$126	\$0.88
Core Earnings⁽¹⁾	\$219	\$1.57	\$130	\$1.01	\$58	\$0.41	\$63	\$0.43
Common Dividend	\$218	\$1.58	\$125	\$0.99	\$54	\$0.38	\$49	\$0.35

*New Residential completed a 1-for-2 reverse stock split in October 2014. The impact of this reverse stock split has been retroactively applied to all periods presented throughout this presentation.

1) Core Earnings is a Non - GAAP measure. See Reconciliation pages in Appendix for a reconciliation to the most comparable GAAP measure.

2) Except for Common Dividend which is based on 141,434,905 basic shares outstanding as of December 31, 2014 for 4Q 2014, 141,382,603 basic shares outstanding as of September 30, 2014 for 3Q 2014 and 126,598,987 basic shares outstanding as of December 31, 2013 for 4Q 2013.



2014 & Subsequent Highlights

NRZ's Core Businesses = 80% of Total Net Investments ⁽¹⁾

Excess MSR's

- In 2014, acquired \$36 billion UPB of MSR's
- 29% life-to-date IRR on overall portfolio
- **Subsequent to 2014** – Acquired or committed to acquire \$38 billion UPB of legacy Agency MSR's ⁽²⁾

Servicer Advances

- Refinanced \$4.3 billion of financing facilities with lower cost of funds, higher advance rates and longer maturities
- 42% life-to-date IRR
- **Subsequent to 2014** – Refinanced and increased the capacity for 2 borrowing facilities for \$1.8 billion

Non-Agency Securities & Call Rights

- Collapsed 60 Non-Agency deals, totaling a combined UPB of \$1.4 billion
- Issued three seasoned loan securitizations totaling \$1.2 billion UPB
- 55% life-to-date IRR on Non-Agency securities portfolio

Opportunistic Investments

Loans

- Purchased \$1.7 billion UPB of loans with a market value of \$1.3 billion
- Resolved \$247 million UPB of loans for a 63% return ⁽³⁾
- **Subsequent to 2014** - Agreed to sell \$862 million of loans for total of 32% IRR

Consumer Loans

- Completed a \$2.6 billion refinancing in 4Q, monetizing more than the initial investment basis
- Generated 73% life-to-date IRR

1) Percentage of total net investments excludes cash.

2) Committed amount is subject to the completion of definitive documentation between Nationstar and the applicable seller of the related MSR and definitive documentation between us and with Nationstar.

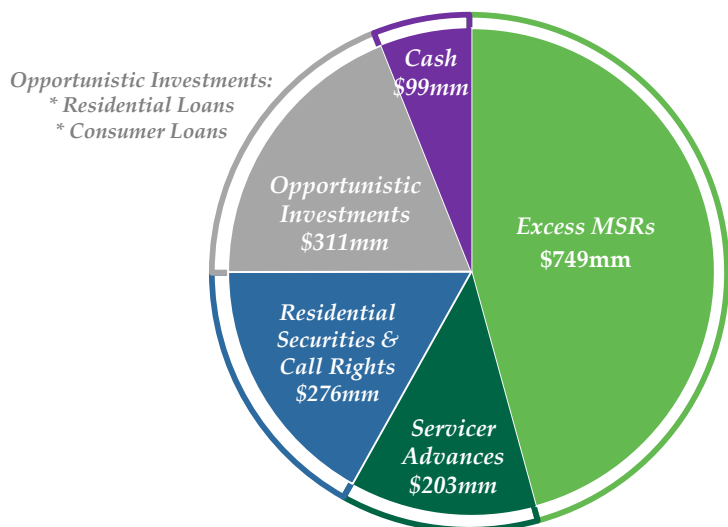
3) Includes loan sale and servicing liquidation.



New Residential Today*

- We focus primarily on three core business segments:
 - 1 Excess MSR's
 - 2 Servicer Advances
 - 3 Non-Agency Securities & Associated Call Rights
- Continue to simplify our business around our three core segments
- Portfolio is unique and well positioned for all interest rate environments

Net Investment



Net Investment & Expected Yield

(\$ in mm)

	Net Investment	Expected Lifetime Net Yield*
Excess MSR's ⁽¹⁾	\$749	15 – 20%
Servicer Advances ⁽²⁾	\$203	20 – 25%
Residential Securities & Call Rights ⁽³⁾	\$276	12 – 18%
Opportunistic Investments ⁽⁴⁾	\$311	20%+
Cash ⁽⁵⁾	\$99	15%

* All amounts are as of December 31, 2014 unless otherwise noted in the endnotes. Detailed endnotes are included in the Appendix. Expected lifetime net yields represent management's view and are estimated based on the current composition of our investment portfolio and a variety of assumptions that could prove incorrect. Actual yields may vary materially with changes in the composition of our investment portfolio, changes in market conditions and additional factors described in our reports filed with the Securities and Exchange Commission, which we encourage you to review. See "Disclaimers" for more information on forward-looking statements.



