UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 8-K

Current Report

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): August 3, 2011

Two Harbors Investment Corp.

(Exact name of registrant as specified in its charter)

Maryland	**001-34506**	**27-0312904**
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

601 Carlson Parkway, Suite 150
Minnetonka, MN 55305

(Address of principal executive offices)
(Zip Code)

Registrant's telephone number, including area code: **(612) 629-2500**

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02 Results of Operations and Financial Condition

On August 3, 2011, Two Harbors Investment Corp. (“Two Harbors”) issued a press release announcing its financial results for the fiscal quarter ended June 30, 2011. A copy of the press release and the 2011 Second Quarter Earnings Call Presentation are attached hereto as Exhibits 99.1 and 99.2, respectively, and are incorporated herein by reference.

The information in this Current Report, including Exhibits 99.1 and 99.2 attached hereto, is furnished pursuant to Item 2.02 of Form 8-K and shall not be deemed to be “filed” for any other purpose, including for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that Section. The information in Item 2.02 of this Current Report, including Exhibits 99.1 and 99.2, shall not be deemed incorporated by reference into any filing of the registrant under the Securities Act of 1933 or the Exchange Act, whether made before or after the date hereof, regardless of any general incorporation language in such filings (unless the registrant specifically states that the information or exhibit in this particular Current Report is incorporated by reference).

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

Exhibit No.	Description
99.1	Press Release, dated August 3, 2011, issued by Two Harbors Investment Corp. announcing Second Quarter 2011 results.
99.2	2011 Second Quarter Earnings Call Presentation

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

TWO HARBORS INVESTMENT CORP.

By: /s/ TIMOTHY W. O'BRIEN
Timothy O'Brien
Secretary and General Counsel

Date: August 3, 2011

Two Harbors Investment Corp.
Reports Second Quarter 2011 Financial Results

NEW YORK, August 3, 2011 - Two Harbors Investment Corp. (NYSE: TWO; NYSE Amex: TWO.WS), a real estate investment trust that invests in residential mortgage-backed securities, residential mortgage loans and other financial assets, today announced its financial results for the quarter ended June 30, 2011.

Second Quarter 2011 Highlights:

- Reported Adjusted GAAP Earnings of $0.47 per diluted weighted share, representing an 18.7% return on average equity on an annualized basis.
- Increased Core Earnings 28.1% on a sequential quarter basis to $0.41 per diluted weighted share.
- Declared a dividend of $0.40 per common share, or 14.9% dividend yield, based upon June 30, 2011 closing price of $10.75.
- Completed an accretive secondary stock offering of 23.0 million shares for net proceeds of approximately $235.2 million in May 2011. Subsequently completed an additional accretive secondary stock offering of 48.3 million shares for net proceeds of approximately $483.6 million in July 2011.
- Announced intention to begin a securitization program in partnership with Barclays.

"The strength in Core Earnings reflects favorable financing spreads in the Agency sector and attractive loss-adjusted yields in the non-Agency market," said Thomas Siering, Two Harbors' President and Chief Executive Officer.

"The non-Agency environment was challenging in June," continued Siering. "The investment team continues to do a terrific job maneuvering between the two spaces dependent upon the opportunity set. Their focus remains on security selection, thoughtful allocation of capital and sophisticated hedging strategies to drive earnings and preserve book value."

Operating Performance

The following table summarizes the company's GAAP and non-GAAP earnings measurements and key metrics for the second quarter of 2011:

Two Harbors Operating Performance									
(dollars in thousands, except per share data)	Q2-2011					Q2 YTD 2011			
Earnings		Earnings		Per diluted weighted share	Return on average equity		Earnings		Per diluted weighted share	Return on average equity
Core Earnings[1]	$	31,411	$	0.41	16.3 %	$	46,178	$	0.75	15.1%
GAAP Net (Loss) Income	$	(984)	$	(0.01)	(0.5)%	$	21,393	$	0.35	7.0%
Adjusted GAAP Earnings[2]	$	36,055	$	0.47	18.7 %	$	53,930	$	0.88	17.7%
Comprehensive Income	$	13,530	$	0.18	7.0 %	$	45,022	$	0.73	14.7%

Operating Metrics		Q2-2011
Dividend per common share	$	0.40
Book value per diluted share at period end	$	9.73
Operating expenses as a percentage of average equity		1.1%

(1) Core Earnings is a non-GAAP measure that the company defines as GAAP net income, excluding impairment losses, gains or losses on sales of securities and termination of interest rate swaps, unrealized gains or losses on trading securities, interest rate swaps and swaptions, certain gains or losses on derivative instruments and non-recurring business combination expenses. As defined, Core Earnings includes interest income associated with the company's inverse interest-only securities ("Agency derivatives") and premium income on credit default swaps.

(2) Adjusted GAAP Earnings is a non-GAAP measure that the company defines as GAAP net income, excluding the unrealized fair value gains and losses associated with the company's interest rate swaps and swaptions utilized to economically hedge interest rate risk associated with the company's short-term LIBOR-based repurchase agreements and available-for-sale securities.

