Forward-Looking Statements

Some of the statements contained in this presentation constitute forward-looking statements within the meaning of the federal securities laws. Forward-looking statements relate to expectations, beliefs, projections, future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts. In some cases, you can identify forward-looking statements by the use of forward-looking terminology such as “may,” “will,” “should,” “expects,” “intends,” “plans,” “anticipates,” “believes,” “estimates,” “predicts,” or “potential” or the negative of these words and phrases or similar words or phrases which are predictions of or indicate future events or trends and which do not relate solely to historical matters. You can also identify forward-looking statements by discussions of strategy, plans or intentions.

The forward-looking statements contained in this presentation reflect our current views about future events and are subject to numerous known and unknown risks, uncertainties, assumptions and changes in circumstances, many of which are beyond our control, that may cause our actual results to differ significantly from those expressed in any forward-looking statement. Statements regarding the following subjects, among others, may be forward-looking: the use of proceeds from our public and private offerings (as the case may be); our business and investment strategy; our projected operating results; our ability to obtain financing arrangements; financing and advance rates for our target assets; our expected leverage; general volatility of the securities markets in which we invest; our expected investments; our expected co-investment allocations and related requirements; interest rate mismatches between our target assets and our borrowings used to fund such investments; changes in interest rates and the market value of our target assets; changes in prepayment rates on our target assets; effects of hedging instruments on our target assets; rates of default or decreased recovery rates on our target assets; the degree to which our hedging strategies may or may not protect us from interest rate volatility; impact of changes in governmental regulations, tax law and rates, and similar matters; our ability to maintain our qualification as a REIT for U.S. federal income tax purposes; our ability to maintain our exemption from registration under the 1940 Act; availability of investment opportunities in mortgage-related and real estate-related investments and other securities; availability of qualified personnel; estimates relating to our ability to make distributions to our stockholders in the future; our understanding of our competition; and market trends in our industry, interest rates, real estate values, the debt securities markets or the general economy.

While forward-looking statements reflect our good faith beliefs, assumptions and expectations, they are not guarantees of future performance. Furthermore, we disclaim any obligation to publicly update or revise any forward-looking statement to reflect changes in underlying assumptions or factors, new information, data or methods, future events or other changes. For a further discussion of these and other factors that could cause our future results to differ materially from any forward-looking statements, see the section entitled “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2011 and subsequent filings with the SEC.

This presentation contains statistics and other data that has been obtained from or compiled from information made available by third-party service providers. We have not independently verified such statistics or data.

Certain of the following slides present information related to the prior performance of Colony Capital, LLC and its affiliates. This information is provided for informational purposes only and is not intended to be indicative of future results. Actual performance of Colony Financial, Inc. may vary materially.
Colony Financial, Inc. Overview

Colony Financial, Inc. (NYSE: CLNY)

- Commercial real estate finance and investment REIT with attractive low leverage, diversified investment portfolio constructed post-September 2009
  > Focused primarily on acquiring, originating and managing commercial real estate debt and other distressed and credit-related real estate investments
  > Externally managed by an affiliate of global real estate manager Colony Capital, LLC

- Attractive risk-adjusted returns from actively managed investments generating combination of current yield and capital appreciation

- Meaningful liquidity to pursue pipeline of target assets following March 2012 preferred stock issuance

- Opportunity to buy into a seasoned investment portfolio at a discount to book value and adjusted book value per share
  > Net fair value of assets and liabilities was $1.42 per share in excess of $18.15 book value per share as of March 31, 2012
  > Recently trading at a discount of 6% to book value per share and 13% to adjusted book value per share

As of June 2012, CLNY was participating in 40 Colony Capital-sourced investments representing $2.9 billion of equity deployment; $810 million by CLNY
### Key Financial Metrics and Trading Statistics

