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): May 2, 2012 (May 2, 2012)

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 May 2, 2012, Two Harbors Investment Corp. issued a press release announcing its financial results for the fiscal quarter ended March 31, 2012. A copy of the press release and the 2012 First 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 May 2, 2012, issued by Two Harbors Investment Corp. announcing First Quarter 2012 results.
99.2	2012 First 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: May 2, 2012

Two Harbors Investment Corp. Reports First Quarter 2012 Financial Results

Strong Underlying Performance Combined with Exceptional
Economic Return of $1.05 per Weighted Share

NEW YORK, May 2, 2012 - Two Harbors Investment Corp. (NYSE: TWO; NYSE Amex: TWO.WS), a real estate investment trust that invests in residential mortgage-backed securities (RMBS), residential mortgage loans, residential real properties and other financial assets, today announced its financial results for the quarter ended March 31, 2012.

Highlights

- The company reported Comprehensive Income of $195.7 million, or $1.05 per diluted weighted average common share.
- Book value increased to $9.67 per common share at March 31, 2012 compared to $9.03 per common share at December 31, 2011 due primarily to appreciation in the company's non-Agency holdings.
- The company reported Core Earnings of $63.7 million, or $0.34 per diluted weighted average common share. The company's two capital raises completed in the first quarter, as expected, had some impact on Core Earnings due to the timing of deployment of proceeds.
- The company's RMBS portfolio generated an aggregate yield of 4.9%, due to strong overall portfolio performance.
- The company's Agency RMBS portfolio maintained a low and stable three-month average Constant Prepayment Rate (CPR) of 5.2% during the first quarter.
- The company declared a dividend of $0.40 per common share, or 15.8% annualized dividend yield, based upon March 30, 2012 closing price of $10.14.
- The company raised net proceeds of $691.9 million through the issuance of 73.6 million shares of common stock during the first quarter in two discrete and accretive public offerings.

"We had truly exceptional performance in our portfolio this quarter delivering a record 11.5%[1] total return to stockholders while at the same time raising capital and advancing our strategic priorities," said Thomas Siering, Two Harbors' President and Chief Executive Officer. "Core Earnings during the period were muted by our capital raises and were consistent with our expectations as we set the quarterly dividend."

(1) The term "total return" means (i) the change in Two Harbors' book value per share at March 31, 2012 as compared to December 31, 2011, plus (ii) dividends declared by Two Harbors in the first quarter of 2012, divided by Two Harbors' book value per share at December 31, 2011.

Operating Performance

The following table summarizes the company's GAAP and non-GAAP earnings measurements and key metrics for the first quarter of 2012:

Two Harbors Operating Performance			
(dollars in thousands, except per share data)	Q1-2012		
Earnings	Earnings	Per diluted weighted share	Annualized return on average equity
Core Earnings[1]	$ 63,731	$ 0.34	14.5%
GAAP Net Income	$ 51,800	$ 0.28	11.8%
Comprehensive Income	$ 195,710	$ 1.05	44.5%
Operating Metrics	Q1-2012		
Dividend per common share	$ 0.40		
Book value per diluted share at period end	$ 9.67		
Operating expenses as a percentage of average equity	0.8%		

(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 and certain gains or losses on derivative instruments. As defined, Core Earnings includes interest income associated with the company's inverse interest-only securities ("Agency Derivatives") and premium income or loss on credit default swaps.

Earnings Summary

Two Harbors reported Core Earnings for the quarter ended March 31, 2012 of $63.7 million, or $0.34 per diluted weighted average common share outstanding, as compared to Core Earnings for the quarter ended December 31, 2011 of $55.6 million, or $0.40 per diluted weighted average common share outstanding.

During the quarter, the company sold residential mortgage-backed securities for $170.1 million with an amortized cost of $159.0 million for a net realized gain of $11.1 million, net of tax; recognized a change in unrealized fair value losses on U.S. Treasury trading securities of $0.8 million, net of tax; and recognized other-than-temporary credit impairment losses on its RMBS securities of $4.3 million, net of tax. During the quarter, the company had a net loss of $9.8 million, net of tax, related to swap terminations and swaption expirations. In addition, the company recognized in earnings an unrealized gain, net of tax, of $4.3 million associated with its interest rate swaps and swaptions economically hedging its repurchase agreements; an unrealized loss, net of tax, of $5.0 million associated with its interest rate swaps economically hedging its trading securities; and net losses on other derivative instruments of approximately $7.4 million, net of tax.

The company reported GAAP Net Income of $51.8 million, or $0.28 per diluted weighted average common share outstanding, for the quarter ended March 31, 2012, as compared to $51.4 million, or $0.37 per diluted weighted average common share outstanding, for the quarter ended December 31, 2011. On a GAAP basis, the company earned an annualized return on average equity of 11.8% and 16.1% for the quarters ended March 31, 2012 and December 31, 2011, respectively.

The company reported Comprehensive Income of $195.7 million, or $1.05 per diluted weighted average common share outstanding, for the quarter ended March 31, 2012, as compared to $19.0 million, or $0.14 per diluted weighted average common share outstanding, for the quarter ended December 31, 2011. The company records unrealized fair value gains and losses for RMBS, classified as available-for-sale, as Other Comprehensive Income in the Statement of Stockholders' Equity. The first quarter 2012 was positively impacted by an aggregate unrealized increase in fair value of $143.9 million on the company's portfolio, driven primarily by its non-Agency holdings.

