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## **Supplemental Financial Data Second Quarter 2018**

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# DISCLAIMER

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This presentation also contains market statistics and industry data which are subject to uncertainty and are not necessarily reflective of market conditions. These have been derived from third party sources and have not been independently verified by the Company or its affiliates.

All material presented is compiled from sources believed to be reliable and current, but accuracy cannot be guaranteed. All data is as of June 30, 2018, unless otherwise noted.

# SECOND QUARTER 2018 HIGHLIGHTS

## EARNINGS / DIVIDENDS

- Net income of \$15.9 million<sup>(1)</sup>, or \$0.48 per common share
- Core earnings of \$15.8 million<sup>(1)</sup>, or \$0.47 per common share
- Declared dividend of \$0.40 per share

## RETURNS

- Q2 Return on Equity<sup>(2)</sup> of 11.2%
- Q2 Core Return on Equity<sup>(3)</sup> of 11.1%
- Q2 Dividend Yield<sup>(4)</sup> of 9.5%

## LOAN ORIGINATIONS<sup>(5)</sup> / ACQUISITIONS

- SBC loan originations of \$352.4 million
- SBA loan originations of \$48.3 million
- Residential mortgage loan originations of \$498.6 million
- Acquired \$131.5 million of SBC loans and \$11.3 million of SBA loans

## BALANCE SHEET

- Completed CLO issuance of \$278.3 million of originated transitional loans and sold \$217.1 million of senior bonds at a floating rate of LIBOR + 121 basis points
- Adjusted net book value<sup>(6)</sup> of \$16.95 per common share as of June 30, 2018
- Loans increased by 7.8% to \$2.3 billion<sup>(7)</sup>

(1) Inclusive of non-controlling interest

(2) Return on Equity is an annualized percentage equal to quarterly net income over the average monthly total stockholders' equity for the period

(3) Core Return on Equity is an annualized percentage equal to core earnings over the average monthly total stockholders' equity for the period. Refer to slide 20 for a reconciliation of GAAP Net Income to Core Earnings

(4) Q2 Dividend yield for the period based on the 6/29/2018 closing share price of \$16.25

(7) Represents carrying value of loans

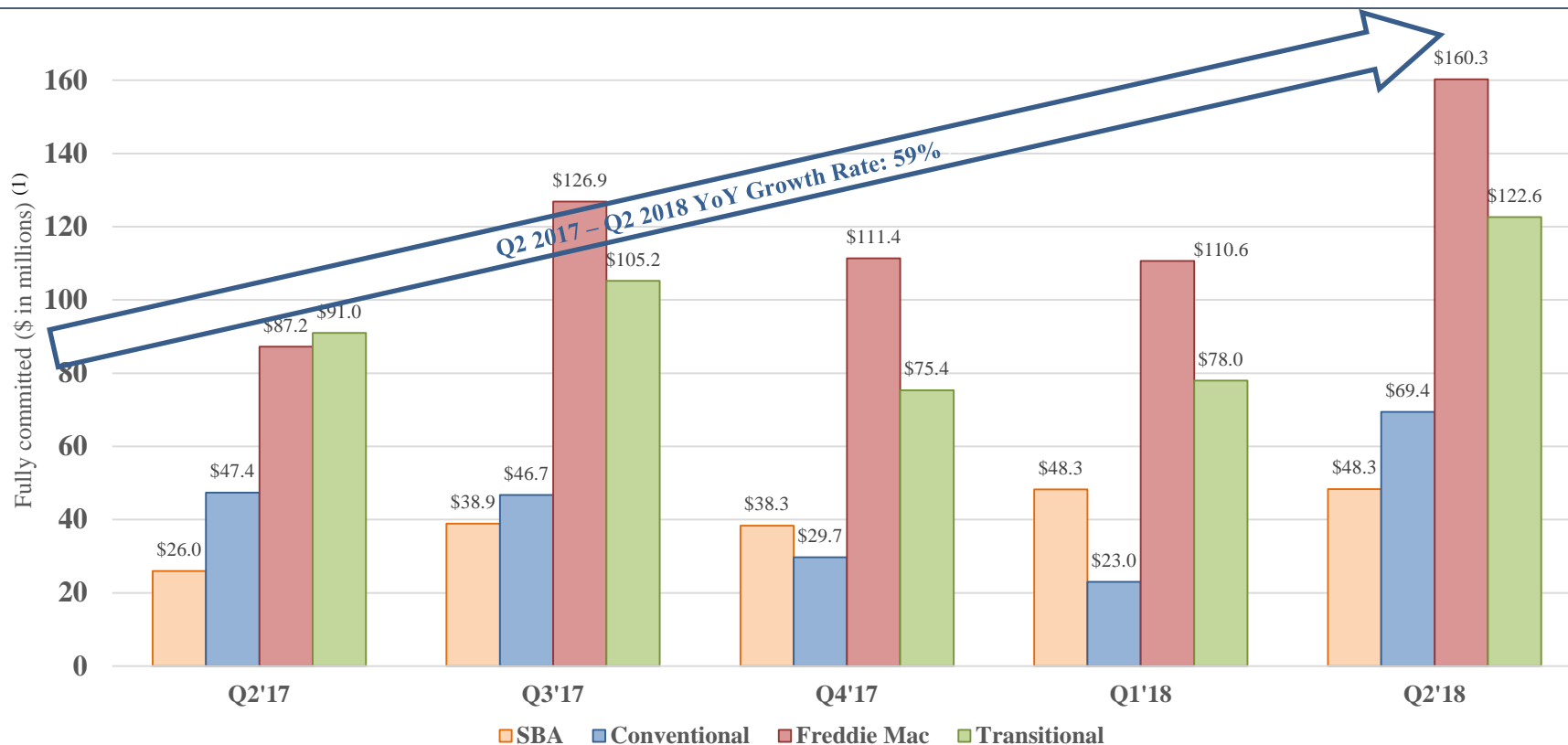
(5) Represents fully committed amounts

(6) Excludes the equity component of our 2017 convertible note issuance

# RETURN ON EQUITY

Segment	Levered Yield <sup>(1)</sup>	Core Levered Yield <sup>(1)</sup>	Equity Allocation	GAAP ROE <sup>(2)</sup>		Core ROE <sup>(2)</sup>	
				Q2'18	Q1'18	Q2'18	Q1'18
Loan Acquisitions	22.8 %	22.8 %	19.0 %	23.8 %	30.2 %	23.7 %	27.4 %
SBC Originations	24.5 %	24.5 %	34.5 %				
SBA Originations, Acquisitions, & Servicing	30.9 %	30.9 %	27.3 %				
Residential Mortgage Banking <sup>(3)</sup>	13.6 %	12.7 %	19.2 %				
Unallocated corporate finance and non-earning assets, net				(4.7)	(6.4)	(4.7)	(5.7)
<b>Gross return on equity</b>				<b>19.1 %</b>	<b>23.8 %</b>	<b>19.0 %</b>	<b>21.7 %</b>
Realized & unrealized gains, net				4.7	3.7	4.7	3.7
Other income and expenses, net				(10.5)	(10.9)	(10.5)	(10.9)
Investment advisory fees				(1.6)	(1.7)	(1.6)	(1.7)
Provision for income taxes				(0.5)	(1.8)	(0.5)	(1.8)
<b>Return on equity</b>				<b>11.2 %</b>	<b>13.1 %</b>	<b>11.1 %</b>	<b>11.0 %</b>