#### Financial Metrics

<table>
<thead>
<tr>
<th>Metric</th>
<th>2010</th>
<th>2011</th>
<th>1Q11</th>
<th>2Q11</th>
<th>3Q11</th>
<th>4Q11</th>
<th>1Q12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cumulative Equity Deployed (millions)</td>
<td>$306.9</td>
<td>$674.4</td>
<td>$343.9</td>
<td>$577.9</td>
<td>$634.8</td>
<td>$674.4</td>
<td>$752.2</td>
</tr>
<tr>
<td>Core Earnings per Diluted Share&lt;sup&gt;(1)&lt;/sup&gt;</td>
<td>$1.19&lt;sup&gt;(2)&lt;/sup&gt;</td>
<td>$1.49</td>
<td>$0.41</td>
<td>$0.25</td>
<td>$0.48&lt;sup&gt;(3)&lt;/sup&gt;</td>
<td>$0.36</td>
<td>$0.47</td>
</tr>
<tr>
<td>Dividends Paid per Share Outstanding</td>
<td>$0.97</td>
<td>$1.31</td>
<td>$0.32</td>
<td>$0.32</td>
<td>$0.33</td>
<td>$0.34</td>
<td>$0.34</td>
</tr>
<tr>
<td>Shares Outstanding (thousands)</td>
<td>17,384</td>
<td>32,625</td>
<td>17,384</td>
<td>32,909</td>
<td>32,472</td>
<td>32,625</td>
<td>33,108</td>
</tr>
<tr>
<td>Effective Leverage&lt;sup&gt;(5)&lt;/sup&gt;</td>
<td>20%</td>
<td>21%</td>
<td>11%</td>
<td>11%</td>
<td>18%</td>
<td>21%</td>
<td>15%</td>
</tr>
</tbody>
</table>

#### Trading Statistics

<table>
<thead>
<tr>
<th>Metric</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Book Value/Share as of March 31, 2012</td>
<td>$18.15</td>
</tr>
<tr>
<td>Adjusted Book Value/Share&lt;sup&gt;(6)&lt;/sup&gt; as of March 31, 2012</td>
<td>$19.57</td>
</tr>
<tr>
<td>Share Price as of June 7, 2012</td>
<td>$16.98</td>
</tr>
<tr>
<td>Annualized Q2 Dividend</td>
<td>$1.40</td>
</tr>
<tr>
<td>Annualized Q2 Dividend Yield</td>
<td>8.2%</td>
</tr>
</tbody>
</table>

See footnotes on last page.
CLNY has consistently increased its dividend over time, generating an attractive 8% yield at the current share price.

CLNY Dividend

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Dividend</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1 2010</td>
<td>$0.16</td>
</tr>
<tr>
<td>Q2 2010</td>
<td>$0.21</td>
</tr>
<tr>
<td>Q3 2010</td>
<td>$0.25</td>
</tr>
<tr>
<td>Q4 2010</td>
<td>$0.30</td>
</tr>
<tr>
<td>Q1 2011</td>
<td>$0.32</td>
</tr>
<tr>
<td>Q2 2011</td>
<td>$0.32</td>
</tr>
<tr>
<td>Q3 2011</td>
<td>$0.33</td>
</tr>
<tr>
<td>Q4 2011</td>
<td>$0.34</td>
</tr>
<tr>
<td>Q1 2012</td>
<td>$0.34</td>
</tr>
<tr>
<td>Q2 2012</td>
<td>$0.35</td>
</tr>
</tbody>
</table>
CRE debt and select equity-oriented strategies currently provide attractive risk adjusted returns

- Opportunity to earn equity returns in debt instruments with lower risk profile
- More senior position in capital stack provides greater cushion to endure a low growth or light recessionary economy
- Total return typically has higher current yield component, which is valuable in today’s low interest rate environment
- Opportunistic debt acquisitions and originations can still target unlevered returns between 10% and 15%
- Select equity opportunities including single family homes for rent and triple net credit lease investments that offer similar current yield and total return characteristics to our target debt investments with a similar risk profile
Differentiated Hybrid Return Strategy

• CLNY more akin to equity REITs than other residential and commercial mortgage REITs given opportunistic investment approach and hybrid return strategy

• Total return profile composed of both current yield and capital appreciation potential

• Compelling value versus equity REITs which currently have significantly lower dividend yields and trade at higher multiples

• Lower leverage than other mortgage REITs without dependence on CMBS or repo financing markets