Conversely, the fourth quarter of 2011 was negatively impacted by a net unrealized decline in fair value of $65.6 million on the company's non-Agency portfolio, partially offset by a net unrealized increase in fair value on its Agency portfolio. On a Comprehensive Income basis, the company recognized an annualized return on average equity of 44.5% and 6.0% for the quarters ended March 31, 2012 and December 31, 2011, respectively.

Other Key Metrics

Two Harbors declared a quarterly dividend of $0.40 per common share for the quarter ended March 31, 2012. The annualized dividend yield on the company's common stock for the first quarter, based on the March 30, 2012 closing price of $10.14, was 15.8%.

The company's book value per diluted share, after giving effect to the first quarter 2012 dividend of $0.40, was $9.67 as of March 31, 2012, compared to $9.03 as of December 31, 2011. The company's book value for the first quarter 2012 was favorably impacted by fair value gains on its RMBS portfolio along with strong portfolio performance.

Other operating expenses for the first quarter 2012 were approximately $3.6 million, or 0.8% of average equity, compared to approximately $3.2 million, or 1.0%, for the fourth quarter 2011.

Public Stock Offerings

The company raised net proceeds of $691.9 million through the issuance of 73.6 million shares of common stock during the first quarter of 2012 in two discrete and accretive public offerings. The company completed an accretive offering on January 17, 2012, issuing 39.1 million shares for net proceeds of approximately $354.5 million. In early February, as previously announced, the company had substantially deployed the capital from its January 2012 offering. The company completed a second accretive offering on February 24, 2012, issuing 34.5 million shares for net proceeds of approximately $337.4 million. As of late April 2012, the company fully deployed the capital from the February offering.

Portfolio Summary

"We had excellent portfolio performance this quarter and recently finished deploying the capital from our two 2012 stock offerings," stated Bill Roth, Two Harbors' Co-Chief Investment Officer. "Our focus remains on prepayment protected securities in our Agency book and sub-prime securities for our non-Agency portfolio. We continue to believe there is ample opportunity in the residential space to generate attractive returns for our stockholders over time."

For the quarter ended March 31, 2012, the annualized yield on average RMBS and Agency Derivatives was 4.9% and the annualized cost of funds on the average borrowings, which includes net interest rate spread expense on interest rate swaps, was 1.0%. This resulted in a net interest rate spread of 3.9%, which is a slight increase compared to 3.8% in the prior quarter. The company reported debt-to-equity, defined as total borrowings to fund RMBS, residential mortgage loans and Agency Derivatives divided by total equity, of 3.7:1.0 and 4.5:1.0 at March 31, 2012 and December 31, 2011, respectively. The sequential decline in this ratio was primarily a function of timing of the capital deployment in connection with the company's two 2012 common stock offerings. The company estimates its debt-to-equity ratio will be in the range of 4.0:1.0 to 4.5:1.0 post-deployment.

The company's portfolio is principally composed of RMBS available-for-sale securities and Agency Derivatives. As of March 31, 2012, the total value of the portfolio was $9.4 billion, of which approximately $7.5 billion was Agency RMBS and Agency Derivatives and $1.9 billion was non-Agency RMBS. As of March 31, 2012, fixed-rate securities composed 77.1% of the company's portfolio and adjustable-rate securities composed 22.9% of the company's portfolio, which are comparable percentages to the prior quarter. In addition, the company held $1.0 billion of U.S. Treasuries classified on its balance sheet as trading securities as of March 31, 2012, comparable to December 31, 2011.

Two Harbors was a party to interest rate swaps and swaptions as of March 31, 2012 with an aggregate notional amount of $11.3 billion, of which $10.3 billion was utilized to economically hedge interest rate risk associated with the company's short-term LIBOR-based repurchase agreements. During the first quarter, the company continued its interest rate hedging strategy and aligned its notional hedging positions with the capital deployed from its 2012 common stock offerings.

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 March 31, 2012		
Agency Bonds			
Fixed Rate Bonds	$	7,000,442	74.4%
Hybrid ARMs		227,164	2.4%
Total Agency		7,227,606	76.8%
Agency Derivatives		242,945	2.6%
Non-Agency Bonds			
Senior Bonds		1,563,689	16.6%
Mezzanine Bonds		376,050	4.0%
Non-Agency Other		4,166	—%
Total Non-Agency		1,943,905	20.6%
Aggregate Portfolio	$	9,414,456	
Fixed-rate investment securities as a percentage of aggregate portfolio		77.1%	
Adjustable-rate investment securities as a percentage of aggregate portfolio		22.9%	

Portfolio Metrics	For the Quarter Ended March 31, 2012	
Annualized yield on average RMBS and Agency Derivatives during the quarter		
Agency		3.5%
Non-Agency		9.7%
Aggregate Portfolio		4.9%
Annualized cost of funds on average repurchase balance during the quarter[1]		1.0%
Annualized interest rate spread for aggregate portfolio during the quarter		3.9%
Weighted average cost basis of principal and interest securities		
Agency	$	107.51
Non-Agency	$	51.94
Weighted average three month CPR for its RMBS portfolio		
Agency		5.2%
Non-Agency		1.9%
Debt-to-equity ratio at period-end[2]		3.7 to 1.0
(1) Cost of funds includes interest spread expense associated with the portfolio's interest rate swaps.		
(2) Defined as total borrowings to fund RMBS, residential mortgage loans and Agency Derivatives divided by total equity.		

