

Newcastle Investment Corp.

Excess MSR Investment in Pool 5 (\$47.6 Billion Mortgage Portfolio)

July 2012



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Expected returns, or “base case returns,” are estimates of the annualized effective rate of return that we presently expect to be earned over the expected average life of an investment (i.e., IRR), after giving effect to existing leverage, if applicable, calculated on a weighted average basis. Income recognized by the Company in future periods may materially differ from, and be lower than, expected returns, and the estimates and assumptions (including, but not limited to, recapture, prepayment, and delinquency rates) we use to calculate expected returns may differ materially from actual results. Statements about expected returns 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.



Investment Summary

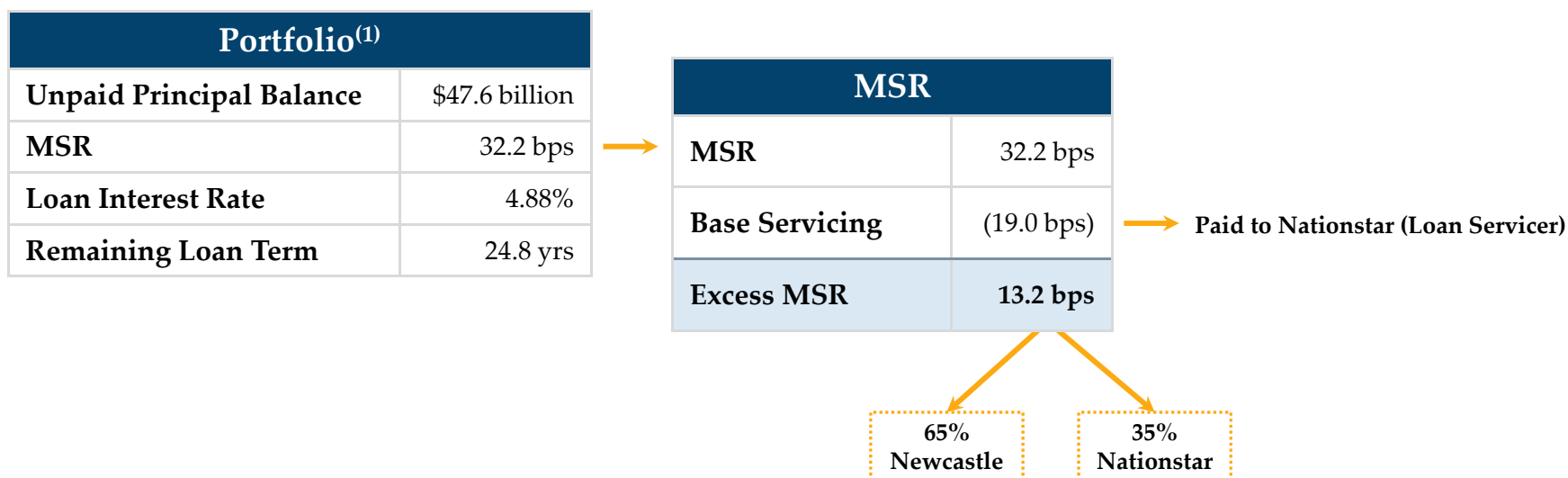
Newcastle invested \$125 million to acquire the right to receive 65% of the monthly interest payments generated by the MSR, net of a base fee paid to the servicer

- In the Base Case we expect to generate a 17.5% unleveraged IRR and 2.0x our investment over a 5.9 year average life
- Newcastle defines an Excess MSR as the right to receive interest payments generated by the Mortgage Servicing Rights (“MSRs”) on a portfolio of mortgage loans net of a base fee paid to the loan servicer
- Nationstar will own the MSR and be the loan servicer of the \$47.6 billion non-conforming residential loan portfolio in private label securitizations . In addition to receiving a base servicing fee, Nationstar will retain 35% of the Excess MSR



Investment Overview

- Nationstar purchased the MSR on \$47.6 billion UPB of mortgage loans from Aurora Bank
- For \$125 million, Newcastle acquired 65% of the Excess MSR of this portfolio
 - Nationstar will retain a 35% interest in the Excess MSR
 - As loan servicer, Nationstar will be paid a 19 bps base servicing fee and receive all ancillary servicing income
 - The Excess MSR will be paid on the total UPB of the mortgage portfolio (including both performing and delinquent loans until REO)
 - Newcastle will not have any servicing duties, advance obligations or liabilities associated with the portfolio



(1) MSR, Loan Interest Rate, and Remaining Loan Term are weighted averages based on the Unpaid Principal Balance of each loan.