Illustrative Hybrid Return Profile

Low Leverage

Source: SEC filings. See footnotes on last page.
### CLNY Current Portfolio

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Description</th>
<th>Recent Colony Investments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loan Acquisitions</td>
<td><strong>64% of current portfolio based on current equity</strong></td>
<td>• FDIC Portfolios&lt;br&gt;• Bulls Loan Portfolio&lt;br&gt;• U.S. Life Insurance Loan Portfolio&lt;br&gt;• Manhattan Landmark Buildings Loan&lt;br&gt;• German Loan Portfolios</td>
</tr>
<tr>
<td></td>
<td>• $475M current equity&lt;br&gt;• Weighted average purchase price of 60% of par&lt;br&gt;• Performing, sub-performing and non-performing loans managed through value-added asset management strategies&lt;br&gt;• U.S. small balance loan portfolios progress summary&lt;sup&gt;(10)&lt;/sup&gt;&lt;br&gt;  &gt; Since acquisition, 12% of UPB resolved at 1.5x cost basis&lt;br&gt;  &gt; 9% cash-on-cash yield despite 68% of UPB being non-performing/REO&lt;br&gt;  &gt; 49% of FDIC financing defeased; expect to fully pay off FDIC financing in 3 or 4 FDIC portfolios in 2012</td>
<td></td>
</tr>
<tr>
<td>Loan Originations</td>
<td><strong>29% of current portfolio based on current equity</strong></td>
<td>• Centro Mezzanine Loans&lt;br&gt;• Extended Stay Loan&lt;br&gt;• WLH Secured Loan&lt;br&gt;• Luxury Destination Club Recourse Loan</td>
</tr>
<tr>
<td></td>
<td>• $216M current equity&lt;br&gt;• Weighted average current yield of 12%&lt;br&gt;• Origination of well structured and re-underwritten CRE loans&lt;br&gt;• Senior loans (i.e. 1st mortgages), b-notes, mezzanine loans</td>
<td></td>
</tr>
<tr>
<td>Home Rentership</td>
<td><strong>4% of current portfolio based on current equity</strong></td>
<td>• Colony American Homes&lt;br&gt;• First Republic Bank&lt;br&gt;• Senior CRE CDO Bond&lt;br&gt;• WLH Land Sale/Easement-Back</td>
</tr>
<tr>
<td></td>
<td>• $27M current equity&lt;br&gt;• Investment in a joint venture created for the purpose of pursuing large-scale acquisitions of single-family homes to execute a hold-for-investment rental strategy across the U.S.</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td><strong>3% of current portfolio based on current equity</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• $24M current equity&lt;br&gt;• To date, sold 50% of First Republic Bank position and returned approximately 96% of our original cost basis</td>
<td></td>
</tr>
</tbody>
</table>
# CLNY Current Portfolio, cont.

