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: November 12, 2014

## 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.) |

**590 Madison Avenue, 36th Floor**
**New York, NY 10022**
(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 7.01 Regulation FD.**

An investor presentation providing a business overview of Two Harbors Investment Corp. is attached hereto as Exhibit 99.1 and is incorporated herein by reference.

The information in this Current Report, including Exhibit 99.1 attached hereto, is furnished pursuant to Item 7.01 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 7.01 of this Current Report, including Exhibit 99.1, 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 Item 7.01 is incorporated by reference).

**Item 9.01 Financial Statements and Exhibits.**

(d) Exhibits

| Exhibit No. | Description |
| --- | --- |
| 99.1 | Third Quarter 2014 Investor 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/ REBECCA B. SANDBERG
**Rebecca B. Sandberg**
**General Counsel and Secretary**

Date: November 12, 2014

**Exhibit Index**

| Exhibit No. | Description | Filing Method |
|---|---|---|
| 99.1 | Third Quarter 2014 Investor Presentation | Electronically |


Third Quarter 2014 Investor Presentation
TWO HARBORS
Investment Corp.
A Pine River Capital Managed Company

# Safe Harbor

## FORWARD-LOOKING STATEMENTS

This presentation 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, including, among other things, those described in our Annual Report on Form 10-K for the year ended December 31, 2013, and any subsequent Quarterly Reports on form 10-Q, under the caption "Risk Factors." 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 residential mortgage-backed securities (RMBS), the rates of default or decreased recovery on the mortgages underlying our non-Agency securities, failure to recover credit losses in our portfolio, changes in interest rates and the market value of our assets, the availability of financing, the availability of target assets at attractive prices, our ability to manage various operational risks associated with our business, our ability to maintain our REIT qualification, limitations imposed on our business due to our REIT status and our exempt status under the Investment Company Act of 1940, 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, our ability to acquire mortgage loans or securitize the mortgage loans we acquire, our involvement in securitization transactions, the timing and profitability of our securitization transactions, the risks associated with our securitization transactions, our ability to acquire mortgage servicing rights (MSR), the impact of new or modified government mortgage refinance or principal reduction programs, unanticipated changes in overall market and economic conditions, and our exposure to claims and litigation, including litigation arising from our involvement in securitization transactions and investments in MSR.

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.

This presentation may include industry and market data obtained through research, surveys, and studies conducted by third parties and industry publications. We have not independently verified any such market and industry data from third-party sources. This presentation is provided for discussion purposes only and may not be relied upon as legal or investment advice, nor is it intended to be inclusive of all the risks and uncertainties that should be considered. This presentation does not constitute an offer to purchase or sell any securities, nor shall it be construed to be indicative of the terms of an offer that the parties or their respective affiliates would accept.

Readers are advised that the financial information in this presentation is based on company data available at the time of this presentation and, in certain circumstances, may not have been audited by the company's independent auditors.

# Mission Based Strategy

## OUR MISSION IS TO BE RECOGNIZED AS THE INDUSTRY-LEADING MORTGAGE REIT:

- Largest hybrid mortgage REIT investing in residential mortgage assets
- Market capitalization of approximately $3.5 billion[(1)]
- Provider of permanent capital to the U.S. mortgage market
- Thought leader in the U.S. housing market

## BENEFITS OF OUR HYBRID MORTGAGE REIT MODEL:

- Flexibility to take advantage of opportunities across Agency and non-Agency RMBS sectors and unsecuritized mortgage assets, including:
  - RMBS
  - Residential mortgage loans
  - MSR
  - Other financial assets

## IMPERATIVES:

- Rigorous risk management system
- Strong administrative infrastructure
- Best practice disclosure and corporate governance
- Logically diversify portfolio for benefit of stockholders

(1) Source: Bloomberg as of September 30, 2014.

# Executive Summary

## STRONG THIRD QUARTER 2014 RESULTS

- Reported book value of $11.25 per share; total return on book value 3.8%(1) in Q3-2014, 13.9% year-to-date
  - Q3-2014 cash dividend of $0.26 per share
- Delivered Comprehensive Income of $152.6 million
  - Return on average equity of 14.9%, or $0.42 per share
- Generated Core Earnings of $82.8 million, or $0.23 per share(2)

## BUSINESS UPDATE

- Mortgage loan conduit and securitization
  - Completed two securitizations in Q3-2014
  - High-LTV and non-Prime products
- Mortgage Servicing Rights (MSR)
  - Significant opportunity to add flow sellers over time

(1) Return on book value for quarter ended September 30, 2014 is defined as the increase in book value per diluted share, from June 30, 2014 to September 30, 2014 of $0.16, plus dividend declared of $0.26 per share, divided by June 30, 2014 diluted book value of $11.09 per share.

