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NEWS RELEASE

New Residential Announces Fourth Quarter & Full Year 2018 Results

2019-02-12

New Residential Investment Corp. (NYSE: NRZ; "New Residential" or the "Company") today reported the following information for the fourth quarter and full year ended December 31, 2018:

FOURTH QUARTER FINANCIAL HIGHLIGHTS:

- GAAP Net Income of $0.3 million, or $0.00 per diluted share
- Core Earnings of $208 million, or $0.58 per diluted share*
- Common dividend of $185 million, or $0.50 per share

FULL YEAR 2018 FINANCIAL HIGHLIGHTS:

- GAAP Net Income of $964 million, or $2.81 per diluted share
- Core Earnings of $815 million, or $2.38 per diluted share*
- Common dividend of $693 million, or $2.00 per share

	4Q 2018	3Q 2018	Year Ended December 31, 2018	Year Ended December 31, 2017
Summary Operating Results:				
GAAP Net Income per Diluted Share**	$0.00	$0.54	$2.81	$3.15
GAAP Net Income	$0.3 million	$185 million	$964 million	$958 million

Non-GAAP Results:				
Core Earnings per Diluted Share**	$0.58	$0.63	$2.38	$2.83
Core Earnings*	$208 million	$215 million	$815 million	$861 million
NRZ Common Dividend:				
Common Dividend per Share**	$0.50	$0.50	$2.00	$1.98
Common Dividend	$185 million	$170 million	$693 million	$609 million

* Core Earnings is a non-GAAP measure. For a reconciliation of Core Earnings to GAAP Net Income, as well as an explanation of this measure, please refer to Non-GAAP Measures and Reconciliation to GAAP Net Income below.
** Per share calculations of GAAP Net Income and Core Earnings are based on 343,137,361 average diluted shares during the full year ended December 31, 2018; 304,381,388 average diluted shares during the full year ended December 31, 2017; 358,509,094 weighted average diluted shares during the quarter ended December 31, 2018 and 340,868,403 weighted average diluted shares during the quarter ended September 30, 2018. Per share calculations of Common Dividend are based on 369,104,429 basic shares outstanding as of December 31, 2018; 340,354,429 basic shares outstanding as of September 30, 2018; 339,862,769 basic shares outstanding as of June 30, 2018; 336,135,391 basic shares outstanding as of March 31, 2018; 307,361,309 basic shares outstanding as of December 31, 2017, September 30, 2017 and June 30, 2017; and 307,334,117 basic shares outstanding as of March 31, 2017.

Fourth Quarter and Full Year 2018 Highlights:

- Mortgage Servicing Rights ("MSRs")
  - In the fourth quarter, we purchased $19 billion unpaid principal balance ("UPB") of MSRs, bringing the total amount purchased in 2018 to $114 billion.
- Non-Agency Bond Portfolio and Call Rights
  - New Residential controls call rights to ~$126 billion of mortgage collateral, representing ~37% of the Non-Agency market.[(1)(2)] Approximately $47 billion of our call rights population is currently callable.[(1)]
    - During the fourth quarter, New Residential executed call rights on 14 seasoned, Non-Agency residential mortgage-backed securities ("RMBS") deals with an aggregate UPB of approximately $795 million, and issued two securitizations totaling approximately $1.0 billion UPB.
    - During 2018, New Residential executed call rights on 88 seasoned, Non-Agency RMBS deals with an aggregate UPB of approximately $2.7 billion.
  - New Residential completed its first non-qualifying mortgage loan securitization in the fourth quarter with an aggregate UPB of approximately $311 million.
- Residential Loans
  - In the fourth quarter, we acquired $1.5 billion of re-performing loans from Fannie Mae.

- Servicer Advances
    - We continued to focus on lowering advance balances during 2018. Advance balances at the end of 2018 were $3.6 billion, representing a 12% year-over-year decrease. [(2)]

(1) Our call rights may be materially lower than the estimates in this press release and there can be no assurance that we will be able to execute on this pipeline of callable deals in the near term, or at all, or that callable deals will be economically favorable. The economic returns from this strategy could be adversely affected by a rise in interest rates and are contingent on the level of delinquencies and outstanding advances in each transaction, fair market value of the related collateral and other economic factors and market conditions. We may become subject to claims and legal proceedings, including purported class-actions, in the ordinary course of our business, challenging whether our loan servicing practices and other aspects of our business comply with applicable laws, agreements and regulatory requirements or challenging our right to exercise our call rights. Call rights are usually exercisable when current loan balance is equal to, or lower than, 10% of its original balance.