# SBC ORIGINATION VOLUME BY PRODUCT TYPE



## Highlights

- Total SBC and SBA loan originations of \$400.6 million for the quarter
- Freddie Mac loan originations up \$49.7 million, or 45% QoQ; Transitional loan originations up \$44.6 million, or 57% QoQ
- YoY loan origination growth of 59%

# Q2 2018 QUARTERLY SBC AND SBA INVESTMENT ALLOCATION

▶ Total funded investments of \$501.5 million added during the quarter.

▶ Acquired \$131.5 million of SBC loans and \$11.3 million of SBA loans

▶ Funded \$358.7 million<sup>(1)</sup> of SBC and SBA loan originations.

	LOANS ACQUISITIONS <sup>(2)</sup>		ORIGINATIONS <sup>(2)</sup>				TOTAL
	HELD FOR INVESTMENT		HELD FOR SALE		FREDDIE MAC		
	SBC	TRANSITIONAL	SBA <sup>(7)</sup>	SBA <sup>(7)</sup>			
Gross investments <sup>(2)</sup>	\$142.8	\$63.6	\$89.1	\$11.4	\$34.2	\$160.3	\$501.5
Number of loans	154	20	34	64	64	60	396
Average balance <sup>(3)</sup>	\$0.9	\$3.2	\$2.6	\$0.1	\$0.3	\$2.7	\$2.0
Gross Yield <sup>(4)</sup>	6.5%	5.5%	6.0%	7.0%	7.0%	4.4%	5.7%
Weighted average duration <sup>(3)</sup>	6 years	9 years	3 years	18 years	19 years	15 years	10 years
FX / ARM	76% / 24%	100% / 0%	0% / 100%	0% / 100%	0% / 100%	46% / 54%	49% / 51%
Avg. Advance Rate <sup>(5)</sup>	79%	80%	67%	68%	68%	100%	80%
Debt Cost <sup>(6)</sup>	SBC: 1M Libor + 243 SBA: 3M Libor + 350	1M Libor + 224	1M Libor + 262	3M Libor + 350	3M Libor + 350	1M Libor + 175	SBC: 1M Libor + 226 SBA: 3M Libor + 350

(1) Represents actual disbursements during the quarter.

(7) SBA loan counts include the guaranteed and unguaranteed loan portion.

(2) \$ in millions

(3) Based on fully funded loan amount

(4) Gross yield equals contractual interest rates and accretion of discount based on the Company's estimates of loan performance, where applicable

(5) Weighted average advance rate of all assets of this loan type currently financed on the Company's facilities

(6) Weighted average debt cost of all assets of this loan type currently financed on the Company's facilities

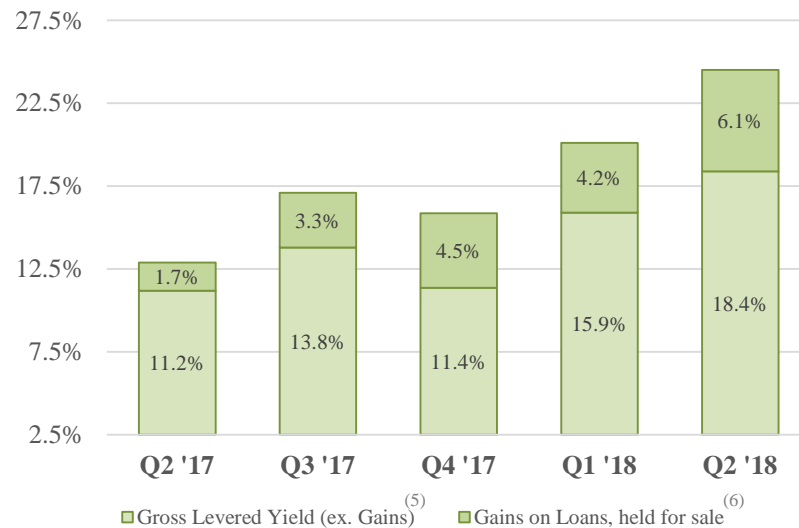
# SBC ORIGINATIONS - SEGMENT SNAPSHOT

Portfolio Metrics (Balance Sheet)	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018
Number of loans	326	368	365	357	397
Unpaid Principal Balance <sup>(3)</sup>	\$ 971	\$ 1,068	\$ 1,094	\$ 1,120	\$ 1,202
Carrying Value <sup>(3)</sup>	\$ 989	\$ 1,088	\$ 1,108	\$ 1,132	\$ 1,213
Weighted Average LTV	63%	60%	61%	61%	60%
Weighted Average Coupon	6.2%	6.3%	6.2%	6.4%	6.4%
Weighted Average Maturity	5 years	5 years	5 years	5 years	5 years
Weighted Average Principal Balance <sup>(3)</sup>	\$ 3.0	\$ 2.9	\$ 3.0	\$ 3.1	\$ 3.0
Percentage of loans fixed / floating	62% / 38%	64% / 36%	58% / 42%	56% / 44%	55% / 45%
Percentage of fixed, match funded <sup>(4)</sup>	70.5%	60.2%	60.4%	82.2%	73.9%
Percentage of loans 30+ days delinquent	0.9%	0.2%	1.4%	1.3%	1.7%

## CURRENT QUARTER HIGHLIGHTS

- ▶ **Originations of \$352.4 million<sup>(1)</sup>, 59% of loans held-for-investment are floating rate**
- ▶ **Gains on sales of Freddie Mac loans of \$2.2 million**
- ▶ **Origination pipeline of \$326.5 million<sup>(2)</sup>**
  - ▶ **\$144.1 million of Freddie Mac loans**
  - ▶ **\$97.0 million of transitional loans**
  - ▶ **\$85.4 million of conventional SBC loans**

## GROSS LEVERED YIELD



(1) Represents fully committed amounts.

(2) As of July 31, 2018, including July 2018 fundings.

(3) \$ in millions, as of quarter end.

(4) Represents fixed rate loans that have been securitized.

(5) Includes interest income, accretion of discount, and servicing income net of interest expense and amortization of deferred financing costs.

(6) Includes realized and unrealized gains (losses) on loans held for sale and MSR creation.

