Newcastle Investment Corp.
Investor Presentation

February 2013

NEWCASTLE
INVESTMENT CORP.

Disclaimer and Notes

This disclaimer applies to this document and the oral comments made by the individuals presenting it (the "Presentation").

Forward – Looking Statements: This Presentation contains certain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements relate to, among other things, the operating performance of our investments, the stability of our earnings, our financing needs, potential investments, estimated investment returns and assumptions underlying those returns (including, but not limited to, recapture rates, prepayments rates, default rates), projected dividend growth and interest rate changes. Forward-looking statements are generally identifiable by use of forward-looking terminology such as "may," "will," "should," "potential," "intend," "expect," "endeavor," "seek," "anticipate," "estimate," "overestimate," "underestimate," "believe," "could," "project," "predict," "continue," "target" or other similar words or expressions. Forward-looking statements are based on certain assumptions, discuss future expectations, describe future plans and strategies, contain projections of results of operations or of financial condition or state other forward-looking information. Our ability to predict results or the actual outcome of future plans or strategies is inherently uncertain. Although we believe that the expectations reflected in such forward-looking statements are based on reasonable assumptions, our actual results and performance could differ materially from those set forth in the forward-looking statements. These forward-looking statements involve risks, uncertainties and other factors that may cause our actual results in future periods to differ materially from forecasted results. Factors which could have a material adverse effect on our operations and future prospects include, but are not limited to: reductions in cash flows received from our investments; our ability to take advantage of opportunities in additional asset classes or types of assets, at attractive risk-adjusted prices; our ability to take advantage of opportunities in investments in excess mortgage servicing rights; our ability to deploy capital accretively; the risks that prepayment, default and recovery rates on our real estate securities and loan portfolios deteriorate compared to our underwriting estimates; the relationship between yields on assets which are paid off and yields on assets in which such monies can be reinvested; the relative spreads between the yield on the assets we invest in and the cost of financing; changes in economic conditions generally and the real estate and bond markets specifically; adverse changes in the financing markets we access affecting our ability to finance our investments, or in a manner that maintains our historic net spreads; changing risk assessments by lenders that potentially lead to increased margin calls, not extending our repurchase agreements or other financings in accordance with their current terms or entering into new financings with us; changes in interest rates and/or credit spreads, as well as the success of any hedging strategy we may undertake in relation to such changes; the quality and size of the investment pipeline and the rate at which we can invest our cash, including cash inside our collateralized debt obligations, or CDOs; changes in the fair value of our excess servicing assets, our dependence on mortgage servicers to service the mortgages underlying our excess servicing assets, GSE initiatives and other actions that may adversely affect returns on our excess servicing assets; impairments in the value of the collateral underlying our investments and the relation of any such impairments to our judgments as to whether changes in the market value of our securities, loans or real estate are temporary or not and whether circumstances bearing on the value of such assets warrant changes in carrying values; legislative/regulatory changes, including, but not limited to, any modification of the terms of loans; the availability and cost of capital for future investments; competition within the finance and real estate industries; and other risks detailed from time to time in our Securities and Exchange Commission reports. Readers are cautioned not to place undue reliance on any of these forward-looking statements, which reflect our management's views as of the date of this Presentation significantly from those contained in any forward-looking statement. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. We are under no duty to update any of the forward-looking statements after the date of this Presentation to conform these statements to actual results.

Expected, Targeted or Modeled Returns: Expected, targeted or modeled returns are estimates of the annualized effective rate of return that the Company presently expects to be earned or targets to be earned over the expected average life of an investment (i.e., IRR), after giving effect to existing leverage (if any), calculated on a weighted average basis, projected market conditions and other factors. Income recognized by the Company in future periods may be significantly less than the income that would have been recognized if an expected, targeted or modeled return were actually realized, and the estimates we use to calculate expected returns would differ materially from actual results. Statements about expected, targeted or modeled 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, targeted or modeled returns.

Past performance: In all cases where historical performance is presented, please note that past performance is not a reliable indicator of future results and should not be relied upon as the basis for making an investment decision.

Risk Factors: Investing in Newcastle's common stock involves a high degree of risk. For more information on such risks, please refer to the factors detailed from time to time in our Securities and Exchange Commission reports.

No reliance, no update and use of information: You should not rely exclusively on the Presentation as the basis upon which to make an investment decision. The information in the Presentation is provided to you as of the dates indicated and Newcastle does not intend to update the information after its distribution, even in the event that the information becomes materially inaccurate. Certain information contained in the Presentation includes calculations or figures that have been prepared internally and have not been audited or verified by a third party. Use of different methods for preparing, calculating or presenting information may lead to different results and such differences may be material.

Disclaimer and Notes - continued

Abbreviations: *This Presentation includes abbreviations, which have the following meanings:*

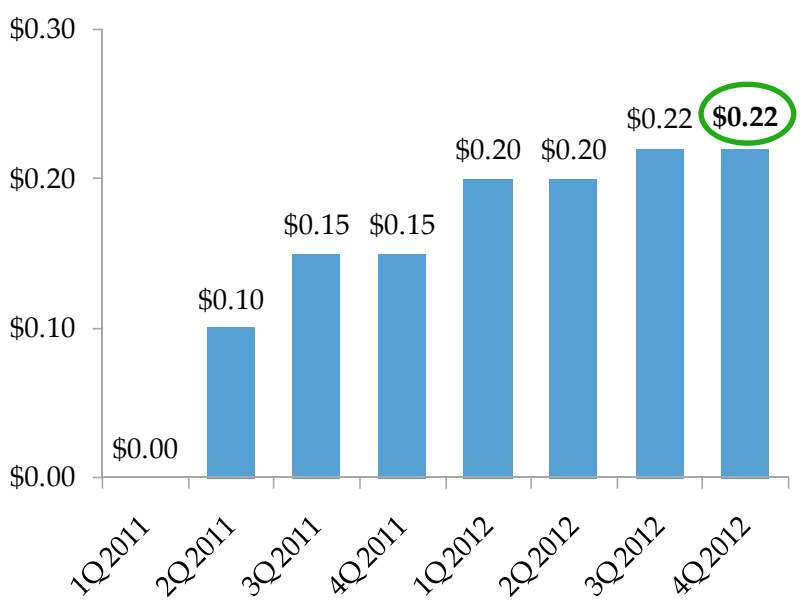
- *30+ DQ – Percentage of loans that are delinquent by 30 days or more*
- *Age (mths) or Loan Age (mths) – Weighted average number of months loans are outstanding*
- *Cash Basis – Initial investment less cash received life to date*
- *CDR – Constant Default Rate*
- *CLTV – ratio of current loan balance to estimated current asset value.*
- *CPR – Constant Prepayment Rate*
- *CRR – Constant Repayment Rate*
- *Cur UPB – UPB as of the end of the current month*
- *Excess MSRs – monthly interest payments generated by the related MSRs, net of a basic fee paid to the servicer.*
- *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*
- *LTD Cash Flows –Actual cash flow collected from the investment as of the end of the current month*
- *LTD – Life to Date*
- *Non-Performing Loans – "NPLs"*
- *Orig. UPB – UPB as of the investment's acquisition date*
- *Proj. Future Cash Flows – Future cash flow projected with the Company's original underwriting assumptions*
- *Recapture Rate – Percentage of fully prepaid loans that are refinanced by Nationstar and will be put back into the pool*
- *Uncollected Payments – Percentage of loans that missed their most recent payment*
- *UPB – Unpaid Principal Balance*
- *Updated Modeled 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.*
- *WA – Weighted Average*
- *WAL – Weighted Average Life to Maturity*
- *WAC – Weighted Average Coupon*

