UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

Current Report

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

Date of Report: February 4, 2015

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 2.02 Results of Operations and Financial Condition.

On February 4, 2015, Two Harbors Investment Corp. issued a press release announcing its financial results for the fiscal quarter ended December 31, 2014. A copy of the press release and the 2014 Fourth 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 Item 2.02 is incorporated by reference).

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

Exhibit No.	Description
99.1	Press Release of Two Harbors Investment Corp., dated February 4, 2015.
99.2	2014 Fourth 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/ REBECCA B. SANDBERG
Rebecca B. Sandberg
General Counsel and Secretary

Date: February 4, 2015

Exhibit Index

Exhibit No.	Description	Filing Method
99.1	Press Release of Two Harbors Investment Corp., dated February 4, 2015.	Electronically
99.2	2014 Fourth Quarter Earnings Call Presentation.	Electronically

TWO HARBORS Investment Corp.
A Pine River Capital Managed Company

Two Harbors Investment Corp. Reports Fourth Quarter 2014 Financial Results

Delivered 2014 Return on Book Value of 15.0%[(1)] While Advancing Operational Businesses

NEW YORK, February 4, 2015 - Two Harbors Investment Corp. (NYSE: TWO), a real estate investment trust that invests in residential mortgage-backed securities (RMBS), residential mortgage loans, mortgage servicing rights (MSR) and other financial assets, today announced its financial results for the quarter ended December 31, 2014.

2014 Highlights

- Generated total annual return on book value of 15.0%.[(1)]
- Delivered Comprehensive Income of $578.2 million, a return on average equity of 14.4%, or $1.58 per diluted weighted average common share.
- Expanded operational businesses; completed three securitizations in 2014 and increased seller network to 33 originators at year-end.

Quarterly Highlights

- Book value was $11.10 per diluted common share, representing a 1.0%[(2)] quarterly total return on book value, after accounting for a dividend of $0.26 per share.
- Delivered Comprehensive Income of $42.2 million, a return on average equity of 4.1%, or $0.12 per diluted weighted average common share.
- Reported Core Earnings of $83.1 million, or $0.23 per diluted weighted average common share.[(3)]
- Generated an aggregate portfolio yield of 4.5% for the quarter ended December 31, 2014, consistent with the quarter ended September 30, 2014.
- Completed a securitization, Agate Bay Mortgage Trust 2014-3, issuing securities backed by approximately $356 million unpaid principal balance (UPB) of prime jumbo mortgage loans.

"We believe the growth of our mortgage loan conduit and MSR businesses in 2014, as well as our intent to further diversify into commercial mortgage loans, will enable us to continue to generate stockholder return and build franchise value in the years ahead," stated Thomas Siering, Two Harbors' President and Chief Executive Officer. "We also delivered a 15.0%[(2)] total return on book value in 2014, a result we are proud of considering the interest rate volatility within the year."

(1) Return on book value for the year ended December 31, 2014 is defined as the increase in book value per diluted share from December 31, 2013 to December 31, 2014 of $0.54, plus dividends declared of $1.04 per share, divided by December 31, 2013 diluted book value of $10.56 per share.
(2) Return on book value for the quarter ended December 31, 2014 is defined as the decrease in book value per diluted share from September 30, 2014 to December 31, 2014 of $0.15, plus the dividend declared of $0.26 per share, divided by September 30, 2014 diluted book value of $11.25 per share.
(3) 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, gains and losses related to discontinued operations, amortization of business combination intangible assets, reserve expense for representation and warranty obligations on MSR and certain 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.

Operating Performance

The following table summarizes the company's GAAP and non-GAAP earnings measurements and key metrics for the respective periods in 2014:

Two Harbors Investment Corp. Operating Performance						
(dollars in thousands, except per share data)						
	Three Months Ended December 31, 2014			Year Ended December 31, 2014		
	(unaudited)			(unaudited)		
Earnings	Earnings	Per diluted weighted share	Annualized return on average equity	Earnings	Per diluted weighted share	Annualized return on average equity
Core Earnings[1]	$ 83,108	$ 0.23	8.1 %	$ 343,808	$ 0.94	8.5%
GAAP Net (Loss) Income	$ (36,963)	$ (0.10)	(3.6)%	$ 167,139	$ 0.46	4.2%
Comprehensive Income	$ 42,178	$ 0.12	4.1 %	$ 578,193	$ 1.58	14.4%
Operating Metrics						
Dividend per common share	$0.26					
Book value per diluted share at period end	$11.10					
Other operating expenses as a percentage of average equity	1.5%					

(1) Please see page 12 of this press release for a reconciliation of GAAP to non-GAAP financial information.

Earnings Summary

Two Harbors reported Core Earnings for the quarter ended December 31, 2014 of $83.1 million, or $0.23 per diluted weighted average common share outstanding, as compared to Core Earnings for the quarter ended September 30, 2014 of $82.8 million, or $0.23 per diluted weighted average common share outstanding. On a Core Earnings basis, the company recognized an annualized return on average equity of 8.1% for each of the quarters ended December 31, 2014 and September 30, 2014.

For the fourth quarter of 2014, the company recognized:

- net realized gains on RMBS, trading securities and mortgage loans held-for-sale of $30.4 million, net of tax;
- unrealized gains on trading securities and mortgage loans held-for-sale of $4.0 million, net of tax;
- other-than-temporary impairment loss of $0.2 million, net of tax;
- net losses of $8.5 million, net of tax, related to swap and swaption terminations and expirations;
- net unrealized losses of $103.2 million, net of tax, associated with its interest rate swaps and swaptions economically hedging its investment portfolio, repurchase agreements and Federal Home Loan Bank of Des Moines (FHLB) advances;
- net realized and unrealized losses on other derivative instruments of approximately $6.0 million, net of tax;
- net realized and unrealized losses on consolidated financing securitizations of $2.1 million, net of tax; and
- a net decrease in fair value of $49.2 million[2] on MSR, net of tax.

(2) Decrease in fair value on MSR, net of tax, of $49.2 million is comprised of a decrease in fair value of $37.0 million, net of tax, excluded from Core Earnings and $12.2 million, net of tax, of estimated amortization included in Core Earnings.