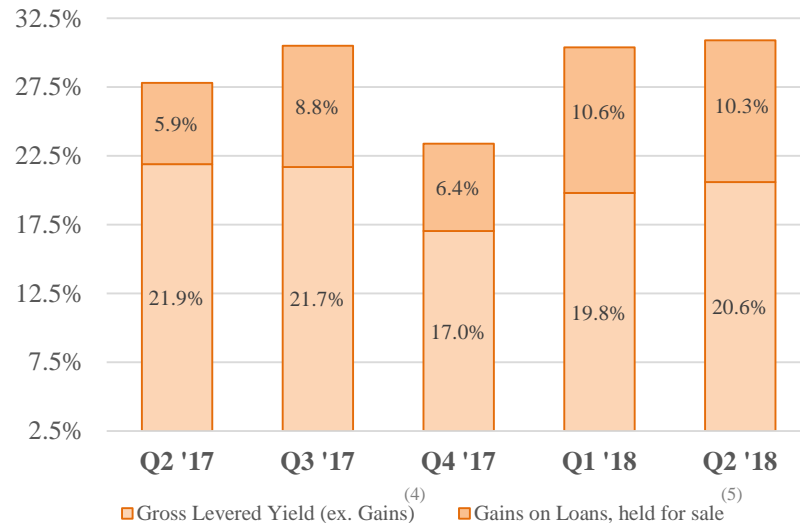
# SBA ORIGINATIONS, ACQUISITIONS & SERVICING – SEGMENT SNAPSHOT

Portfolio Metrics (Balance Sheet)	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018
Number of loans	2,280	2,194	2,106	2,062	2,029
Unpaid Principal Balance <sup>(3)</sup>	\$ 549	\$ 530	\$ 508	\$ 502	\$ 489
Carrying Value <sup>(3)</sup>	\$ 486	\$ 471	\$ 455	\$ 452	\$ 438
Weighted Average LTV	78%	78%	78%	78%	79%
Weighted Average Coupon	5.7%	5.9%	5.9%	6.2%	6.4%
Weighted Average Maturity	14 years	14 years	14 years	14 years	14 years
Weighted Average Principal Balance <sup>(3)</sup>	\$ 0.2	\$ 0.2	\$ 0.2	\$ 0.2	\$ 0.2
Percentage of loans fixed / floating	1% / 99%	1% / 99%	1% / 99%	1% / 99%	1% / 99%
Percentage of loans 30+ days delinquent	5.9%	5.7%	6.9%	6.0%	3.6%

## CURRENT QUARTER HIGHLIGHTS

- ▶ **\$55.6 million of SBA secondary market loans sales, with an average sale premium of 11.0%**
- ▶ **Originations of \$48.3 million<sup>(1)</sup> and acquisitions of \$11.3 million**
- ▶ **Origination pipeline in excess of \$166 million SBA loans<sup>(2)</sup> and an acquisition pipeline of \$37.5 million in SBA loans**

## GROSS LEVERED YIELD





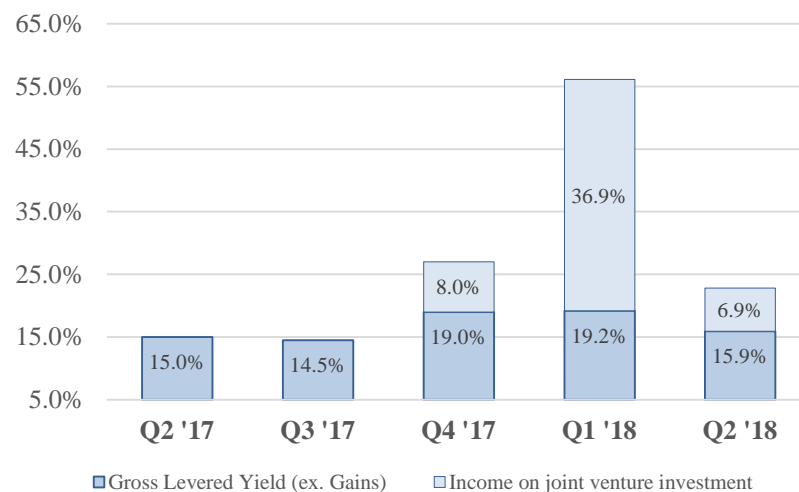
# LOAN ACQUISITIONS – SEGMENT SNAPSHOT

Portfolio Metrics <sup>(1)</sup> (Balance Sheet)	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018
Number of loans	882	766	858	976	1,019
Unpaid Principal Balance <sup>(2)</sup>	\$ 411	\$ 378	\$ 417	\$ 525	\$ 602
Carrying Value <sup>(2)</sup>	\$ 368	\$ 335	\$ 376	\$ 488	\$ 569
Weighted Average LTV	53%	52%	49%	50%	51%
Weighted Average Coupon	6.1%	6.3%	6.3%	6.5%	6.6%
Weighted Average Maturity	11 years	9 years	10 years	8 years	8 years
Weighted Average Principal Balance <sup>(2)</sup>	\$ 0.5	\$ 0.5	\$ 0.5	\$ 0.5	\$ 0.6
Percentage of loans fixed / floating	47% / 53%	46% / 54%	49% / 51%	58% / 42%	62% / 38%
Percentage of fixed, match funded <sup>(3)</sup>	14.3%	55.1%	43.7%	27.0%	15.5%
Percentage of loans performing / non-performing	95% / 5%	93% / 7%	96% / 4%	97% / 3%	97% / 3%

## CURRENT QUARTER HIGHLIGHTS

- ▶ At this stage of the credit cycle, ample inventory of opportunistic performing SBC loans
- ▶ Acquired \$131.5 million of SBC loans
- ▶ Acquisition pipeline of \$109.1 million SBC loans<sup>(4)</sup>

## GROSS LEVERED YIELD



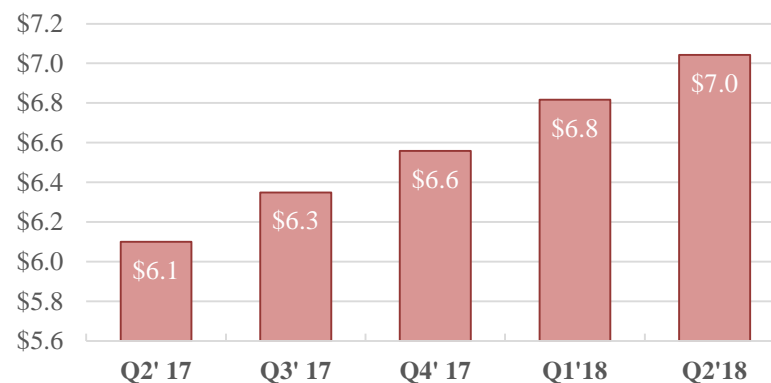
# RESIDENTIAL MORTGAGE BANKING – SEGMENT SNAPSHOT