The company experienced a three-month average CPR of 5.2% for Agency RMBS securities held as of March 31, 2012, as compared to 5.6% for securities held as of December 31, 2011. Including Agency Derivatives, the company experienced a three-month average CPR of 5.6% for securities held as of March 31, 2012, as compared to 5.9% for securities held as of December 31, 2011. The weighted average cost basis of the Agency portfolio was 107.5% of par as of March 31, 2012 and 106.5% of par as of December 31, 2011. The net premium amortization was $23.0 million and $22.0 million for the quarters ended March 31, 2012 and December 31, 2011, respectively.

The company experienced a three-month average CPR of 1.9% for non-Agency RMBS securities held as of March 31, 2012, as compared to 2.4% for securities held as of December 31, 2011. The weighted average cost basis of the non-Agency portfolio was 51.9% of par as of March 31, 2012 and 55.7% of par as of December 31, 2011. The discount accretion was $28.9 million and $22.2 million for the quarters ended March 31, 2012 and December 31, 2011, respectively. The total net discount remaining was $2.3 billion and $1.3 billion as of March 31, 2012 and December 31, 2011, respectively, with $1.3 billion designated as credit reserve as of March 31, 2012.

Single Family Residential Properties

The company made substantial progress in the first quarter related to establishing the necessary infrastructure and commencing the acquisition of single family residential properties in certain metropolitan areas across the United States. As of March 31, 2012, the company had purchased $6.1 million in properties which are classified as investment in real estate on the consolidated balance sheet. The company intends to hold these properties for investment and rent them for income. There was no material impact to operations from this new business in the first quarter.

Conference Call

Two Harbors Investment Corp. will host a conference call on May 3, 2012 at 9:00 a.m. EDT to discuss first quarter 2012 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 May 3, 2012 through 9 p.m. EDT on May 11, 2012. The playback can be accessed by calling (855) 859-2056 (or (404) 537-3406 for international callers) and providing Confirmation Code 71044052. The call will also be archived on the company's website in the Investor Relations section under the Events and Presentations link.

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, residential real properties 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, the impact of any deficiencies in the servicing or foreclosure practices of third parties and related delays in the foreclosure process, the inability to acquire mortgage loans or securitize the mortgage loans we acquire, the inability to acquire residential real properties at attractive prices or lease such properties on a profitable basis, the impact of new or modified government mortgage refinance or principal reduction programs, 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. 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., Attn: Investor Relations, 601 Carlson Parkway, Suite 150, Minnetonka, MN 55305, telephone 612-629-2500.

Contact

Christine Battist, Investor Relations, Two Harbors Investment Corp., 612-629-2507, christine.battist@twoharborsinvestment.com.

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TWO HARBORS INVESTMENT CORP.

CONSOLIDATED BALANCE SHEETS

(dollars in thousands, except per share data)

	March 31, 2012	December 31, 2011
	(unaudited)	
ASSETS		
Available-for-sale securities, at fair value	$ 9,171,511	$ 6,249,252
Trading securities, at fair value	1,002,090	1,003,301
Mortgage loans held-for-sale, at fair value	5,711	5,782
Investment in real estate, net	6,107	—
Cash and cash equivalents	545,688	360,016
Restricted cash	154,283	166,587
Accrued interest receivable	30,801	23,437
Due from counterparties	50,738	32,587
Derivative assets, at fair value	340,715	251,856
Other assets	23,338	7,566
Total Assets	$ 11,330,982	$ 8,100,384
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Repurchase agreements	$ 8,693,756	$ 6,660,148
Derivative liabilities, at fair value	47,475	49,080
Accrued interest payable	9,314	6,456
Due to counterparties	413,086	45,565
Accrued expenses	9,495	8,912
Dividends payable	85,683	56,239
Income taxes payable	—	3,898
Total liabilities	9,258,809	6,830,298
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 214,207,346 and 140,596,708 shares issued and outstanding, respectively	2,142	1,406
Additional paid-in capital	2,064,423	1,373,099
Accumulated other comprehensive income (loss)	85,194	(58,716)
Cumulative earnings	209,252	157,452
Cumulative distributions to stockholders	(288,838)	(203,155)
Total stockholders' equity	2,072,173	1,270,086
Total Liabilities and Stockholders' Equity	$ 11,330,982	$ 8,100,384

Cumulative distributions to stockholders

TWO HARBORS INVESTMENT CORP.