Earnings Summary

Two Harbors reported Core Earnings for the quarter ended June 30, 2011 of $31.4 million, or $0.41 per diluted weighted average common share outstanding, as compared to Core Earnings for the quarter ended March 31, 2011 of $14.8 million, or $0.32 per diluted weighted average common share outstanding.

During the quarter, the company sold residential mortgage-backed securities (RMBS) and U.S. Treasuries for $325.0 million with an amortized cost of $323.7 million for a net realized gain of $0.9 million, net of tax, recognized other-than-temporary impairment losses on our RMBS securities of $0.3 million, net of tax, and recognized unrealized gains on our U.S. Treasury trading securities of $1.3 million, net of tax. During the quarter, the company terminated one interest rate swap position and realized a loss of $1.0 million, net of tax. In addition, the company recognized in earnings an unrealized loss, net of tax, of $37.0 million associated with its interest rate swaps and swaptions economically hedging its repurchase agreements and an unrealized loss, net of tax, of $0.8 million associated with its interest rate swaps economically hedging its trading securities as well as net gains on other derivative instruments of approximately $4.6 million, net of tax.

The company reported GAAP Net Loss of $1.0 million, or negative $0.01 per diluted weighted average share outstanding, for the quarter ended June 30, 2011, as compared to net gains of $22.4 million, or $0.49 per diluted weighted average share outstanding, for the quarter ended March 31, 2011. On a GAAP basis, the company provided an annualized return on average equity of negative 0.5% for the quarter ended June 30, 2011 and 19.9% for the quarter ended March 31, 2011.

“GAAP Net Income was significantly impacted by unrealized losses on our swaps and swaptions due to the decline in the swap curve. Given these derivative instruments are utilized to hedge interest rate risk, their losses are generally offset by unrealized gains in our RMBS portfolio, which are recognized directly through equity rather than net income," said Jeff Stolt, Two Harbors' Chief Financial Officer. "We encourage investors to view this as an accounting mismatch and not an economic reflection of the Agency portfolio, net of hedges."

"Adjusted GAAP Earnings is a non-GAAP metric that attempts to reconcile this accounting disparity," continued Stolt.

Two Harbors reported Adjusted GAAP Earnings for the quarter ended June 30, 2011 of $36.1 million, or $0.47 per diluted weighted average common share outstanding, as compared to Adjusted GAAP Earnings for the quarter ended March 31, 2011 of $17.9 million, or $0.39 per diluted weighted average common share outstanding. On an Adjusted GAAP Earnings basis, the company recognized an annualized return on average equity of 18.7% and 15.9% for the comparative periods.

The company reported Comprehensive Income of $13.5 million, or $0.18 per diluted weighted average share outstanding, for the quarter ended June 30, 2011, as compared to Comprehensive Income of $31.5 million, or $0.69 per diluted weighted average share outstanding, for the quarter ended March 31, 2011. On a Comprehensive Income basis, the company recognized an annualized return on average equity of 7.0% and 27.9% for the quarters ended June 30, 2011 and March 31, 2011, respectively.

Other Key Operating Metrics
Two Harbors declared a quarterly dividend of $0.40 per common share for the quarter ended June 30, 2011. The annualized dividend yield on the company's common stock for the quarter ended June 30, 2011, based on the June 30, 2011 closing price of $10.75, was 14.9%.

The company's book value per diluted share, after giving effect to the second quarter 2011 dividend of $0.40, was $9.73 as of June 30, 2011, compared to $9.90 as of March 31, 2011.

Other operating expenses for the second quarter of 2011 were approximately $2.2 million, or 1.1% of average equity, compared to approximately $1.5 million, or 1.3%, for the first quarter of 2011.

Portfolio Summary

For the quarter ended June 30, 2011, the annualized yield on average RMBS and Agency derivatives was 5.4% and the annualized cost of funds on the average borrowings, which includes net interest rate spread expense on interest rate swaps, was 1.3%. This resulted in a net interest rate spread of 4.1%. The company reported debt-to-equity, defined as total borrowings to fund RMBS and Agency derivatives divided by total equity, of 4.2:1.0 and 3.4:1.0 at June 30, 2011 and March 31, 2011, respectively. In both periods, debt-to-equity ratios were lower than targeted ratios owing to unsettled trade positions, included in the financial statement line item due to counterparties on the condensed consolidated balance sheets, as capital continued to be deployed from the March and May 2011 offerings. If the open trade positions had settled as of June 30, 2011, the debt-to-equity ratio, as defined, would have increased from 4.2:1.0 to approximately 4.5:1.0.

The company's portfolio is principally composed of RMBS available-for-sale securities and Agency derivatives. As of June 30, 2011, the total value of the portfolio was $4.6 billion, of which $3.7 billion was Agency RMBS, $0.1 billion was Agency derivatives, and $0.8 billion was non-Agency RMBS. As of June 30, 2011, fixed-rate securities composed 77.9% of the company's portfolio and adjustable-rate securities composed 22.1% of the company's portfolio. In addition, the company held $1.0 billion of U.S. Treasuries classified on our balance sheet as trading securities.