The company reported a GAAP Net Loss of $37.0 million, or $0.10 per diluted weighted average common share outstanding, for the quarter ended December 31, 2014, as compared to GAAP Net Income of $193.6 million, or $0.53 per diluted weighted average common share outstanding, for the quarter ended September 30, 2014. On a GAAP Net Income basis, the company recognized an annualized return on average equity of (3.6)% and 18.9% for the quarters ended December 31, 2014 and September 30, 2014, respectively.

The company reported Comprehensive Income of $42.2 million, or $0.12 per diluted weighted average common share outstanding, for the quarter ended December 31, 2014, as compared to Comprehensive Income of $152.6 million, or $0.42 per diluted weighted average common share outstanding, for the quarter ended September 30, 2014. The company records unrealized fair value gains and losses on RMBS securities, classified as available-for-sale, as Other Comprehensive Income. On a Comprehensive Income basis, the company recognized an annualized return on average equity of 4.1% and 14.9% for the quarters ended December 31, 2014 and September 30, 2014, respectively.

Other Key Metrics

Two Harbors declared a quarterly cash dividend of $0.26 per common share for the quarter ended December 31, 2014. The annualized dividend yield on the company's common stock for the fourth quarter of 2014, based on the December 31, 2014 closing price of $10.02, was 10.4%.

The company's book value per diluted share, after taking into account the fourth quarter 2014 dividend of $0.26 per share, was $11.10 as of December 31, 2014, compared to $11.25 as of September 30, 2014, which represented a total return on book value for the fourth quarter of 2014 of 1.0%.(1) For the year ended December 31, 2014, the company reported a total return on book value of 15.0%.(2)

Other operating expenses for the quarter ended December 31, 2014 were approximately $15.0 million, or 1.5% of average equity, compared to approximately $12.4 million, or 1.2% of average equity, for the quarter ended September 30, 2014.

Portfolio Summary

The company's aggregate portfolio is principally comprised of RMBS available-for-sale securities, inverse interest-only securities (Agency Derivatives), MSR, residential mortgage loans held-for-sale and net economic interests in consolidated securitization trusts. As of December 31, 2014, the total value of the company's portfolio was $16.0 billion.

The company's portfolio includes the rates strategy, which consists of $11.9 billion of Agency RMBS, Agency Derivatives and MSR as well as associated notional hedges as of December 31, 2014. The remaining portfolio is invested in the credit strategy, which consists of $4.1 billion of non-Agency RMBS, net economic interests in consolidated securitization trusts, prime jumbo residential mortgage loans and credit sensitive loans, as well as their associated notional hedges as of December 31, 2014.

For the quarter ended December 31, 2014, the annualized yield on the company's average aggregate portfolio was 4.5% and the annualized cost of funds on the associated average borrowings, which includes net interest rate spread expense on interest rate swaps, was 1.6%. This resulted in a net interest rate spread of 2.9%.

RMBS and Agency Derivatives

For the quarter ended December 31, 2014, the annualized yield on average RMBS securities and Agency Derivatives was 4.3%, consisting of an annualized yield of 3.4% in Agency RMBS and Agency Derivatives and 8.1% in non-Agency RMBS.

(1) Return on book value for the quarter ended December 31, 2014 is defined as the decrease in book value per diluted share from September 30, 2014 to December 31, 2014 of $0.15, plus the dividend declared of $0.26 per share, divided by September 30, 2014 diluted book value of $11.25 per share.
(2) Return on book value for the year ended December 31, 2014 is defined as the increase in book value per diluted share from December 31, 2013 to December 31, 2014 of $0.54, plus dividends declared of $1.04 per share, divided by December 31, 2013 diluted book value of $10.56 per share.

The company experienced a three-month average constant prepayment rate (CPR) of 7.5% for Agency RMBS securities and Agency Derivatives held during the quarter ended December 31, 2014, as compared to 7.9% for those securities held during the quarter ended September 30, 2014. The weighted average cost basis of the principal and interest Agency portfolio was 107.7% of par for the quarter ended December 31, 2014, compared to 108.3% of par for the quarter ended September 30, 2014. The net premium amortization was $35.5 million and $39.5 million for the quarters ended December 31, 2014 and September 30, 2014, respectively.

The company experienced a three-month average CPR of 4.2% for non-Agency principal and interest RMBS securities held during the quarter ended December 31, 2014, as compared to 4.1% for those securities held during the quarter ended September 30, 2014. The weighted average cost basis of the non-Agency portfolio was 59.2% of par as of December 31, 2014, compared to 57.2% of par for the quarter ended September 30, 2014. The discount accretion was $30.5 million for the quarter ended December 31, 2014 compared to $32.8 million for the quarter ended September 30, 2014. The total net discount remaining was $1.9 billion as of December 31, 2014 compared to $2.0 billion as of September 30, 2014, with $0.9 billion designated as credit reserve as of December 31, 2014.

As of December 31, 2014, fixed-rate investments composed 80.2% and adjustable-rate investments composed 19.8% of the company's RMBS and Agency Derivatives portfolio.

As of December 31, 2014, the company had mortgage loans held-for-investment with a carrying value of $1.7 billion and the company's collateralized borrowings had a carrying value of $1.2 billion, resulting in net economic interests in consolidated securitization trusts of $535.1 million.

Mortgage Servicing Rights

The company held MSR on mortgage loans with UPB totaling $44.9 billion. The MSR had a fair market value of $452.0 million as of December 31, 2014.

The company does not directly service mortgage loans, but instead contracts with fully licensed subservicers to handle all servicing functions for the loans underlying the company's MSR. The company recognized $31.6 million of servicing income, $6.5 million of subservicing expense and a $55.3 million decrease in fair market value of MSR during the quarter ended December 31, 2014.

Mortgage Loans Held for Sale

As of December 31, 2014, the company held prime jumbo residential mortgage loans with a fair market value of $500.2 million and had outstanding purchase commitments to acquire an additional $554.8 million UPB of mortgage loans, subject to fallout if the loans do not close. For the quarter ended December 31, 2014, the annualized yield on the prime jumbo residential mortgage loan portfolio was 4.0%, compared to 4.1% for the quarter ended September 30, 2014.

During the quarter, the company completed a securitization, Agate Bay Mortgage Trust 2014-3. The trust issued securities backed by approximately $356 million UPB of prime jumbo 30-year fixed residential mortgage loans.

Other Investments and Risk Management Derivatives

The company held $2.0 billion of U.S. Treasuries classified on its balance sheet as trading securities as of December 31, 2014. The company also held $1.3 billion notional of net short TBAs as of December 31, 2014, which are accounted for as derivative instruments in accordance with GAAP.