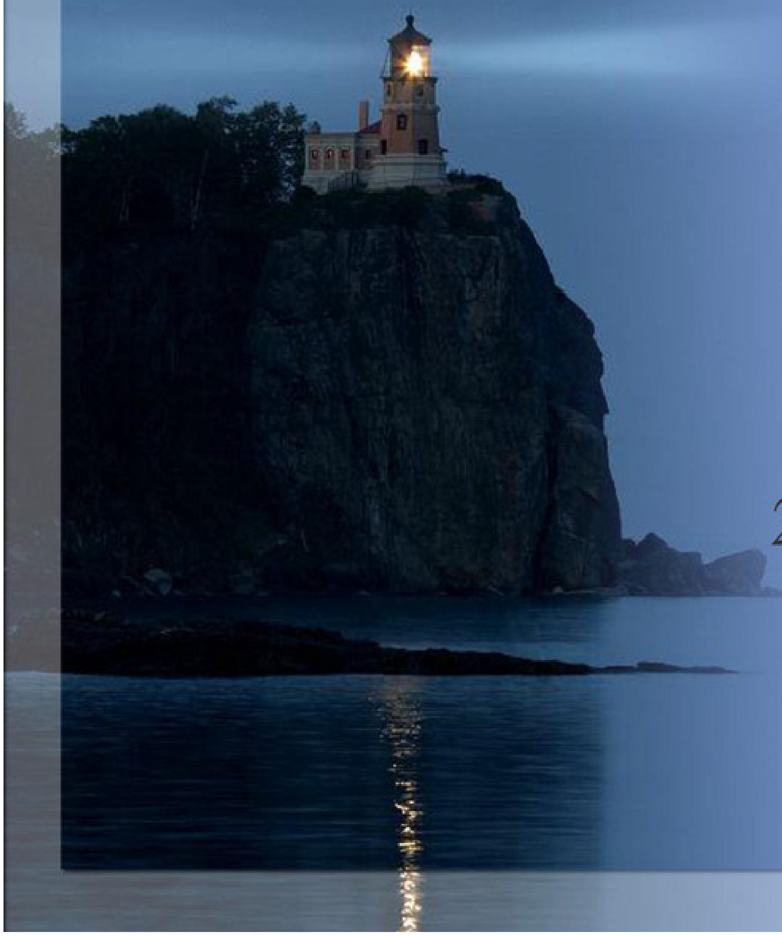
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(dollars in thousands, except per share data)

	Three Months Ended March 31,	
	2012	2011
	(unaudited)	
Interest income:		
Available-for-sale securities	$ 84,214	$ 19,535
Trading securities	1,050	272
Mortgage loans held-for-sale	69	—
Cash and cash equivalents	168	63
Total interest income	85,501	19,870
Interest expense	11,467	2,499
Net interest income	74,034	17,371
Other-than-temporary impairment losses	(4,275)	—
Other income:		
Gain on investment securities, net	9,931	1,539
(Loss) gain on interest rate swap and swaption agreements	(16,193)	1,939
(Loss) gain on other derivative instruments	(8,890)	5,347
Other loss	(40)	—
Total other (loss) income	(15,192)	8,825
Expenses:		
Management fees	6,743	1,550
Other operating expenses	3,601	1,512
Total expenses	10,344,000	3,062
Income before income taxes	44,223,000	23,134
(Benefit from) provision for income taxes	(7,577)	757
Net income attributable to common stockholders	$ 51,800,000	$ 22,377
Basic and diluted earnings per weighted average common share	$ 0.28	$ 0.49
Weighted average shares outstanding - basic and diluted	186,855,589	45,612,376
Comprehensive income:		
Net income	$ 51,800	$ 22,377
Other comprehensive income:		
Unrealized gain on available-for-sale securities, net	143,910	9,115
Other comprehensive income	143,910	9,115
Comprehensive income	$ 195,710	$ 31,492

TWO HARBORS INVESTMENT CORP.
RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL INFORMATION
(UNAUDITED)
(dollars in thousands, except per share data)

	Three Months Ended March 31, 2012	Three Months Ended March 31, 2011
Reconciliation of net income attributable to common stockholders to Core Earnings:		
Net income attributable to common stockholders	$ 51,800,000	$ 22,377
Adjustments for non-core earnings:		
Gain on sale of securities, net of tax	(11,103)	(1,308)
Other-than-temporary impairment loss	4,275	—
Unrealized loss (gain) on trading securities, net of tax	803	(265)
Unrealized gain, net of tax, on interest rate swap and swaptions economically hedging repurchase agreements and available-for-sale securities	(4,294)	(4,502)
Unrealized loss, net of tax, on interest rate swap economically hedging trading securities	4,974	460
Realized loss (gain) on termination or expiration of swaps and swaptions, net of tax	9,843	(827)
Loss (gain) on other derivative instruments, net of tax	7,433	(1,168)
Core Earnings	$ 63,731	$ 14,767
Weighted average shares outstanding - basic and diluted	186,855,589	45,612,376
Core Earnings per weighted average share outstanding - basic and diluted	$ 0.34	$ 0.32



Two Harbors Investment Corp.

May 3, 2012

2012 First Quarter Earnings Call

Safe Harbor Statement

Forward-Looking Statements

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Executive Summary

Delivered Exceptional Results, Raised Capital and Advanced Strategic Initiatives

- Total return on book value of 11.5%[1] for the quarter
- Comprehensive income of $1.05 per share
- Total stockholder return of 57.0%[2] since we commenced operations in October 2009
- Book value increased to $9.67 per share due primarily to appreciation in non-Agency portfolio
- Core Earnings[3] of $0.34 were impacted by recent capital raises and timing of capital deployment
- Raised nearly $700 million in capital through two public offerings

(1) See Appendix, page 12 for calculation of Q1-2012 return on book value.
(2) Source: Bloomberg. Data as of May 1, 2012.
(3) 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 and certain gains or losses on derivative instruments. 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.