Two Harbors was a party to interest rate swaps and swaptions as of June 30, 2011 with an aggregate notional amount of $5.2 billion, of which $4.2 billion was utilized to economically hedge interest rate risk associated with the company's short-term LIBOR-based repurchase agreements.

The following table summarizes the company's portfolio:

Two Harbors Portfolio			
(dollars in thousands, except per share data)			
RMBS and Agency Derivatives Portfolio Composition	As of June 30, 2011		
Agency Bonds			
Fixed Rate Bonds	$	3,494,836	75.3%
Hybrid ARMs		249,713	5.4%
Total Agency		3,744,549	80.7%
Agency Derivatives		138,470	3.0%
Non-Agency Bonds			
Senior Bonds		608,835	13.1%
Mezzanine Bonds		147,441	3.2%
Total Non-Agency		756,276	16.3%
Aggregate Portfolio	$	4,639,295	
Fixed-rate investment securities as a percentage of aggregate portfolio		77.9%	
Adjustable-rate investment securities as a percentage of aggregate portfolio		22.1%	
Portfolio Metrics	For the Quarter Ended June 30, 2011		
Annualized yield on average RMBS and Agency derivatives during the quarter			
Agency		4.7%	
Non-Agency		8.8%	
Aggregate Portfolio		5.4%	
Annualized cost of funds on average repurchase balance during the quarter[1]		1.3%	
Annualized interest rate spread for aggregate portfolio during the quarter		4.1%	
Weighted average cost basis of principal and interest securities			
Agency	$	105.12	
Non-Agency	$	59.25	
Weighted average three month CPR for our RMBS portfolio			
Agency		5.0%	
Non-Agency		3.0%	
Debt-to-equity ratio at period-end[2]		4.2	

(1) Cost of funds includes interest spread expense associated with the portfolio's interest rate swaps.

(2) Defined as total borrowings to fund RMBS and Agency derivatives divided by total equity.

RMBS Agency securities owned by the company at June 30, 2011 experienced a three-month average Constant Prepayment Rate (CPR) of 5.0% during the second quarter of 2011, as compared to 6.3% during the first quarter of 2011. Including our Agency inverse interest-only derivatives, the company experienced a three-month average CPR of 5.3% during the second quarter of 2011, as compared to 6.6% during the first quarter of 2011. The weighted average cost basis of the Agency portfolio was 105.1% of par as of June 30, 2011 and 102.9% of par as of March 31, 2011. The net premium amortization was $9.3 million and $7.8 million for the quarters ended June 30, 2011 and March 31, 2011, respectively.

Non-Agency securities owned by the company at June 30, 2011 experienced a three-month average CPR of 3.0% during the second quarter of 2011 as compared to 3.4% during the first quarter of 2011. The weighted average cost basis of the non-Agency portfolio was 59.3% of par as of June 30, 2011 and 61.9% of par as of March 31, 2011. The discount accretion was $7.0 million and $5.4 million for the quarters ended June 30, 2011 and March 31, 2011, respectively. The total net discount remaining was $666.5 million and $391.6 million as of June 30, 2011 and March 31, 2011, respectively.

"We are very pleased with our allocation to and the performance of our Agency portfolio during the quarter," said Bill Roth, Two Harbors' Co-Chief Investment Officer. "We realized strong yields and enjoyed once again a pattern of slow and consistent prepayment speeds."

"Looking beyond the second quarter, we are impressed with the investment opportunities that exist in the non-Agency sector," continued Roth. "This ability to opportunistically rebalance our portfolio demonstrates the benefits of the hybrid model."

Conference Call

Two Harbors Investment Corp. will host a conference call on August 4, 2011 at 9:00 a.m. EDT to discuss second quarter 2011 financial results and related information. To participate in the teleconference, please call toll-free 877-868-1835 (or 914-495-8581 for international callers) approximately 10 minutes prior to the above start time. You may also listen to the teleconference live via the Internet on the company's website at www.twoharborsinvestment.com in the Investor Relations section under the Events and Presentations link. For those unable to attend, a telephone playback will be available beginning at 12 p.m. EDT on August 4, 2011 through 9 p.m. EDT on August 11, 2011. The playback can be accessed by calling 855-859-2056 (or 404-537-3406 for international callers) and providing Confirmation Code 85991610. The call will also be archived on the company's website in the Investor Relations section under the Events and Presentations link.

About Two Harbors Investment Corp.

Two Harbors Investment Corp., a Maryland corporation, is a real estate investment trust that invests in residential mortgage-backed securities, residential mortgage loans and other financial assets. Two Harbors is headquartered in Minnetonka, Minnesota, and is externally managed and advised by PRCM Advisers, LLC, a wholly-owned subsidiary of Pine River Capital Management L.P. Additional information is available at www.twoharborsinvestment.com.