(2) Core Earnings is a non-GAAP measure that we define as GAAP net income, excluding impairment losses, realized and unrealized gains or losses on the aggregate portfolio, certain non-recurring gains and losses related to discontinued operations and amortization of business combination intangible assets, reserve expense for representation and warranty obligations on MSR and certain non-recurring upfront costs related to securitization transactions. As defined, Core Earnings includes interest income or expense and premium income or loss on derivative instruments and servicing income, net of estimated amortization on MSR. Core Earnings is provided for purposes of comparability to other peer issuers. For a reconciliation of GAAP to non-GAAP financials, please refer to the GAAP to non-GAAP reconciliation table in the Appendix on slide 12.

# Market Overview

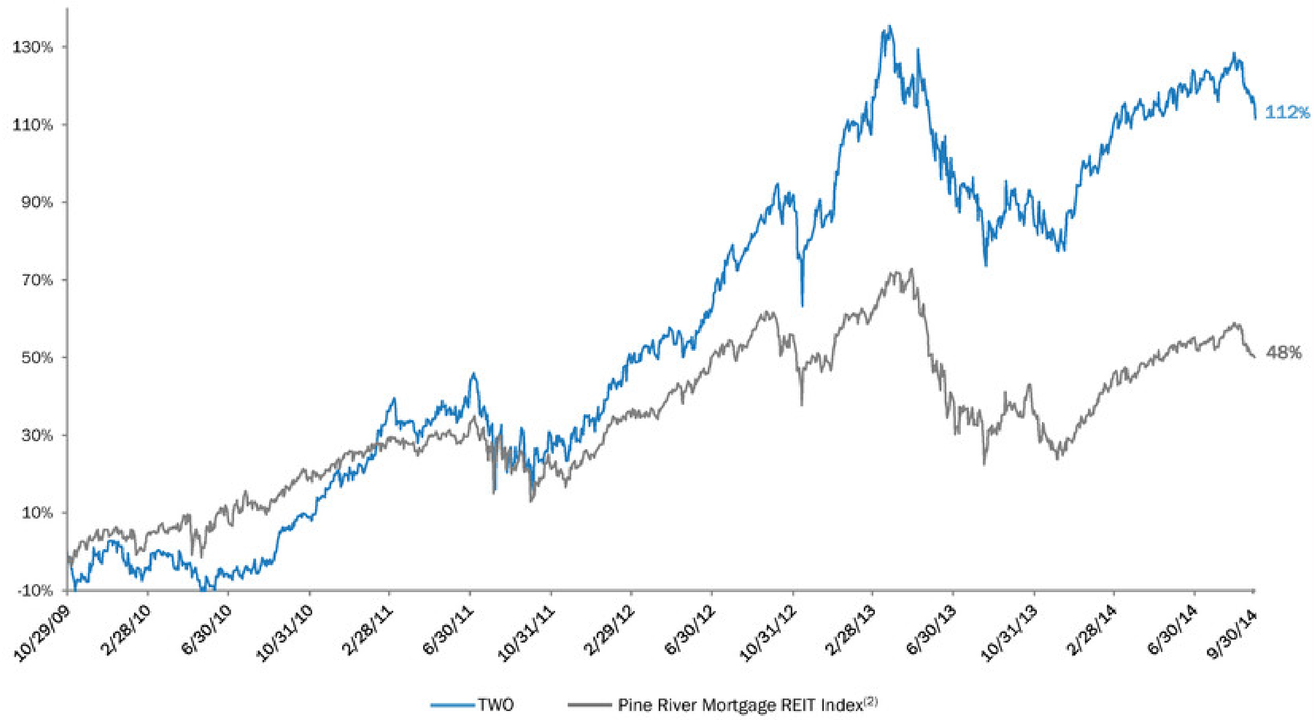
## MACROECONOMIC ENVIRONMENT & POLICY CONSIDERATIONS

- Federal Housing Finance Agency's (FHFA) proposed rulemaking on Federal Home Loan Bank (FHLB) membership requirements
- Home price appreciation continues
  - CoreLogic Home Price Index up 5.6% on rolling 12-month basis[1]
- Unemployment
  - Steady improvement
- End of Federal Reserve's Quantitative Easing (QE)
  - Final reduction in asset purchases to occur in November
- Continued low interest rate environment
  - Curve flattened
- Actively engaged with a variety of parties in Washington

(1) Source: CoreLogic Home Price Index rolling 12-month change as of September 30, 2014.