As of December 31, 2014, the company was a party to interest rate swaps and swaptions with a notional amount of $31.0 billion. Of this amount, $11.5 billion notional in swaps were utilized to economically hedge interest rate risk associated with the company's LIBOR-based repurchase agreements and FHLB advances, $7.1 billion notional in swaps were utilized to economically hedge interest rate risk associated with the company's investment portfolio, and $12.4 billion net notional in swaptions were utilized as macroeconomic hedges.

The following table summarizes the company's investment portfolio:

Two Harbors Investment Corp. Portfolio

(dollars in thousands)

Portfolio Composition		As of December 31, 2014	
		(unaudited)	
Rates Strategy			
Agency Bonds			
Fixed Rate Bonds	$	11,164,032	69.6%
Hybrid ARMs		128,285	0.8%
Total Agency		11,292,317	70.4%
Agency Derivatives		186,404	1.2%
Mortgage servicing rights		452,006	2.8%
Credit Strategy			
Non-Agency Bonds			
Senior Bonds		2,370,435	14.8%
Mezzanine Bonds		670,421	4.2%
Non-Agency Other		7,929	—%
Total Non-Agency		3,048,785	19.0%
Net Economic Interest in Securitization(1)		535,083	3.3%
Mortgage loans held-for-sale		535,712	3.3%
Aggregate Portfolio	$	16,050,307	

Portfolio Metrics	Three Months Ended December 31, 2014
	(unaudited)
Annualized portfolio yield during the quarter	4.46%
Rates Strategy	
Agency RMBS, Agency Derivatives and mortgage servicing rights	3.7%
Credit Strategy	
Non-Agency RMBS, Legacy(2)	8.8%
Non-Agency RMBS, New issue(2)	3.7%
Net economic interest in securitizations	4.7%
Mortgage loans held-for-sale	
Prime nonconforming residential mortgage loans	4.0%
Credit sensitive residential mortgage loans	3.6%
Annualized cost of funds on average borrowing balance during the quarter(3)	1.55%
Annualized interest rate spread for aggregate portfolio during the quarter	2.91%
Debt-to-equity ratio at period-end(4)	3.3 to 1.0

Portfolio Metrics Specific to RMBS and Agency Derivatives as of December 31, 2014		
Weighted average cost basis of principal and interest securities		
Agency(5)	$	107.67
Non-Agency(6)	$	59.16
Weighted average three month CPR		
Agency		7.5%
Non-Agency		4.2%
Fixed-rate investments as a percentage of aggregate RMBS and Agency Derivatives portfolio		80.2%
Adjustable-rate investments as a percentage of aggregate RMBS and Agency Derivatives portfolio		19.8%

(1) Net economic interest in securitization consists of mortgage loans held-for-investment, net of collateralized borrowings in consolidated securitization trusts.
(2) Legacy non-Agency RMBS includes non-Agency bonds issued up to and including 2009. New issue non-Agency RMBS includes bonds issued after 2009.
(3) Cost of funds includes interest spread expense associated with the portfolio's interest rate swaps.
(4) Defined as total borrowings to fund RMBS, mortgage loans held-for-sale and Agency Derivatives, divided by total equity.
(5) Weighted average cost basis includes RMBS principal and interest securities only. Average purchase price utilized carrying value for weighting purposes.
(6) 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 be $54.78 at December 31, 3014.

“The year marked many important milestones for our mortgage loan conduit, including more than doubling our number of seller partners and completing three Agate Bay securitizations,” stated Bill Roth, Two Harbors’ Chief Investment Officer. “We expect that the continued addition of seller partners will benefit both our conduit volumes and our MSR business, providing attractive assets for our portfolio.”

Financing Summary

The company reported a debt-to-equity ratio, defined as total borrowings under repurchase agreements and FHLB advances to fund RMBS securities, Agency Derivatives and mortgage loans held-for-sale divided by total equity, of 3.3 to 1.0 and 2.9 to 1.0 as of December 31, 2014 and September 30, 2014, respectively.

As of December 31, 2014, the company had outstanding $12.9 billion of repurchase agreements funding RMBS securities, Agency Derivatives, mortgage loans held-for-sale and U.S. Treasuries with 25 different counterparties. Excluding the debt associated with the company’s U.S. Treasuries and the effect of the company’s interest rate swaps, the repurchase agreements had a weighted average borrowing rate of 0.7% and a weighted average remaining maturity of 64 days as of December 31, 2014.

The company’s wholly owned subsidiary, TH Insurance Holdings Company LLC (TH Insurance), is a member of the FHLB. As a member of the FHLB, TH Insurance has access to a variety of products and services offered by the FHLB, including secured advances. As of December 31, 2014, TH Insurance had fully utilized its borrowing capacity of $2.5 billion in outstanding secured advances with a weighted average borrowing rate of 0.3% and a weighted average of 119 months to maturity.

As of December 31, 2014, the company’s aggregate repurchase agreements and FHLB advances funding RMBS securities, Agency Derivatives and mortgage loans held-for-sale had 24 weighted average months to maturity.

The following table summarizes the company’s borrowings by collateral type under repurchase agreements and FHLB advances, excluding borrowings on U.S. Treasuries, and related cost of funds:

	As of December 31, 2014	
(in thousands)	(unaudited)	
Collateral type:		
Agency RMBS and Agency Derivatives	$	10,715,868
Mortgage servicing rights		—
Non-Agency RMBS		2,395,615
Mortgage loans held-for-sale		
Prime nonconforming residential mortgage loans		322,317
Credit sensitive residential mortgage loans		2,413
	$	13,436,213

Cost of Funds Metrics	Three Months Ended December 31, 2014
	(unaudited)
Annualized cost of funds on average borrowings during the quarter:	0.7%
Agency RMBS and Agency Derivatives	0.4%
Mortgage servicing rights	—
Non-Agency RMBS	1.8%
Mortgage loans held-for-sale	
Prime nonconforming residential mortgage loans	0.5%
Credit sensitive residential mortgage loans	3.9%

Dividends and Taxable Income

The company declared cash dividends to stockholders of $1.04 per share during the 2014 taxable year. As a REIT, the company fulfilled its requirement to distribute at least 90% of its taxable income to stockholders.