Portfolio Metrics (quarterly activity)		Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018
Originations	Unpaid principal balance <sup>(1)</sup>	\$ 560.0	\$ 490.9	\$ 458.7	\$ 438.9	\$ 498.6
	% of Originations - Purchased	80.1%	78.8%	71.9%	72.8%	80.6%
	% of Originations - Refinanced	19.9%	21.2%	28.1%	27.2%	19.4%
	Channel - % Correspondent	40.1%	37.7%	38.6%	41.0%	36.7%
	Channel - % Retail	35.9%	37.6%	41.1%	39.3%	41.6%
	Channel - % Wholesale	24.0%	24.7%	20.3%	19.7%	21.7%
Sales	Unpaid principal balance <sup>(1)</sup>	\$ 547.0	\$ 503.9	\$ 429.1	\$ 475.5	\$ 479.9
	% of UPB - Fannie/ Freddie securitizations	62.7%	62.0%	60.6%	68.8%	67.6%
	% of UPB - Ginnie Mae securitizations	27.3%	26.4%	28.8%	20.4%	23.0%
	% of UPB - Other investors	10.0%	11.6%	10.6%	10.8%	9.4%

## CURRENT QUARTER HIGHLIGHTS

- ▶ MSR portfolio of approximately \$7.0 billion in UPB, up 3% compared to Q1
  - ▶ Fair market value of \$85.6 million, up 5% compared to Q1
- ▶ Originations of \$498.6 million<sup>(2)</sup>, up 14% compared to Q1
- ▶ Loan sales of \$479.9 million, up 1% compared to Q1
- ▶ Origination pipeline of \$213.6 million in commitments to originate residential agency loans<sup>(2)</sup>

## MSR SERVICING PORTFOLIO (UPB IN \$BILLIONS)



Fair Value (\$ mm)	Q2' 17	Q3' 17	Q4' 17	Q1' 18	Q2' 18
	\$ 66.8	\$ 68.8	\$ 72.3	\$ 81.6	\$ 85.6

# SBC AND SBA LOAN SECURITIZATION PERFORMANCE

Securitization	Issuance Date	Original Collateral Balance	Pool - Factor <sup>(1)</sup>	Delinquency 30+	Delinquency 60+	Delinquency 90+	Cumulative Loss
<b>Fixed Rate</b>		<b>\$ 727,754</b>					
RCMT 2014-1	September 2014	181,922	0.31	0.0%	0.0%	0.0%	0.0%
RCMT 2015-2	November 2015	218,757	0.74	0.0%	0.0%	0.0%	0.0%
RCMT 2016-3	November 2016	162,075	0.67	0.0%	1.9%	0.0%	0.0%
RCMT 2018-4	March 2018	165,000	1.00	0.0%	0.0%	0.0%	0.0%
<b>Floating Rate</b>		<b>\$ 522,080</b>					
RCMF 2017-FL1	August 2017	243,797	0.58	0.0%	0.0%	0.0%	0.0%
RCMF 2018-FL2	June 2018	278,283	1.00	0.0%	0.0%	0.0%	0.0%
<b>Freddie Mac</b>		<b>\$ 809,872</b>					
FRESB 2016-SB11	January 2016	109,965	0.74	0.0%	0.0%	0.0%	0.0%
FRESB 2016-SB18	July 2016	118,037	0.90	0.0%	0.0%	0.0%	0.0%
FRESB 2017-SB33	June 2017	219,852	0.94	1.4%	0.0%	0.0%	0.0%
FRESB 2018-SB45	January 2018	362,018	1.00	0.0%	0.0%	0.0%	0.0%
<b>SBA</b>		<b>\$ 189,492</b>					
RCLT2015-1	June 2015	189,492	0.46	6.8%	3.9%	2.7%	0.9%
<b>Acquired - Non-performing</b>		<b>\$ 130,710</b>					
WVMT 2011-SBC1	February 2011	130,710	0.02	12.4%	0.0%	0.0%	N/A
<b>Acquired - Performing</b>		<b>\$ 252,486</b>					
WVMT 2011-SBC2	March 2011	97,557	0.27	3.5%	3.5%	1.5%	3.6%
SCMT 2017-SBC6	August 2017	154,929	0.76	0.5%	0.2%	0.0%	0.0%
<b>Total loan securitizations</b>		<b>\$ 2,632,394</b>					

## Recent transactions:

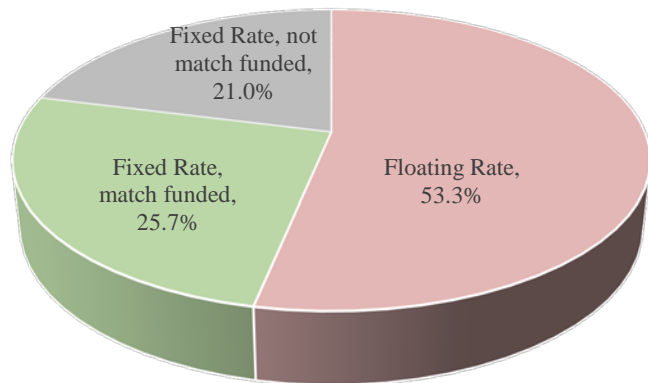
- In June 2018, closed a CLO of \$278.3 million of originated transitional loans, \$217.1 million of bonds issued.

# INTEREST RATE RISK SENSITIVITY

- ▶ 53% of our held-for-investment loan portfolio is floating rate
- ▶ 55% of our fixed rate loan portfolio is match funded
- ▶ a 100 basis point increase in LIBOR would increase annual pre-tax net interest income by approximately \$0.06 per share<sup>(3)</sup>

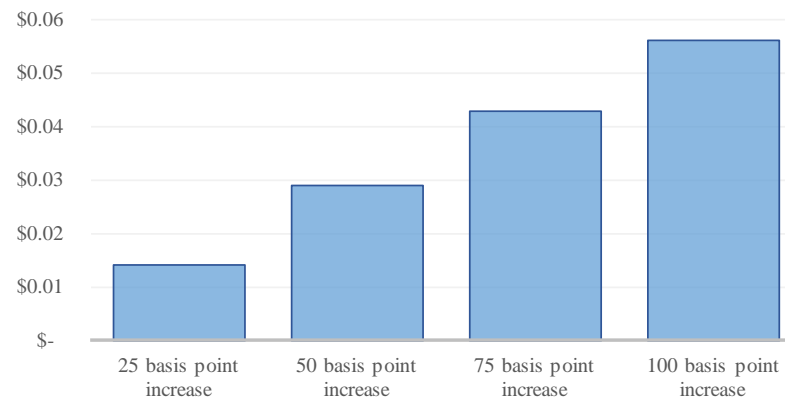
## PORTFOLIO - FIXED VS FLOATING

% of Total Loan Exposure <sup>(1)(2)</sup>



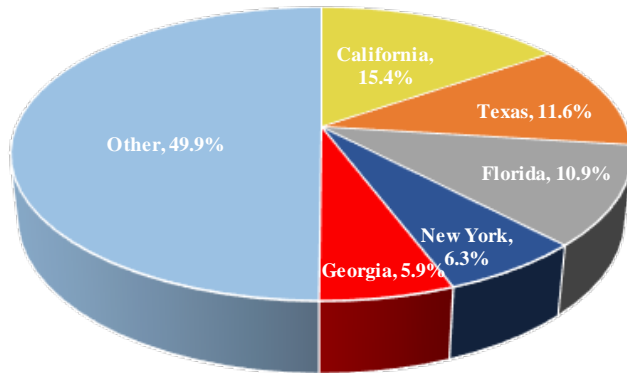
## INTEREST RATE SENSITIVITY

Annual Net Interest Income Per Share  
(Pre-tax)