# Delivering Total Return

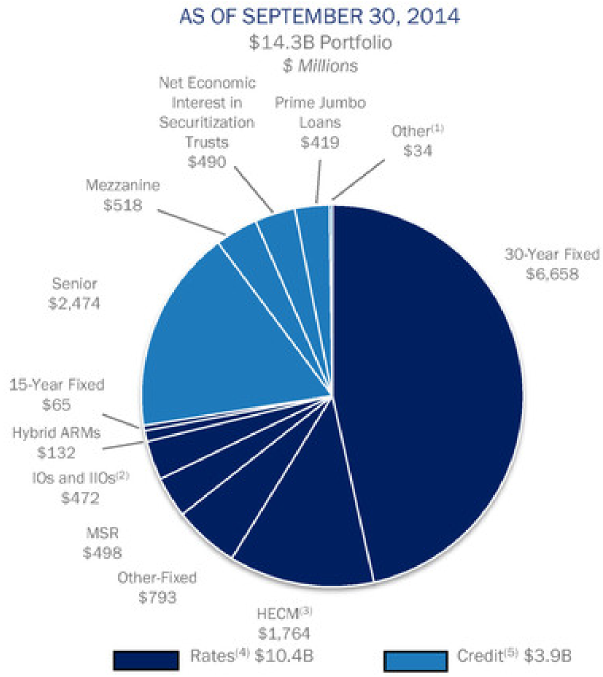
112% total stockholder return since inception; compares favorably to Pine River Mortgage REIT Index[(1)(2)]



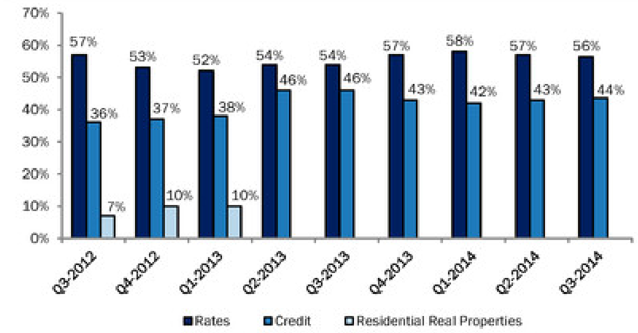

(1) Two Harbors' total stockholder return is calculated for the period October 29, 2009 through September 30, 2014. Total stockholder return is defined as stock price appreciation including dividends. Source: Bloomberg.
(2) Pine River Mortgage REIT index total stockholder return for the period October 29, 2009 through September 30, 2014. Pine River Mortgage REIT index includes: AGNC, NLY, ANH, ARR, CMO, CIM, CYS, HTS, IVR, MFA, PMT, RWT, TWO, MITT, MTGE, AMTG, DX, NYMT, WMC and NRZ. Source: Bloomberg.

# Portfolio Composition

## PORTFOLIO COMPOSITION




## TARGETED CAPITAL ALLOCATION




## Q3-2014 HIGHLIGHTS

- 56% capital allocation to Rates
  - Sold high-LTV and low FICO pools; reinvested in lower loan balance pools
  - Sold majority of ARM holdings
- 44% capital allocation to Credit
  - Capital allocation to conduit increased quarter-over-quarter

| Dec. 31, 2013 | Mar. 31, 2014 | Jun. 30, 2014 | Sept. 30, 2014 |
|---|---|---|---|
| 0.0% | 1.8% | 5.7% | 7.6% |

(1) Assets in "Other" include credit sensitive loans (CSL) and non-Agency IOs.
(2) Includes IIOs (or Agency Derivatives) of $186.4 million.
(3) HECM are loans that allow the homeowner to convert home equity into cash collateralized by the value of their home.
(4) Assets in "Rates" include Agency RMBS, Agency Derivatives and MSR.
(5) Assets in "Credit" include non-Agency RMBS, prime jumbo residential mortgage loans, net economic interest in securitization trusts and CSL.