Portfolio Update

Excess MSR's - Long-Term, Predictable Cashflows

- A portfolio of \$249 billion UPB of Excess MSR's
 - Seasoned, credit-impaired borrowers⁽¹⁾ with limited refinance options
 - Stable prepayment speeds and cashflows despite volatile interest rates
- Lifetime performance has resulted in a 29% IRR⁽²⁾
 - \$777 million initial investment⁽³⁾; \$360 million life-to-date total cash flows (46% of initial investment)
 - \$749 million carrying value as of 4Q'14
- Expected future cashflows of \$1.2 billion⁽⁴⁾

Credit Impaired Borrowers

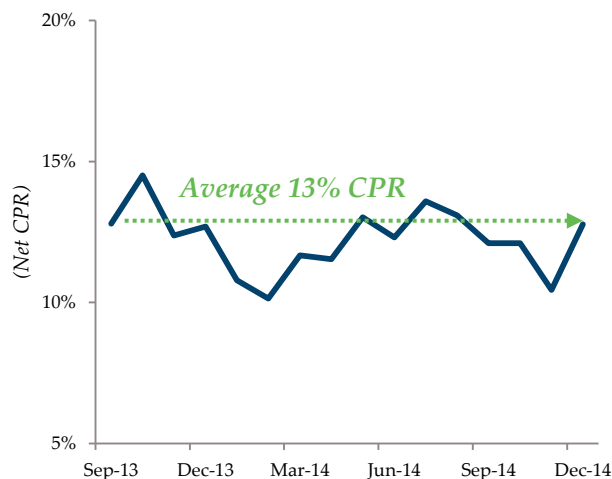
676 Avg. FICO

83% CLTV

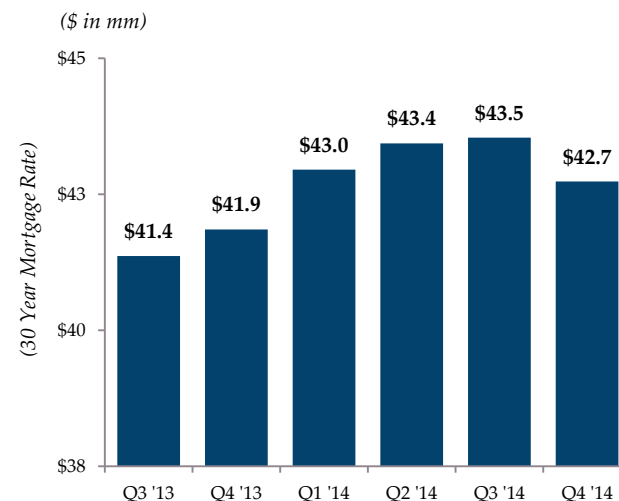
87 WALA

13.6% 60+ DQ

Stable Prepayments



Consistent Cashflows⁽⁴⁾



1) "Credit-impaired" is defined by management as a category of borrowers that have loan-to-value ratios and FICO scores that, in management's view, make it unlikely for such borrowers to be eligible for refinancing.

2) Lifetime IRRs may differ materially from life to date IRRs. See slide 1 for information about IRRs generally.

3) Since December 2011.

4) Expected future cashflows are subject to various risks and uncertainties and may differ materially from actual cashflows. See "Disclaimers" for more information on forward-looking statements.



Excess MSRs - Market Remains Robust

- Approximately \$10 trillion mortgage servicing market⁽¹⁾
- Historically dominated by banks; shift continues
 - Driven by operational pressure and regulatory capital requirements
 - Banks refocus on core businesses and customers
- We believe mortgage origination industry consolidation continues as a result of higher capital costs
 - MSR sales expected to continue from both bank and non-bank servicers

Shift From Banks to Non-Banks Still Underway ⁽²⁾

Company	4Q 2010		3Q 2014	
	UPB	% Share	UPB	% Share
Bank of America	\$2.1 tn	20%	\$0.7tn	7%
Wells Fargo	\$1.8 tn	17%	\$1.8 tn	18%
JP Morgan Chase	\$1.3 tn	12%	\$1.0 tn	10%
Citi	\$0.6 tn	6%	\$0.3 tn	3%
Total Top 4 Banks	\$5.8 tn	55%	\$3.8 tn	38%
Total Banks	\$9.3 tn	89%	\$7.3 tn	74%
Total Non-Banks	\$1.2 tn	11%	\$2.6 tn	26%

1) Source: Inside Mortgage Finance, 3Q'14.

2) Source: Inside Mortgage Finance, 4Q'10 and 3Q'14.