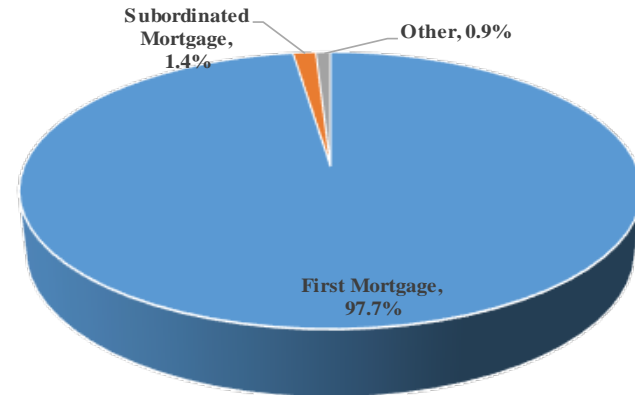


# LOAN PORTFOLIO COMPOSITION AS OF JUNE 30, 2018

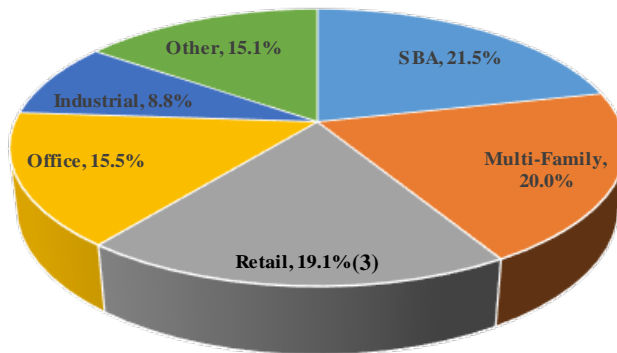
## GEOGRAPHIC LOCATION (1)(2)



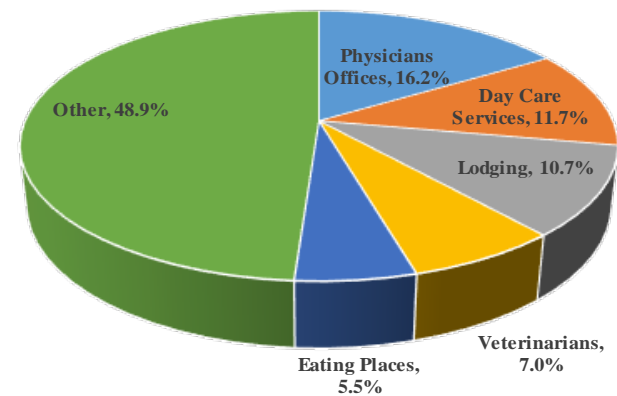
## LIEN POSITION (1)(2)