(2) All data as of December 31, 2018, unless otherwise stated.

ADDITIONAL INFORMATION

For additional information that management believes to be useful for investors, please refer to the latest presentation posted on the Investor Relations section of the Company's website, **www.newresi.com**. For consolidated investment portfolio information, please refer to the Company's most recent Quarterly Report on Form 10-Q or Annual Report on Form 10-K, which are available on the Company's website, **www.newresi.com**.

EARNINGS CONFERENCE CALL

New Residential's management will host a conference call on Tuesday, February 12, 2019 at 8:00 A.M. Eastern Time. A copy of the earnings release will be posted to the Investor Relations section of New Residential's website, **www.newresi.com**.

All interested parties are welcome to participate on the live call. The conference call may be accessed by dialing 1-866-393-1506 (from within the U.S.) or 1-281-456-4044 (from outside of the U.S.) ten minutes prior to the scheduled start of the call; please reference "New Residential Fourth Quarter & Full Year 2018 Earnings Call."

A simultaneous webcast of the conference call will be available to the public on a listen-only basis at **www.newresi.com**. Please allow extra time prior to the call to visit the website and download any necessary software required to listen to the internet broadcast.

A telephonic replay of the conference call will also be available from 1:30 P.M. Eastern Time on Tuesday, February 12, 2019 through 1:00 P.M. Eastern Time on Monday, February 18, 2019 by dialing 1-855-859-2056 (from within the U.S.) or 1-404-537-3406 (from outside of the U.S.); please reference access code "8569059."

Consolidated Statements of Income

($ in thousands, except share and per share data)

	Year Ended December 31,		
	2018	2017	2016
	(unaudited)		
Interest income	$1,664,223	$1,519,679	$1,076,735
Interest expense	606,433	460,865	373,424
Net Interest Income	1,057,790	1,058,814	703,311
Impairment			
Other-than-temporary impairment (OTTI) on securities	30,017	10,334	10,264
Valuation and loss provision (reversal) on loans and real estate owned	60,624	75,758	77,716
	90,641	86,092	87,980
Net interest income after impairment	967,149	972,722	615,331
Servicing revenue, net	528,595	424,349	118,169
Gain on sale of originated mortgage loans, net	89,017	-	-
Other Income			
Change in fair value of investments in excess mortgage servicing rights	(58,656)	4,322	(7,297)
Change in fair value of investments in excess mortgage servicing rights, equity method investees	8,357	12,617	16,526
Change in fair value of investments in mortgage servicing rights financing receivables	31,550	66,394	-
Change in fair value of servicer advance investments	(89,332)	84,418	(7,768)
Change in fair value of investments in residential mortgage loans	73,515	-	-
Gain on consumer loans investment	-	-	9,943
Gain on remeasurement of consumer loans investment	-	-	71,250
Gain (loss) on settlement of investments, net	103,842	10,310	(48,800)
Earnings from investments in consumer loans, equity method investees	10,803	25,617	-
Other income (loss), net	(124,336)	4,108	28,483
	(44,257)	207,786	62,337
Operating Expenses			
General and administrative expenses	231,579	67,159	38,570
Management fee to affiliate	62,594	55,634	41,610
Incentive compensation to affiliate	94,900	81,373	42,197
Loan servicing expense	43,547	52,330	44,001
Subservicing expense	176,784	166,081	7,832
	609,404	422,577	174,210
Income Before Income Taxes	931,100	1,182,280	621,627
Income tax (benefit) expense	(73,431)	167,628	38,911
Net Income	$1,004,531	$1,014,652	$582,716
Noncontrolling Interests in Income of Consolidated Subsidiaries	$40,564	$57,119	$78,263
Net Income Attributable to Common Stockholders	$963,967	$957,533	$504,453
Net Income Per Share of Common Stock			
Basic	$2.82	$3.17	$2.12
Diluted	$2.81	$3.15	$2.12
Weighted Average Number of Shares of Common Stock Outstanding			
Basic	341,268,923	302,238,065	238,122,665
Diluted	343,137,361	304,381,388	238,486,772
Dividends Declared per Share of Common Stock	$2.00	$1.98	$1.84