Macro Environment Creates Opportunity

Key Macroeconomic Factors that Impact our Business

- Employment
  - Employment trends are positive but erratic
  - Meaningful determinant of probability of default on a mortgage loan
- Interest rates
  - Influence funding costs as well as Agency prepayment speeds
  - Low federal funds target rate should benefit funding costs for the next few years
- Home prices
  - High LTVs limit refinancing ability despite low rates and government policy programs

Business Diversification Opportunity

Optimizing Stockholder Value Through Business Diversification

- Leverages Two Harbors' strength in credit and data analysis
- Residential Properties
  - Infrastructure in place
  - Purchased $6.1 million in the first quarter
  - Quadrupled holdings, subject to closing, since first quarter end
- Asset Securitization
  - Maintaining opportunistic approach

TWO HARBORS

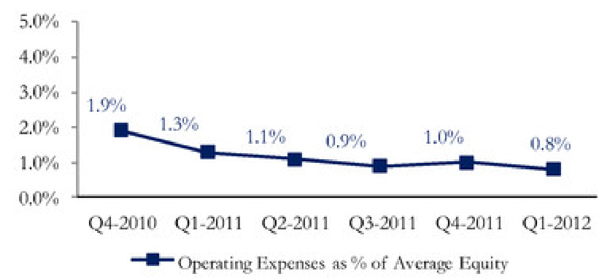
Financial Summary

Financial Highlights

- Core Earnings[1] increased to $63.7 million, or $0.34 per weighted average share
- Drivers of Core Earnings
  - Portfolio size
  - Investment spread
  - Expense management
  - Impacted by capital deployment from two accretive public offerings during the quarter

Core Earnings[1]

Expense Ratio



(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 and certain gains or losses on derivative instruments. 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.

TWO HARBORS

Book Value Rollforward

Change in Stockholders' Equity (In millions, except for per share amounts)	Q4-2011 Book Value	Q4-2011 Book Value per Share (diluted basis)[1]	Q1-2012 Book Value	Q1-2012 Book Value per Share (diluted basis)[1]
Beginning stockholders' equity	$ 1,307.1	$ 9.30	$ 1,270.1	$ 9.03
Net proceeds from common stock issuance	0.1	-	692.0	0.13
GAAP Net Income:				
Core Earnings, net of tax	55.6	0.40	63.7	0.30
Realized gains and (losses), net of tax	10.8	0.08	(1.9)	(0.01)
Unrealized mark-to-market gains and losses, net of tax	(15.0)	(0.11)	(10.0)	(0.05)
Other Comprehensive Income (Loss), net of tax	(32.4)	(0.24)	143.9	0.67
Dividend declaration	(56.2)	(0.40)	(85.7)	(0.40)
Other	0.1	-	0.1	-
Ending stockholders' equity	**$ 1,270.1**	**$ 9.03**	**$ 2,072.2**	**$ 9.67**

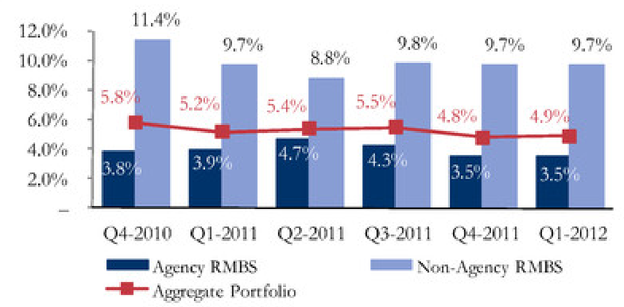
(1) Diluted shares outstanding at end of period are used as the denominator for the change in book value per share calculation.

Portfolio Performance Summary

Portfolio Highlights

- Achieved total return on book value of 11.5%[1] for Q1-2012.
- Strong underlying Agency and non-Agency yields. Net interest spread increased 10 bps on a quarterly basis.
- January and February 2012 capital raises fully deployed by late April, resulting in an increase in non-Agency capital allocation.

Annualized Yields by Portfolio[2]



Net Interest Spread[3]

Three Months Ended	December 31, 2011			March 31, 2012		
	Agency	Non-Agency	Aggregate Portfolio	Agency	Non-Agency	Aggregate Portfolio
Annualized Yield	3.5%	9.7%	4.8%	3.5%	9.7%	4.9%
Cost of repurchase agreements	(0.4%)	(2.2%)	(0.6%)	(0.4%)	(2.3%)	(0.7%)
Cost of interest rate swaps & swaptions	(0.5%)	-	(0.4%)	(0.3%)	-	(0.3%)
Cost of financing	(0.9%)	(2.2%)	(1.0%)	(0.7%)	(2.3%)	(1.0%)
Net interest spread	2.6%	7.5%	**3.8%**	2.8%	7.4%	**3.9%**

Benchmark Indices[4]