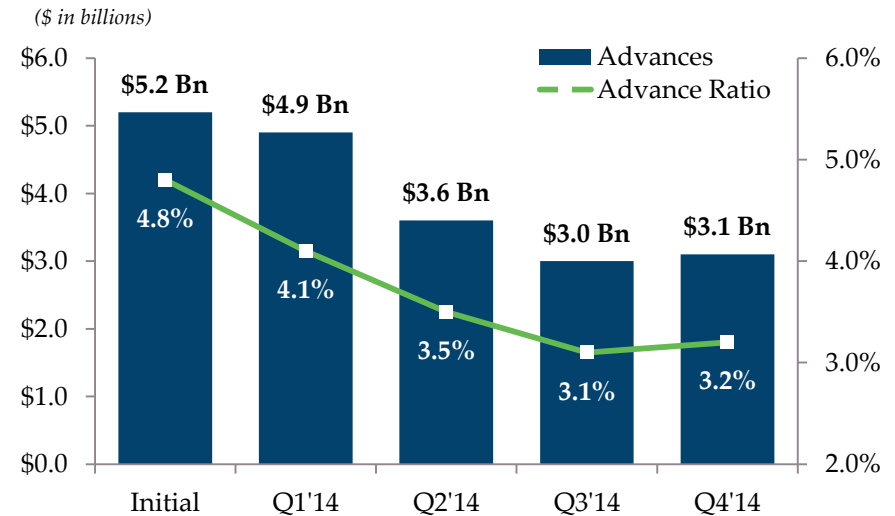
Servicer Advances - Performance Update⁽¹⁾

- Advances are required servicer capital outlays to fund missed payments from delinquent borrowers
- Outlays can be significant, particularly in high delinquency environments
- Typically financed with non-recourse, non-mark to market, low-cost debt
- We originally invested \$313 million for a 45% interest in \$5.2 billion of Non-Agency servicer advances and the related rights to MSRs on loans with a UPB of \$107 billion
 - We have received \$178 million of cash flow and the current carrying value is \$204 million, resulting in a 42% life-to-date IRR ⁽²⁾

Investment Snapshot

	Initial ⁽³⁾	3Q'14	4Q'14
UPB (\$bn)	\$107.2	\$97.4	\$94.5
Adv. Balance (\$bn)	\$5.2	\$3.0	\$3.1
Advance Ratio	4.8%	3.1%	3.2%
Investment Basis (\$mm)	\$313	\$155	\$135
Carrying Value (\$mm)	\$313	\$209	\$204
Financing LTV	89%	92%	91%
Targeted Lev. IRR ⁽⁴⁾	15%	22%	22%

Advance Ratio Snapshot



1) All numbers shown exclude approximately \$10 million net investment made in SLS advances in December 2014. In addition, past performance is not a reliable indicator of future results and should not be relied upon for any reason.

2) Lifetime IRRs may differ materially from life to date IRRs. See slide 1 for information about IRRs generally.

3) Since December 2013.

4) Targeted levered IRRs are shown for illustrative purposes only, and actual levered IRRs may vary materially.



Non-Agency Securities - Performance Update

2014 Highlights

- NRZ executed the clean up call rights on 60 deals, resulting in \$12 million of gains from discount bonds paid off at par
- Purchased \$1.9 billion face for \$1.5 billion, 79% of par, net investment of \$375 million equity⁽¹⁾
- Sold \$1.6 billion face for \$1.3 billion, 81% of par, recognizing \$60 million of gains⁽¹⁾

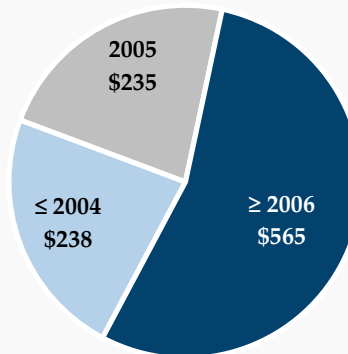
Portfolio Overview⁽¹⁾

- \$1.0 billion face, \$779 million fair market value portfolio (average price of 75%), with a 74% cost basis
- Strategically invested in securities accretive to deal collapse: NRZ controls the call rights to 94% of the portfolio, of which 45% is currently callable⁽²⁾

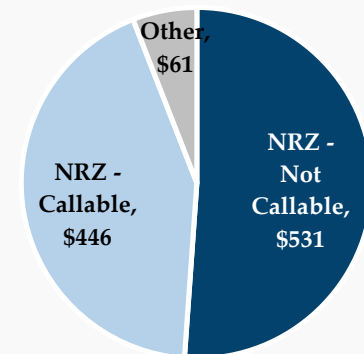
Portfolio Composition⁽¹⁾

(\$ in mm)	<u>Total</u>
Current Face	\$1,038
Cost Basis	\$765
Carrying Value	\$779
WAC	5.0%
WALA	117
60+ DQ	26%

By Vintage
(Current Face in millions)



Call Right Control
(Current Face in millions)



1) Excludes Interest Only Securities and includes securities accounted for as derivatives.