Conference Call

Two Harbors Investment Corp. will host a conference call on February 5, 2015 at 9:00 a.m. EST to discuss fourth quarter 2014 financial results and related information. To participate in the teleconference, please call toll-free (877) 868-1835 (or (914) 495-8581 for international callers), Conference Code 49091419, 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 12:00 p.m. EST on February 5, 2015, through 12:00 a.m. EST on February 24, 2015. The playback can be accessed by calling (855) 859-2056 (or (404) 537-3406 for international callers), Conference Code 49091419. 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, mortgage servicing rights and other financial assets. Two Harbors is headquartered in New York, New York, 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 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 the company's 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 the company's residential mortgage-backed securities, the rates of default or decreased recovery on the mortgages underlying our non-Agency securities, failure to recover credit losses in the company's portfolio, changes in interest rates and the market value of our assets, the availability of financing, the availability of target assets at attractive prices, the company's ability to manage various operational risks associated with the business, the company's ability to maintain our REIT qualification, limitations imposed on the business due to the company's REIT status and the company's exempt status under the Investment Company Act of 1940, the impact of new legislation or regulatory changes on the company's operations, the impact of any deficiencies in the servicing or foreclosure practices of third parties and related delays in the foreclosure process, the company's ability to acquire mortgage loans or securitize the mortgage loans the company acquires, the company's involvement in securitization transactions, the timing and profitability of the company's securitization transactions, the risks associated with the company's securitization transactions, the company's ability to acquire MSR, the impact of new or modified government mortgage refinance or principal reduction programs, unanticipated changes in overall market and economic conditions, and the company's exposure to claims and litigation, including litigation arising from its involvement in securitization transactions and its 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.

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, such as Core Earnings and Core Earnings per common share, 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 its operations. However, because these measures are not calculated in accordance with GAAP, they should not be considered a substitute for, or superior to, the financial measures calculated in accordance with GAAP. The company's GAAP financial results and the reconciliations from these results should be carefully evaluated. See the GAAP to non-GAAP reconciliation table on page 12 of this release.

Additional Information

Stockholders 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, 590 Madison Avenue, 36th Floor, New York, NY 10022, telephone (612) 629-2500.

Contact

July Hugen, Director of Media and Investor Relations, Two Harbors Investment Corp., (612) 629-2514 or July.Hugen@twoharborsinvestment.com.

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TWO HARBORS INVESTMENT CORP.

CONSOLIDATED BALANCE SHEETS

(dollars in thousands, except share data)

	December 31, 2014	December 31, 2013
	(unaudited)	
ASSETS		
Available-for-sale securities, at fair value	$ 14,341,102	$ 12,256,727
Trading securities, at fair value	1,997,656	1,000,180
Mortgage loans held-for-sale, at fair value	535,712	544,581
Mortgage loans held-for-investment in securitization trusts, at fair value	1,744,746	792,390
Mortgage servicing rights, at fair value	452,006	514,402
Cash and cash equivalents	1,005,792	1,025,487
Restricted cash	336,771	401,647
Accrued interest receivable	65,529	50,303
Due from counterparties	35,625	25,087
Derivative assets, at fair value	319,838	549,859
Other assets	188,579	13,199
Total Assets	$ 21,023,356	$ 17,173,862
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Repurchase agreements	$ 12,932,463	$ 12,250,450
Collateralized borrowings in securitization trusts, at fair value	1,209,663	639,731
Federal Home Loan Bank advances	2,500,000	—
Derivative liabilities, at fair value	29,280	22,081
Accrued interest payable	23,772	20,277
Due to counterparties	124,206	318,848
Dividends payable	95,263	—
Other liabilities	40,667	67,480
Total Liabilities	$ 16,955,314	$ 13,318,867
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; 900,000,000 shares authorized and 366,395,920 and 364,935,168 shares issued and outstanding, respectively	3,664	3,649
Additional paid-in capital	3,811,027	3,795,372
Accumulated other comprehensive income	855,789	444,735
Cumulative earnings	1,195,536	1,028,397
Cumulative distributions to stockholders	(1,797,974)	(1,417,158)
Total stockholders' equity	4,068,042	3,854,995
Total Liabilities and Stockholders' Equity	$ 21,023,356	$ 17,173,862

TWO HARBORS INVESTMENT CORP.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(dollars in thousands)

Certain prior period amounts have been reclassified to conform to the current period presentation

	Three Months Ended December 31,		Year Ended December 31,	
	2014	2013	2014	2013
	(unaudited)		(unaudited)	
Interest income:				
Available-for-sale securities	$ 131,694	$ 120,934	$ 506,268	$ 507,180
Trading securities	4,739	1,928	12,913	5,963
Mortgage loans held-for-sale	3,536	6,776	16,089	22,185
Mortgage loans held-for-investment in securitization trusts	16,040	7,548	41,220	19,220
Cash and cash equivalents	211	271	717	1,043
Total interest income	156,220	137,457	577,207	555,591
Interest expense:				
Repurchase agreements	19,493	22,097	76,177	89,470
Collateralized borrowings in securitization trusts	10,137	4,825	26,760	10,937
Federal Home Loan Bank advances	2,074	—	4,513	—
Total interest expense	31,704	26,922	107,450	100,407
Net interest income	124,516	110,535	469,757	455,184
Other-than temporary impairment losses	(180)	—	(392)	(1,662)
Other income:				
Gain (loss) on investment securities	28,697	97,850	87,201	(54,430)
(Loss) gain on interest rate swap and swaption agreements	(152,619)	21,841	(345,647)	245,229
(Loss) gain on other derivative instruments	(5,184)	29,290	(17,529)	95,345
Gain (loss) on mortgage loans held-for-sale	11,064	(8,584)	17,297	(33,846)
Servicing income	31,587	10,775	128,160	12,011
(Loss) gain on servicing asset	(55,346)	13,065	(128,388)	13,881
Other (loss) income	(1,409)	(2,216)	18,539	14,619
Total other (loss) income	(143,210)	162,021	(240,367)	292,809
Expenses:				
Management fees	12,244	12,319	48,803	41,707
Securitization deal costs	1,283	—	4,638	4,153
Servicing expenses	1,330	2,561	25,925	3,761
Other operating expenses	14,950	12,395	56,231	37,259
Total expenses	29,807	27,275	135,597	86,880
(Loss) income from continuing operations before income taxes	(48,681)	245,281	93,401	659,451
(Benefit from) provision for income taxes	(11,718)	6,602	(73,738)	84,411
Net (loss) income from continuing operations	(36,963)	238,679	167,139	575,040
Income from discontinued operations	—	735	—	3,999
Net (loss) income	$ (36,963)	$ 239,414	$ 167,139	$ 579,039