## COLLATERAL TYPE (1)(2)

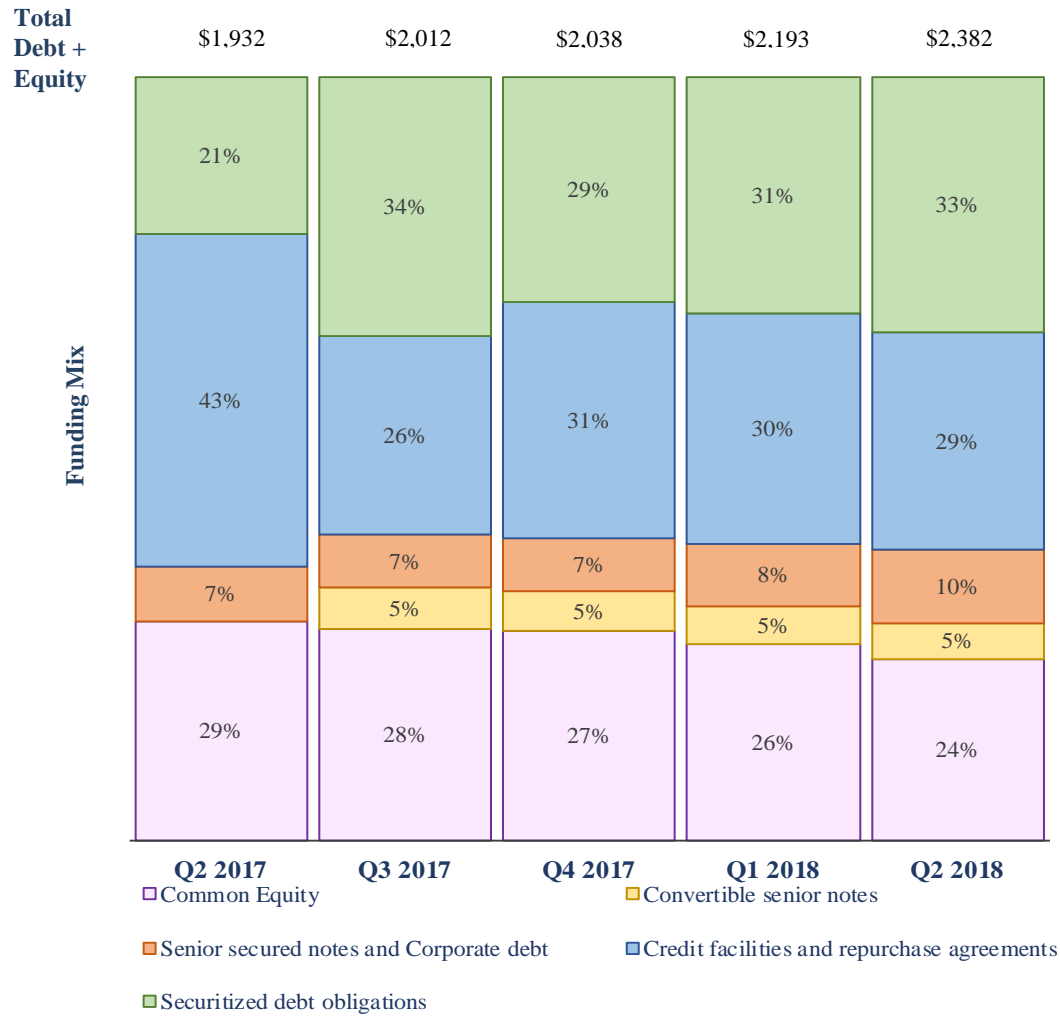


## SBA COLLATERAL TYPE (1)(2)



# CAPITAL STRUCTURE

## HISTORICAL CAPITAL STRUCTURE



## CURRENT SOURCES OF FUNDING

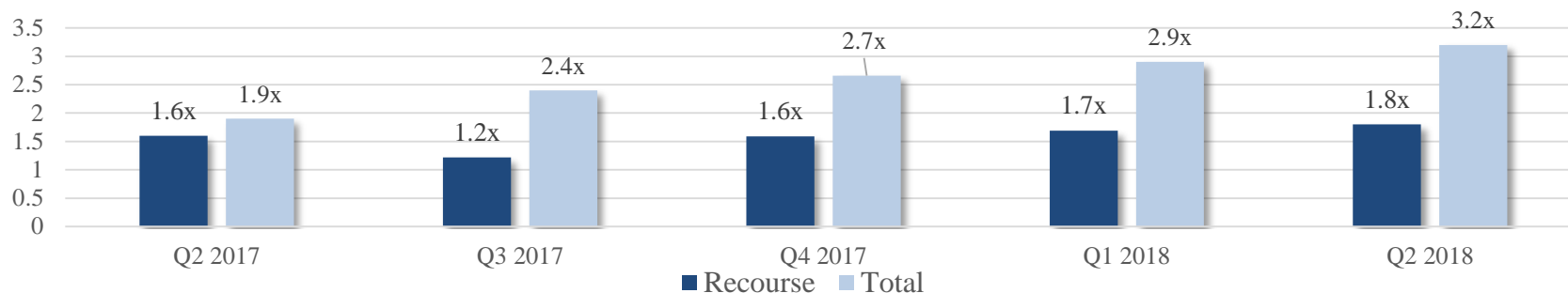
► Since going public in Q4 2016, we continue to optimize our capital structure:

- Issued \$345 million of corporate debt through 6/30/18:
  - Convertible notes: 6 year notes, 7.0% coupon, \$115 million
  - Senior secured notes: 5 year notes, 7.5% coupon
    - \$75 million in February 2017; YTM of 7.5%
    - \$65 million in June 2017; YTM of 6.75%
    - \$40 million in January 2018, YTM of 6.5%
  - Corporate debt: 3 year notes, 6.5% coupon, \$50 million
  
- Sponsored several securitizations, two during 2018 to date:
  - \$148.5 million of bonds issued, collateralized by \$165.0 million of originated fixed-rate SBC loans
  - \$217.1 million of bonds issued, collateralized by \$278.3 million of originated transitional loans

# FINANCING AND LEVERAGE

	6/30/2018 (in millions)
<b>Total debt-to-equity ratio</b>	
Secured borrowings (warehouse credit facilities and borrowings under repo transactions)	\$ 678.9
Promissory note	5.5
Securitized debt obligations	795.5
Senior secured notes and corporate bonds	226.9
Convertible notes	109.5
<b>Total Debt</b>	<b>\$ 1,816.3</b>
<b>Total Stockholders' Equity</b>	<b>\$ 564.6</b>
<b>Total debt-to-equity ratio</b>	<b>3.22</b>
<b>Total recourse debt-to-equity ratio</b>	
<b>Total Debt</b>	<b>\$ 1,816.3</b>
Less: Securitized debt obligations	(795.5)
<b>Total recourse debt</b>	<b>\$ 1,020.8</b>
<b>Total Stockholders' Equity</b>	<b>\$ 564.6</b>
<b>Total recourse debt-to-equity ratio</b>	<b>1.81</b>

## HISTORICAL LEVERAGE



# LOAN WAREHOUSE FACILITIES

Bank	Maturity	Rate	Facility Size <sup>(1)</sup>	Available Capacity <sup>(1)</sup>	Description
<b>Borrowings under credit facilities</b>					
JPMorgan	May '19	1M L + 2.50 to 3.50%	\$ 175	\$ 102	Borrowings are used to finance SBC and SBA loan acquisitions, and SBA loan originations.
Keybank	Feb '19	1M L + 1.75%	125	70	Borrowings are used to finance Freddie Mac SBC loan originations.
GMFS Credit Facilities	< 1 year	1M L + 1.75 to 2.25%	205	98	Borrowings are used to finance Residential Agency loan originations.
<b>Total borrowings under credit facilities</b>			<b>\$ 505</b>	<b>\$ 270</b>	
<b>Borrowings under repurchase agreements</b>					
Citibank	June '19	1M L + 2.125 to 2.50%	\$ 500	\$ 196	Borrowings are used to finance SBC loan originations and SBC loan acquisitions.
Deutsche Bank	Feb '20	3M L + 2.30 to 2.80%	275	239	Borrowings are used to finance SBC loan originations and Transitional loan originations.
JPMorgan	Dec '20	1M L + 2.50 to 4.50%	200	171	Borrowings are used to finance SBC and Transitional loan originations, and SBC loan acquisitions.
<b>Total borrowings under repurchase agreements</b>			<b>\$ 975</b>	<b>\$ 605</b>	
<b>Total secured borrowings</b>			<b>\$ 1,480</b>	<b>\$ 875</b>	

► In July 2018, entered into a new warehouse facility with East West Bank to provide financing of up to \$50.0 million for new originations of SBA 7(a) loans



# SUTHERLAND SNAPSHOT

(\$ AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA)

INVESTMENT TYPE	AVG. CARRYING VALUE <sup>(1)</sup>	GROSS YIELD <sup>(2)</sup>	AVG. DEBT BALANCE	DEBT COST <sup>(3)</sup>	LEVERED YIELD
Loan Acquisitions	\$569,866	8.9%	\$483,591	6.4%	22.8%
SBC origination portfolio	\$1,208,673	7.8%	\$1,051,885	5.3%	24.5%
SBA Originations, Acquisitions & Servicing	\$462,070	11.7%	\$337,913	4.7%	30.9%
<b>Total</b>	<b>\$2,240,609</b>	<b>8.9%</b>	<b>\$1,873,389</b>	<b>5.5%</b>	<b>26.3%</b>

## Book Equity Value Metrics

Common Stockholders' equity	\$545,330
Common Stockholders' equity (adjusted) <sup>(5)</sup>	\$543,355
Total Common Shares outstanding	32,051,989
Net Book value per Common Share	\$17.01
Adjusted Net Book value per Common Share	\$16.95

(5) Excludes the equity component of our 2017 convertible note issuance

## Q2 2018 Earnings Data Metrics

Net income attributable to Sutherland Asset Management Corporation	\$15,296
Earnings per share – Basic and diluted	\$0.48
Core Earnings per Common Share	\$0.47
Return on Equity per Common Share	11.2%
Core Return on Equity per Common Share	11.1%
Dividend yield	9.5%