2) During Q1'15 NRZ sold the \$61mm face of securities without control of the clean up call. NRZ subsequently controls 100% of the call rights associated with the Non-Agency Portfolio



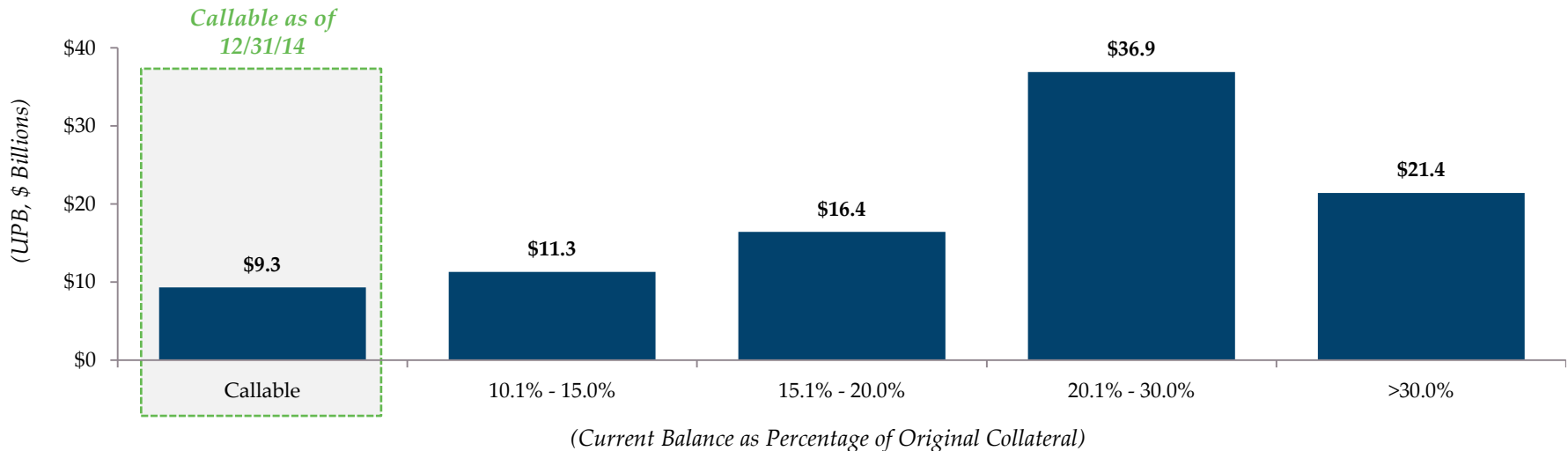
Non-Agency Securities & Call Rights - Deal Collapse Opportunity

NRZ owns the clean-up call rights on 780 Non-Agency deals with a total UPB of ~\$95 billion

- **How do we make money? “Sum of the parts is greater than the whole”**
 - ✓ Purchase underlying bonds at a discount; which are paid off at par at the call
 - ✓ Exercise clean up call, purchasing loans at par plus expenses
 - ✓ Sell or re-securitize performing loans at a premium
 - ✓ Retain distressed loans to modify or liquidate over time
- **To date, we have collapsed approximately \$1.4 billion of UPB across 60 deals**

*What is a deal collapse?
It is the exercise of the “clean-up call right”, or option, to purchase the remaining loans of a securitization at par once the deal balance falls below a certain percentage of the original balance*

Our call rights provide a steady, exclusive pipeline of callable deals...⁽¹⁾⁽²⁾



1) There can be no assurance that we will execute on this pipeline of callable deals in the near term or that callable deals are necessarily economically favorable.
2) Call rights usually exercisable when current loan balance is equal to, or lower than, 10% of its original balance.

2015 & Looking Forward

Optimistic in our ability to deliver results and generate strong returns for shareholders

A Robust 2014 & Early 2015

- Announced definitive agreement to acquire HLSS
- Committed to purchase \$30 billion UPB of legacy Agency Excess MSR⁽¹⁾
- Agreed to sell \$862 million UPB of residential loans generating ~30% IRR

Investment Opportunities Remain Abundant

- An estimated actionable MSR pipeline of ~\$150 billion UPB
- Expect MSR market to remain active as both banks and non-banks continue to sell
- Additional opportunities from Non-Agency deal collapses

Looking Ahead

- Continue to simplify our business around our three core segments
- Portfolio is well positioned for all interest rate environments
- Focused on delivering strong results and creating shareholder value

1) Committed amount is subject to the completion of definitive documentation between Nationstar and the applicable seller of the related MSR and definitive documentation between New Residential and with Nationstar.





Acquisition of HLSS



Information about the combined portfolios is based on historical information regarding each of NRZ and HLSS. If the merger is consummated, the combined company's portfolio at and following consummation may differ materially from the amounts presented herein for a variety of reasons. In addition, the closing of the merger is subject to various risks and uncertainties, as described in NRZ's Annual Report on Form 10-K. We urge you to review these risk factors.