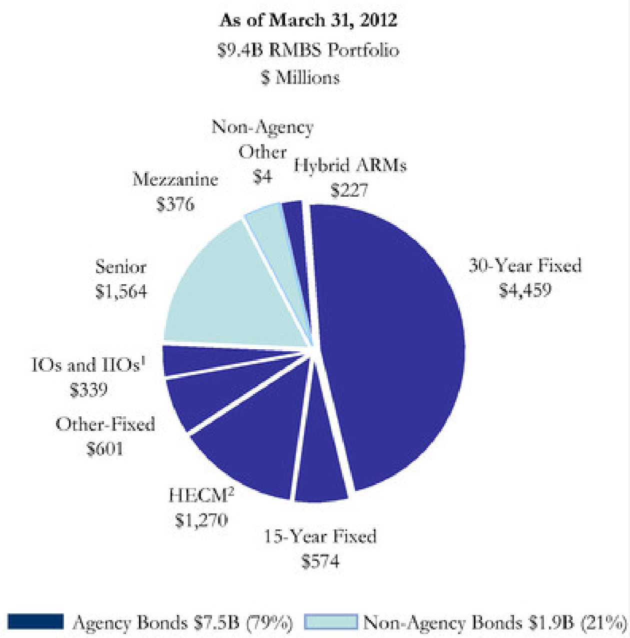
Sector	Q1-2012
Agency Strategy: Barclays US MBS Fixed Rate Index vs. duration-matched swap at 6:1 leverage	0.5%
Credit: ABX 06-2 AAA	10.8%
Proxy for 50% Agency and 50% Non-Agency Strategy	5.6%
Two Harbors' Return on Book Value	**11.5%**

(1) See Appendix, page 12 for calculation of Q1-2012 return on book value.
(2) Respective yields include Agency Derivatives.
(3) Net interest spread includes Agency Derivatives, cost of financing RMBS and swap interest rate spread.
(4) Source for benchmark indices: Bloomberg.

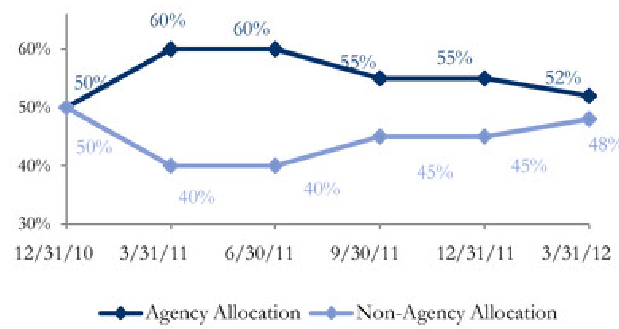
TWO HARBORS Investment Corp.

RMBS Portfolio Composition

Portfolio Composition



Targeted Capital Allocation



Highlights

- 97% of Agency securities with implicit or explicit prepayment protection
- Increased exposure to sub-prime bonds to 84% from 76% of non-Agency portfolio

(1) Includes Agency Derivatives ("IIOs") of $243 million as of March 31, 2012.
(2) Home Equity Conversion Mortgage loans (or "HECM") are loans that allow the homeowner to convert home equity into cash collateralized by the value of their home.

TWO HARBORS Investment Corp.

Key Portfolio Metrics

Portfolio Metrics

- Continued to realize low and stable CPRs
- Less than 1% impact to equity for 100bps rise in interest rates
- Targeted debt-to-equity ratios:
  - Agency: 6-7x
  - Non-Agency: 1.0-1.5x

Portfolio Metrics		Q4-2011	Q1-2012
Agency	Weighted average 3-month CPR	5.6%	5.2%
	Weighted average cost basis[3]	$106.5	$107.5
Non-Agency	Weighted average 3-month CPR	2.4%	1.9%
	Weighted average cost basis[3]	$55.7	$51.9
Change in equity value for +100bps change in interest rates[1]		2.3%	0.9%
Debt-to-Equity[2]		4.5x	3.7x

Hedging

- Maintained low interest rate exposure
- Average pay rate on swaps of only 0.852%
- Increased protection against higher rates, particularly using longer dated swaptions

Financing

- Weighted average days to maturity for RMBS repo borrowings of 80 days
- 38% of non-Agency repo maturities with over 90 day terms
- Maintained a $1.0 billion in interest rate swap – U.S. Treasuries position as funding cost hedge

(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, residential mortgage loans and Agency Derivatives divided by total equity. If the open trade positions had settled as of March 31, 2012, the debt-to-equity ratio, as defined, would have increased from 3.7:1.0 to approximately 3.9:1.0.
(3) Weighted average cost basis includes RMBS principal and interest securities only.

Appendix

TWO HARBORS
Investment Corp.

Q1-2012 Return on Book Value of 11.5%

Return on book value
(Per diluted share amounts, except for percentage)

Book value at March 31, 2012	$	9.67
Book value at December 31, 2011		9.03
Increase in book value		0.64
Dividend declared in Q1-2012		0.40
Return on book value ($)	$	1.04
Return on book value (%)		11.5%

TWO HARBORS
Investment Corp.

Operating Performance

Comprehensive Income (Loss)

Book Value

Dividends[1]

GAAP Net Income (Loss)

(1) The first quarter 2012 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 closing price of the last trading day of the quarter.