## Loan Portfolio Metrics

% Fixed vs Floating Rate <sup>(4)</sup>	46.7% / 53.3%
% Originated vs Acquired <sup>(4)</sup>	56.9% / 43.1%
Weighted Average LTV- SBC	60%
Weighted Average LTV- SBA	79%
Weighted Average LTV- Acquired	51%

## Servicing Portfolio Metrics

SBA servicing rights - UPB	\$479,765
SBA servicing rights - carrying value	\$16,946
Freddie Mac servicing rights - UPB	\$817,543
Freddie Mac servicing rights - carrying value	\$8,774
Residential servicing rights - UPB	\$6,624,547
Residential servicing rights - carrying value	\$85,554

(1) Average carrying value includes average quarterly carrying value of loan and servicing asset balances

(2) Gross yields include interest income, accretion of discount, MSR creation, income from our unconsolidated joint venture, realized gains (losses) on loans held for sale, 16  
unrealized gains (losses) on loans held for sale and servicing income net of interest expense and amortization of deferred financing costs on an annualized basis.

(3) Sutherland finances these assets included in the Investment Type through a combination of non-recourse securitized debt, secured borrowings, and allocated corporate debt. Interest expense is calculated based on interest expense and deferred financing amortization for the quarter ended 6/30/2018 on an annualized basis.

(4) Excludes loans, held for sale, at fair value

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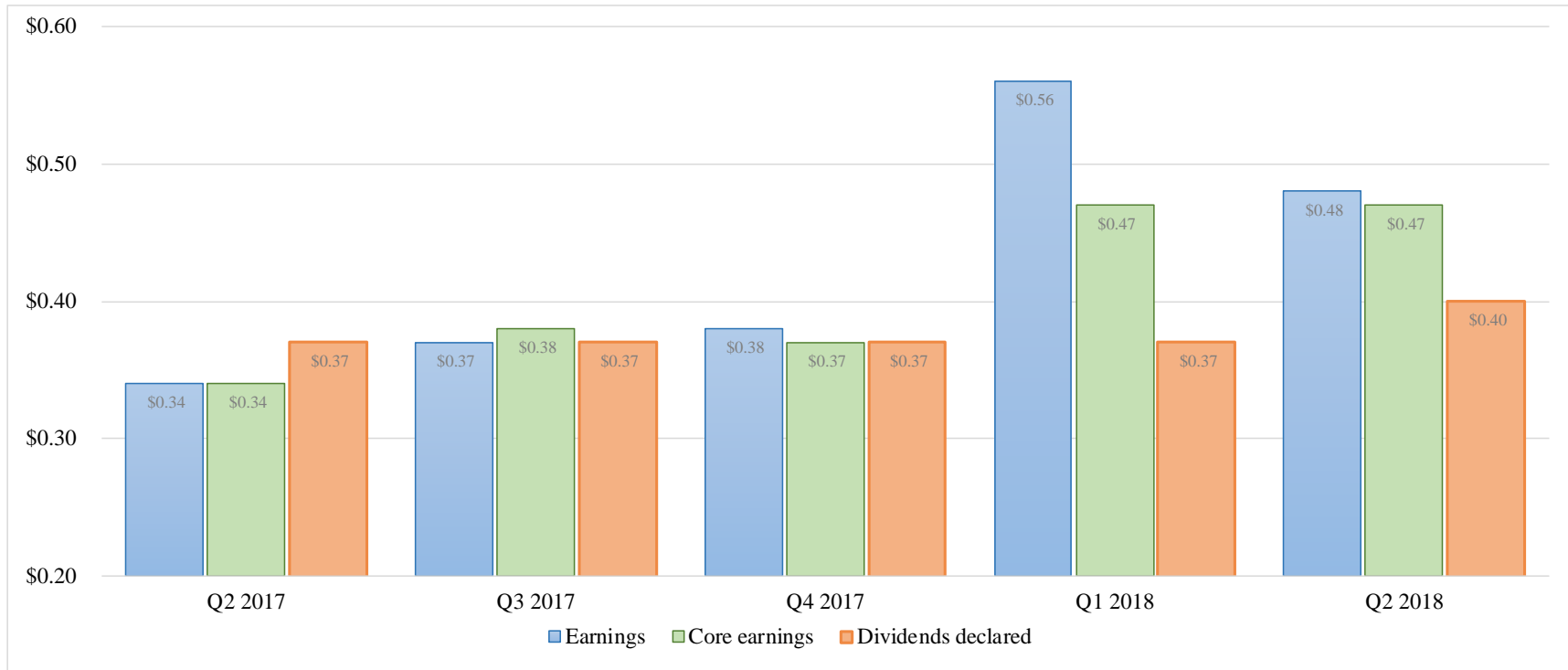
## APPENDIX

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# PER SHARE FINANCIAL PERFORMANCE

## Per Share Trends



- Increased dividend by 8.1% compared to the previous quarter
- Adjusted net book value of \$16.95 per common share as of June 30, 2018

# BALANCE SHEET BY QUARTER

(In Thousands)	6/30/2017 <sup>(1)</sup>	9/30/2017	12/31/2017	3/31/2018	6/30/2018
<b>Assets</b>					
Cash and cash equivalents	\$ 63,931	\$ 70,590	\$ 63,425	\$ 86,773	\$ 105,833
Restricted cash	17,563	16,057	11,666	13,964	15,108
Short-term investments	—	99,994	—	—	—
Loans, net	1,175,370	892,896	1,017,920	1,057,034	1,035,330
Loans, held for sale, at fair value	206,706	200,318	216,022	160,999	188,752
Mortgage backed securities, at fair value	43,877	41,371	39,922	47,181	50,070
Loans eligible for repurchase from Ginnie Mae	105,244	101,408	95,158	81,484	79,623
Investment in unconsolidated joint venture	—	—	55,369	50,229	41,598
Derivative instruments	4,187	4,131	4,725	5,022	4,758
Servicing rights	86,751	89,372	94,038	104,613	111,274
Receivable from third parties	106,562	6,756	6,756	11,064	980
Other assets	39,452	35,356	56,840	53,592	56,948
Assets of consolidated VIEs	597,277	944,894	861,662	968,999	1,122,706
<b>Total Assets</b>	<b>\$ 2,446,920</b>	<b>\$ 2,503,143</b>	<b>\$ 2,523,503</b>	<b>\$ 2,640,954</b>	<b>\$ 2,812,980</b>
<b>Liabilities</b>					
Secured borrowings	837,131	522,767	631,286	657,233	678,858
Promissory note, net	6,773	6,494	6,107	5,883	5,524
Securitized debt obligations of consolidated VIEs, net	397,911	680,282	598,148	679,871	795,503
Convertible notes, net	—	109,414	108,991	109,226	109,484
Senior secured notes and Corporate notes, net	138,311	138,074	138,078	178,688	226,890
Guaranteed loan financing	332,812	313,388	293,045	278,500	263,920
Contingent consideration	8,939	9,037	10,016	10,732	1,686
Liabilities for loans eligible for repurchase from Ginnie Mae	105,244	101,408	95,158	81,484	79,623
Derivative instruments	931	358	282	756	935
Dividends payable	12,289	12,289	12,289	12,335	13,340
Accounts payable and other accrued liabilities	53,768	54,579	74,636	64,490	72,659
<b>Total Liabilities</b>	<b>\$ 1,894,109</b>	<b>\$ 1,948,090</b>	<b>\$ 1,968,036</b>	<b>\$ 2,079,198</b>	<b>\$ 2,248,422</b>
<b>Stockholders' Equity</b>					
Common stock	4	3	3	3	3
Additional paid-in capital	537,443	539,664	539,455	539,457	539,457
Retained earnings (Deficit)	(4,030)	(3,952)	(3,385)	2,559	5,870
Total Sutherland Asset Management Corporation equity	533,417	535,715	536,073	542,019	545,330
Non-controlling interests	19,394	19,338	19,394	19,737	19,228
<b>Total Stockholders' Equity</b>	<b>\$ 552,811</b>	<b>\$ 555,053</b>	<b>\$ 555,467</b>	<b>\$ 561,756</b>	<b>\$ 564,558</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 2,446,920</b>	<b>\$ 2,503,143</b>	<b>\$ 2,523,503</b>	<b>\$ 2,640,954</b>	<b>\$ 2,812,980</b>
<b>Adjusted Book Value per Share <sup>(2)</sup></b>	<b>\$ 16.67</b>	<b>\$ 16.68</b>	<b>\$ 16.68</b>	<b>\$ 16.88</b>	<b>\$ 16.95</b>