Consolidated Balance Sheets

($ in thousands)

	December 31, 2018	December 31, 2017
Assets	(unaudited)	
Investments in:		
Excess mortgage servicing rights, at fair value	$ 447,860	$1,173,713
Excess mortgage servicing rights, equity method investees, at fair value	147,964	171,765
Mortgage servicing rights, at fair value	2,884,100	1,735,504
Mortgage servicing rights financing receivables, at fair value	1,644,504	598,728
Servicer advance investments, at fair value	735,846	4,027,379
Real estate and other securities, available-for-sale	11,636,581	8,071,140
Residential mortgage loans, held-for-investment (includes $121,088 and $0 at fair value at December 31, 2018 and December 31, 2017, respectively)	735,329	691,155
Residential mortgage loans, held-for-sale	932,480	1,725,534
Residential mortgage loans, held-for-sale, at fair value	2,808,529	-
Real estate owned	113,410	128,295
Residential mortgage loans subject to repurchase	121,602	-
Consumer loans, held-for-investment	1,072,202	1,374,263
Consumer loans, equity method investees	38,294	51,412
Cash and cash equivalents	251,058	295,798
Restricted cash	164,020	150,252
Servicer advances receivable	3,277,796	675,593
Trades receivable	3,925,198	1,030,850
Deferred tax assets, net	65,832	-
Other assets	688,408	312,181
	$ 31,691,013	$22,213,562
Liabilities and Equity		
Liabilities		
Repurchase agreements	$ 15,553,969	$8,662,139
Notes and bonds payable (includes $117,048 and $0 at fair value at December 31, 2018 and December 31, 2017, respectively)	7,102,266	7,084,391
Trades payable	2,048,348	1,169,896
Residential mortgage loans repurchase liability	121,602	-
Due to affiliates	101,471	88,961
Dividends payable	184,552	153,681
Deferred tax liability, net	-	19,218
Accrued expenses and other liabilities	490,510	239,114
	25,602,718	17,417,400
Commitments and Contingencies		
Equity		
Common Stock, $0.01 par value, 2,000,000,000 shares authorized, 369,104,429 and 307,361,309 issued and outstanding at December 31, 2018 and December 31, 2017, respectively	3,692	3,074
Additional paid-in capital	4,746,242	3,763,188
Retained earnings	830,713	559,476
Accumulated other comprehensive income (loss)	417,023	364,467
Total New Residential stockholders' equity	5,997,670	4,690,205
Noncontrolling interests in equity of consolidated subsidiaries	90,625	105,957
Total Equity	6,088,295	4,796,162
	$ 31,691,013	$22,213,562

NON-GAAP MEASURES AND RECONCILIATION TO GAAP NET INCOME

New Residential has four primary variables that impact its operating performance: (i) the current yield earned on the Company's investments, (ii) the interest expense under the debt incurred to finance the Company's

investments, (iii) the Company's operating expenses and taxes and (iv) the Company's realized and unrealized gains or losses, including any impairment, on the Company's investments. "Core earnings" is a non-GAAP measure of the Company's operating performance, excluding the fourth variable above and adjusts the earnings from the consumer loan investment to a level yield basis. Core earnings is used by management to evaluate the Company's 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 generally limited to a potential indicator of future economic performance; (ii) incentive compensation paid to the Company's manager; (iii) non-capitalized transaction-related expenses; and (iv) deferred taxes, which are not representative of current operations.