TWO HARBORS INVESTMENT CORP.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(dollars in thousands)

Certain prior period amounts have been reclassified to conform to the current period presentation

	Three Months Ended December 31,		Year Ended December 31,	
	2014	2013	2014	2013
	(unaudited)		(unaudited)	
Basic (loss) earnings per weighted average common share:				
Continuing operations	$ (0.10)	$ 0.66	$ 0.46	$ 1.64
Discontinued operations	—	—	—	0.01
Net (loss) income	$ (0.10)	$ 0.66	$ 0.46	$ 1.65
Diluted (loss) earnings per weighted average common share:				
Continuing operations	$ (0.10)	$ 0.66	$ 0.46	$ 1.64
Discontinued operations	—	—	—	0.01
Net (loss) income	$ (0.10)	$ 0.66	$ 0.46	$ 1.65
Dividends declared per common share	$ 0.26	$ 0.26	$ 1.04	$ 1.17
Weighted average number of shares of common stock:				
Basic	366,230,566	364,700,903	366,011,855	350,361,827
Diluted	366,230,566	364,700,903	366,011,855	350,992,387
Comprehensive income:				
Net (loss) income	$ (36,963)	$ 239,414	$ 167,139	$ 579,039
Other comprehensive income (loss):				
Unrealized gain (loss) on available-for-sale securities, net	79,141	(68,039)	411,054	(251,723)
Other comprehensive income (loss)	79,141	(68,039)	411,054	(251,723)
Comprehensive income	$ 42,178	$ 171,375	$ 578,193	$ 327,316

TWO HARBORS INVESTMENT CORP.

RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL INFORMATION

(dollars in thousands, except share data)

Certain prior period amounts have been reclassified to conform to the current period presentation

	Three Months Ended December 31,		Year Ended December 31,	
	2014	2013	2014	2013
	(unaudited)		(unaudited)	
Reconciliation of net (loss) income to				
Core Earnings:				
Net (loss) income	$ (36,963)	$ 239,414	$ 167,139	$ 579,039
Adjustments for non-core earnings:				
(Gain) loss on sale of securities and mortgage loans, net of tax	(30,447)	(98,624)	(95,175)	68,610
Unrealized (gain) loss on trading securities, equity securities and mortgage loans held-for-sale, net of tax	(3,983)	6,164	(1,191)	9,034
Other-than-temporary impairment loss	180	—	392	1,662
Realized loss (gain) on termination or expiration of swaps and swaptions, net of tax	8,458	(21,075)	42,938	(12,836)
Unrealized loss (gain) on interest rate swaps and swaptions economically hedging investment portfolio, repurchase agreements and FHLB advances, net of tax	103,239	(8,277)	157,972	(241,680)
Loss (gain) on other derivative instruments, net of tax	6,028	(25,713)	20,113	(59,244)
Realized and unrealized loss (gain) on financing securitizations, net of tax	2,129	2,417	(16,854)	(14,204)
Unrealized loss (gain) on mortgage servicing rights, net of tax	36,978	(17,885)	64,320	(18,687)
Securitization deal costs, net of tax	834	—	3,015	3,430
Income from discontinued operations	—	(735)	—	(3,999)
Amortization of business combination intangible assets, net of tax	—	704	346	704
Change in representation and warranty reserve, net of tax	(3,345)	—	793	—
Core Earnings	$ 83,108	$ 76,390	$ 343,808	$ 311,829
Weighted average shares outstanding - Basic	366,230,566	364,700,903	366,011,855	350,361,827
Weighted average shares outstanding - Diluted	366,230,566	364,700,903	366,011,855	350,992,387
Core Earnings per weighted average share outstanding - Diluted	$ 0.23	$ 0.21	$ 0.94	$ 0.89

TWO HARBORS INVESTMENT CORP.

SUMMARY OF QUARTERLY CORE EARNINGS

(dollars in millions, except per share data)

Certain prior period amounts have been reclassified to conform to the current period presentation

	Three Months Ended				
	December 31, 2014	September 30, 2014	June 30, 2014	March 31, 2014	December 31, 2013
	(unaudited)				
Net Interest Income:					
Interest income	$ 156.2	$ 142.3	$ 140.1	$ 138.5	$ 137.4
Interest expense	31.7	24.7	24.9	26.0	26.9
Net interest income	124.5	117.6	115.2	112.5	110.5
Other income:					
Interest spread on interest rate swaps	(32.2)	(26.8)	(18.9)	(13.8)	(10.1)
Interest spread on other derivative instruments	7.0	7.1	7.9	4.7	(2.4)
Servicing income, net of amortization(1)	17.9	17.6	19.9	17.9	5.2
Other income	0.7	0.6	0.2	0.2	0.4
Total other (loss) income	(6.6)	(1.5)	9.1	9.0	(6.9)
Expenses	33.7	30.8	33.2	31.5	26.2
Core Earnings before income taxes	84.2	85.3	91.1	90.0	77.4
Income tax expense	1.1	2.5	1.4	1.8	1.0
Core Earnings	$ 83.1	$ 82.8	$ 89.7	$ 88.2	$ 76.4
Basic and diluted weighted average Core EPS	$ 0.23	$ 0.23	$ 0.24	$ 0.24	$ 0.21

(1) Amortization refers to the portion of change in fair value of MSR primarily attributed to the realization of expected cash flows (runoff) of the portfolio. This amortization has been deducted from Core Earnings. Amortization of MSR is deemed a non-GAAP measure due to the company's decision to account for MSR at fair value.


Fourth Quarter 2014 Earnings Call
February 5, 2015
TWO HARBORS
Investment Corp.
A Pine River Capital Managed Company

Safe Harbor Statement

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, 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 mortgage servicing rights.

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.