Newcastle Overview[1]

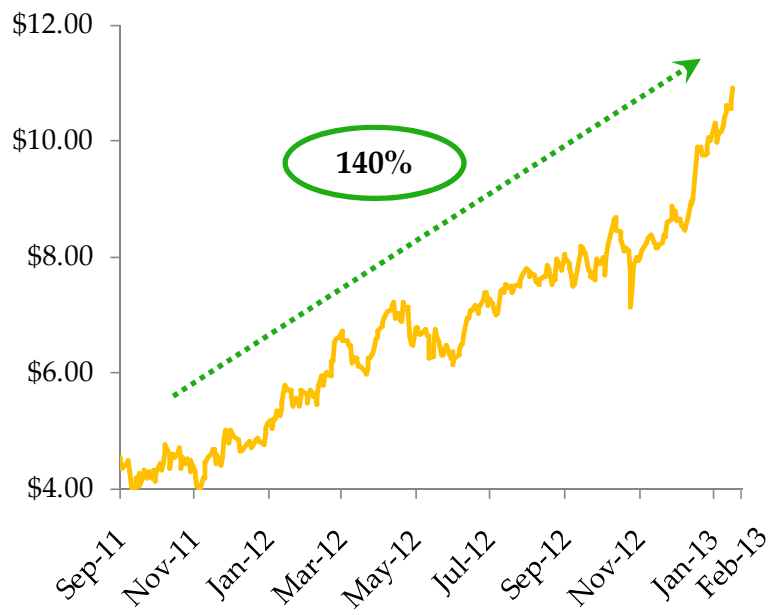
- **Traditionally, Newcastle focused on investing in commercial real estate debt – financed using CDOs**
  - Beginning in September 2011,added residential mortgage opportunities – invested +$1 billion to date[2]

- **Remain focused on opportunistic residential and commercial real estate investments; targeting 15-20% levered returns to drive earnings and dividend growth[3]**

Stable, Growing Dividend[3]



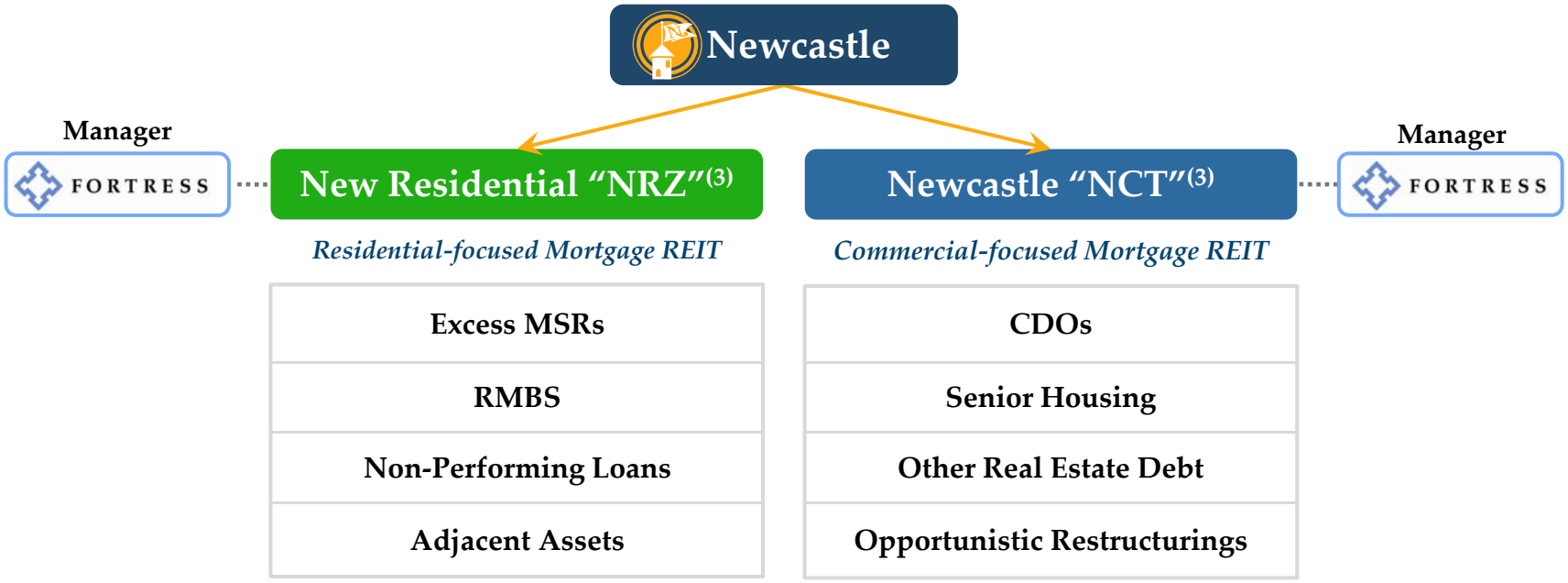
Stock Price Appreciation[4]



1) Newcastle's Investment Guidelines are purposefully broad. Newcastle may invest in types of assets that differ significantly from its current portfolio.
2) A portion of the investment amount has been committed to by Newcastle, but has not yet closed. This investment is subject to certain closing requirements and regulatory approvals.
3) Expected returns assume the use of leverage for certain investments. A dividend declaration, if any, will be made in the sole discretion of the Board of Directors, and there can be no assurance that the amount of any future dividend will be as great or greater than any amount previously paid.
4) There can be no assurance regarding the direction of share prices. Past performance is not a reliable indicator of future results. Returns were realized during a generally recovering real estate market and may not be realized in different market environments. Yahoo Finance, September 21, 2011 – February 6, 2013.

Overview of New Residential Spin-Off

- **Newcastle will spin off certain assets to establish New Residential**
  - Plan to distribute one share of New Residential for each share of Newcastle common stock[1]
  - Expect separation of residential and commercial companies to unlock value for stockholders[2]
  - Intend to list on the NYSE under the ticker "NRZ"



1) Distribution ratio is subject to change. The spin-off is subject to certain conditions, such as the Securities and Exchange Commission ("SEC") declaring the registration statement relating to the spin-off effective, the filing and approval of an application to list New Residential's common stock on the NYSE, and the formal declaration of the distribution by our Board of Directors.
2) The spin-off may not have the full or any of the strategic and financial benefits that we expect, or such benefits may be delayed or may not materialize at all.
3) NRZ's and NCT's respective Investment Guidelines are purposefully broad. Each company may invest in assets that differ significantly from its current portfolio.