Acquisition of HLSS - A Compelling Strategic Opportunity

On February 22, 2015, NRZ announced a definitive agreement to acquire Home Loan Servicing Solutions (NASDAQ: HLSS) in a \$1.3 billion all-cash transaction ⁽¹⁾

1 *Diversify Servicer Relationships*

- *Expands servicing relationships to include both Nationstar Mortgage and Ocwen Financial, the two largest non-bank servicers in the U.S.*

2 *Grow Servicing Asset Portfolio*

- *Adds ~\$165 billion UPB of MSR's – Approximately doubling the size of servicing assets near lows of rate cycle*
- *Unique combination of two industry leaders with complementary assets and industry expertise*

3 *Drive Strong Returns & Create Shareholder Value*

- *Beneficial to long-term earnings growth and core investment strategies*
- *Expect acquisition to be accretive to earnings*

Acquisition Will Significantly Add to NRZ's Book of Servicing Assets & Expand Relationships with Leading Servicers


1) Under the definitive merger agreement, New Residential will acquire HLSS' 71 million outstanding shares, at \$18.25 per share. The transaction is expected to close in the second quarter of 2015, subject to obtaining HLSS shareholder and customary regulatory approvals.



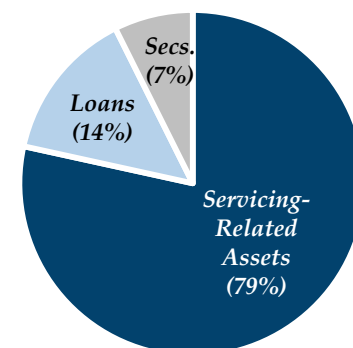
HLSS & NRZ Combined Portfolios

- HLSS' portfolio consists primarily of high-quality mortgage servicing assets
 - \$6.7 billion Servicing-Related Assets
- Pro forma for the transaction, NRZ owns servicing investments relating to \$410+ billion of total UPB

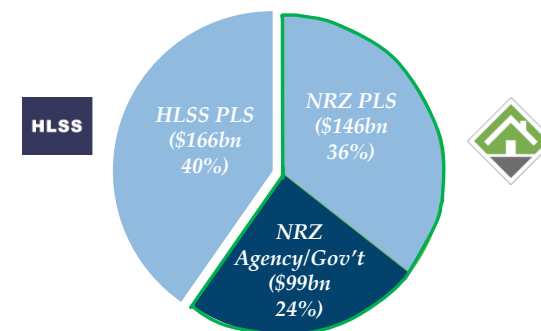
Combined Mortgage Related Asset Portfolio ⁽¹⁾

	Existing Asset Book Values			Existing Combined Debt	Existing Combined Equity
		HLSS	Total		
<i>Servicing-Related Assets</i> ⁽²⁾	\$4,019	\$6,719	\$10,739	\$8,436	\$2,303
<i>Loans</i> ⁽³⁾⁽⁴⁾	\$1,236	\$832	\$2,069	\$1,652	\$417
<i>Securities</i>	\$2,463	–	\$2,463	\$2,247	\$217
<i>Real Estate-Related Portfolio</i>	\$7,719	\$7,552	\$15,270	\$12,334	\$2,936

\$2.9 Billion Real Estate-Related Equity



\$410 Billion Combined Servicing UPB



1) Amounts represent values (inclusive of values attributable to non-controlling interest) as reported in NRZ's year-end 10-K and HLSS' 3Q 2014 Form 10-Q.

2) Includes Rights to MSR, Excess MSR and Servicer Advances.

3) HLSS' re-performing loans were sold subsequent to year end as disclosed by HLSS in an 8-K dated February 23, 2015.

4) Includes REO. Subsequent to year end, NRZ sold a portion of its loans as disclosed in the 10-K.





Appendices

- 1) Other Investment Updates
- 2) Financial Statements
- 3) GAAP Reconciliation & Endnotes



1) Other Investment Updates

Residential Loans - Performance Update

Loan Activity Highlights

- Purchased \$1.7 billion UPB of loans (\$1.3 billion market value) in 2014
- Sold or committed to sell \$1 billion UPB of loans, generating a return of 38% ⁽¹⁾

Portfolio Overview⁽¹⁾

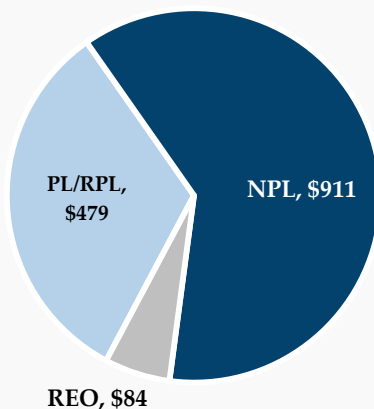
- Remaining portfolio will consist of \$594 million UPB, which represents \$108 million of equity
 - Seasoned Performing* - \$64 million of equity invested, expect strong levered returns through various funding options
 - Non-Performing* - \$44 million of equity invested, expect strong returns through reperformance and shortened timelines

Active Portfolio (As of Dec 31, 2014)

Portfolio Composition

(UPB in millions)

(\$ in mm)	<u>Total</u>
Loan Count	12,085
UPB	\$1,474
BPO	\$1,989
Carrying Value	\$1,210
Fair Value	\$1,224
% < 100 LTV	57%

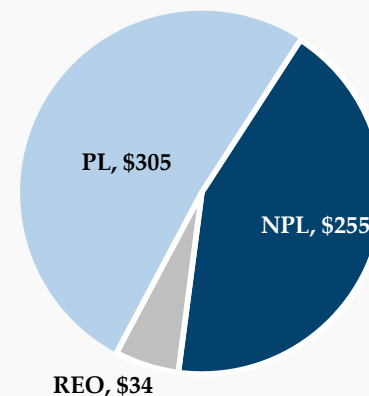


Post-Sale Remaining Portfolio⁽¹⁾

Portfolio Composition

(UPB in millions)

(\$ in mm)	<u>Total</u>
Loan Count	7,758
UPB	\$594
BPO	\$927
Carrying Value	\$528
Fair Value	\$528
% < 100 LTV	63%



1) Includes sales completed in 2014 and estimated results of subsequent 2015 events.