# Hedging Strategy and Financing Profile[1]

## HEDGING AND RISK MANAGEMENT

### HEDGING STRATEGY

- Hedges structured to protect book value in a variety of interest rate environments
- Use a variety of hedging tools, including swaps, swaptions, interest-only bonds, inverse interest-only bonds, MSR and To-Be-Announced (TBA) contracts
- Maintain low overall rate posture
- Modest leverage and low basis risk

## BOOK VALUE EXPOSURE TO CHANGE IN RATES[2]

| | -100 bps | -50 bps | +50 bps | +100 bps |
|---|---|---|---|---|
| Change in book value | (2.6)% | (0.8)% | (0.3)% | (0.1)% |

## FUNDING AND LIQUIDITY PROFILE

### LENGTHY AGGREGATE FINANCING PROFILE

### REPURCHASE AGREEMENTS

- Focus on diversification and financial stability
- Continue to ladder repo maturities; averaged 100 days to maturity
- 25 active counterparties at September 30, 2014

### FEDERAL HOME LOAN BANK OF DES MOINES

- Available borrowings under facility increased to $2.5 billion late in the quarter
  - Outstanding secured advances of $1.5 billion
  - Average maturity approximately 44 months; borrowing rate 0.4%

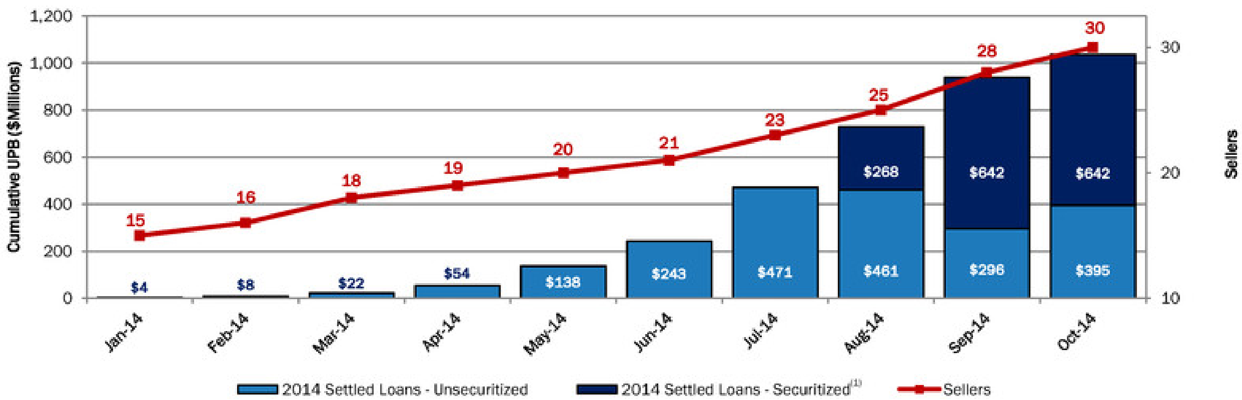
(1) Data as of September 30, 2014.
(2) Represents estimated percentage change in book value for theoretical parallel shifts in interest rates. Change in book value is total net asset change.

# Mortgage Loan Conduit and Securitization

## CONDUIT INITIATIVE GAINING MOMENTUM

- Completed two securitizations during the quarter
- Closed ABMT 2014-3 securitization subsequent to quarter-end
- Pipeline (interest rate locks and prime jumbo holdings) remains strong, approximately $750 million at September 30, 2014; intend to complete future securitizations as market conditions permit
- Retained interest includes AAAs of approximately $390 million and Subs and IOs of approximately $100 million
  - Expect to shift toward Subs and IOs over time
- Focus on building additional originator relationships

PRIME JUMBO LOAN SUMMARY – 2014




(1) "2014 Settled Loans – Securitized" represents loans securitized under Agate Bay Mortgage Trust 2014-1 and Agate Bay Mortgage Trust 2014-2.

# Business Update

### LAUNCHED HIGH-LTV AND NON-PRIME SUBSEQUENT TO QUARTER-END

- High-LTV:
  - Extension of current prime jumbo program
  - Focused on higher quality borrowers who need or desire to make smaller down payments
- Non-prime:
  - Aimed at borrowers unable to get a loan due to the extremely tight credit standards
  - Large potential market
  - Will take time to drive volume
- Potentially attractive investments for portfolio
- Serves goal to be a provider of capital to U.S. mortgage market

### MORTGAGE SERVICING RIGHTS

- Opportunity to cultivate a large network of sellers
- Continue to view MSR as an attractive asset for portfolio