Investment – Prepayment Impact

- As prepayments increase, cash flows and returns decrease
- Assuming a 0% recapture and a Constant Prepayment Rate (“CPR”) of 15%, the base case return is 14.7%
 - Yield profile is sensitive to changes in prepayments

CPR Impact on Excess MSR

(0% Recapture)

(Cash Flows: \$mm)

\$47.6 Billion Portfolio of Loans	
Balance (\$mm)	47,573
Purchase Price (bps of UPB)	40.4
NCT Investment (\$mm)	124.8
# of Loans	198,586
Avg Loan Balance (\$)	239,558
30+ Day Delinquency	34.7%
Wtd Avg Coupon	4.9%
Remaining Term (yrs)	24.8
Wtd Avg MSR (bps)	32.2
Base Servicing (bps)	19.0
Wtd Avg Excess MSR (bps)	13.2

CPR ⁽¹⁾	0%	10% ⁽²⁾	15%	20%	30%
Cash Flows	\$596.4	\$280.4	\$210.2	\$167.0	\$114.3
IRR	34.0%	21.1%	14.7%	8.8%	-3.0%
Investment Multiple	4.8x	2.2x	1.7x	1.3x	0.9x

(1) All CPR scenarios assume an 11% Constant Default Rate (“CDR”) unless otherwise noted

(2) 10% CPR assumes 4% Voluntary Prepayment Rate (“CRR”) and a 6% CDR



Investment – Recapture Impact

Expected Base Case return: 17.5% unleveraged IRR, \$247 million of cashflows and a 2.0x investment multiple – assumes a 15% CPR and 35% recapture rate⁽¹⁾

- Loans from this portfolio refinanced by Nationstar will remain within the portfolio post refinance⁽²⁾
- As recapture percentages increase, yield profile becomes less sensitive to changes in prepayments
- At the base case 35% recapture rate, the average life of the investment at a 10%, 15%, and 20% CPR is 7.0, 5.9, and 5.7 years respectively

0% Recapture

(Cash Flows: \$mm)

CPR ⁽³⁾	0%	10% ⁽⁴⁾	15%	20%	30%
Cash Flows	\$596.4	\$280.4	\$210.2	\$167.0	\$114.3
IRR	34.0%	21.1%	14.7%	8.8%	-3.0%

35% Recapture (Base Case)

CPR ⁽³⁾	0%	10% ⁽⁴⁾	15%	20%	30%
Cash Flows	\$596.4	\$330.0	\$247.2	\$234.3	\$214.6
IRR	34.0%	23.6%	17.5%	15.4%	12.2%
Investment Multiple	4.8x	2.6x	2.0x	1.9x	1.7x

50% Recapture

CPR ⁽³⁾	0%	10% ⁽⁴⁾	15%	20%	30%
Cash Flows	\$596.4	\$353.1	\$264.5	\$262.9	\$261.4
IRR	34.0%	24.5%	18.6%	17.6%	15.9%

Original investment of \$125 million

(1) Starting in August 2012

(2) Subject to certain limitations based on pre-agreed incentive between Newcastle and Nationstar.

(3) All CPR scenarios assume an 11% CDR on the original loan pool unless otherwise noted and recaptured loans assume: 8% CPR (5% CRR, 3% CDR), 4.5% fixed rate coupon, 25 Yr amortization term, an MSR of 27 bps, a base fee of 6 bps, and a 21bps Excess MSR.

(4) 10% CPR assumes 4% CRR and 6% CDR



Appendix



Collateral Overview and Key Assumptions

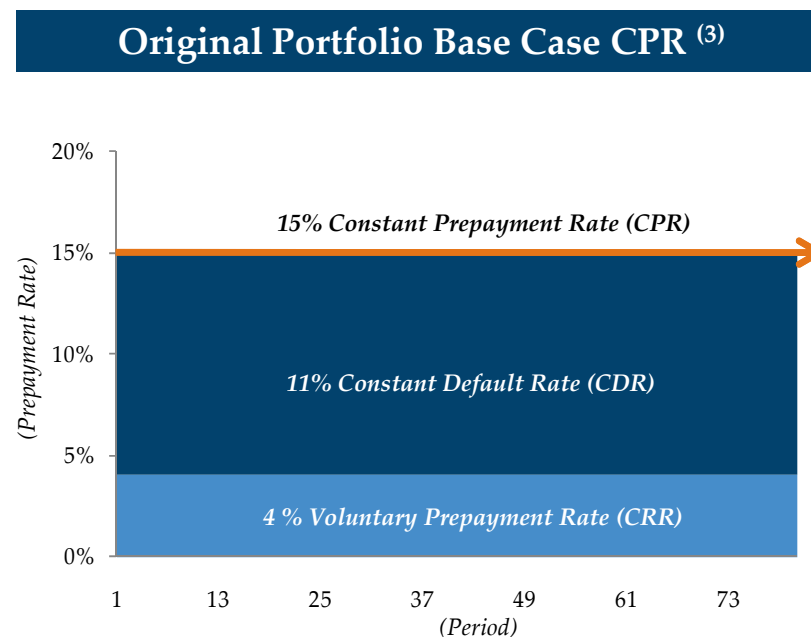
Credit characteristics of this portfolio should support lower lifetime voluntary prepayments as borrowers have limited refinance options