Consumer Loans - Performance Update

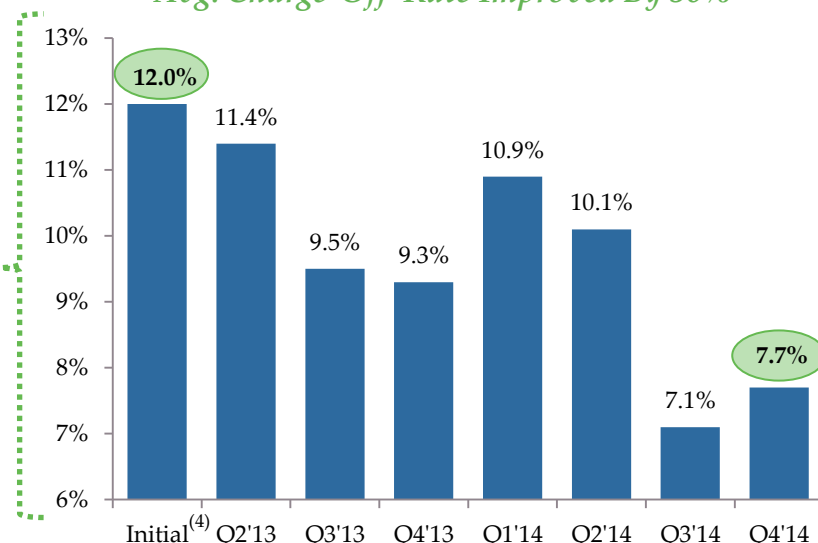
- In April 2013, NRZ invested \$241 million⁽¹⁾ to purchase an interest in a \$3.9 billion UPB consumer loan portfolio
- \$473 million lifetime cash received
- Returns on investment continue to be strong:
 - ~1.97x cashflow multiple in the last 21 months
 - Expected to generate in excess of \$155 million nominal cash flows over the next 4+ years⁽²⁾
 - Originally underwritten to 20% return, LTD IRR of 73%⁽³⁾

Acquisition Summary and Performance Update

	At Acquisition	Sept 30, 2014	Dec 31, 2014
UPB	\$3.9 bn	\$2.8 bn	\$2.6 bn
WAC	18.3%	18.2%	18.1%
Loan Accounts	~415,000	~296,000	~282,000
Avg. Loan Balance	\$9,456	\$9,574	\$9,207
Avg. Charge-Off Rate	12.0%	7.1%	7.7%

Improved Credit Performance

Avg. Charge-Off Rate Improved By 36%



1) Includes a purchase price adjustment received subsequent to closing of acquisition.

2) Actual results may differ materially.

3) Lifetime IRRs may differ materially from life to date IRRs. See slide 1 for information about IRRs generally.

4) Represents charge-off rate at acquisition.





2) Financial Statements

Unaudited Consolidated Balance Sheet

(\$000, except where otherwise noted)

As of 12/31/14

ASSETS

Investments in:

Excess mortgage servicing rights, at fair value	\$ 417,733
Excess mortgage servicing rights, equity method investees, at fair value	330,876
Servicer advances, at fair value	3,270,839
Real estate securities, available-for-sale	2,463,163
Residential mortgage loans, held-for-investment	47,838
Residential mortgage loans, held-for-sale	1,126,439
Real estate owned	61,933
Consumer loans, equity method investees	0
Cash and cash equivalents	212,985
Restricted cash	29,418
Derivative assets	32,597
Other assets	99,869

Total Assets \$ **8,093,690**

LIABILITIES

Repurchase agreements	\$ 3,149,090
Notes payable	2,913,209
Trades payable	2,678
Due to affiliates	57,424
Dividends payable	53,745
Deferred tax liability	15,114
Accrued expenses and other liabilities	52,505

Total Liabilities \$ **6,243,765**

Noncontrolling interest in equity of consolidated subsidiaries	253,836
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Book Value \$ **1,596,089**