# Appendix


TWO HARBORS
Investment Corp.
A Pine River Capital Managed Company

# GAAP to Core Earnings Reconciliation

| (In thousands, except for per share data) | Three Months Ended June 30, 2014 | Three Months Ended September 30, 2014 |
|---|---|---|
| Reconciliation of GAAP to non-GAAP Information | | |
| Core Earnings: | | |
| Net income | $39,657 | $193,590 |
| Adjustments for non-core earnings: | | |
| Gain on sale of securities and mortgage loans, net of tax | (34,772) | (68,432) |
| Unrealized (gain) loss on trading securities and mortgage loans held-for-sale, net of tax | (9,980) | 10,479 |
| Realized loss on termination or expiration of swaps and swaptions, net of tax | 4,399 | 28,100 |
| Unrealized loss (gain) on interest rate swaps and swaptions economically hedging investment portfolio, repurchase agreements and FHLB advances, net of tax | 78,666 | (83,620) |
| Loss on other derivative instruments, net of tax | 18,026 | 713 |
| Realized and unrealized (gain) loss on financing securitizations | (20,829) | 2,159 |
| Unrealized loss (gain), net of tax, on mortgage servicing rights | 14,418 | (6,482) |
| Securitization deal costs | - | 2,181 |
| Amortization of business combination intangible assets, net of tax | 86 | - |
| Representation and warranty expenses | - | 4,138 |
| Core Earnings | **$89,671** | **$82,826** |
| | | |
| Weighted average shares outstanding - Diluted | 366,078,124 | 366,118,866 |
| | | |
| Core Earnings per weighted average share outstanding - Diluted | $0.24 | $0.23 |

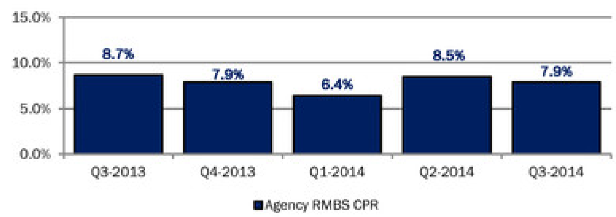
# Rates: Agency RMBS Metrics

## AGENCY PORTFOLIO YIELDS AND METRICS

| Portfolio Yield | Realized Q2-2014 | At June 30, 2014 | Realized Q3-2014 | At Sept. 30, 2014 |
|---|---|---|---|---|
| Agency yield | 3.4% | 3.2% | 3.3% | 3.3% |
| Repo and FHLB costs | 0.4% | 0.4% | 0.4% | 0.4% |
| Swap costs | 0.7% | 0.7% | 0.9% | 0.9% |
| Net interest spread | 2.3% | 2.1% | 2.0% | 2.0% |

| Portfolio Metrics | Q2-2014 | Q3-2014 |
|---|---|---|
| Weighted average 3-month CPR(3) | 8.5% | 7.9% |
| Weighted average cost basis(4) | $108.4 | $108.3 |

## AGENCY RMBS CPR(3)




## AGENCY PORTFOLIO COMPOSITION

| Agency: Vintage & Prepayment Protection | Q2-2014 | Q3-2014 |
|---|---|---|
| Other Low Loan Balance Pools(1) | 12% | 28% |
| HECM | 18% | 18% |
| $85K Max Pools(2) | 17% | 17% |
| 2006 & subsequent vintages – Premium and IOs | 18% | 15% |
| High LTV (predominately MHA)(5) | 15% | 7% |
| Seasoned (2005 and prior vintages) | 5% | 5% |
| Prepayment Protected | 5% | 5% |
| 2006 & subsequent vintages – Discount | 4% | 4% |
| Low FICO(6) | 6% | 1% |

(1) Securities collateralized by loans of less than or equal to $175K, but more than $85K.
(2) Securities collateralized by loans of less than or equal to $85K.
(3) Agency weighted average 3-month Constant Prepayment Rate (CPR) includes IIOs (or Agency Derivatives).
(4) Weighted average cost basis includes RMBS principal and interest securities only. Average purchase price utilized carrying value for weighting purposes.
(5) Securities collateralized by loans with greater than or equal to 80% loan-to-value ratio (LTV). High LTV pools are predominately Making Homeownership Affordable (MHA) pools. MHA pools consist of borrowers who have refinanced through HARP.
(6) Securities collateralized by loans held by lower credit borrowers as defined by Fair Isaac Corporation (FICO).