Modeled Economics of the Two Companies*

New Residential[1]	
Excess MSRs[2]	$610 mm
Non-Agency RMBS[3]	$477 mm
Less: Repo Debt[4]	($157) mm
Investable Cash [5]	$30 mm
Total New Residential Value[9]	**$960 mm**
Modeled Net IRR[10]	**14% (midpoint)**
	$130 mm[11]
Per share[12]	*$0.56*

Assumed Dividend Yield[13]	7%	8%	9%	10%
Implied price / share:	$8.00	$7.00	$6.22	$5.60
Implied Market Cap.	$1.8bn	$1.6bn	$1.4bn	$1.3bn

Newcastle	
Real Estate Debt[6]	$830 mm
Senior Housing [7]	$76 mm
Less: Corporate Debt[8]	($112) mm
Investable Cash [5]	$30 mm
Total Newcastle Value[9]	**$824 mm**
Modeled Net IRR[10]	**14% (midpoint)**
	$115 mm[11]
Per share[12]	*$0.50*

Assumed Dividend Yield[13]	7%	8%	9%	10%
Implied price / share:	$7.14	$6.25	$5.56	$5.00
Implied Market Cap.	$1.6bn	$1.4bn	$1.3bn	$1.2bn

* Please refer to the following page for explanatory notes and specific disclaimers related to the information presented on this page.

Modeled Economics of the Two Companies – Explanatory Notes

1) Newcastle's ability to complete a spin-off of New Residential is subject to certain conditions, such as the SEC declaring the registration statement relating to the spin-off effective, the filing and approval of an application to list New Residential's common stock on the NYSE, and the formal declaration of the distribution by our Board of Directors.

2) Reflects the unaudited estimated fair market value of Excess MSRs as of December 31, 2012 with pro forma adjustments for the following transactions in January 2013: a commitment to invest $340 million for a $215 billion UPB Excess MSR transaction and the investment of $27 million for a $13 billion UPB Excess MSR transaction.

3) Reflects the unaudited estimated fair market value of non-Agency RMBS as of December 31, 2012 with pro forma adjustments for purchases of non-Agency RMBS subsequent to December 31, 2012.

4) Reflects the outstanding principal balance of repurchase agreements related to our non-Agency RMBS as of February 8, 2013.

5) Investable cash for each of New Residential and Newcastle reflects half of Newcastle's total estimated uncommitted investable cash as of February 8, 2013. The allocation of the this cash balance is for illustrative purposes only. Actual cash balances may differ materially following the spin-off.

6) Reflects an unaudited estimate of expected future recovery value of the principal of real estate and other debt investments as of December 31, 2012 with pro forma adjustments for investments and new commitments since December 31, 2012. Total commitments from September 30, 2012 to date totaled approximately $100 million. This amount reflects a variety of assumptions, including estimates regarding amount of principal repayment of assets based on current credit profile. Actual recovery value may differ materially from the current estimate.

7) Reflects cumulative investments in senior housing as of December 31, 2012, including working capital and related transaction costs, net of financing.

8) Reflects face amount of the junior subordinated notes and preferred equity as of December 31, 2012.

9) Does not reflect all of the assets that New Residential and Newcastle will own post-spin. Newcastle owns and New Residential intends to own other assets, including, Agency RMBS, which will affect the total value of each business.

10) Modeled Net IRR may differ materially from actual returns. Modeled Net IRRs indicated are based on a variety of assumptions and estimates, including assumptions with respect to gross investment returns, attainable leverage and estimates of corporate overhead expenses, which will differ for each business. Net IRR will also be affected by the matters identified in the reports Newcastle files with the SEC under "Risk Factors." Following the spin-off, corporate overhead expenses of Newcastle and New Residential are expected to increase on an aggregate basis as a result of management compensation and general and administrative expenses payable by New Residential.

11) Represents the product of Modeled Net IRR and Total New Residential Value or Total Newcastle Value, as applicable. Slight discrepancies are due to rounding.

12) Per share amounts reflect approximately 230 million shares of Newcastle common stock as of February 8, 2013 and does not reflect the investment of proceeds from the offering announced on February 11, 2013. New Residential per share amount assumes the distribution of one share of New Residential for each share of Newcastle, which may change prior to the distribution. Implied share price does not reflect Newcastle's expectation of the price at which it may offer any shares. Per share amount does not reflect potential dilution from outstanding options for shares of Newcastle common stock and options that Newcastle expects to issue for shares of New Residential. Such dilution could be material.

13) Dividend yields presented are for illustrative purposes only. Actual dividends may differ materially. Corresponding price per share assumes 100% payout of stated per share amount.

New Residential – Potential Dividend Yield Tightening

- **Peers with comparable portfolios currently trade at 7% average yield, vs. Newcastle 2012 average yield of 12%**

Public Residential Mortgage REITs[1,2]

		Dividend Yield	Market Cap *($mm)*	*Portfolio Composition*
More comparable subset[3]	**Redwood**	5.1%	$1,603	***Non-Agency MBS, Residential loans, Commercial loans (15%)***
	HLSS	7.1%	$1,248	***MSRs (10%), Servicing Advances (90%)***
	PennyMac Mortgage	8.8%	$1,524	***Distressed Mortgage Loans, MSRs***
	Comparable Average	**6.8%**	**$1,458**	
Less comparable subset[3]	MFA Financial	8.9%	$3,200	*Agency MBS (60%), Non-Agency MBS (40%)*
	Dynex Capital Inc.	11.7%	$539	*Agency MBS (64%), CMBS (32%)*
	Invesco Mortgage Capital	12.2%	$2,836	*Agency MBS (76%), Non-Agency MBS (14%), CMBS (10%)*
	AG Mortgage Inv. Trust	12.6%	$687	*Agency MBS (80%), Non-Agency MBS (16%)*
	Two Harbors Inv. Corp.	18.0%	$3,661	*Agency MBS (84%), Non-Agency MBS (16%)*

1) Source: SNL Financial. Market cap as of 2/8/2013, dividend yield based on last declared regular dividend divided by stock price as of February 8, 2013.
2) Portfolio composition from recent 3Q 2012 filings and presentations. Peer group is a non-exhaustive list prepared by management, and inclusion of other issuers could change comparable average.
3) Determination of comparability of subsets has been made by management based on Newcastle's current assets and commitments. Other industry participants may express a different view. A change in or the diversification of New Residential's portfolio could change the appropriate comparable subset and dividend yield.