Per share \$ 11.28

Unaudited Consolidated Income Statement

(\$ 000s)	Ending December 31, 2014	
	3 months	12 months
Interest Income	\$ 85,124	\$ 346,857
Interest Expense	31,892	140,708
Net Interest Income	53,232	206,149
Impairment	8,748	11,282
Net Interest Income after impairment	44,484	194,867
Other Income		
Change in fair value of investments in excess MSR	945	41,615
Change in fair value of investments in excess MSR, equity method investees	6,330	57,280
Change in fair value of investments in servicer advances	(21,608)	84,217
Earnings from investments in consumer loans, equity method investees	(6,345)	53,840
Gain on consumer loans investment	92,020	92,020
Gain / (loss) on settlement of investments, net	(22,347)	35,487
Other income / (loss), net	(8,910)	10,629
	40,085	375,088
Operating Expenses		
General and administrative expenses	12,115	27,001
Management fee to affiliate	5,126	19,651
Incentive compensation to affiliate	21,223	54,334
Loan servicing expense	1,703	3,913
	40,167	104,899
Income (Loss) Before Income Taxes	44,402	465,056
Income tax expense / (benefit)	(6,526)	22,957
Net Income (Loss)	\$ 50,928	\$ 442,099
Noncontrolling Interests in Income (Loss) of Consolidated Subsidiaries	(3,302)	89,222
Net Income (Loss) Attributable to Common Stockholders	\$ 54,230	\$ 352,877



3) GAAP Reconciliation & Endnotes

GAAP Reconciliation of Core Earnings

- Management uses Core Earnings, which is a Non-GAAP measure, as one measure of operating performance.
- Please see slide 25 for the definition of Core Earnings.

(\$000, except per share data)	4Q 2014	3Q 2014
<i>Reconciliation of Core Earnings</i>		
Net income (loss) attributable to common stockholders	\$ 54,230	\$ 126,372
Impairment	8,748	1,134
Other Income Adjustments:		
Other Income	(40,085)	(122,064)
Other Income attributable to non-controlling interests	(11,782)	12,619
Deferred taxes attributable to Other Income, net of non-controlling interests	(4,958)	4,459
Total Other Income Adjustments	(56,825)	(104,986)
Incentive compensation to affiliate	21,223	10,910
Non-capitalized deal inception costs	7,023	1,433
Core earnings of equity method investees:		
Excess mortgage servicing rights	6,770	9,158
Consumer loans	17,314	18,628
Core Earnings	\$ 58,483	\$ 62,649
<i>Per diluted share</i>	\$ 0.41	\$ 0.43

Reconciliation of Non-GAAP Measures

Core Earnings

- *New Residential has four primary variables that impact the Company's operating performance: (i) the current yield earned on its investments, (ii) the interest expense incurred under the debt incurred to finance its investments, (iii) its operating expenses and (iv) its realized and unrealized gain or losses, including any impairment and deferred tax, on its investments. "Core earnings" is a non-GAAP measure of the Company's operating performance excluding the fourth variable above and adjusting the earnings from the consumer loan investment to a level yield basis. It is used by management to gauge the Company's current performance without taking into account: (i) realized and unrealized gains and losses, which although they represent a part of the Company's recurring operations, are subject to significant variability and are only a potential indicator of future economic performance; (ii) incentive compensation paid to the Company's Manager; and (iii) non-capitalized deal inception costs.*
- *While incentive compensation paid to the Company's Manager may be a material operating expense, the Company excludes it from core earnings because (i) from time to time, a component of the computation of this expense will relate to items (such as gains or losses) that are excluded from core earnings, and (ii) it is impractical to determine the portion of the expense related to core earnings and non-core earnings, and the type of earnings (loss) that created an excess (deficit) above or below, as applicable, the incentive compensation threshold. To illustrate why it is impractical to determine the portion of incentive compensation expense that should be allocated to core earnings, note that, as an example, in a given period, the Company may have core earnings in excess of the incentive compensation threshold but incur losses (which are excluded from core earnings) that reduce total earnings below the incentive compensation threshold. In such case, the Company would either need to (a) allocate zero incentive compensation expense to core earnings, even though core earnings exceeded the incentive compensation threshold, or (b) assign a "pro forma" amount of incentive compensation expense to core earnings, even though no incentive compensation was actually incurred. The Company believes that neither of these allocation methodologies achieves a logical result. Accordingly, the exclusion of incentive compensation facilitates comparability between periods and avoids the distortion to the Company's non-GAAP operating measure that would result from the inclusion of incentive compensation that relates to non-core earnings. With regard to non-capitalized deal inception costs, management does not view these costs as part of the Company's core operations. Non-capitalized deal inception costs are generally legal and valuation service costs, as well as other professional service fees, incurred when the Company acquires certain investments. These costs are recorded as general and administrative expenses in the Company's statements of income. Management believes that the adjustments to compute "core earnings" specified above allow investors and analysts to readily identify the operating performance of the assets that form the core of the Company's activity, assist in comparing the core operating results between periods, and enable investors to evaluate the Company's current performance using the same measure that management uses to operate the business.*
- *In the fourth quarter of 2014, the Company modified its definition of core earnings to include accretion on held-for-sale loans as if they continued to be held-for-investment. Although the Company intends to sell such loans, there is no guarantee that such loans will be sold or that they will be sold within any expected timeframe. During the period prior to sale, the Company continues to receive cash flows from such loans and believes that it is appropriate to record a yield thereon. This modification had no impact on core earnings in 2014 or any prior period, but is expected to impact core earnings in periods subsequent to loans being classified as held-for-sale.*
- *The primary differences between core earnings and the measure we use to calculate incentive compensation relate to (i) realized gains and losses (including impairments) and (ii) non-capitalized deal inception costs. Both are excluded from core earnings and included in the Company's incentive compensation measure. Unlike core earnings, the Company's incentive compensation measure is intended to reflect all realized results of operations.*
- *Core earnings does not represent cash generated from operating activities in accordance with GAAP and therefore should not be considered an alternative to net income as an indicator of the Company's operating performance or as an alternative to cash flow as a measure of the Company's liquidity and is not necessarily indicative of cash available to fund cash needs.*