Forward-Looking Statements

This press release includes "forward-looking statements" within the meaning of the safe harbor provisions of the United States Private Securities Litigation Reform Act of 1995. Actual results may differ from expectations, estimates and projections and, consequently, readers should not rely on these forward-looking statements as predictions of future events. Words such as "expect," "target," "assume," "estimate," "project," "budget," "forecast," "anticipate," "intend," "plan," "may," "will," "could," "should," "believe," "predicts," "potential," "continue," and similar expressions are intended to identify such forward-looking statements. These forward-looking statements involve significant risks and uncertainties that could cause actual results to differ materially from expected results. Factors that could cause actual results to differ include, but are not limited to, higher than expected operating costs, changes in prepayment speeds of mortgages underlying our RMBS, the rates of default or decreased recovery on the mortgages underlying our non-Agency securities, failure to recover certain losses that are expected to be temporary, changes in interest rates or the availability of financing, the impact of new legislation or regulatory changes on our operations, and unanticipated changes in overall market and economic conditions.

Readers are cautioned not to place undue reliance upon any forward-looking statements, which speak only as of the date made. Two Harbors does not undertake or accept any obligation to release publicly any updates or revisions to any forward-looking statement to reflect any change in its expectations or any change in events, conditions or circumstances on which any such statement is based. Additional information concerning these and other risk factors is contained in Two Harbors' most recent filings with the Securities and Exchange Commission ("SEC"). All subsequent written and oral forward looking statements concerning Two Harbors or matters attributable to Two Harbors or any person acting on its behalf are expressly qualified in their entirety by the cautionary statements above.

Non-GAAP Financial Measures

In addition to disclosing financial results calculated in accordance with United States generally accepted accounting principles (GAAP), this press release and the accompanying investor presentation present non-GAAP financial measures that exclude certain items. Two Harbors' management believes that these non-GAAP measures enable it to perform meaningful comparisons of past, present and future results of the company's core business operations, and uses these measures to gain a comparative understanding of the company's operating performance and business trends. The non-GAAP financial measures presented by the company represent supplemental information to assist investors in analyzing the results of Two Harbors' operations; however, as these measures are not in accordance with GAAP, they should not be considered a substitute for, or superior to, the financial measures calculated in accordance with GAAP. Our GAAP financial results and the reconciliations from these results should be carefully evaluated. See the GAAP to Non-GAAP reconciliation table on page 9 of this release.

Additional Information

Stockholders and warrant holders of Two Harbors, and other interested persons, may find additional information regarding the company at the SEC's Internet site at www.sec.gov or by directing requests to: Two Harbors Investment Corp., 601 Carlson Parkway, Suite 150, Minnetonka, MN 55305, telephone 612-629-2500.

Contact

Anh Huynh, Investor Relations, Two Harbors Investment Corp., 212-364-3221.

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TWO HARBORS INVESTMENT CORP.

CONDENSED CONSOLIDATED BALANCE SHEETS

(dollars in thousands, except per share data)

	June 30, 2011	December 31, 2010
	(unaudited)	
ASSETS		
Available-for-sale securities, at fair value	$ 4,500,825	$ 1,354,405
Trading securities, at fair value	1,022,394	199,523
Cash and cash equivalents	181,909	163,900
Total earning assets	5,705,128	1,717,828
Restricted cash	89,243	22,548
Accrued interest receivable	17,717	5,383
Due from counterparties	—	12,304
Derivative assets, at fair value	190,416	38,109
Other assets	5,433	1,260
Total Assets	$ 6,007,937	$ 1,797,432
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Repurchase agreements	$ 4,827,202	$ 1,169,803
Derivative liabilities, at fair value	38,892	158
Accrued interest payable	2,870	785
Due to counterparties	199,554	231,724
Accrued expenses and other liabilities	4,921	2,063
Dividends payable	36,911	10,450
Income taxes payable	6	1
Total Liabilities	5,110,356	1,414,984
Stockholders' Equity		
Preferred stock, par value $0.01 per share; 50,000,000 shares authorized; no shares issued and outstanding	—	—
Common stock, par value $0.01 per share; 450,000,000 shares authorized and 92,277,991 and 40,501,212 shares issued and outstanding, respectively	923	405
Additional paid-in capital	889,679	366,974
Accumulated other comprehensive income	46,248	22,619
Cumulative earnings	51,413	30,020
Cumulative distributions to stockholders	(90,682)	(37,570)
Total stockholders' equity	897,581	382,448
Total Liabilities and Stockholders' Equity	$ 6,007,937	$ 1,797,432

TWO HARBORS INVESTMENT CORP.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)
(dollars in thousands, except per share data)