Newcastle – Potential Dividend Yield Tightening

- **Based on comparable peers, potential yield tightening could take place at Newcastle as well**
  - As senior housing portfolio grows, further tightening expected toward range of public healthcare REITs

Public Commercial Finance REITs[1,2]

	Dividend Yield	Market Cap *($mm)*
RAIT Financial Trust	5.6%	$432
Arbor Realty Trust	6.2%	$229
Colony Financial	6.5%	$1,389
Starwood Property Trust	6.8%	$3,516
NorthStar	8.6%	$1,297
Apollo Commercial RE	9.2%	$489
CreXus Investment Corp	9.6%	$1,019
Resource Capital	12.7%	$633
Minimum	***5.6%***	***$229***
Average	***8.1%***	***$1,126***
Maximum	***12.7%***	***$3,516***

Yield tightening expected relative to commercial peers…[3]

Public Healthcare REITs[1,2]

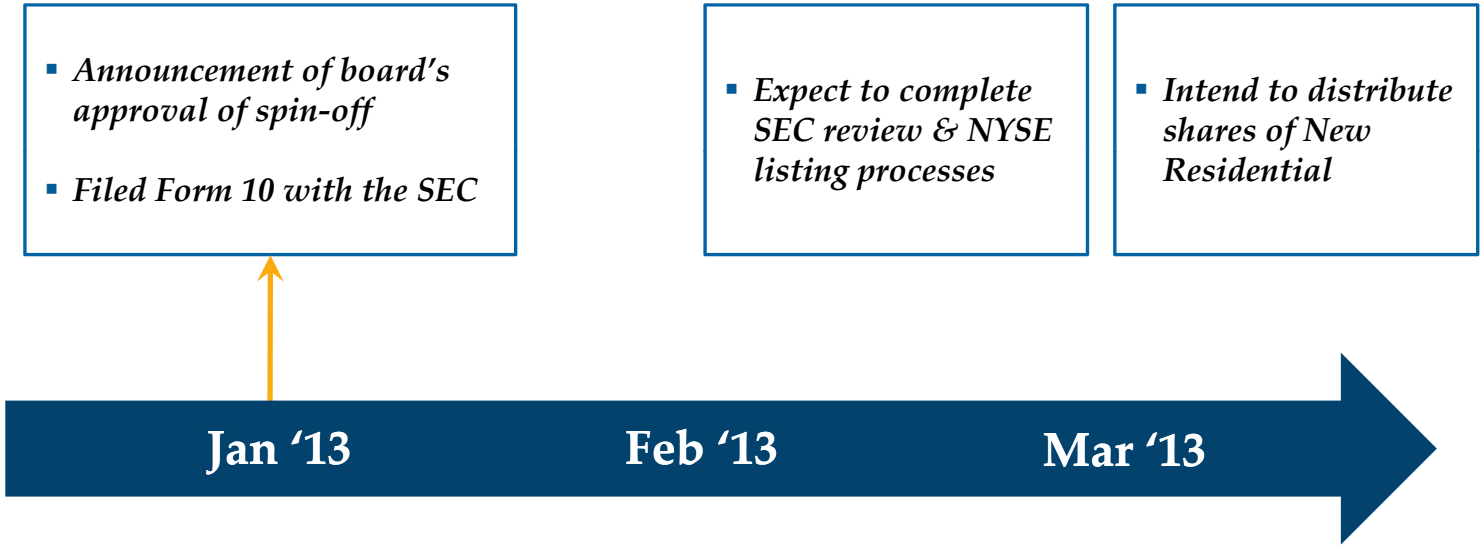
	Dividend Yield	Market Cap *($mm)*
Ventas Inc.	3.7%	$19,926
National Health Investors	4.2%	$1,769
HCP Inc.	4.5%	$21,152
Healthcare Realty Trust	4.7%	$2,234
Health Care REIT Inc.	4.9%	$16,178
LTC Properties Inc.	4.9%	$1,151
Medical Properties Trust	5.9%	$1,851
Senior Housing Properties	6.4%	$4,589
Minimum	***3.7%***	***$1,151***
Average	***4.9%***	***$8,606***
Maximum	***6.4%***	***$21,152***

…additional yield tightening as senior housing portfolio grows[3]

1) Source: SNL Financial. Market cap as of 2/8/2013, dividend yield based on last declared regular dividend divided by stock price as of February 8, 2013.
2) Peer group is a non-exhaustive list prepared by management and inclusion of others may change minimum, maximum and average. A change in or diversification of Newcastle's portfolio could change the appropriate comparable subset and dividend yield.
3) The ability to grow the senior housing portfolio is subject to a number of factors and may not occur. Please see "Forward Looking Statements."

Anticipated Separation Timing

- **We are targeting a distribution of New Residential shares on or about the first quarter of 2013[1]**



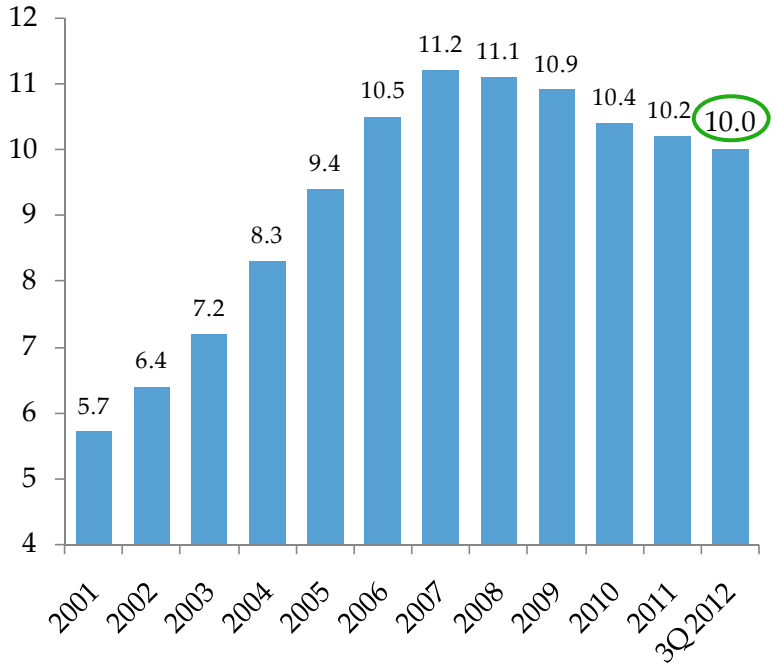
1) There can be no assurance that the spin-off of New Residential will be completed within the anticipated timeline or at all. The spin-off is subject to certain conditions, such as the SEC declaring the registration statement relating to the spin-off effective, the filing and approval of an application to list New Residential's common stock on the NYSE, and the formal declaration of the distribution by our Board of Directors.

New Residential Investment Corp.

Residential Servicing Shift Continues

- **Large component of our residential strategy has been driven by shift of U.S. mortgage servicing**
  - 85% of the $10 trillion servicing market is dominated by banks – top four banks control 50%[1]
- **Banks under significant pressure to exit or reduce servicing exposure due to:**
  - Heightened capital requirements, regulatory and headline risk and elevated troubled loan levels

Total Single Family Mortgages *($tn)*[1]



3Q 2012 Servicing Market Share[1]

Company	UPB	% Share
Wells Fargo	$1.9 tn	19%
Bank of America	$1.5 tn	15%
JP Morgan Chase	$1.1 tn	11%
Citi	$0.5 tn	5%
Total Top Four Banks	**$5.0 tn**	**50%**
Total Banks	**$8.5 tn**	**85%**
Total Non-Banks	$1.5 tn	15%

1) Inside Mortgage Finance, 3Q 2012. Total Bank and Non-Bank Market Share is as of 2Q 2012.