<table>
<thead>
<tr>
<th>Transactions</th>
<th>Invest Date</th>
<th>Current Equity ($MM)</th>
<th>% Owned</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Centro Mezzanine Loans</td>
<td>Jun-11</td>
<td>$60.0</td>
<td>100.0%</td>
<td>Participation in mezz loans secured by interests in 107 retail centers</td>
</tr>
<tr>
<td>Bulls Loan Portfolio</td>
<td>Jun-11</td>
<td>58.3</td>
<td>32.5%</td>
<td>~575 performing and non-performing CRE 1st mortgages and 5 REO</td>
</tr>
<tr>
<td>U.S. Life Insurance Loan Portfolio</td>
<td>Dec-09</td>
<td>44.6</td>
<td>37.9%</td>
<td>23 fixed-rate first mortgages secured by CRE</td>
</tr>
<tr>
<td>WLH Secured Loan</td>
<td>Oct-09</td>
<td>43.5</td>
<td>24.0%</td>
<td>Senior loan secured by 1st mortgages on residential land and cash</td>
</tr>
<tr>
<td>DB FDIC Portfolio</td>
<td>Jan-10</td>
<td>38.3</td>
<td>33.3%</td>
<td>~818 performing loans and NPLs secured mostly by CRE and ~116 REO</td>
</tr>
<tr>
<td>Extended Stay Loan</td>
<td>Oct-10</td>
<td>37.4</td>
<td>66.7%</td>
<td>Performing mezzanine loan to ESH (664 hotel portfolio)</td>
</tr>
<tr>
<td>CRE FDIC Portfolio</td>
<td>Aug-11</td>
<td>35.8</td>
<td>44.4%</td>
<td>~664 performing and non-performing CRE loans and 12 REO</td>
</tr>
<tr>
<td>Luxury Destination Club Recourse Loan II</td>
<td>May-12</td>
<td>33.6</td>
<td>60.1%</td>
<td>Recourse 1st mortgage loan participation secured by 269 luxury residential units in U.S. and abroad</td>
</tr>
<tr>
<td>German Loan Portfolio IV</td>
<td>Jul-11</td>
<td>29.1</td>
<td>33.3%</td>
<td>5 non-performing CRE loans</td>
</tr>
<tr>
<td>Hotel Portfolio</td>
<td>Apr-10</td>
<td>29.0</td>
<td>33.3%</td>
<td>Equity interests in and senior mezzanine loan on 103 hotel portfolio</td>
</tr>
<tr>
<td>Multifamily Tax-Exempt Bonds</td>
<td>Jun-11</td>
<td>27.6</td>
<td>100.0%</td>
<td>Senior interest in tax-exempt bonds secured by multifamily</td>
</tr>
<tr>
<td>Colony American Homes</td>
<td>Mar-12</td>
<td>27.5</td>
<td>50.0%</td>
<td>Investment entity that acquires and rents single family homes</td>
</tr>
<tr>
<td>Luxury Destination Club Recourse Loan I</td>
<td>Sep-11</td>
<td>26.8</td>
<td>66.7%</td>
<td>Senior loan secured by 1st mortgages on 41 luxury residential units primarily in Manhattan and Maui</td>
</tr>
<tr>
<td>Hotel Portfolio Mortgage Participations</td>
<td>Feb-12</td>
<td>24.7</td>
<td>50.0%</td>
<td>2 junior mortgage participations secured by 5 full-service hotels</td>
</tr>
<tr>
<td>Multifamily Senior Bond</td>
<td>Feb-12</td>
<td>24.3</td>
<td>11.0%</td>
<td>Senior bond in CMBS trust comprised of 259 first mortgages and 7 REO</td>
</tr>
<tr>
<td>Class A Manhattan Office Loan Part.</td>
<td>Mar-10</td>
<td>16.7</td>
<td>33.3%</td>
<td>1st mortgage pari-passu participation on Class A Manhattan office</td>
</tr>
<tr>
<td>First Republic Bank</td>
<td>Jun-10</td>
<td>15.5</td>
<td>5.9%</td>
<td>Equity stake in financial institution with ~$30 billion of assets</td>
</tr>
<tr>
<td>FCDC</td>
<td>May-12</td>
<td>15.3</td>
<td>50.0%</td>
<td>Senior loans secured by master planned community lots in California</td>
</tr>
<tr>
<td>Investments &lt;$15M</td>
<td>Various</td>
<td>154.5</td>
<td>Various</td>
<td>22 investments, each &lt; $15M of current equity</td>
</tr>
</tbody>
</table>

**TOTAL** $742.4

---

**Note:** The table above sets forth information as of the investment date. See footnotes on last page.

---

**Current Equity by Region (%)**
- U.S. 94%
- Europe 6%

**Current Equity by Investment Type (%)**
- Loan Acquisitions 64%
- Loan Originations 29%
- Other 3%
- Home Rentership, 4%

**Weighted Average Loan-to-Value (%)**
- 66% Last $ LTV\(^{(13)}\)
- 24% First $ LTV\(^{(13)}\)
## CLNY Portfolio Activity