	Three Months Ended June 30, 2011	Three Months Ended June 30, 2010	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
Interest income:				
Available-for-sale securities	$ 39,959	$ 9,088	$ 59,494	$ 15,241
Trading securities	805	—	1,077	—
Cash and cash equivalents	64	37	127	43
Total interest income	40,828	9,125	60,698	15,284
Interest expense	3,863	863	6,362	1,381
Net interest income	36,965	8,262	54,336	13,903
Other-than-temporary impairments:				
Total other-than-temporary impairments losses	(294)	—	(294)	—
Non-credit portion of loss recognized in other comprehensive income (loss)	—	—	—	—
Net other-than-temporary credit impairment losses	(294)	—	(294)	—
Other income:				
Gain on investment securities, net	3,189	834	4,728	2,031
Loss on interest rate swap and swaption agreements	(50,808)	(4,054)	(48,869)	(5,601)
Gain on other derivative instruments	9,766	152	15,113	1,098
Total other income	(37,853)	(3,068)	(29,028)	(2,472)
Expenses:				
Management fees	2,728	748	4,278	1,205
Other operating expenses	2,155	1,132	3,667	2,119
Total expenses	4,883	1,880	7,945	3,324
Net (loss) income before income taxes	(6,065)	3,314	17,069	8,107
Benefit from income taxes	5,081	774	4,324	1,308
Net (loss) income attributable to common stockholders	$ (984)	$ 4,088	$ 21,393	$ 9,415
Net (loss) income available per share to common stockholders:				
Basic and Diluted	$ (0.01)	$ 0.18	$ 0.35	$ 0.52
Weighted average shares outstanding:				
Basic and Diluted	77,101,606	22,466,691	61,443,978	17,959,072
Comprehensive income:				
Net (loss) income	$ (984)	$ 4,088	$ 21,393	$ 9,415
Other comprehensive income (loss)				
Net unrealized gain (loss) on available-for-sale securities	14,514	(728)	23,629	2,772
Other comprehensive income (loss)	14,514	(728)	23,629	2,772
Comprehensive income	$ 13,530	$ 3,360	$ 45,022	$ 12,187

TWO HARBORS INVESTMENT CORP.

RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL INFORMATION

(UNAUDITED)

(dollars in thousands, except per share data)

	Three Months Ended June 30, 2011	Three Months Ended June 30, 2010	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
Reconciliation of net (loss) income attributable to common stockholders to Core Earnings:				
Net (loss) income attributable to common stockholders	(984)	4,088	21,393	9,415
Adjustments for non-core earnings:				
Gain on sale of securities, net of tax	(854)	(834)	(2,162)	(2,031)
Other-than-temporary impairment loss	294	—	294	—
Unrealized gain on trading securities, net of tax	(1,266)	—	(1,531)	—
Unrealized loss, net of tax, on interest rate swap and swaptions economically hedging repurchase agreements and available-for-sale securities	37,039	2,689	32,537	3,433
Unrealized loss, net of tax, on interest rate swaps economically hedging trading securities	796	—	1,256	—
Realized loss on termination of swaps, net of tax	976	—	149	—
Gain on other derivative instruments, net of tax	(4,590)	(179)	(5,758)	(1,124)
Core Earnings	31,411	5,764	46,178	9,693
Weighted average shares outstanding - basic and diluted	77,101,606	22,466,691	61,443,978	17,959,072
Core Earnings per weighted average share outstanding - basic and diluted	$ 0.41	$ 0.26	$ 0.75	$ 0.54

	Three Months Ended June 30, 2011	Three Months Ended June 30, 2010	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
Reconciliation of net income attributable to common stockholders to Adjusted GAAP Earnings:				
Net (loss) income attributable to common stockholders	$ (984)	$ 4,088	$ 21,393	$ 9,415
Adjustments to GAAP Net Income:				
Unrealized loss, net of tax, on interest rate swap and swaptions economically hedging repurchase agreements and available-for-sale securities	37,039	2,689	32,537	3,433
Adjusted GAAP Earnings	$ 36,055	$ 6,777	$ 53,930	$ 12,848
Weighted average shares outstanding - basic and diluted	77,101,606	22,466,691	61,443,978	17,959,072
Adjusted GAAP Earnings per weighted avg. share outstanding - basic and diluted	$ 0.47	$ 0.30	$ 0.88	$ 0.72


Two Harbors
Investment Corp.
August 4, 2011
2011 Second Quarter
Earnings Call

Safe Harbor Statement

Forward-Looking Statements

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Readers are cautioned not to place undue reliance upon any forward-looking statements, which speak only as of the date made. Two Harbors does not undertake or accept any obligation to release publicly any updates or revisions to any forward-looking statement to reflect any change in its expectations or any change in events, conditions or circumstances on which any such statement is based. Additional information concerning these and other risk factors is contained in Two Harbors' most recent filings with the Securities and Exchange Commission. All subsequent written and oral forward looking statements concerning Two Harbors or matters attributable to Two Harbors or any person acting on its behalf are expressly qualified in their entirety by the cautionary statements above.

Second Quarter 2011 Highlights

- Reported Adjusted GAAP Earnings[1] of $0.47 per diluted weighted share, representing an 18.7% return on average equity on an annualized basis.
- Increased Core Earnings 28.1% on a sequential quarter basis to $0.41 per diluted weighted share.
- Declared a dividend of $0.40 per share for the second quarter of 2011, representing a 14.9% yield on an annualized basis[2].
- Completed an accretive secondary stock offering of 23.0 million shares for net proceeds of approximately $235.2 million in May 2011. Subsequently completed an additional accretive secondary stock offering of 48.3 million shares for net proceeds of approximately $483.6 million in July 2011.
- Announced intention to begin a securitization program in partnership with Barclays.