Segments of Residential Market[1]

- **We believe MSRs, Non-Agency Securities, and NPLs offer attractive unlevered returns**
  - Significant leverage required to generate comparable returns in other asset classes

More Interesting

	Opportunity Size[1]	Estimated Unlevered Returns[2]
Housing Equity	$7.3 tn	8 – 10%
Agency Securities	$5.4 tn	1 – 3%
Performing Loans	$3.0 tn	4 – 6%
Non-Performing Loans	$0.6 tn	8 – 10%
Non-Agency Securities[3]	$1.0 tn	6 – 20%
MSRs[4]	$10.0 tn[5]	15 – 20%

1) Fed Flow of Funds, 2Q 2012; Inside Mortgage Finance, 2Q 2012; Bank Company Filings, Fannie Mae Filings, Freddie Mac Filings, Ginnie Mae Filings, 2012.
2) Newcastle Estimates, 2012. Range presented is based on management views, which may differ from the views expressed by other industry participants.
3) Estimated range of unlevered returns for non-Agency securities assumes potential upside from collapse opportunity, as described in the following pages.
4) Newcastle has invested in MSRs through co-investments in Excess MSRs.
5) Represents size of residential mortgage market.

Excess MSR Transactions

Invested $629 million in ten Excess MSR pools secured by $312 billion UPB of residential loans[1]

- Co-invest alongside Nationstar Mortgage, one of the largest and highest quality mortgage servicers
- Target 15-20% returns

Excess MSR Transaction Summary[2]

	Date[3]	UPB ($bn)	WAC (%)	Age (mth)	CLTV (%)	FICO	30+ DQ	Excess MSR Price (bps of UPB)	Excess Fee (bps)	Basic Fee (bps)	Excess MSR Initial Inv. ($mm)
Pool 1	Dec '11	$10	6.0	58	103	687	9.6	67.7	29	6	$44
Pool 2	June '12	$10	5.3	54	116	705	15.2	65.0	23	8	$42
Pool 3	June '12	$10	4.7	69	91	690	17.6	56.6	23	9	$36
Pool 4	June '12	$6	4.0	61	112	684	24.1	38.0	17	9	$15
Pool 5	June '12	$48	4.9	67	124	659	34.7	40.4	13	19	$125
Pool 6	Jan '13	$13	5.6	43	101	674	16.4	68.0	25	15	$27
Pools 7 to 10	Jan '13	$215	5.3	71	101	704	26.7	52.4	14	19	$340[4]
	Total/WA	**$312 bn**	**5.2**	**68**	**105**	**694**	**26.2**	**52.0**	**15**	**18**	**$629 mm**

1) A portion of the investment amount has been committed to by Newcastle, but has not yet closed. This investment is subject to certain closing requirements and regulatory approvals.
2) All data presented as of acquisition or, in the case of Pools 7 – 10, commitment date. Closing of this investment is subject to regulatory and other approvals. All data in table is presented as of such date.
3) Represents acquisition or, in the case of Pools 7 – 10, commitment date.
4) We expect to invest approximately $320 million based on UPB at time of closing.

Recapture – Drives Returns & Reduces Risk

- **Loans refinanced by Nationstar will remain within our portfolios post refinance ("recapture")**
- **In example below, increasing recapture from 0% to 35%**
  - ***Increases returns*** – modeled IRR moves from 13% to 20%
  - ***Mitigates downside*** – break-even CPR moves from 32% to 56%

Illustrative Example of Excess MSR with Recapture[1]

0% Recapture

CPR	0%	10%	20%	30%	40%
IRR	42.8%	28.9%	13.3%	1.7%	-11.9%
Investment Multiple	5.6x	2.7x	1.6x	1.0x	0.8x

35% Recapture (*Base Case*)

CPR	0%	10%	20%	30%	40%
IRR	42.8%	30.6%	**20.0%**	14.4%	9.3%
Investment Multiple	5.6x	2.9x	**2.1x**	1.7x	1.5x

50% Recapture

CPR	0%	10%	20%	30%	40%
IRR	42.8%	31.4%	22.6%	18.3%	14.1%
Investment Multiple	5.6x	3.1x	2.4x	2.0x	1.8x

1) For illustrative purposes only. All CPR scenarios assume a 5% CDR and 10% Delinquency Rate. Recaptured loans assume: 8% CPR (3% CRR, 5% CDR), 10% Delinquency Rate, 4.5% fixed rate coupon, 25 year amortization term, 21 bps Excess MSR. Assumes weighted average lifetime CPR of 20% by applying the following vector: Months 1 – 3: 10%, Months 4 – 25: 30%, Months 25+: 15%.

Excess MSR Transactions Update – December 2012[1]

- **Received $55 million cash flow, 21% of initial investment, over an average term of 7 months**
- **Investments performing better than our initial projections**
  - Prepayment rates lower – 12% life-to-date vs. 20% projection
  - Modeled IRRs trending higher – 19% vs. 18%
  - Recapture rates are trending higher

(Investment Performance$mm unless stated otherwise)	Collateral & Performance Summary[1]									Investment Performance[1]				
	UPB *($bn)*	WAC (%)	Age *(mth)*	CLTV *(%)*	FICO	CPR *1-mth*	CPR *LTD*	Recapture Rate *1-mth*	Recapture Rate *3-mth*	Initial Inv.	LTD Cash Flows	Carrying Value	Initial Est. IRR	Modeled Updated IRR [2]
Pool 1: GSE	$9	5.9	69	107	689	22%	15%	41%	42%	$44	$18.1	$40.9	20%	25%
Pool 2: GSE	$9	5.3	60	113	681	19%	11%	43%	39%	$42	$7.7	$39.3	17%	18%
Pool 3: GSE	$9	4.7	73	91	668	15%	12%	23%	15%	$36	$6.9	$35.4	18%	21%
Pool 4: GSE	$6	3.8	61	112	671	14%	12%	22%	19%	$15	$2.8	$15.0	18%	20%
Pool 5: PLS	$44	4.8	65	127	650	17%	12%	2%	1%	$125	$19.9	$114.3	17%	17%
Total/WA	**$77**	**4.9**	**66**	**118**	**662**	**17%**	**12%**	**25%** ←	**24%**	**$262**	**$55.4**	**$244.9**	**18%**	**19%**

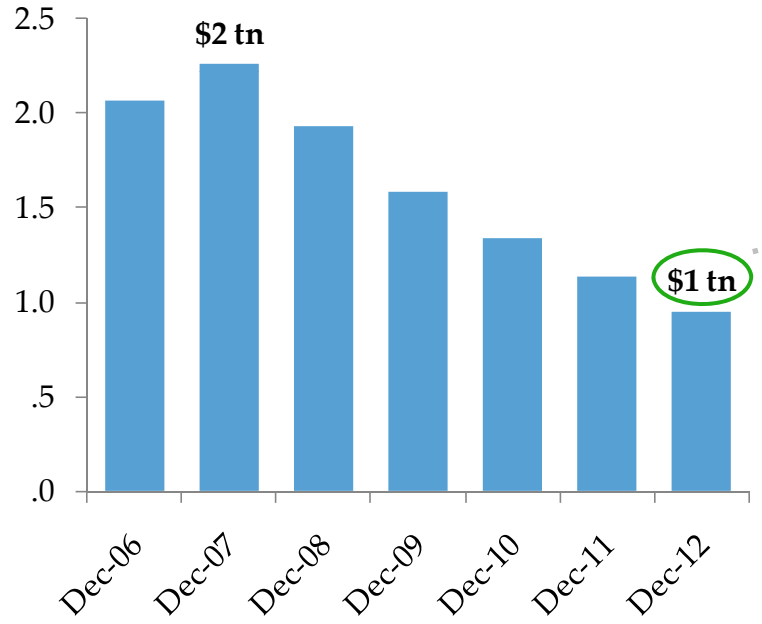
1) As of December 31, 2012. Refer to disclaimer and notes for explanation of abbreviated terms. This does not include the 5 pools that have been committed to as of January 2013.
2) Updated modeled IRR is based upon the Company's current assumptions regarding prepayment, recapture and default rates (respectively, 15.9% 26.4% and 11.9%). Actual results may differ materially. Updated modeled IRR is calculated using the cash flow received to date and the projected future cash flows based on our initial underwriting assumptions, except for a reduction in the recapture rate assumption for Pool 5.