The Company's definition of core earnings includes 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. In addition, the Company's definition of core earnings excludes all deferred taxes, rather than just deferred taxes related to unrealized gains or losses, because the Company believes deferred taxes are not representative of current operations. The Company's definition of core earnings also limits accreted interest income on RMBS where the Company receives par upon the exercise of associated call rights based on the estimated value of the underlying collateral, net of related costs including advances. The Company created this limit in order to be able to accrete to the lower of par or the net value of the underlying collateral, in instances where the net value of the underlying collateral is lower than par. The Company believes this amount represents the amount of accretion the Company would have expected to earn on such bonds had the call rights not been exercised.

The Company's investments in consumer loans are accounted for under Accounting Standards Codification ("ASC") No. 310-20 and ASC No. 310-30, including certain non-performing consumer loans with revolving privileges that are explicitly excluded from being accounted for under ASC No. 310-30. Under ASC No. 310-20, the recognition of expected losses on these non-performing consumer loans is delayed in comparison to the level yield methodology under ASC No. 310-30, which recognizes income based on an expected cash flow model reflecting an investment's lifetime expected losses. The purpose of the core earnings adjustment to adjust consumer loans to a level yield is to present income recognition across the consumer loan portfolio in the manner in which it is economically earned, avoid potential delays in loss recognition, and align it with the Company's overall portfolio of mortgage-related assets which generally record income on a level yield basis. With respect to consumer loans classified as held-for-sale, the level yield is computed through the expected sale date. With respect to the gains recorded under GAAP in 2014 and 2016 as a result of a refinancing of the debt related to the Company's investments in consumer loans, and the consolidation of entities that own the Company's investments in consumer loans, respectively, the Company continues to record a level yield on those assets based on their

original purchase price.

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, the Company notes that, as an example, in a given period, it 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 transaction-related expenses, management does not view these costs as part of the Company's core operations, as they are considered by management to be similar to realized losses incurred at acquisition. Non-capitalized transaction-related expenses are generally legal and valuation service costs, as well as other professional service fees, incurred when the Company acquires certain investments, as well as costs associated with the acquisition and integration of acquired businesses.

As of the third quarter of 2018, as a result of the Shellpoint Acquisition, the Company, through its wholly owned subsidiary, New Penn, originate conventional, government-insured and nonconforming residential mortgage loans for sale and securitization. In connection with the transfer of loans to the GSEs or mortgage investors, the Company reports realized gains or losses on the sale of originated residential mortgage loans and retention of mortgage servicing rights, which the Company believes is an indicator of performance for the Servicing and Origination segment and therefore included in core earnings. Realized gains or losses on the sale of originated residential mortgage loans had no impact on core earnings in any prior period, but may impact core earnings in future periods.

Management believes that the adjustments to compute "core earnings" specified above allow investors and analysts to readily identify and track 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 core performance using the same measure that management uses to operate the business.

Management also utilizes core earnings as a measure in its decision-making process relating to improvements to the underlying fundamental operations of the Company's investments, as well as the allocation of resources between those investments, and management also relies on core earnings as an indicator of the results of such decisions. Core earnings excludes certain recurring items, such as gains and losses (including impairment as well as derivative activities) and non-capitalized transaction-related expenses, because they are not considered by management to be part of the Company's core operations for the reasons described herein. As such, core earnings is not intended to reflect all of the Company's activity and should be considered as only one of the factors used by management in assessing the Company's performance, along with GAAP net income which is inclusive of all of the Company's activities.

The primary differences between core earnings and the measure the Company uses to calculate incentive compensation relate to (i) realized gains and losses (including impairments), (ii) non-capitalized transaction-related expenses and (iii) deferred taxes (other than those related to unrealized gains and losses). Each are excluded from core earnings and included in the Company's incentive compensation measure (either immediately or through amortization). In addition, the Company's incentive compensation measure does not include accretion on held-for-sale loans and the timing of recognition of income from consumer loans is different. Unlike core earnings, the Company's incentive compensation measure is intended to reflect all realized results of operations. The Gain on Remeasurement of Consumer Loans Investment was treated as an unrealized gain for the purposes of calculating incentive compensation and was therefore excluded from such calculation.