### Significant value creation in 2012 from restructuring and monetization events

<table>
<thead>
<tr>
<th>Restructurings and Control Events</th>
<th>• Restructuring of:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>&gt; WLH Secured Loan (1Q12)</td>
</tr>
<tr>
<td></td>
<td>&gt; Class A Manhattan Office Loan Participation (4Q11)</td>
</tr>
<tr>
<td></td>
<td>• Equity takeover of collateral of Hotel Portfolio Loan (1Q12)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Full and Partial Realizations</th>
<th>• Full realization of:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>&gt; Midwest Multifamily Loan (2Q12)</td>
</tr>
<tr>
<td></td>
<td>&gt; G&amp;E Secured Loan (Primarily 1Q12)</td>
</tr>
<tr>
<td></td>
<td>• Partial realization of:</td>
</tr>
<tr>
<td></td>
<td>&gt; First Republic Bank (1Q12)</td>
</tr>
<tr>
<td></td>
<td>&gt; U.S. Life Insurance Loan Portfolio (Primarily 1Q12)</td>
</tr>
<tr>
<td></td>
<td>&gt; WLH Loan (2Q12)</td>
</tr>
<tr>
<td></td>
<td>&gt; U.S. Commercial Bank Portfolio (4Q11 &amp; 1Q12)</td>
</tr>
<tr>
<td></td>
<td>• Realizations on these six investments generated $45M of cash proceeds resulting in a blended IRR of 18% and aggregate return on our investment of 1.4x</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Senior Loan Sales</th>
<th>• Sold senior positions while retaining higher yielding subordinate controlling debt positions in:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>&gt; Manhattan Landmark Buildings Loan (2Q12)</td>
</tr>
<tr>
<td></td>
<td>&gt; Luxury Destination Resort Loan (2Q12)</td>
</tr>
<tr>
<td></td>
<td>• These sales returned $29 million of cash; retained debt positions now generate a blended 16% cash-on-cash yield</td>
</tr>
</tbody>
</table>
1) Approximately $1.4 trillion CRE debt maturities in the next three years, supplemented by many short-term extensions from 2008-2011

2) European opportunities accelerating (minimum 2-3 years behind the U.S.) amid sovereign debt crisis and weakened economy leading to restructuring and acquisition opportunities
   > Colony already has a European platform in place

3) Domestically, banks selling loans more aggressively
   > Better pricing transparency and ability for banks to absorb losses

4) Institutional lenders remain highly conservative, forcing many borrowers to consider other sources of capital

5) CRE fundamentals stabilizing or improving but still generally weak – increasing number of properties require liquidity where lenders are forced to take action

6) Fundamental changes to regulatory environment for deposit-taking financial institutions may create greater opportunities for non-regulated finance companies

7) Select equity investments in REO, triple net lease properties and single family residential for rent
Why Colony Financial (CLNY)?

Highly Differentiated Platform and Strategy

Experienced and Deep Management Bench
- Chairman Thomas Barrack, Jr. pioneered institutional distressed real estate investing with one of the first bulk purchases from the Resolution Trust Corporation in the early 90s
- CEO Richard Saltzman actively participated in the formation of the modern REIT era as former global head of real estate at Merrill Lynch
- Colony Principals have an average 25 years of real estate experience (12 with Colony)

Relationship with Colony Capital
- Core/integral business for our Sponsor, Colony Capital
- Proprietary global deal flow from Colony Capital’s extensive relationship network enabled by over 250 employees
- Strong underwriting culture from equity and distressed debt background allows underwriting of complex debt situations and large portfolios, which typically have less competition
- Management and Colony professionals substantially aligned owning $23 million in CLNY stock and related co-investments through Colony managed private equity funds

Value-Added Asset Management
- Highly experienced team leveraging off successful RTC resolution formula
- Colony’s Asset Management Company has approximately 85 full-time equivalents
- Currently managing ~7,100 loans primarily acquired under the FDIC loan sale program
Appendix:

Select Individual Deal Summaries and Footnotes
Centro Mezzanine Loans

Investment Overview

• June 2011 origination of $60 million of mezzanine loans as part of a $1.4 billion financing in connection with a financial sponsor’s acquisition of Centro Properties Group’s U.S. retail portfolio
  > Colony Financial contributed $60 million for a 100% ownership interest