Non-Agency RMBS Opportunity

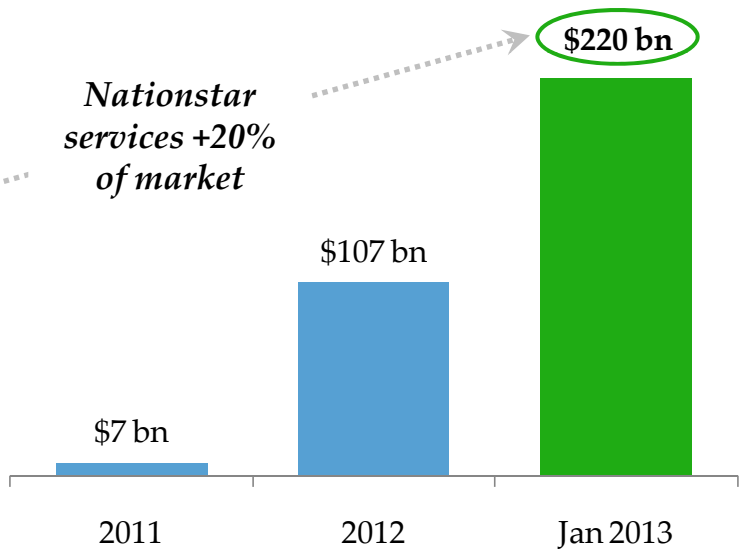
$1 trillion market offers tremendous investment potential

- Recently outperformed virtually every fixed income sector[1]– upside from current valuations
- Two ways to drive value: **1)** improve portfolio performance, and **2)** collapse deals

Outstanding Non-Agency RMBS *($tn)*[2]



Nationstar Non-Agency Servicing[3]

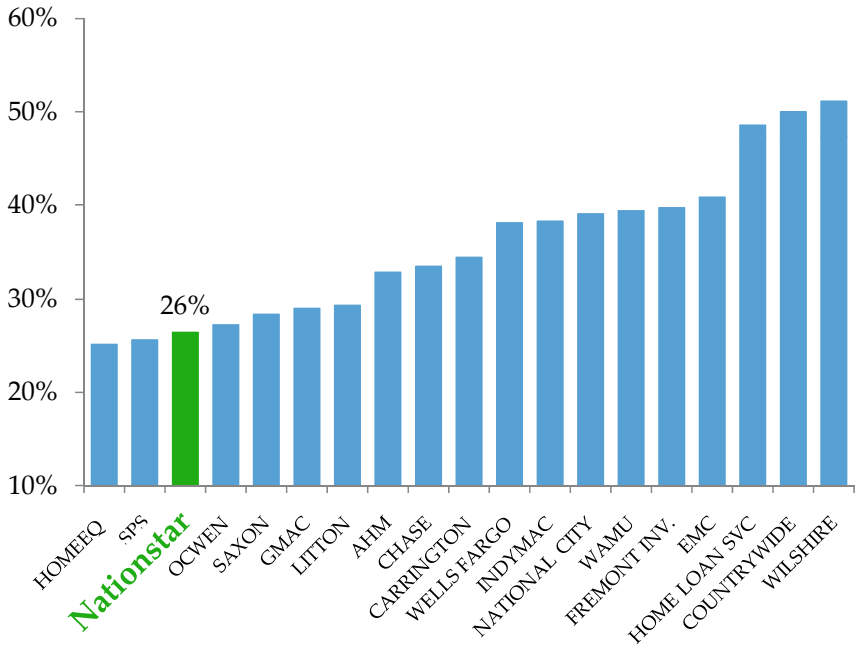


1) 1 Year Total Return for ABX 2006-2 AAA and Barclays Fixed Income Indices as of September 30, 2012. Source: Barclays.
2) Loan Performance, December 2012.
3) Approximately $220 billion as of Jan 2013 includes servicing which has been committed to but has not yet closed. This purchase is subject to closing requirements and regulatory approvals. 2011, 2012 and Jan 2013 includes servicing and master servicing.

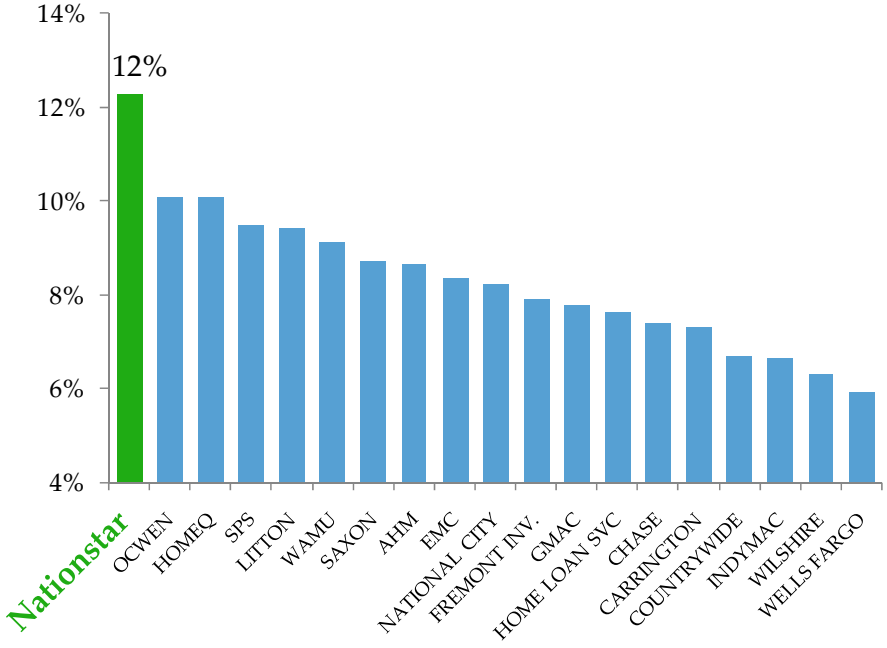
Drive Value – Improve Portfolio Performance

- **100% of New Residential Non-Agency RMBS porfolio is serviced by Nationstar**
  - Nationstar is a leading servicer at lowering delinquencies and reducing defaults[1]

Leading Servicer at Lowering DQs (%)[2]