Financial Summary

FULL YEAR 2014 – DELIVERED STRONG RETURN ON BOOK VALUE CONSIDERING CONSERVATIVE PORTFOLIO POSITIONING

- Reported book value of $11.10 per share; total return on book value 15.0%[(1)]
  - FY-2014 cash dividends of $1.04 per share
- Comprehensive Income of $578.2 million
  - Return on average equity of 14.4%, or $1.58 per share

FOURTH QUARTER 2014

- Total return on book value 1.0%[(1)]
  - Q4-2014 cash dividend of $0.26 per share
- Comprehensive Income of $42.2 million
  - Return on average equity of 4.1%, or $0.12 per share
- Generated Core Earnings of $83.1 million, or $0.23 per share[(2)]

(1) See Appendix slide 17 for calculation of fourth quarter and full year 2014 return on book value.
(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, gains and losses related to discontinued operations, amortization of business combination intangible assets, reserve expense for representation and warranty obligations on MSR and certain 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 20.

Business Overview

TRANSFORMATIONAL YEAR FOR OPERATIONAL BUSINESSES; ANNOUNCED PLANS TO EXPAND TARGET ASSETS TO INCLUDED COMMERCIAL MORTGAGE LOANS

MORTGAGE LOAN CONDUIT AND SECURITIZATION

- Volume has ramped up considerably; $1.0 billion in pipeline at year-end
- Completed three securitizations in 2014; approximately $1.0 billion in unpaid principal balance (UPB)

MORTGAGE SERVICING RIGHTS (MSR)

- Continuing to develop seller network

COMMERCIAL MORTGAGE LOANS

- Seasoned commercial real estate team added at Pine River
- Sizeable opportunity; over $1.5 trillion in loans maturing over the next several years[1]
- Plan to initially invest $500 million in equity capital

(1) Based on Trepp LLC and Goldman Sachs Global Investment Research estimates published May 2014.

Market and Policy Update

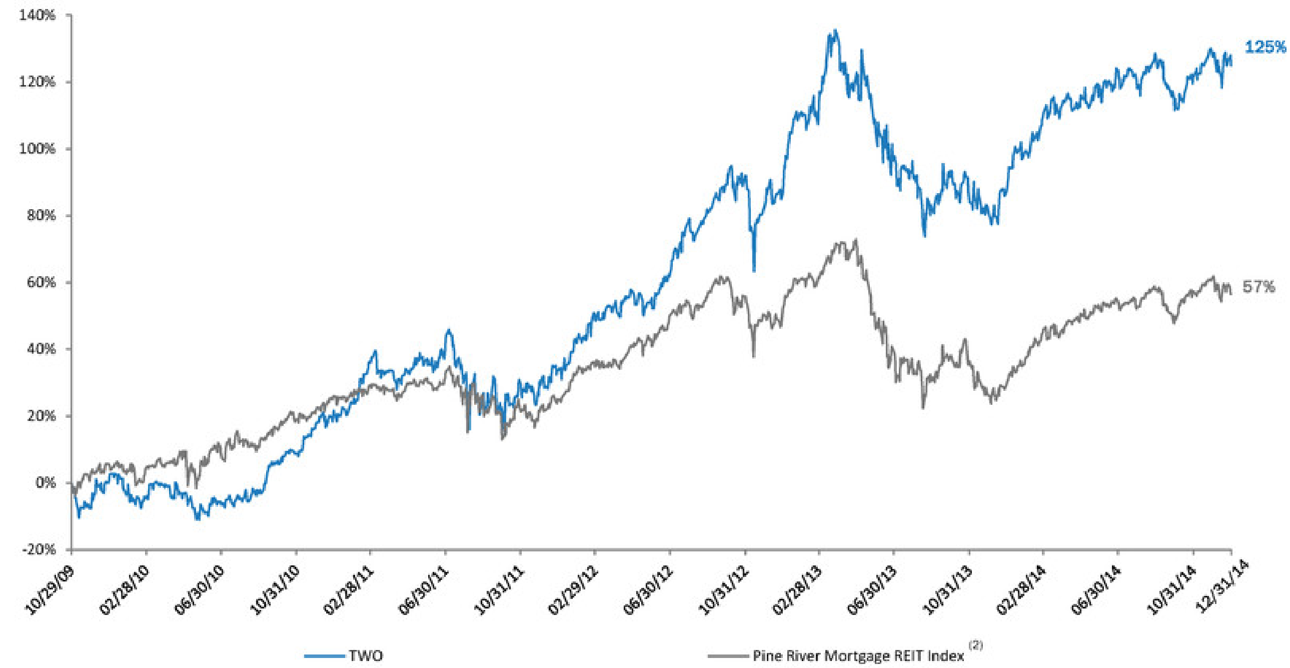
MACROECONOMIC ENVIRONMENT & POLICY CONSIDERATIONS

- End of Federal Reserve's Quantitative Easing (QE)
  - Final reduction in asset purchases occurred during Q4-2014
  - Reinvestment in MBS paydowns expected to continue for the foreseeable future
- Continued low interest rate environment
  - Curve flattened during Q4-2014
- Steady improvement in unemployment
  - 5.6% in December 2014 versus 6.6% in January 2014
- Home price appreciation continues
  - CoreLogic Home Price Index up 5.0% on rolling 12-month basis[1]
- Actively engaged with a variety of parties in Washington
  - FHFA proposed rulemaking
  - Conforming loan limits
  - G-Fees
  - Private label securitization market

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

Delivering Total Return

TOTAL STOCKHOLDER RETURN OF 125% SINCE INCEPTION[(1)]



(1) Two Harbors' total stockholder return is calculated for the period October 29, 2009 through December 31, 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 December 31, 2014. The Pine River Mortgage REIT Index tracks publicly traded REITs whose principal business consists of originating, servicing or investing in residential mortgage interests. The index uses a modified market capitalization weighted methodology, and components are reviewed quarterly for eligibility. Source: Bloomberg.