• The $60 million of loans represents a 20% interest in the most senior and two most junior tranches of a $400 million mezzanine debt stack consisting of four $100 million mezzanine tranches

• Collateral includes equity interests in 107 assets out of Centro’s 593 asset U.S. retail portfolio

• 9.75% weighted average coupon; 5-year term (matures July 2016)
Investment Overview

- June 2011 purchase of 648 performing and non-performing loans consisting of substantially all first mortgage recourse commercial real estate loans for $197 million from a U.S. commercial bank (49% discount to portfolio UPB of $388 million)
  > Colony Financial contributed $65 million for a 32.5% ownership interest among affiliate investment funds
- At acquisition, the portfolio was approximately 50% performing
  > 6% cash-on-cash unlevered yield based on purchase price
- Assets are geographically concentrated in the Midwest with 81% of UPB in Illinois, followed by small concentrations in Indiana (6% of UPB), Arizona (4% of UPB), and Michigan (4% of UPB)
Nationwide Loan Portfolio

Investment Description

• December 2009 purchase of 25 performing, first lien commercial loans for $131 million from a U.S. life insurance company (25% discount to portfolio UPB of $175 million)
  > Colony Financial contributed $50 million for a 37.9% ownership interest among affiliate investment funds

• Assets located nationwide with largest concentration in PA (21% of UPB), NC (12%), CA, IL, MI, MO, NV, and UT (7-9% each) – 47% retail, 28% office, 22% industrial, 3% hotel

• Initial average interest yield of 8% and cash yield of 10% including principal amortization on purchase price basis
  > At acquisition, loans in portfolio had been current for 32 months and had a remaining term of 88 months

• Expected that majority of loans will perform to maturity with some loans modified or resolved early through discounted payoff or foreclosure
  > To date, four loans totaling $24 million UPB at acquisition have been repaid at par and a REO hotel asset (only NPL to date) has been sold for proceeds of $4 million (1.6x allocated purchase price basis)
Investment Overview

- October 2009 origination of $206 million senior first mortgage loan secured by substantially all of WLH’s assets and $71 million of pledged cash
  > Colony Financial contributed $48 million for a 24.0% ownership interest among affiliate investment funds
- In April 2012, Colony Financial and Colony-managed funds sold a $25 million, or 11%, pari-passu participation interest in the restructured $235 million loan to a third party investor at par (10.25% yield)

Restructuring Update

- WLH emerged from bankruptcy on February 25, 2012
  > Detailed description of the restructuring is available in our 8-K filings dated November 4, 2011, December 20, 2011, and February 28, 2012
  > Stronger senior first mortgage loan resulting from materially improved capital structure by eliminating 37% of debt and 45% of annual interest expense while extending overall debt maturities and increasing cash balances
- Recapitalization includes the following key amendments to the $206 million senior secured loan:
  > Increase outstanding principal balance to $235 million (with no additional funding from Colony-managed funds)
  > Reduce stated interest rate to 10.25% from 14.0%
  > Extend maturity date to January 2015 from October 2014
- Other key restructuring terms:
  > Senior note holders to convert $283 million of existing notes into $75 million of second lien notes and approximately 28.5% of the common equity
  > New cash equity of at least $85 million ($25 million from Lyon family and $60 million backstopped by a major senior note holder) for 71.5% of common equity
- Recapitalization will allow the senior secured loan to slightly improve its original yield in an improved capital structure
Investment Overview

- January 2010 portfolio acquisition of approximately 1,200 loans with aggregate unpaid principal balance of approximately $1.0 billion for 44% of face value
  > Colony Financial contributed $35 million for a 33.3% ownership interest among affiliate investment funds

- Acquired a 40% managing member equity interest in newly formed limited liability company created to hold acquired loans, with FDIC retaining remaining 60% equity interest

- At acquisition, the portfolio was approximately 19% performing
  > 10% cash-on-cash levered yield based on invested equity
  > Primarily in California, Nevada, Arizona, Georgia and Florida
  > High concentration of loans secured by land and retail assets

- FDIC provided highly favorable financing ($233 million – 50% LTV) at 0% interest rate; cash flow sweep after fees and expenses, no covenants