(1) Adjusted GAAP Earnings is a non-GAAP measure that the company defines as GAAP net income, excluding the unrealized fair value gains and losses associated with the company's interest rate swaps and swaptions utilized to economically hedge interest rate risk associated with the company's short-term LIBOR-based repurchase agreements and available-for-sale securities.

(2) Second quarter 2011 dividend may not be indicative of future dividend distributions. The company ultimately distributes dividends based on its taxable income per common share, not GAAP earnings. The annualized dividend yield on the company's common stock is calculated based on the June 30, 2011 closing price of $10.75.

Financial Summary

Financial Highlights

- Core Earnings[1] increased by $16.6 million on a sequential basis to $31.4 million, or $0.41 per weighted average share. Increase is primarily attributed to strong Agency net spreads, inclusive of IIOs, in addition to higher average investment base.
- Achieved Adjusted GAAP Earnings[2] of $36.1 million, or $0.47 per diluted weighted share, reflecting Core Earnings performance and gains on securities and other derivative instruments.
- Book Value decreased 1.7% on weaker non-Agency performance. Agency portfolio remained relatively unchanged, net of hedges.

Core Earnings[1]

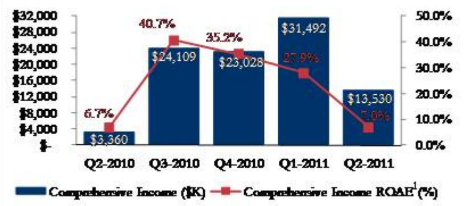
Adjusted GAAP Earnings[2]

(1) Core Earnings is a non-GAAP measure that the company defines as GAAP net income, excluding impairment losses, gains or losses on sales of securities and termination of interest rate swaps, unrealized gains or losses on trading securities, interest rate swaps and swaptions, certain gains or losses on derivative instruments and non-recurring business combination expenses. As defined, Core Earnings includes interest income associated with the company's inverse interest-only securities ("IIOs" or "Agency derivatives") and premium income on credit default swaps.

(2) Adjusted GAAP Earnings is a non-GAAP measure that the company defines as GAAP net income, excluding the unrealized fair value gains and losses associated with the company's interest rate swaps and swaptions utilized to economically hedge interest rate risk associated with the company's short-term LIBOR-based repurchase agreements and available-for-sale securities.

Operating Performance

Comprehensive Income



Book Value

Dividends[2]

Expense Ratio

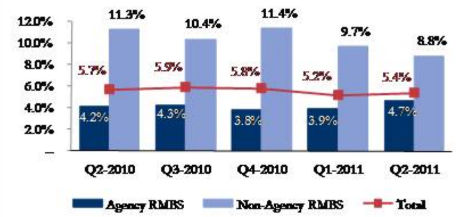
(1) "ROAE" means return on average equity.
(2) 2011 dividends may not be indicative of future dividend distributions. The company ultimately distributes dividends based on its taxable income per common share, not GAAP earnings. The annualized dividend yield on the company's common stock is calculated based on the closing price of the last trading day of the quarter.

Market and Portfolio Summary

Market Highlights

- Rates declined on slower economy
- European/Greece situation added to market unease
- Non-Agency sector cheapened as Maiden Lane II created uncertainty
- Bank of America/Countrywide settlement proposal boosted bonds at quarter end
- Maiden Lane II sales halted as of June 30th

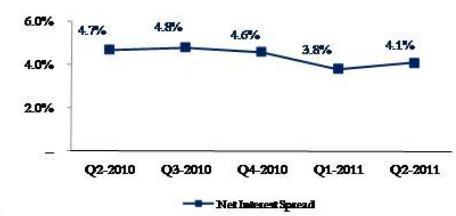
Annualized Yields by Portfolio[1]



Portfolio Highlights

- Focused on Agency sector early in Q2-2011
- Shifted focus to non-Agencies after Maiden Lane II caused price declines
- May deployment: New capital allocation favored non-Agencies; Overall capital allocation of 60%/40% favoring Agencies.
- New allocation to GNMA HECM pools[2]; increased allocation to Sub-Prime

Net Interest Spread[3]

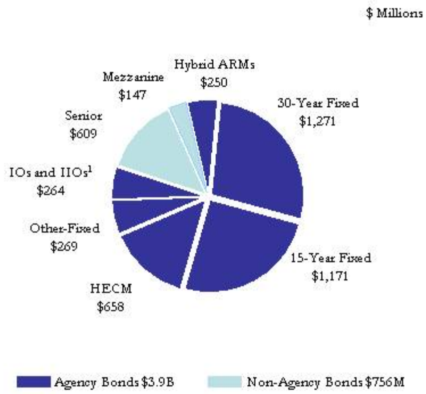


(1) Respective yields include IIOs accounted for as derivatives.
(2) Home Equity Conversion Mortgage (or "HECM") are loans that allow the home owner to convert home equity into cash collateralized by the value of their home.
(3) Net interest spread includes IIOs accounted for as derivatives, cost of financing RMBS and swap interest rate spread