Book Value

(Dollars in millions, except per share data)	Q4-2014 Book Value ($M)	Q4-2014 Book Value per share	Year Ended 2014 Book Value ($M)	Year Ended 2014 Book Value per share
Beginning stockholders' equity – basic	**$4,118.1**	**$11.25**	**$3,855.0**	**$10.56**
GAAP Net Income:				
Core Earnings, net of tax	83.1		343.8	
Realized gains, net of tax	9.9		15.9	
Unrealized mark-to-market losses, net of tax	(130.0)		(192.5)	
Other comprehensive income	79.2		411.0	
Dividend declaration	(95.2)		(380.8)	
Other	2.7		15.0	
Balance before capital transactions	$4,067.8		$4,067.4	
Issuance of common stock, net of offering costs	0.2		0.6	
Ending stockholders' equity – basic and diluted	**$4,068.0**	**$11.10**	**$4,068.0**	**$11.10**

Q4-2014 Comprehensive Income of $42.2 million; FY-2014 Comprehensive Income of $578.2 million

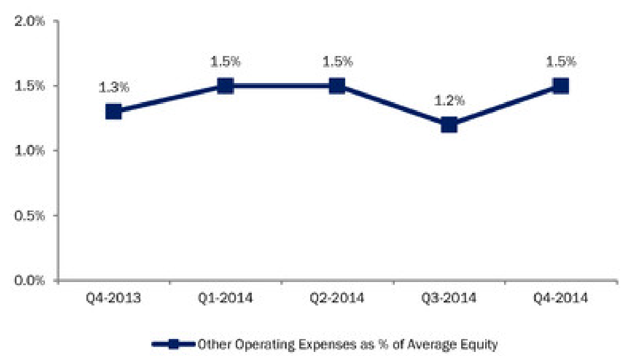
Cash dividend of $0.26 per common share in each quarter of 2014

Financial Summary

Q4-2014 FINANCIAL HIGHLIGHTS

- Core Earnings of $0.23 per share; annualized return on average equity of 8.1%[(1)]
- Results impacted by:
  - Low implied debt-to-equity[(2)]; 3.0x at December 31, 2014
  - Elevated swap expense
  - Repositioned hedges in early December, including a reduction in swap notional; swap expense should decrease going forward
  - Operating expense ratio consistent with expectations

EXPENSE RATIO



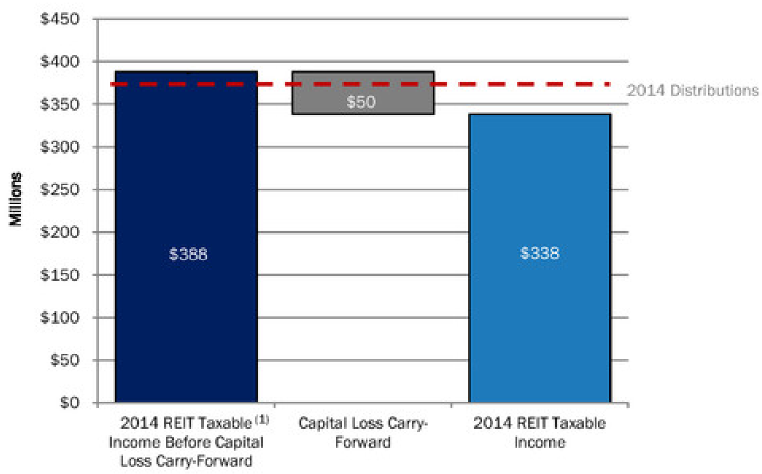
CORE EARNINGS[(1)]

(1) See footnote 2 on slide 3 for Core Earnings definition. For a reconciliation of GAAP to non-GAAP financials, refer to Appendix slide 20.
(2) Implied debt-to-equity is calculated after including net long or short TBA position. As of December 31, 2014, the net TBA position was short $1.3 billion notional.

Tax Characterization of Dividend

FY-2014 DIVIDEND SUMMARY

- Generated REIT taxable income before capital loss carry-forward of $388 million in 2014[(1)]
  - Includes net capital gains of approximately $80 million before capital loss carry-forward applied
- Utilized capital loss carry-forward of $50 million
  - Reduced taxable income to $338 million
- 2014 dividend declarations totaled $379 million
  - Fulfilled REIT dividend distribution requirements
  - 97.6% of REIT taxable income before capital loss carry-forward applied
- Distributions will be fully taxable, rather than a "Return of Capital" when characterized on Form 1099-DIV[(2)]



(1) REIT taxable income before capital loss carry-forward, as depicted, is a proxy for Earnings and Profits ("E&P"). "E&P" is an economic measure of a corporation's ability to finance distributions to its shareholders without distributing any capital contributed by either shareholders or creditors. A shareholder must include a corporate distribution in gross income to the extent the distribution constitutes a "dividend," which is generally any distribution made by a corporation to its shareholders out of positive E&P. Current E&P is measured by making adjustments to the corporation's current year taxable income for items that are treated differently for E&P computation purposes, for example, E&P is reduced for federal income taxes paid and increased for capital loss carryovers applied. Accumulated E&P is measured by the total of all prior years' current E&P, reduced by distributions from E&P. E&P can be viewed as similar to GAAP retained earnings, but accounted for under the Internal Revenue Code instead of US GAAP.

(2) The U.S. federal income tax treatment of holding Two Harbors common stock to any particular stockholder will depend on the stockholder's particular tax circumstances. You are urged to consult your tax advisor regarding the U.S. federal, state, local and foreign income and other tax consequences to you, in light of your particular investment or tax circumstances, of acquiring, holding and disposing of Two Harbors common stock. Two Harbors does not provide tax, accounting or legal advice. Any tax statements contained herein were not intended or written to be used, and cannot be used for the purpose of avoiding U.S., federal, state or local tax penalties. Please consult your advisor as to any tax, accounting or legal statements made herein.

Financing Profile[1]

REPURCHASE AGREEMENTS

- Repo markets functioning normally; no meaningful shifts in financing haircuts or repo rates
- Focused on diversification and financial stability across repo counterparties
  - Outstanding borrowings of $12.9 billion with 25 active counterparties
- Continued to ladder repo maturities; average 64 days to maturity[2]
  - January 2015 maturities rolled subsequent to 2014 year-end

FEDERAL HOME LOAN BANK OF DES MOINES

- Outstanding secured advances of $2.5 billion at year-end
- Average maturity approximately 119 months; borrowing rate 0.3%
- Added 20-year maturities

MATURITY PROFILE OF 24 MONTHS ON AGGREGATE REPO BORROWINGS AND FHLB ADVANCES[2]

(1) Data as of December 31, 2014, except where noted.
(2) Excludes repurchase agreements collateralized by U.S. Treasuries.