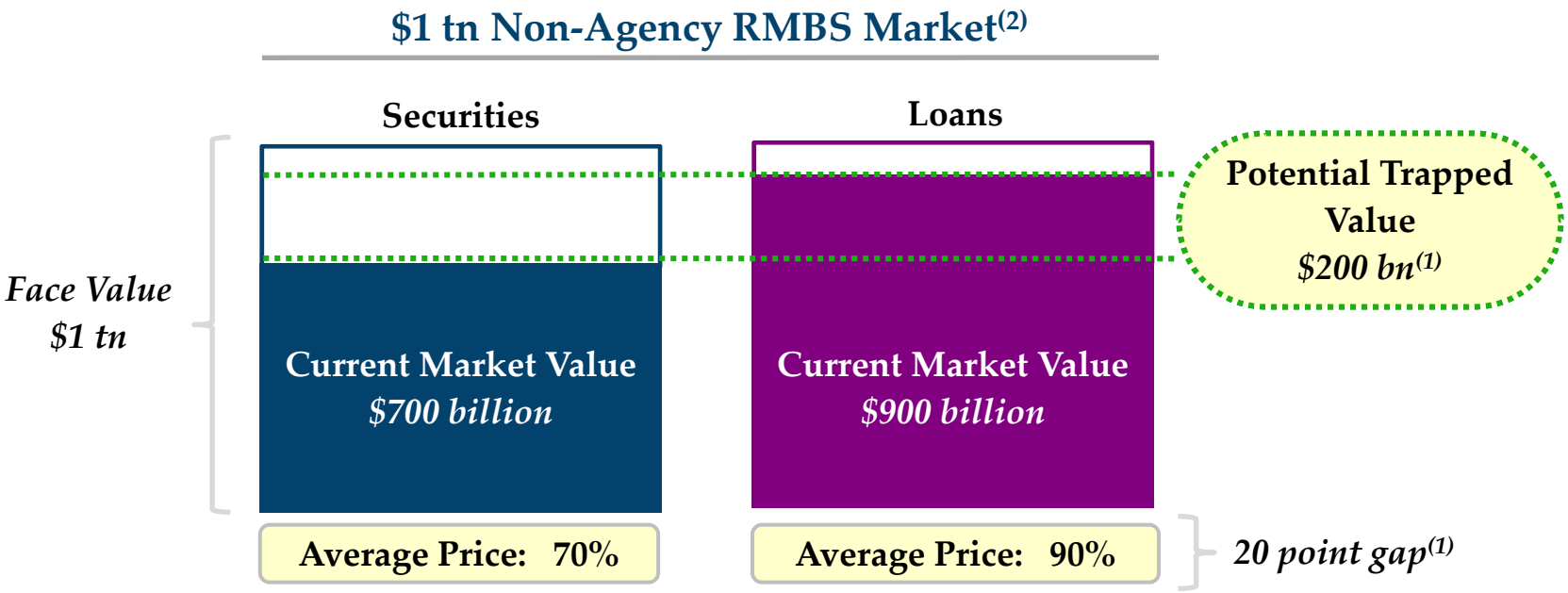
Best Servicer at Curing Loans (%)[2]



1) Nationstar is majority-owned by Fortress funds managed by our manager.
2) Source: Loan Performance, December 2012. 6 month rolling average. Based on Nationstar serviced 2006–2007 originations. Subprime loans split by loans that did and did not enter REO.

Drive Value – Collapse Opportunity

- **Loans securing Non-Agency RMBS securities are often more valuable than the securities**
  - In general, we believe there is a 20 point discrepancy[1]
- **Collapsing deals often unlocks the "trapped value" of underlying loans**
  - Typically requires servicer cooperation



1) Difference between average price of securities and loans is management's current estimate based in part on recent purchase activity and reflects a number of assumptions and factors beyond Newcastle's control. Such prices may not be obtained, and the difference between average prices and actual prices may be material. See "Forward Looking Statements."
2) Source: Loan Performance, December 2012.

Opportunities for Growth – Our Plan[1]

- **Strategically leverage Fortress financial services expertise to grow our residential portfolio**
- **Currently target investments with potential 15-20% levered returns**

Excess MSRs	▪ Bulk MSR purchases: +$300 billion ▪ Flow arrangements: $25 – $50 billion/year[2]
Non-Agency RMBS	▪ Buy attractive Nationstar-serviced securities ▪ Collapse deals and unlock trapped value
Non-Performing Loans	▪ NPL Purchases : $600 billion of potential supply[3] ▪ GSEs are shrinking balance sheets
Adjacent Assets	▪ Stranded consumer loan portfolios ▪ Servicing advances

Draw on Fortress Expertise

Nationstar MORTGAGE

Springleaf Financial

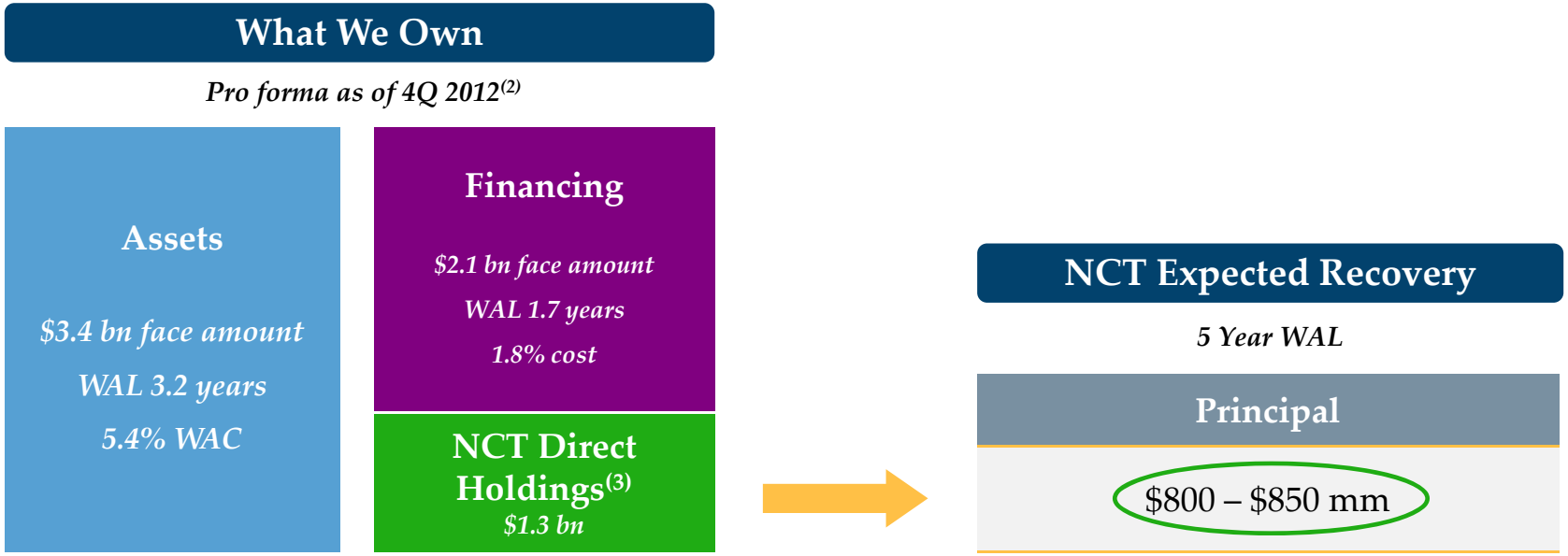
CW Financial Services

1) Growth plans are Forward Looking Statements that are inherently uncertain, subject to factors beyond our control and may not be achieved. Please see "Forward Looking Statements."
2) "Flow arrangements" typically refers to arrangements whereby loan originators agree to sell Excess MSRs as the loans are originated.
3) Current Newcastle estimates based on research of filings of certain large banks and Fannie Mae and Freddie Mac Monthly Summary.