- 62% have current FICO < 700
- 62% have current LTV > 100.0%
- 22% of loans were originated with full documentation

Collateral Summary ⁽¹⁾			
Balance (\$mm)	47,573	CLTV (Orig / Updated ⁽²⁾)	83.1 / 124.4
Loan Count	198,586	Current FICO	659
Avg Loan Amt	239,558	30+ Day Delinquency	34.7%
WAC (%)	4.9%	Limited Documentation	54.5%
MSR (bps)	32.2		
Remaining Term (yrs)	24.8		
ARM %	56.1		

Base Case Assumptions:

- Original Portfolio Assumptions:
 - Constant Prepayment Rate (CPR) –15% CPR: 4% voluntary prepayment rate (CRR) and 11% constant default rate (CDR)
 - 35% recapture of voluntary prepayments starting September 2012
- Recaptured Loan Assumptions:
 - 8% CPR (5% CRR, 3% CDR)
 - 4.5% fixed rate coupon, 25 Yr amortization term
 - MSR of 27 bps, a base fee of 6 bps, and a 21 bps Excess MSR.



(1) Collateral characteristics are based on weighted averages based on the Unpaid Principal Balance of each loan.
 (2) Updated CLTV is determined using The National Association of Realtors (NAR) Median Existing Single-Family Home Price Index.
 (3) Base Case CPR on the original \$47.6 billion portfolio assumes a constant 4% CRR and 11% CDR.



Collateral Summary

- \$47.6 billion UPB, average loan size of \$239,558
- 44% Fixed (WAC of 5.2%); 56% ARM (WAC of 4.6%)

Mortgage Rate (%)	Loan Count	Balance (\$mm)	% of Balance	WAC (%)	Orig Term	Rem Term	Loan to Value		Cur FICO
							Orig	Cur	
<= 2.500	16,112	5,557	11.7	2.0	369	309	106.5	169.2	646
> 2.500, <= 3.000	30,103	9,233	19.4	3.0	363	289	81.5	113.1	686
> 3.000, <= 3.500	12,290	3,315	7.0	3.3	379	314	79.9	127.5	673
> 3.500, <= 4.000	29,195	5,583	11.7	3.7	384	318	85.5	138.0	654
> 4.000, <= 4.500	2,589	758	1.6	4.3	365	302	99.4	164.3	619
> 4.500, <= 5.000	3,672	888	1.9	4.9	364	296	88.4	136.4	630
> 5.000, <= 5.500	3,976	1,113	2.3	5.4	354	281	77.0	109.5	671
> 5.500, <= 6.000	14,148	3,917	8.2	5.8	357	284	71.8	98.5	695
> 6.000, <= 6.500	14,192	3,927	8.3	6.3	357	290	74.7	107.4	671
> 6.500, <= 7.000	13,533	3,767	7.9	6.8	358	297	76.5	113.5	652
> 7.000, <= 7.500	15,955	4,053	8.5	7.3	360	300	78.5	120.7	632
> 7.500	42,821	5,462	11.5	8.5	355	292	82.0	118.9	621
Total	198,586	47,573	100.0	4.9	365	298	83.1	124.4	659

Current FICO	Loan Count	Balance (\$mm)	% of Balance	WAC (%)	Orig Term	Rem Term	Loan to Value		Cur FICO
							Orig	Cur	
Unknown	6,754	824	1.7	5.1	359	265	81.2	104.6	795
<=600	51,529	13,587	28.6	5.2	363	300	87.9	137.3	544
600 - 649	30,099	7,313	15.4	5.1	362	298	87.8	132.9	626
650 - 699	35,330	8,543	18.0	4.7	366	300	83.4	124.9	675
700 - 749	32,144	7,741	16.3	4.6	367	300	79.5	116.6	723
750 - 799	31,901	7,293	15.3	4.6	366	297	76.5	108.9	775
>= 800	10,829	2,272	4.8	4.6	363	291	73.3	101.8	807
Total	198,586	47,573	100.0	4.9	365	298	83.1	124.4	659

Coupon Type	Loan Count	Balance (\$mm)	% of Balance	WAC (%)	Orig Term	Rem Term	Loan to Value		Cur FICO
							Orig	Cur	
Fixed	113,307	20,887	43.9	5.2	355	288	92.9	132.8	650
ARM	85,279	26,686	56.1	4.6	372	307	75.5	117.8	666
Total	198,586	47,573	100.0	4.9	365	298	83.1	124.4	659