Core earnings does not represent and should not be considered as a substitute for, or superior to, net income or as a substitute for, or superior to, cash flows from operating activities, each as determined in accordance with U.S. GAAP, and the Company's calculation of this measure may not be comparable to similarly entitled measures reported by other companies. Set forth below is a reconciliation of core earnings to the most directly comparable GAAP financial measure (in thousands):

	Three Months Ended		Year Ended December 31,	
	December 31,	September 30,		
	2018	2018	2018	2017
Net income attributable to common stockholders	$ 348	$ 184,608	$ 963,967	$ 957,533
Impairment	39,315	9,360	90,641	86,092
Other Income adjustments:				
Other Income				
Change in fair value of investments in excess mortgage servicing rights	2,945	4,744	58,656	(4,322)
Change in fair value of investments in excess mortgage servicing rights, equity method investees	(2,733)	(3,396)	(8,357)	(12,617)
Change in fair value of investments in mortgage servicing rights financing receivables	(11,066)	39,329	(229,253)	(109,584)
Change in fair value of servicer advance investments	2,751	5,353	89,332	(84,418)

Change in fair value of investments in residential mortgage loans	(73,515)	-	(73,515)	-
(Gain) loss on settlement of investments, net	2,222	11,893	(103,842)	(10,310)
Unrealized (gain) loss on derivative instruments	141,543	(24,299)	113,558	2,190
Unrealized (gain) loss on other ABS	1,718	(7,197)	(10,283)	(2,883)
(Gain) loss on transfer of loans to REO	(2,910)	(6,119)	(19,519)	(22,938)
(Gain) loss on transfer of loans to other assets	329	1,528	1,977	(488)
(Gain) loss on Excess MSR recapture agreements	4,278	(987)	(979)	(2,384)
(Gain) loss on Ocwen common stock	15,515	145	10,860	(5,346)
Other (income) loss	2,910	17,843	28,722	27,741
Total Other Income Adjustments	83,987	38,837	(142,643)	(225,359)
Other Income and Impairment attributable to non-controlling interests	(5,159)	(4,633)	(22,247)	(30,416)
Change in fair value of investments in mortgage servicing rights	160,947	(44,192)	(65,670)	(155,495)
(Gain) loss on settlement of mortgage loan origination derivative instruments	(3,991)	2,757	(1,234)	-
Gain on securitization of originated mortgage loans	8,757	-	8,757	-
Non-capitalized transaction-related expenses	3,162	5,274	21,946	21,723
Incentive compensation to affiliate	29,731	23,848	94,900	81,373
Deferred taxes	(67,374)	(1,865)	(80,054)	168,518
Interest income on residential mortgage loans, held-for sale	600	5,906	13,374	13,623
Limit on RMBS discount accretion related to called deals	(45,473)	(2,914)	(58,581)	(28,652)
Adjust consumer loans to level yield	734	(6,760)	(21,181)	(41,250)
Core earnings of equity method investees:				
Excess mortgage servicing rights	2,669	4,468	13,183	13,691
Core Earnings	$ 208,253	$ 214,694	$ 815,158	$ 861,381

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain information in this press release constitutes as “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, including, but not limited to our call rights population. These statements are not historical facts. They represent management’s current expectations regarding future events and are subject to a number of trends and uncertainties, many of which are beyond our control, which could cause actual results to differ materially from those described in the forward-looking statements. Accordingly, you should not place undue reliance on any forward-looking statements contained herein. For a discussion of some of the risks and important factors that could affect such forward-looking statements, see the sections entitled “Cautionary Statements Regarding Forward Looking Statements,” “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in the Company’s annual and quarterly reports and other filings filed with the U.S. Securities and Exchange Commission, which are available on the Company’s website (**www.newresi.com**). New risks and uncertainties emerge from time to time, and it is not possible for New Residential 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. Forward-looking statements contained herein speak only as of the date of this press release, and 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 New Residential's expectations with regard thereto or change in events, conditions or circumstances on which any statement is based.

ABOUT NEW RESIDENTIAL

New Residential focuses on opportunistically investing in, and actively managing, investments related to residential real estate. The Company primarily targets investments in mortgage servicing related assets and other

related opportunistic investments. New Residential is organized and conducts its operations to qualify as a real estate investment trust (“REIT”) for federal income tax purposes. The Company is managed by an affiliate of Fortress Investment Group LLC, a global investment management firm.

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