Endnotes to Slide 5

- 1) Excess MSRs** - \$749 million represents carrying value of the investments. Expected Lifetime Net Yield is expected IRR for pools that have settled.
- 2) Servicer Advances** – Net Investment of \$203 million represents carrying value of the servicer advances, including cash, restricted cash, and other assets related to the servicer advances (\$3,371 million) net of debt, noncontrolling interest, and other liabilities related to the servicer advances (\$3,167 million).
- 3) Residential Securities & Call Rights include:** **1) Non-Agency RMBS** – Net Investment of \$215 million represents carrying value of securities, including securities accounted for as derivatives (\$755 million) net of debt (\$539 million) and open trades payable as of December 31, 2014 (\$1 million). Expected Lifetime Net Yield represents the expected future IRR over a weighted average life of 6.4 years assuming actual and targeted leverage. **2) Agency RMBS** – Net Investment of \$59 million represents carrying value of securities (\$1,740 million) net of debt assuming 96% advance rate on agency ARM RMBS and 97% advance rate on agency specified pools (totaling \$1,681 million debt). Expected Lifetime Net Yield represents the IRR over a weighted average life of 5.0 years. **3) Call Rights** – Net Investment of \$2 million represents carrying value of assets (\$4 million) net of open trades payable as of December 31, 2014 (\$2 million).
- 4) Opportunistic Investments include:** **1) Residential Loans & REO:** Net Investment of \$311 million represents carrying value of the investments (\$1,236 million) net of debt (\$925 million). Expected Lifetime Net Yield represents the IRR over a weighted average life of 4.0 years for residential mortgage loans. **2) Consumer Loans:** Net Investment of \$0 represents carrying value of investment.
- 5) Cash:** Asset represents \$213 million of total cash and cash equivalents as of December 31, 2014, less \$59 million related to servicer advances, less \$54 million of common dividends payable as of January 30, 2015. Expected Lifetime Net Yield assumes cash is invested at a 15% return. There can be no assurance that cash will be invested at targeted returns, and actual returns for all investments could differ materially.

Abbreviations

Abbreviations: This Presentation may include abbreviations, which have the following meanings:

- 60+ DQ – Percentage of loans that are delinquent by 60 days or more
- Age (mths) or Loan Age (mths) – Weighted average number of months loans are outstanding
- BPO – Broker's Price Opinion
- BV – Book Value
- CDR – Conditional Default Rate
- CLTV – ratio of current loan balance to estimated current asset value.
- CPR – Constant Prepayment Rate
- CRR – Constant Repayment Rate
- Current UPB – UPB as of the end of the current month
- Excess MSR's – Monthly interest payments generated by the related Mortgage Servicing Rights ("MSR's"), net of a basic fee required to be paid to the servicer.
- FHLMC – Freddie Mac / Federal Home Loan Mortgage Corporation
- FICO – A borrower's credit metric generated by the credit scoring model created by the Fair Isaac Corporation
- Flow Arrangements – contractual recurring agreements, often monthly or quarterly, to purchase servicing of newly originated or highly delinquent loans
- FNMA – Fannie Mae / Federal National Mortgage Association
- GNMA – Ginnie Mae / Government National Mortgage Association
- HPA – Home Price Appreciation
- LTD – Life to Date
- LTD Cash Flows – Actual cash flow collected from the investment as of the end of the current month
- LTV – Loan to Value
- NPL – Non-Performing Loans
- Original UPB – UPB at time of securitization
- PLS – Private Label Securitizations
- Proj. Future Cash Flows – Future cash flow projected with the Company's original underwriting assumptions
- QoQ – quarter-over-quarter
- Recapture Rate – Percentage of voluntarily prepaid loans that are refinanced by the servicer
- Uncollected Payments – Percentage of loans that missed their most recent payment
- UPB – Unpaid Principal Balance
- Updated IRR – Internal rate of return calculated based on the cash flow received to date through the current month and the projected future cash flow based on our original underwriting assumptions.
- U/W LTD – Underwritten life-to-date
- WA – Weighted Average
- WAC – Weighted Average Coupon
- WAL – Weighted Average Life to Maturity
- WALA – Weighted Average Loan Age
- YoY – year-over-year