RMBS Portfolio Composition

Portfolio Composition

As of June 30, 2011
$4.6B RMBS Portfolio



Agency: Vintage & Prepayment Protection	Q1-2011	Q2-2011
Lower loan balances[2]	32%	26%
GNMA HECM pools	-%	18%
2006 & subsequent vintages – Discount	26%	16%
Seasoned (2005 and prior vintages)	14%	14%
High LTV[3]	9%	14%
Prepayment protected	11%	6%
2006 & subsequent vintages – Premium and IOs	8%	6%

Non-Agency: Loan Type	Q1-2011	Q2-2011
Sub-Prime	48%	55%
Option-ARM	33%	32%
Alt-A	16%	11%
Prime	3%	2%

(1) Interest-only securities ("IOs") and IIOs accounted for as derivatives of $83 million as of March 31, 2010 and $138 million as of June 30, 2011.
(2) Securities collateralized by loans of less than or equal to $175K.
(3) Securities collateralized by loans with greater than or equal to 80% loan-to-value.

Key Portfolio Metrics

Portfolio Metrics

- Continue to realize low and stable CPRs
- Debt-to-equity is moderate; slightly higher quarter-over-quarter due to higher allocation to Agencies
- Targeted debt-to-equity ratios:
  - Agency: 6-7x
  - Non-Agency: 1.0-1.5x

Portfolio Metrics		Q1-2011	Q2-2011
Agency	Weighted average 3-month CPR	6.3%	5.0%
	Weighted average cost basis	$102.9	$105.1
Non-Agency	Weighted average 3-month CPR	3.4%	3.0%
	Weighted average cost basis	$61.9	$59.3
Change in equity value for +/-100bps change in interest rates[1]		2.1%	6.7%
Debt-to-Equity[2]		3.4x	4.2x

Hedging

- Maintained low interest rate exposure
- 40% of notional in interest rate swaptions provide optional protection
- Average pay rate on swaps is only 1.432%

Financing

- Maturities over 90 days represented 43% of total RMBS borrowings
- Diversified counterparty relationships totaling 19
- Increased interest rate swap – U.S. Treasuries position to $1 billion to hedge funding costs

(1) Represents range of the percentage change in equity value for +/-100bps change in interest rates. Change in equity value is portfolio value change adjusted for leverage.
(2) Debt-to-equity is defined as total borrowings to fund RMBS securities and Agency derivatives divided by total equity. If the open trade positions had settled as of June 30, 2011, the debt-to-equity ratio, as defined, would have increased from 4.2:1.0 to approximately 4.5:1.0.

Market & Portfolio Update

- Economic and RMBS Market Update
  - Slower U.S. economic growth and European banking system issues continue to create uncertainty
  - Long rates roughly 50 basis points lower since second quarter-end
  - RMBS market stable; Sub-Prime market offering attractive yielding assets
- July Deployment Update
  - Strong focus on non-Agency market
  - Roughly 50% deployed

Appendix

Operating Performance

Operating Performance (In millions, except for per share amounts)	**Core Earnings**	**Realized Gains**	**Unrealized MTM**	**Q1-2011 Financials**	**Core Earnings**	**Realized Gains**	**Unrealized MTM**	**Q2-2011 Financials**
Interest income	$ 19.9	$ -	$ -	$ 19.9	$ 40.8	$ -	$ -	$ 40.8
Interest expense	2.5	-	-	2.5	3.9	-	-	3.9
Net interest income	17.4	-	-	17.4	36.9	-	-	36.9
Net other-than-temporary impairment losses	-	-	-	-	-	-	(0.3)	(0.3)
Gain on sale of investment securities, net	-	1.1	0.4	1.5	-	1.3	1.9	3.2
Gain (loss) on interest rate swap and swaptions[1]	(3.2)	1.3	3.8	1.9	(7.1)	(1.5)	(42.2)	(50.8)
Gain on other derivative instruments	3.8	(0.4)	2.0	5.4	6.5	(0.6)	3.9	9.8
Total other income	0.6	2.0	6.2	8.8	(0.6)	(0.8)	(36.4)	(37.8)
Management fees & Other operating expenses	3.1	-	-	3.1	4.9	-	-	4.9
Net income (loss) before income taxes	14.9	2.0	6.2	23.1	31.4	(0.8)	(36.7)	(6.1)
Benefit from income taxes	(0.1)	(0.1)	(0.5)	(0.7)	-	0.3	4.8	5.1
Net income (loss)	**$ 14.8**	**$ 1.9**	**$ 5.7**	**$ 22.4**	**$ 31.4**	**$ (0.5)**	**$ (31.9)**	**$ (1.0)**
Basic and diluted weighted average EPS	$ 0.32	$ 0.04	$ 0.13	$ 0.49	$ 0.41	$ (0.01)	$ (0.41)	$ (0.01)
Supplemental data:								
Unrealized gains / (losses) on interest rate swaps and swaptions				$ 4.5				$ (41.0)
Deferred tax benefit				-				3.9
Total				**$ 4.5**				**$ (37.1)**

(1) Second Quarter 2011 loss on interest rate swap agreements of $7.1 million includes $0.7 million in interest costs for swaps associated with U.S. Treasuries.