# Rates: Agency RMBS

| As of September 30, 2014 | Par Value (M) | Market Value (M) | % of Agency Portfolio | Amortized Cost Basis (M) | Weighted Average Coupon | Weighted Average Age (Months) |
|---|---|---|---|---|---|---|
| **30-Year Fixed** | | | | | | |
| 4.0-4.5% | $5,441 | $5,838 | 59.1% | $5,859 | 4.2% | 20 |
| ≥ 5.0% | $729 | $820 | 8.3% | $790 | 5.5% | 68 |
| | $6,170 | $6,658 | 67.4% | $6,649 | 4.4% | 26 |
| | | | | | | |
| **15-Year Fixed** | | | | | | |
| 3.0-3.5% | $60 | $62 | 0.7% | $59 | 3.0% | 46 |
| 4.0-4.5% | $2 | $2 | 0.0% | $2 | 4.0% | 51 |
| ≥ 5.0% | $1 | $1 | 0.0% | $1 | 6.6% | 110 |
| | $63 | $65 | 0.7% | $62 | 3.1% | 47 |
| | | | | | | |
| **HECM** | $1,625 | $1,764 | 17.8% | $1,713 | 4.7% | 36 |
| **Hybrid ARMs** | $122 | $132 | 1.3% | $128 | 2.8% | 127 |
| **Other-Fixed** | $747 | $793 | 8.0% | $775 | 4.7% | 72 |
| **IOs and IIOs** | $4,526 | $472[1] | 4.8% | $450 | 4.0% | 64 |
| **Total** | $13,253 | $9,884 | 100.0% | $9,777 | 4.4% | 35 |

(1) Represents the market value of $285.9 million of IOs and $186.4 million of Agency Derivatives.

# Rates: Mortgage Servicing Rights

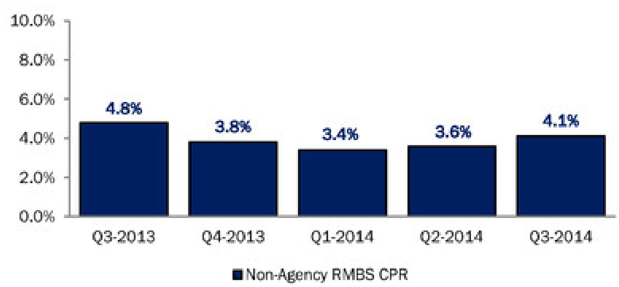
| | As of June 30, 2014 | As of September 30, 2014 |
|---|---|---|
| **Fair Value ($M)** | $500.5 | $498.5 |
| **Unpaid Principal Balance ($M)** | $45,629.2 | $45,526.8 |
| **Weighted Average Coupon** | 3.9% | 3.9% |
| **Original FICO Score** | 740 | 730 |
| **Original LTV** | 74% | 74% |
| **60+ Day Delinquencies** | 1.2% | 1.4% |
| **Net Servicing Spread** | 25 basis points | 25 basis points |
| | | |
| **Vintage:** | | |
| Pre-2009 | 3.8% | 3.6% |
| 2009-2012 | 64.5% | 63.0% |
| Post 2012 | 31.7% | 33.4% |
| | | |
| **Percent of MSR Portfolio:** | | |
| Conventional | 71.1% | 72.1% |
| Government FHA | 21.7% | 20.9% |
| Government VA/USDA | 7.2% | 7.0% |

# Credit: Non-Agency RMBS Metrics

## NON-AGENCY PORTFOLIO YIELDS AND METRICS

| Portfolio Yield | Realized Q2-2014 | At June 30, 2014 | Realized Q3-2014 | At Sept. 30, 2014 |
|---|---|---|---|---|
| Non-Agency yield | 8.7% | 8.6% | 8.5% | 8.2% |
| Repo and FHLB costs | 1.9% | 1.9% | 1.7% | 1.7% |
| Swap costs | 0.7% | 0.7% | 0.8% | 0.8% |
| Net interest spread | 6.1% | 6.0% | 6.0% | 5.7% |

## NON-AGENCY RMBS CPR




## NON-AGENCY PORTFOLIO COMPOSITION

| Non-Agency: Loan Type | Q2-2014 | Q3-2014 |
|---|---|---|
| Sub-Prime | 78% | 77% |
| Prime | 10% | 10% |
| Option-ARM | 7% | 7% |
| Alt-A | 4% | 4% |
| Other | 1% | 2% |

| Portfolio Metrics | Q2-2014 | Q3-2014 |
|---|---|---|
| Weighted average 3-month CPR | 3.6% | 4.1% |
| Weighted average cost basis(1) | $55.4 | $57.2 |

(1) Weighted average cost basis includes RMBS principal and interest securities only. Average purchase price utilized carrying value for weighting purposes. If current face were utilized for weighting purposes, total non-Agency RMBS excluding the company's non-Agency interest-only portfolio would have been $53.14 at September 30, 2014.