- All loans boarded onto loan servicing and asset management systems

- Asset managers executing business plans on asset by asset basis
  > Borrowers contacted and discussions underway regarding modifications; foreclosure and other legal strategies being pursued where necessary
Extended Stay Loan

Investment Overview

• October 2010 origination of $56.3 million junior mezzanine loan in connection with the recapitalization of Extended Stay Hotels Inc. (“ESH”)
  > Colony Financial contributed $37 million for a 66.7% ownership interest among affiliate investment funds

• Loan secured by equity interests in ESH portfolio of 664 hotels (73,000+ keys), brands and other intangible assets
  > Diversified portfolio across 46 states in the US and Canada

• 12% coupon; 5-year term (matures November 2015)

• Loan basis of approximately $37,000 per key represents less than 40% of the $8 billion acquisition price when the company was previously sold in 2007 and approximately 69% of the new ownership consortium's recent $3.9 billion purchase price for the company
Investment Overview

- August 2011 portfolio acquisition of approximately 760 primarily first lien commercial real estate loans with aggregate unpaid principal balance of approximately $618 million for 53% of face value
  - Colony Financial contributed $34 million for a 44.4% ownership interest among affiliate investment funds
- Acquired a 40% managing member equity interest in newly formed limited liability company created to hold acquired loans, with FDIC retaining remaining 60% equity interest
- At acquisition, the portfolio was approximately 37% performing
  - 13% cash-on-cash levered yield based on invested equity
  - Collateral at acquisition located in 25 states with concentrations in Georgia (23%), Illinois (15%), Wisconsin (12%), and Oregon (7%)
  - Collateral at acquisition primarily composed of retail (23%), office (13%), industrial (12%), multifamily (12%), and land (10%)
- FDIC provided highly favorable financing ($170 million – 50% LTV) at 0% interest rate; cash flow sweep after fees and expenses, no covenants
- All loans boarded onto loan servicing and asset management systems and asset managers executing business plans on asset by asset basis
Luxury Destination Club Recourse Loans I & II

**Investment Overview**

- September 2011 origination of $47 million recourse loan to premier luxury destination club collateralized by 1st mortgages on 42 luxury residential units located primarily in Manhattan and Maui
  - Colony Financial funded $46 million for a 100% ownership interest
  - 10.75% coupon; 1.5% origination fee; 0.5% exit fee; 5-year term (matures Sept-2016)
  - Attractive deal structure including full parent company recourse and cross-collateralization

- May 2012 acquisition of a $181 million participation interest for $159 million, or 88% of par, in a $250 million recourse first mortgage loan collateralized by 269 luxury residential properties in the U.S. and various international destinations that shares the same corporate guarantor as the loan originated in September 2011
  - Acquired loan bears interest at 8.57% and includes a 50 basis points collateral management fee
  - Participation interest was financed with a $103 million non-recourse, co-terminus loan at a fixed rate of 5.0%, resulting in a total equity investment of $56 million
  - Colony Financial funded $34 million, or 60% of total equity, with the remaining 40% funded by two unaffiliated investors

- May 2012 assignment of $18 million, or 40%, of the $47 million loan originated in September 2011 to the same unaffiliated investors to maintain consistent ownership across both interests

- Combined investment of $62 million (incremental $16 million to pre-existing investment) is expected to generate a blended current cash yield of approximately 20%
Investment Overview

- March 2012 investment in a joint venture created for the purpose of pursuing large-scale acquisitions of single-family homes to execute a hold-for-investment rental strategy across the U.S.
  - Rentership is $1 trillion opportunity and politically-friendly / bi-partisan solution to U.S. housing crisis and economic downturn
  - Arguably largest macro opportunity emanating from financial crisis
- Thus far, the joint venture has acquired 420 homes in Arizona, California, and Nevada for total purchase price consideration of ~$39 million; ~600 additional homes are currently in escrow
  - Colony Financial’s corresponding share of purchase price consideration is $19 million and this investment is expected to grow significantly
  - Projected unlevered current yield of 6-7% on acquired homes with additional upside potential from leverage and home price appreciation
  - Opportunity to participate in creation of new asset class with a variety of attractive exit alternatives
- Return and risk profile analogous to existing debt-oriented investment portfolio
Footnotes