TWO HARBORS

Change in Stockholders' Equity

Change in Stockholders' Equity (In millions, except for per share amounts)		**Q1-2011 Book Value**		**Q1-2011 Book Value per Share (diluted basis)[1]**		**Q2-2011 Book Value**		**Q2-2011 Book Value per Share (diluted basis)[1]**
Beginning stockholders' equity	$	382.4	$	9.44	$	685.6	$	9.90
Net proceeds from common stock issuance		287.8		0.24		235.3		0.08
GAAP Net Income:								
Core Earnings, net of tax		14.8		0.21		31.4		0.34
Realized gains and losses, net of tax		1.9		0.03		(0.5)		(0.01)
Unrealized mark-to-market gains and losses, net of tax		5.7		0.08		(31.9)		(0.34)
Other Comprehensive Income, net of tax		9.1		0.13		14.5		0.16
Dividend declaration		(16.2)		(0.23)		(36.9)		(0.40)
Other		0.1		-		0.1		-
Ending stockholders' equity	**$**	**685.6**	**$**	**9.90**	**$**	**897.6**	**$**	**9.73**

(1) Diluted shares outstanding at end of period are used as the denominator for the change in book value per share calculation

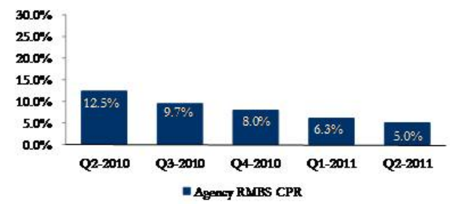
Portfolio Metrics

Portfolio Yields and Metrics

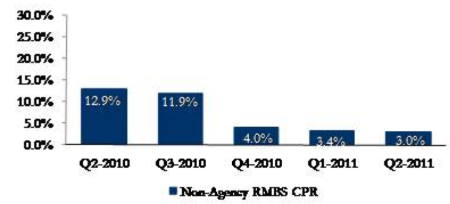
Portfolio Yield	Realized Q1-2011	At Mar. 31, 2011	Realized Q2-2011	At Jun. 30, 2011
Annualized yield[1]	5.2%	5.2%	5.4%	4.8%
Agency	3.9%	-	4.7%	-
Non-Agency	9.7%	-	8.8%	-
Cost of financing[2]	1.4%	1.4%	1.3%	1.3%
Net interest spread	3.8%	3.8%	4.1%	3.5%

Portfolio Metrics		Q1-2011	Q2-2011
Agency	Weighted average 3-month CPR	6.3%	5.0%
	Weighted average cost basis	$102.9	$105.1
Non-Agency	Weighted average 3-month CPR	3.4%	3.0%
	Weighted average cost basis	$61.9	$59.3
Change in equity value for +/- 100bps change in interest rates[3]		2.1%	6.7%
Debt-to-Equity[4]		3.4x	4.2x

Agency RMBS CPR



Non-Agency RMBS CPR



(1) Annualized yield includes impact of IIOs accounted for as derivatives. Interest income on IIOs was $2.9 million and $6.2 million for the first and second quarter of 2011, contributing an additional 0.5% and 0.6% in interest yield, respectively.
(2) Cost of financing RMBS includes interest spread expense associated with the portfolio's interest rate swaps of $2.9 million and $6.4 million for the first and second quarters of 2011, respectively. Interest spread expense increased cost of financing RMBS by 0.8% for the first and second quarters of 2010.
(3) Represents range of the percentage change in equity value for +/- 100bps change in interest rates. Change in equity value is portfolio value change adjusted for leverage.
(4) Debt-to-equity is defined as total borrowings to fund RMBS securities and Agency derivatives divided by total equity. If the open trade positions had settled as of June 30, 2011, the debt-to-equity ratio, as defined, would have increased from 4.2:1.0 to approximately 4.5:1.0.

TWO HARBORS

Financing and Hedging Strategy

Interest Rate Swaps[1]

June 30, 2011

Swaps Maturities	Notional Amounts ($K)	Average Fixed Pay Rate	Average Receive Rate	Average Maturity (Years)
2012	25,000	0.868%	0.307%	1.48
2013	825,000	0.994%	0.296%	1.78
2014	925,000	1.411%	0.283%	2.90
2015	545,000	1.890%	0.292%	3.92
2016	190,000	2.193%	0.285%	4.77
Total	2,510,000	1.432%	0.290%	2.88

Interest Rate Swaptions

June 30, 2011

Swaption	Cost ($K)	Notional Amount ($K)	Average Fixed Pay Rate	Average Receive Rate	Average Term (Years)
Payer	$17,613	1,650,000	3.23%	3M Libor	3.79

Financing

Repurchase Agreements: RMBS and Agency Derivatives[2]	June 30, 2011 Amount ($M)	Percent (%)
Within 30 days	$1,223	32%
30 to 59 days	326	8%
60 to 89 days	604	16%
90 to 119 days	718	19%
Over 120 days	937	25%
Total	**$3,808**	

(1) Notional amounts do not include $1 billion of notional interest rate swap economically hedging our trading securities.
(2) Does not include repurchase agreements collateralized by U.S. Treasuries of $1.0 billion as of June 30, 2011.