# STATEMENT OF INCOME BY QUARTER

(In Thousands, except share data)	Q2 2017 <sup>(1)</sup>		Q3 2017		Q4 2017		Q1 2018		Q2 2018	
Interest income	\$	33,248	\$	35,038	\$	36,135	\$	37,150	\$	41,858
Interest expense		(17,230)		(19,908)		(21,067)		(22,666)		(26,407)
<b>Net interest income before provision for loan losses</b>	\$	16,018	\$	15,130	\$	15,068	\$	14,484	\$	15,451
Provision for loan losses		(159)		(466)		(506)		(167)		397
<b>Net interest income after provision for loan losses</b>	\$	15,859	\$	14,664	\$	14,562	\$	14,317	\$	15,848
<b>Non-interest income</b>										
Gains on residential mortgage banking activities, net of variable loan expenses	\$	10,985	\$	10,735	\$	9,470	\$	11,734	\$	9,762
Other income		1,588		1,853		3,130		1,334		1,826
Income on unconsolidated joint venture		—		—		1,048		5,739		1,503
Servicing income, net of amortization and impairment		5,631		6,134		6,787		6,410		6,627
<b>Total non-interest income</b>	\$	18,204	\$	18,722	\$	20,435	\$	25,217	\$	19,718
<b>Non-interest expense</b>										
Employee compensation and benefits		(13,451)		(13,715)		(14,409)		(15,320)		(14,272)
Allocated employee compensation and benefits from related party		(1,008)		(990)		(833)		(1,200)		(1,200)
Professional fees		(2,023)		(2,151)		(2,588)		(2,648)		(2,401)
Management fees – related party		(2,007)		(2,034)		(2,041)		(2,013)		(2,036)
Incentive fees – related party		—		—		—		(408)		(269)
Loan servicing expense		(2,611)		(3,388)		(2,811)		(4,093)		(3,000)
Other operating expenses		(6,206)		(7,447)		(7,752)		(8,011)		(8,916)
<b>Total non-interest expense</b>	\$	(27,306)	\$	(29,725)	\$	(30,434)	\$	(33,693)	\$	(32,094)
<b>Net realized gain on financial instruments</b>		4,491		5,695		6,177		12,232		8,620
<b>Net unrealized gain on financial instruments</b>		974		2,678		2,066		3,008		4,457
Income before provision for income taxes (benefit)	\$	12,222	\$	12,034	\$	12,806	\$	21,081	\$	16,549
Provision for income taxes		(1,069)		340		(76)		(2,563)		(665)
<b>Net income</b>	\$	11,153	\$	12,374	\$	12,730	\$	18,518	\$	15,884
Less: Net income attributable to non-controlling interest		657		533		633		664		588
<b>Net income attributable to Sutherland Asset Management Corporation</b>	\$	10,496	\$	11,841	\$	12,097	\$	17,854	\$	15,296
<b>Earnings per common share - basic</b>	\$	0.34	\$	0.37	\$	0.38	\$	0.56	\$	0.48
<b>Earnings per common share - diluted</b>	\$	0.34	\$	0.37	\$	0.38	\$	0.56	\$	0.48
Weighted-average shares outstanding - Basic		30,768,900		32,026,494		32,031,494		32,036,504		32,073,717
Weighted-average shares outstanding - Diluted		30,769,332		32,028,980		32,034,610		32,045,844		32,092,750
<b>Dividends declared per share of common stock</b>	\$	0.37	\$	0.37	\$	0.37	\$	0.37	\$	0.40

# CORE EARNINGS RECONCILIATION

(In Thousands)	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018
<b>Net Income</b>	\$ 11,153	\$ 12,374	\$ 12,730	\$ 18,518	\$ 15,884
<b>Reconciling items:</b>					
Unrealized (gain) loss on mortgage-backed securities	\$ (1,162)	\$ (194)	\$ 24	\$ 79	\$ 86
Unrealized (gain) loss on mortgage servicing rights	1,671	1,728	47	(4,155)	(253)
Total reconciling items	\$ 509	\$ 1,534	\$ 71	\$ (4,076)	\$ (167)
<b>Core earnings before income taxes</b>	\$ 11,662	\$ 13,908	\$ 12,801	\$ 14,442	\$ 15,717
Income tax adjustments	(501)	(1,037)	(359)	1,047	64
<b>Core earnings</b>	\$ <b>11,161</b>	\$ <b>12,871</b>	\$ <b>12,442</b>	\$ <b>15,489</b>	\$ <b>15,781</b>
Less: Core earnings attributable to non-controlling interests	\$ 657	\$ 554	\$ 619	\$ 555	\$ 584
<b>Core earnings attributable to Common Stockholders</b>	\$ 10,504	\$ 12,317	\$ 11,824	\$ 14,934	\$ 15,197
<b>Core earnings per share</b>	\$ <b>0.34</b>	\$ <b>0.38</b>	\$ <b>0.37</b>	\$ <b>0.47</b>	\$ <b>0.47</b>
<b>Weighted average common shares outstanding</b>	30,768,900	32,026,494	32,031,494	32,036,504	32,073,717