1) Core Earnings is a non-GAAP financial measure that adjusts net income, computed in accordance with GAAP, by excluding (i) non-cash equity compensation expense, (ii) the expenses incurred in connection with the formation of the Company and the Initial Public Offering, including the initial underwriting discounts and commissions and the Additional Underwriting Discount, (iii) the Incentive Fee, (iv) real estate depreciation and amortization, (v) any unrealized gains or losses from mark to market valuation changes (other than permanent impairment) that are included in net income, (vi) one-time events pursuant to changes in GAAP and (vii) non-cash items which in the judgment of management should not be included in Core Earnings. For clauses (vi) and (vii), such exclusions shall only be applied after discussions between the Manager and the Independent Directors and approval by a majority of the Independent Directors.

2) Includes $0.10 per diluted share from our share of the gain on sale of FRB’s shares and gain on sale of a loan receivable.

3) Includes $0.13 per diluted share from our share of the gain on sale of FRB’s shares and gain on sale of a TALF-financed CMBS position.

4) Actual shares outstanding as of March 31, 2011 were 17,384,000; however, the Company had common stock subscribed as of March 31, 2011 as a result of a follow-on offering. The Company issued 15,525,000 shares related to this follow-on subscription, subsequent exercise of the underwriters’ overallotment option and issuance of anti-dilution shares resulting in 32,909,000 shares of its common stock issued and outstanding.

5) Effective leverage based on pro rata share of unconsolidated JV debt in FDIC portfolios, TALF bond (prior to December 31, 2011) and Hotel Portfolio, outstanding credit facility, and secured financing related to $2100 Grand investment as of March 31, 2012.

6) Adjusted Book Value per Share is based on adding the excess of the fair values of CLNY’s financial assets over the carrying values, which was $46.9M at 3/31/12, to total stockholders’ equity, as reported in accordance with GAAP, divided by total shares outstanding. The fair values of CLNY’s financial assets are based on CLNY’s pro rata share of fair values for investment assets calculated for investment funds managed by affiliates of our manager in accordance with FASB ASC 820 and disclosed in the footnotes to CLNY’s financial statements.

7) Dividend yield based on CLNY share price of $16.98; Q4 2010 dividend excludes $0.05 special dividend

8) Straight average of debt to total assets for STWD, CXS and ARI as of March 31, 2012.

9) Straight average of debt to total assets for SFI, RSO, NRF, NCT, RAS, GKK and CT as of March 31, 2012.

10) Progress summary represents data for the FDIC portfolios and the U.S. small balance portfolios with individual loan balances below $20 million and seasoned long enough on the whole to provide some meaningful data. Specifically, the U.S. small balance portfolios include the BOW Portfolio, Bulls Loan Portfolio, U.S. Life Insurance Portfolio, U.S. Commercial Bank Portfolio and the Westlake Village Loan and has an aggregate book equity value of $234 million as of March 31, 2012.

11) For investments made prior to Apr-2012, Current Equity represents the carrying value of our investment at 3/31/12, net of investment-specific financing. Cost basis shown for investments made after 3/31/12.

12) Represents CLNY’s share of acquisition entities formed by CLNY with funds and other investment vehicles managed by affiliates of Colony Capital.

13) Weighted average loan-to-value (“LTV”) based on 57% of our investments by current equity composed of 21 investments. Excluded investments include the FDIC portfolios, German non-performing loan portfolios, special situation investments and the two larger bank portfolios (Bulls and BOW). The aggregate value of the underlying real estate in these excluded investments is above our carrying value, but given the different resolution strategies and the thousands of loans involved, management believes excluding these investments from the loan-to-value metrics will be more useful to investors. The loan-to-value metrics we are providing are based on our loan investment current equity divided by management’s estimates of the underlying real estate values as of 3/31/12 or investment. First dollar LTVs range from 0% to 77% and last dollar LTVs range from 42% to 94% with the weighted average first and last dollar LTV at 24% and 66%, respectively.