Newcastle Investment Corp.

Real Estate Debt

- **Manage 4 CDOs and other real estate related investments through our traditional business**
  - $3.4 billion diversified portfolio financed with $2.1 billion of primarily match funded, non-recourse debt[1]
- **Expect to recover $800 – $850 million of principal over a 5 year weighted average life[2]**



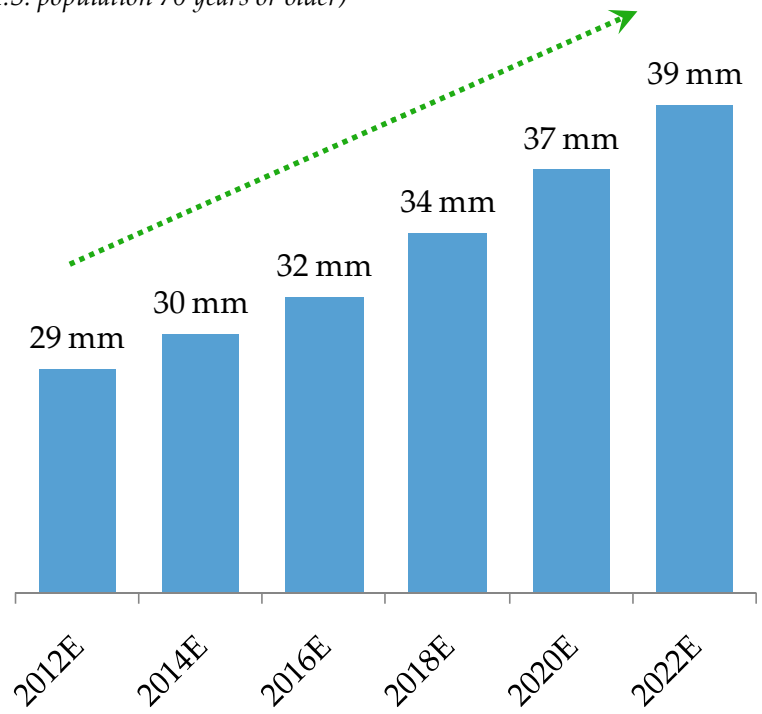
1) Includes $0.8 billion of agency securities financed with $0.8 billion of repurchase agreements.
2) Reflects an unaudited estimate of expected future recovery value of the principal of real estate and other debt as of December 31, 2012 with pro forma adjustments for investments and new commitments since December 31, 2012. Total commitments from September 30, 2012 to date totaled approximately $100 million. This amount reflects a variety of assumptions, and actual recovery value may differ materially from the current estimate. Expected recoveries are forward-looking statements that are inherently uncertain, based on a number of factors beyond our control and may not be realized. Please see "Forward-Looking Statements."
3) NCT Direct holdings represents the face amount of assets less the face amount of financing.

Senior Housing Market

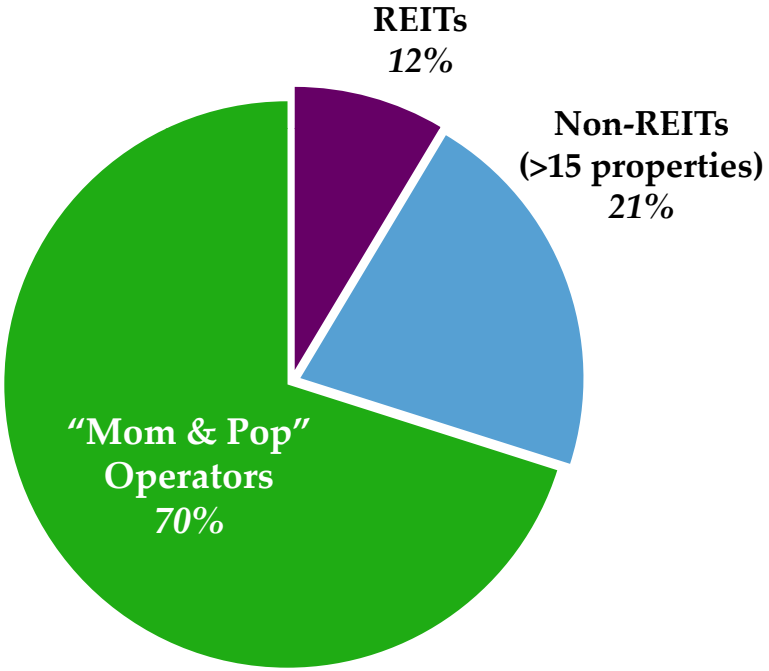
- **Supply–demand dislocation driving attractively valued one-off opportunities**
  - Population growth driving increased demand for senior housing – new supply is limited
  - Industry dominated by "mom & pop" operators lacking operating expertise to maximize performance

Growing Demand[1]

(U.S. population 70 years or older)



Fragmented Industry[2]



1) U.S. Census Bureau, based on official estimates and projections. Population data in the IDB for 2012-2050 are based on the 2009 National Projections – Low Series. Source: Green Street Health Care Sector Update published August 21, 2012.

First Senior Housing Acquisition – Update December 2012

- **Purchased 8 senior living properties with 836 beds in July 2012 for $153 million[1]**
  - $88 million of non-recourse long-term debt at a cost of 3.44%
- **At 4Q 2012, outperforming initial projections – higher occupancy and lower operating expenses**
  - Levered yield of 12.3% vs. 10.4% expected
- **Targeting 20%+ levered returns within 5 years**

	4Q 2012 *Projected*	4Q 2012 *Actual*	*Modeled Returns* Year 5 Range
Avg. Occupancy	**87.7%**	**89.1%**	92% - 94%
Avg. Revenue/Bed	**$4,262**	**$4,224**	$5,000 - $5,400
Unlevered Yield	**6.7%**	**7.4%**	12% - 13%
Levered Yield[2]	**10.4%**	**12.3%**	25% - 29%

1) Includes related transaction expenses, working capital and, when applicable, deferred capital expenditures.
2) Yields assume re-levering to 60% LTV by Year 5.

Opportunities for Growth – Our Plan[1]

- **Invest in sectors where Fortress has expertise – currently target investments with potential 15 – 20% levered returns**
  - Be a thought-leader in large markets that are not well understood – similar to Excess MSR strategy

Collapse NCT CDOs	▪ Extract additional value – collapse NCT CDOs ▪ CDO X collapse generated $130 million of cash
Restructuring Opportunities	▪ Opportunistically invest within current real estate and other debt portfolio
Senior Living	▪ Buy undervalued "mom & pop" properties ▪ Leverage first-class Fortress operating team
Re-emergence of CDOs?	▪ Re-invigorate new debt investments as CDO market develops

Draw on Fortress Expertise

Nationstar MORTGAGE

HOLIDAY RETIREMENT

CWFinancial Services

(1) Growth plans are Forward Looking Statements that are inherently uncertain, subject to factors beyond our control and may not be achieved. Please see "Forward Looking Statements."

Questions?