Operating Performance

Operating Performance (In millions, except for per share amounts)	Core Earnings	Realized Gains	Unrealized MTM	Q4-2011 Financials	Core Earnings	Realized Gains	Unrealized MTM	Q1-2012 Financials
Interest income	$ 73.2	$ -	$ -	$ 73.2	$ 85.5	$ -	$ -	$ 85.5
Interest expense	9.1	-	-	9.1	11.5	-	-	11.5
Net interest income	64.1	-	-	64.1	74.0	-	-	74.0
Net other-than-temporary impairment losses	-	-	(1.4)	(1.4)	-	-	(4.3)	(4.3)
Gain (loss) on sale of investment securities, net	-	2.8	(2.5)	0.3	-	11.1	(1.2)	9.9
Gain (loss) on interest rate swap and swaptions[1]	(6.3)	1.1	6.6	1.4	(4.7)	(11.3)	(0.2)	(16.2)
Gain (loss) on other derivative instruments	6.0	10.9	(27.7)	(10.8)	4.0	(4.8)	(8.0)	(8.8)
Total other income (expense)	(0.3)	14.8	(23.6)	(9.1)	(0.7)	(5.0)	(9.4)	(15.1)
Management fees & other operating expenses	8.4	-	-	8.4	10.3	-	-	10.3
Net income (loss) before income taxes	55.4	14.8	(25.0)	45.2	63.0	(5.0)	(13.7)	44.3
Income tax (expense) benefit	0.2	(4.0)	10.0	6.2	0.7	3.1	3.7	7.5
Net income (loss)	**$ 55.6**	**$ 10.8**	**$ (15.0)**	**$ 51.4**	**$ 63.7**	**$ (1.9)**	**$ (10.0)**	**$ 51.8**
Basic and diluted weighted average EPS	$ 0.40	$ 0.08	$ (0.11)	$ 0.37	$ 0.34	$ (0.01)	$ (0.05)	$ 0.28
Supplemental data:								
Unrealized gains/(losses) on interest rate swaps and swaptions economically hedging repurchase agreements and available-for-sale securities				$ 5.5				$ 7.3
Income benefit (expense)				0.5				(3.0)
Total				$ 6.0				$ 4.3

(1) First quarter 2012 loss on interest rate swap agreements of $4.7 million includes $28,698 in interest costs for swaps associated with U.S. Treasuries and TBA contracts.

TWO HARBORS Investment Corp.

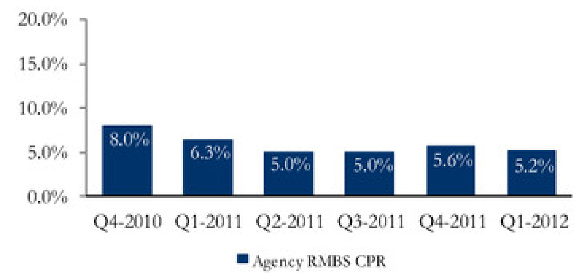
Portfolio Metrics

Portfolio Yields and Metrics

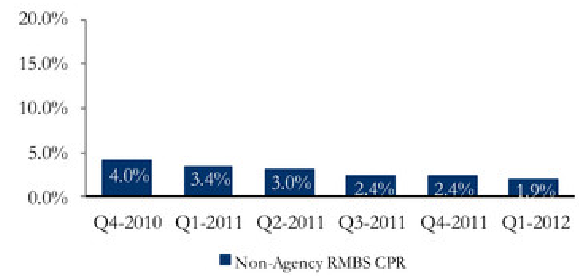
Portfolio Yield	Realized Q4-2011	At Dec. 31, 2011	Realized Q1-2012	At Mar. 31, 2012
Annualized yield[1]	4.8%	4.7%	4.9%	4.7%
Agency	3.5%	3.3%	3.5%	3.5%
Non-Agency	9.7%	9.7%	9.7%	9.7%
Cost of financing[2]	1.0%	1.0%	1.0%	1.0%
Net interest spread	3.8%	3.7%	3.9%	3.7%

Portfolio Metrics		Q4-2011	Q1-2012
Agency	Weighted average 3-month CPR	5.6%	5.2%
	Weighted average cost basis[3]	$106.5	$107.5
Non-Agency	Weighted average 3-month CPR	2.4%	1.9%
	Weighted average cost basis[3]	$55.7	$51.9
Change in equity value for +100bps change in interest rates[4]		2.3%	0.9%
Debt-to-Equity[5]		4.5x	3.7x

Agency RMBS CPR



Non-Agency RMBS CPR



(1) Annualized yield includes impact of Agency Derivatives. Interest income on Agency Derivatives was $6.8 million and $6.7 million for the fourth quarter of 2011 and first quarter of 2012, contributing an additional 0.3% and 0.2% in interest yield, respectively.
(2) Cost of financing RMBS includes interest spread expense associated with the portfolio's interest rate swaps of $6.0 million and $4.7 million for the fourth quarter of 2011 and first quarter of 2012, respectively. Interest spread expense increased cost of financing RMBS by 0.4% and 0.3% for the fourth quarter of 2011 and first quarter of 2012, respectively.
(3) Weighted average cost basis includes RMBS principal and interest securities only.
(4) 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.
(5) Debt-to-equity is defined as total borrowings to fund RMBS securities, residential mortgage loans and Agency Derivatives divided by total equity. If the open trade positions had settled as of March 31, 2012, the debt-to-equity ratio, as defined, would have increased from 3.7:1.0 to approximately 3.9:1.0.