# Credit: Non-Agency RMBS

| As of September 30, 2014 | Senior Bonds | Mezzanine Bonds | Total P&I |
|---|---|---|---|
| **Portfolio Characteristics:** | | | |
| Carrying Value ($M) | $2,473.7 | $517.7 | $2,991.4 |
| % of Credit Portfolio | 82.7% | 17.3% | 100.0% |
| Average Purchase Price[(1)] | $56.08 | $62.52 | $57.20 |
| Average Coupon | 2.2% | 1.8% | 2.2% |
| Weighted Average Market Price[(2)] | $73.04 | $81.88 | $74.43 |
| | | | |
| **Collateral Attributes:** | | | |
| Average Loan Age (months) | 88 | 109 | 91 |
| Average Loan Size ($K) | $372 | $275 | $357 |
| Average Original Loan-to-Value | 70.3% | 70.8% | 70.4% |
| Average Original FICO[(3)] | 619 | 648 | 624 |
| | | | |
| **Current Performance:** | | | |
| 60+ Day Delinquencies | 27.6% | 25.4% | 27.2% |
| Average Credit Enhancement[(4)] | 8.8% | 22.5% | 11.0% |
| 3-Month CPR[(5)] | 3.5% | 6.8% | 4.1% |

(1) Average purchase price utilized carrying value for weighting purposes. If current face were utilized for weighting purposes, the average purchase price for senior, mezzanine and total non-Agency RMBS, excluding our non-Agency interest-only portfolio, would have been $51.85, $60.17 and $53.14, respectively.
(2) Weighted average market price utilized current face for weighting purposes.
(3) FICO represents a mortgage industry accepted credit score of a borrower.
(4) 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.
(5) 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.

# Repo and FHLB Financing[1]

| Repo and FHLB Collateral[2][3] | Repo | FHLB | Total ($M) |
|---|---|---|---|
| Available–for-sale securities, at fair value | $11,185.8 | $1,221.4 | $12,407.2 |
| Derivative asset, at fair value | $184.9 | $0.0 | $184.9 |
| Mortgage loans held-for-sale, at fair value | $20.7 | $387.1 | $407.8 |
| Net economic interests in consolidated securitization trusts | $301.5 | $85.8 | $387.3 |
| | $11,692.9 | $1,694.3 | $13,387.2 |

| Repo Maturities [2] | Amount ($M) | Percent (%) |
|---|---|---|
| Within 30 days | $1,913.8 | 19% |
| 30 to 59 days | $2,860.1 | 28% |
| 90 to 119 days | $2,289.5 | 22% |
| 120 to 364 days | $3,132.0 | 30% |
| One year and over | $93.2 | 1% |
| | $10,288.6 | |

| FHLB Maturities | Amount ($M) | Percent (%) |
|---|---|---|
| ≤ 12 months | $33.7 | 2% |
| > 24 and ≤ 36 months | $651.2 | 44% |
| > 48 months | $815.1 | 54% |
| | $1,500.0 | |

(1) As of September 30, 2014.
(2) Repo pledged collateral does not include U.S. Treasuries with repurchase agreements of $2.0 billion outstanding, cash and cash equivalents (restricted and unrestricted) and collateral due from counterparties.
(3) Excludes FHLB membership and activity stock totaling $60.0 million as of September 30, 2014.

# Interest Rate Swaps[1]

| Maturities | Notional Amounts ($B) | Average Fixed Pay Rate | Average Receive Rate | Average Maturity (Years) |
|---|---|---|---|---|
| **Payers Hedging Repo** | | | | |
| 2016 | $6.1 | 0.622% | 0.234% | 1.82 |
| 2017 | $6.4 | 1.074% | 0.235% | 2.87 |
| 2018 | $1.1 | 1.314% | 0.234% | 3.74 |
| 2019 and after | $2.0 | 2.268% | 0.234% | 7.14 |
| | $15.6 | 1.070% | 0.234% | 3.08 |
| | | | | |
| **Other Payers** | | | | |
| 2016 | $3.5 | 0.631% | 0.234% | 1.79 |
| 2017 | $2.0 | 1.070% | 0.233% | 2.79 |
| 2018 | $2.1 | 1.563% | 0.234% | 4.19 |
| 2019 and after | $1.3 | 2.266% | 0.233% | 6.02 |
| | $8.9 | 1.188% | 0.233% | 3.20 |

| Maturities | Notional Amounts ($B) | Average Pay Rate | Average Fixed Receive Rate | Average Maturity (Years) |
|---|---|---|---|---|
| **Other Receivers** | | | | |
| 2018 | $0.6 | 0.234% | 1.440% | 4.14 |
| 2019 and after | $2.7 | 0.235% | 2.751% | 9.57 |
| | $3.3 | 0.235% | 2.521% | 8.62 |

(1) As of September 30, 2014.