Original LTV (%)	Loan Count	Balance (\$mm)	% of Balance	WAC (%)	Orig Term	Rem Term	Loan to Value		Cur FICO
							Orig	Cur	
<= 75.00	54,013	15,938	33.5	5.0	365	297	63.4	96.8	671
75.01 - 80.00	73,866	20,001	42.0	4.9	370	305	79.7	121.5	665
80.01 - 85.00	4,262	767	1.6	5.7	355	283	84.0	112.6	628
85.01 - 90.00	10,022	1,857	3.9	5.8	358	292	89.3	127.3	634
90.01 - 95.00	7,368	1,162	2.4	6.1	352	286	94.3	127.1	641
95.01 - 100.00	22,553	3,154	6.6	5.9	364	299	99.7	136.3	652
> 100.00	26,502	4,695	9.9	3.1	345	281	148.4	223.0	618
Total	198,586	47,573	100.0	4.9	365	298	83.1	124.4	659

Documentation Type	Loan Count	Balance (\$mm)	% of Balance	WAC (%)	Orig Term	Rem Term	Loan to Value		Cur FICO
							Orig	Cur	
Full/Alternative	54,808	10,245	21.5	5.4	357	287	83.7	113.2	677
Limited	90,788	25,941	54.5	4.9	362	298	82.4	123.6	659
Other	52,990	11,387	23.9	4.4	376	310	84.4	136.3	643
Total	198,586	47,573	100.0	4.9	365	298	83.1	124.4	659

Origination Year	Loan Count	Balance (\$mm)	% of Balance	WAC (%)	Orig Term	Rem Term	Loan to Value		Cur FICO
							Orig	Cur	
2004 & Prior	57,272	7,825	16.4	4.3	353	261	76.2	85.7	683
2005	51,356	11,546	24.3	5.2	354	282	78.4	110.3	674
2006	55,464	16,356	34.4	4.4	378	318	85.2	138.2	651
2007	34,391	11,781	24.8	5.6	363	312	89.6	144.9	641
2008 & After	103	66	0.1	5.7	356	315	82.5	110.7	696
Total	198,586	47,573	100.0	4.9	365	298	83.1	124.4	659

Delinquency	Loan Count	Balance (\$mm)	% of Balance	WAC (%)	Orig Term	Rem Term	Loan to Value		Cur FICO
							Orig	Cur	
Current	142,947	31,049	65.3	4.5	363	294	83.7	118.7	693
30 Days	7,064	1,449	3.0	4.6	363	296	87.4	130.0	604
60 Days	2,964	684	1.4	4.7	366	300	87.3	134.5	608
90+ Days	45,611	14,391	30.3	5.8	368	307	81.3	135.7	594
Total	198,586	47,573	100.0	4.9	365	298	83.1	124.4	659

Geography	Loan Count	Balance (\$mm)	% of Balance	WAC (%)	Orig Term	Rem Term	Loan to Value		Cur FICO
							Orig	Cur	
CA	47,017	18,972	39.9	4.3	371	306	83.0	139.0	668
FL	20,238	4,842	10.2	5.5	365	301	82.9	159.4	629
NY	6,253	2,297	4.8	5.7	360	294	77.8	87.0	643
WA	7,208	1,848	3.9	4.8	372	310	82.1	101.2	668
AZ	7,153	1,574	3.3	4.7	362	296	86.2	160.1	671
Remaining	110,717	18,041	37.9	5.3	358	289	83.9	103.7	658
Total	198,586	47,573	100.0	4.9	365	298	83.1	124.4	659

Current LTV (%) ⁽²⁾	Loan Count	Balance (\$mm)	% of Balance	WAC (%)	Orig Term	Rem Term	Loan to Value		Cur FICO
							Orig	Cur	
<= 75.00	50,524	6,626	13.9	5.2	354	273	64.5	59.4	687
75.01 - 80.00	8,919	1,904	4.0	5.1	358	286	74.3	77.5	674
80.01 - 85.00	10,298	2,256	4.7	5.1	360	288	75.4	82.6	674
85.01 - 90.00	10,369	2,314	4.9	5.2	360	291	77.0	87.5	668
90.01 - 95.00	10,251	2,484	5.2	5.2	362	294	77.8	92.6	661
95.01 - 100.00	12,577	2,715	5.7	5.1	364	295	75.1	97.7	662
> 100.00	95,648	29,274	61.5	4.7	368	307	90.2	153.5	650
Total	198,586	47,573	100.0	4.9	365	298	83.1	124.4	659

(1) Updated CLTV is determined using The National Association of Realtors (NAR) Median Existing Single-Family Home Price Index.



Newcastle Investment Corp.

1345 Avenue of the Americas

New York, NY 10105

Investor Relations: 1-212-479-3195



Newcastle Investment Corp.