TWO HARBORS

Financing and Hedging Strategy

Interest Rate Swaps[1]

March 31, 2012

Swaps Maturities	Notional Amounts ($M)	Average Fixed Pay Rate	Average Receive Rate	Average Maturity (Years)
2012	$ 25	0.868%	0.563%	0.73
2013	2,275	0.713%	0.513%	1.31
2014	1,675	0.644%	0.553%	2.32
2015	1,670	1.136%	0.504%	3.09
2016 and after	390	1.342%	0.498%	4.46
	$ 6,035	0.852%	0.521%	2.28

Financing

Repurchase Agreements: RMBS and Agency Derivatives[2]	March 31, 2012 Amount ($M)	Percent (%)
Within 30 days	$2,081	27%
30 to 59 days	1,657	22%
60 to 89 days	831	11%
90 to 119 days	1,567	20%
120 to 364 days	1,471	19%
One year and over	80	1%
	$7,687	

Interest Rate Swaptions

March 31, 2012

		Option				Underlying Swap			
Swaption	Expiration	Cost ($M)	Fair Value ($M)	Average Months to Expiration	Notional Amount ($M)	Average Fixed Pay Rate	Average Receive Rate	Average Term (Years)
Payer	< 6 Months	$ 14	$ 1	5.84	$ 1,800	3.06%	3M Libor	4.0
Payer	≥ 6 Months	31	29	16.40	2,500	3.73%	3M Libor	9.3
Total Payer		$ 45	$ 30	15.89	$ 4,300	3.45%	3M Libor	7.1

(1) Notional amounts do not include $1.0 billion of notional interest rate swaps economically hedging our trading securities.
(2) Does not include repurchase agreements collateralized by U.S. Treasuries of $1.0 billion and mortgage loans held-for-sale of $5.3 million as of March 31, 2012.

TWO HARBORS Investment Corp.

Agency Securities as of March 31, 2012

	Par Value ($M)	Market Value ($M)	% of Agency Portfolio	Amortized Cost Basis ($M)	Weighted Average Coupon	Weighted Average Age (Months)
30-Year Fixed						
≤ 4.5%	$ 2,917	$ 3,130	41.9%	$ 3,118	4.2%	8
5.0-6.0%	1,084	1,201	16.1%	1,177	5.4%	33
≥ 6.5%	111	128	1.7%	126	7.3%	117
	$ 4,112	$ 4,459	59.7%	$ 4,421	4.6%	18
15-Year Fixed						
≤ 4.0%	$ 543	$ 570	7.6%	$ 539	3.3%	17
≥ 4.5%	3	4	0.1%	4	8.2%	176
	$ 546	$ 574	7.7%	$ 543	3.4%	18
HECM	$ 1,138	$ 1,270	17.0%	$ 1,229	4.8%	10
Hybrid ARMs	211	227	3.0%	223	4.3%	91
Other-Fixed	539	601	8.1%	584	4.8%	48
IOs and IIOs	2,843	339[1]	4.5%	349	5.5%	78
Total[1]	$ 9,389	$ 7,470	100.0%	$ 7,349	4.6%	24

(1) Market value of IOs of $96 million and Agency Derivatives of $243 million as of March 31, 2012.

TWO HARBORS

Non-Agency Securities as of March 31, 2012

	Senior Bonds	Mezzanine Bonds	Total P&I Bonds
Portfolio Characteristics			
Carrying Value ($M)	$1,564	$376	$1,940
% of Non-Agency Portfolio	80.6%	19.4%	100.0%
Average Purchase Price	$50.89	$56.34	$51.94
Average Coupon	1.9%	1.1%	1.8%
Collateral Attributes			
Average Loan Age (months)	68	86	71
Average Original Loan-to-Value	78.6%	77.4%	78.4%
Avg. Original FICO[1]	640	633	639
Current Performance			
60+ day Delinquencies	40.3%	32.9%	38.9%
Average Credit Enhancement[2]	18.8%	32.8%	21.5%
3-Month CPR[3]	1.7%	2.4%	1.9%

(1) FICO represents a mortgage industry accepted credit score of a borrower, which was developed by Fair Isaac Corporation.
(2) Average credit enhancement remaining on our non-Agency RMBS portfolio, which is the average amount of protection available to absorb future credit losses due to defaults on the underlying collateral.
(3) 3-Month CPR is reflective of the prepayment speed on the underlying securitization; however, it does not necessarily indicate the proceeds received on our investment tranche. Proceeds received for each security are dependent on the position of the individual security within the structure of each deal.

TWO HARBORS Investment Corp.

Portfolio Composition as of March 31, 2012

Agency: Vintage & Prepayment Protection	Q4-2011	Q1-2012
$85K Max Pools[1]	39%	38%
HECM[2]	19%	17%
High LTV[3]	4%	11%
Seasoned (2005 and prior vintages)	10%	10%
Other Low Loan Balance Pools[4]	16%	10%
Prepayment protected	6%	7%
Low FICO[5]	-%	4%
2006 & subsequent vintages - Discount	3%	-%
2006 & subsequent vintages – Premium and IOs	3%	3%

Implicit or Explicit Pre-payment Protection

Non-Agency: Loan Type	Q4-2011	Q1-2012
Sub-Prime	76%	84%
Option-ARM	17%	11%
Alt-A	6%	4%
Prime	1%	1%

(1) Securities collateralized by loans of less than or equal to $85K.
(2) Home Equity Conversion Mortgage loans (or "HECM") are loans that allow the homeowner to convert home equity into cash collateralized by the value of their home.
(3) Securities collateralized by loans with greater than or equal to 80% loan-to-value.
(4) Securities collateralized by loans of less than or equal to $175K, but more than $85K.
(5) Securities collateralized by loans held by lower credit borrowers as defined by Fair Isaac Corporation's, or FICO, scoring model.