# Interest Rate Swaptions[1]

| Option | | | | | Underlying Swap | | | |
|---|---|---|---|---|---|---|---|---|
| **Swaption** | **Expiration** | **Cost ($M)** | **Fair Value ($M)** | **Average Months to Expiration** | **Notional Amount ($M)** | **Average Pay Rate** | **Average Receive Rate** | **Average Term (Years)** |
| Purchase Contracts: | | | | | | | | |
| Payer | ≥ 6 Months | $190.2 | $130.3 | 45.89 | $5,210 | 4.27% | 3M LIBOR | 8.8 |
| Total Payer | | $190.2 | $130.3 | 45.89 | $5,210 | 4.27% | 3M LIBOR | 8.8 |
| | | | | | | | | |
| Receiver | < 6 Months | $5.2 | $0.8 | 2.17 | $3,250 | 3M LIBOR | 1.33% | 5.4 |
| Total Receiver | | $5.2 | $0.8 | 2.17 | $3,250 | 3M LIBOR | 1.33% | 5.4 |
| | | | | | | | | |
| Sale Contracts: | | | | | | | | |
| Payer | ≥ 6 Months | $(81.2) | $(36.7) | 33.02 | $(800) | 3.44% | 3M LIBOR | 10.0 |
| Total Payer | | $(81.2) | $(36.7) | 33.02 | $(800) | 3.44% | 3M LIBOR | 10.0 |
| | | | | | | | | |

(1) As of September 30, 2014.

# Overview of Two Harbors Team

## EXECUTIVE OFFICERS

### CHIEF INVESTMENT OFFICER
### WILLIAM ROTH

- Also serves as Pine River Capital Management Partner
- 33 years in mortgage securities market
- Managing Director in proprietary trading group at Citi and Salomon Brothers prior to Two Harbors

### CHIEF EXECUTIVE OFFICER
### THOMAS SIERING

- Also serves as Pine River Capital Management Partner
- 33 years of investing and management experience; commenced career at Cargill
- Previously Partner and head of Value Investment Group at EBF & Associates

### CHIEF FINANCIAL OFFICER
### BRAD FARRELL

- Most recently served as Two Harbors' Controller from 2009 to 2011
- Previously Vice President and Executive Director of Financial Reporting at GMAC ResCap from 2007 to 2009 and held financial roles at XL Capital Ltd from 2002 to 2007; began his career with KPMG

## INVESTMENT & OPERATIONS TEAM

### SIGNIFICANT OPERATIONS AND RMBS EXPERTISE

- Substantial operations team; deep servicing and mortgage operations experience
- Strong RMBS team focused on trading, investment analysis and research
- Leverages proprietary analytical systems

# Overview of Pine River Capital Management

## GLOBAL ASSET MANAGEMENT FIRM

- Global, multi-strategy asset management firm
- Comprehensive portfolio management, transparency and liquidity
- Institutional and high net worth investors
- Founded in 2002
- Demonstrated success achieving growth and managing scale
- Approximately $15.4 billion assets under management(1)
  - $6.0 billion is dedicated to mortgage strategies(2)
  - Experience managing Agency RMBS, non-Agency RMBS and other mortgage-related assets

## EXPERIENCED, COHESIVE TEAM(3)

- Eighteen partners with average of 23 years experience
- Approximately 500 total employees, including 129 investment professionals
- Historically low attrition

## ESTABLISHED INFRASTRUCTURE

- Strong corporate governance
- Registrations include: SEC/NFA (U.S.), FSA (U.K.), SFC (Hong Kong) and SEBI (India)
- Proprietary technology
- Global footprint with 9 offices world-wide

(1) Defined as estimated assets under management as of September 30, 2014, inclusive of Two Harbors.
(2) Defined as estimated mortgage-related assets under management as of September 30, 2014, inclusive of Two Harbors.
(3) Employee data as of September 30, 2014.


TWO HARBORS
Investment Corp.
A Pine River Capital Managed Company