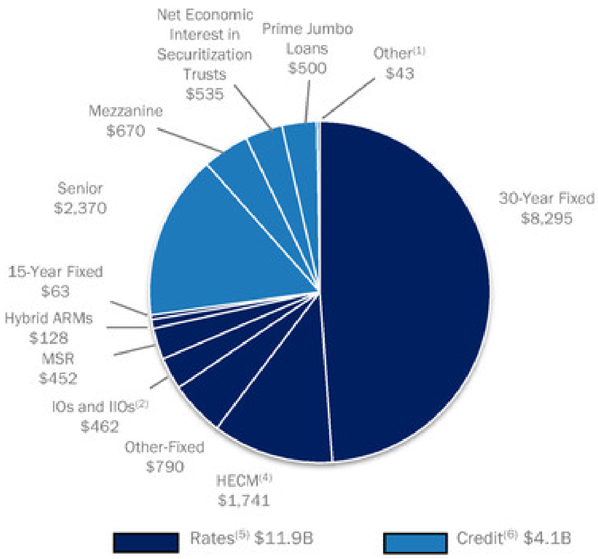
Portfolio Composition

PORTFOLIO COMPOSITION

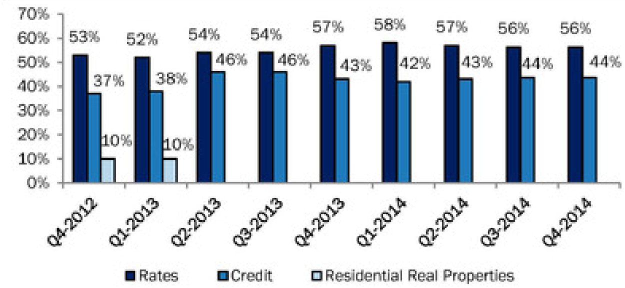
AS OF DECEMBER 31, 2014

$16.0B Portfolio

$ Millions



TARGETED CAPITAL ALLOCATION



Q4-2014 ALLOCATION HIGHLIGHTS

- 56% capital allocation to Rates
  - Opportunistically added lower loan balance pools
- 44% capital allocation to Credit
  - Continued sales of legacy non-Agency RMBS[3]
  - Purchased bonds from GSE risk sharing deals
  - Capital allocation to conduit continued to increase

Dec. 31, 2013	Mar. 31, 2014	Jun. 30, 2014	Sept. 30, 2014	Dec. 31, 2014
0.0%	1.8%	5.7%	7.6%	9.4%

(1) Assets in "Other" include credit sensitive loans (CSL) and non-Agency interest-only securities (IOs).
(2) Includes inverse interest-only securities (IIOs or Agency Derivatives) of $186.4 million.
(3) Non-Agency RMBS, meaning RMBS that are not issued or guaranteed by the Government National Mortgage Association (or Ginnie Mae), the Federal National Mortgage Association (or Fannie Mae), or the Federal Home Loan Mortgage Corporation (or Freddie Mac).
(4) HECM are loans that allow the homeowner to convert home equity into cash collateralized by the value of their home.
(5) Assets in "Rates" include Agency RMBS, Agency Derivatives and MSR.
(6) Assets in "Credit" include non-Agency RMBS, prime jumbo residential mortgage loans, net economic interest in securitization trusts and CSL.

Portfolio Performance

Q4-2014 PERFORMANCE HIGHLIGHTS

RATES PERFORMANCE(1)

- Agency yield increased 10 basis points
- MSR yield of 9.1% in quarter
- Agency prepays decreased modestly

CREDIT PERFORMANCE(2)

- Legacy non-Agency yield down 20 basis points
- New issue non-Agency yield up 30 basis points; purchased higher-yielding bonds from GSE credit risk sharing deals
- Yield on retained interest increased; added subs and IOs from Agate Bay Mortgage Trust 2014-3
- Non-Agency prepays stable quarter-over-quarter

Portfolio Metrics		Q3-2014	Q4-2014
Agency	Weighted average 3-month CPR(4)	7.9%	7.5%
Non-Agency	Weighted average 3-month CPR	4.1%	4.2%
Implied Debt-to-equity(6)		2.7x	3.0x

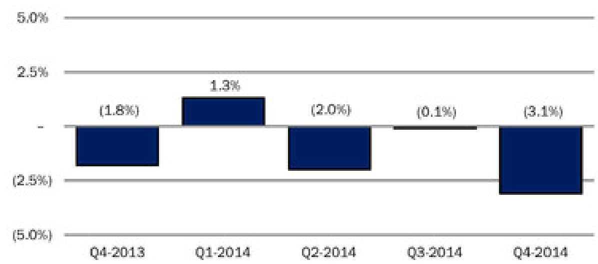
Q4-2014 NET INTEREST YIELD

Three Months Ended	Sept. 30, 2014	Dec. 31, 2014
Annualized portfolio yield during the quarter	**4.46%**	**4.46%**
Rates(1)		
Agency RMBS, Agency derivatives and MSR	3.6%	3.7%
Credit(2)		
Non-Agency RMBS, legacy(3)	9.0%	8.8%
Non-Agency RMBS, new issue(3)	3.4%	3.7%
Net economic interest in securitization trusts	4.4%	4.7%
Prime jumbo residential mortgage loans	4.1%	4.0%
Credit sensitive loans (CSL)	3.4%	3.6%
Annualized cost of funds on average repurchase and advance balance during the quarter(5)	**1.47%**	**1.55%**
Annualized interest rate spread for aggregate portfolio during the quarter	**2.99%**	**2.91%**

(1) Assets in "Rates" include Agency RMBS, IIOs (or Agency Derivatives) and MSR.
(2) Assets in "Credit" include non-Agency RMBS, prime jumbo residential mortgage loans, net economic interest in securitization trusts and CSL.
(3) "Legacy" non-Agency RMBS includes non-Agency bonds issued up to and including 2009. "New issue" non-Agency RMBS includes bonds issued after 2009.
(4) Agency weighted average 3-month Constant Prepayment Rate (CPR) includes IIOs (or Agency Derivatives).
(5) Cost of funds includes interest spread expense associated with the portfolio's interest rate swaps.
(6) Implied debt-to-equity is calculated after including net long or short TBA position. As of December 31, 2014, the net TBA position was short $1.3 billion notional.

Hedging Summary

BV EXPOSURE TO +100BPS CHANGE IN RATES(1)



BV EXPOSURE TO CHANGE IN RATES(2)

	-100 bps	-50 bps	+50 bps	+100 bps
Change in book value	(2.4%)	(1.2%)	(1.6%)	(3.1%)

Q4-2014 HEDGING HIGHLIGHTS & OBJECTIVES

- Significant volatility in interest rates during quarter
- Modified hedge position late in quarter
  - Reduced net swap notional by $6.9 billion
  - Added $4.8 billion notional in swaptions
  - Assumed incremental duration
- Maintain protection against potentially higher rates in 2015 and 2016

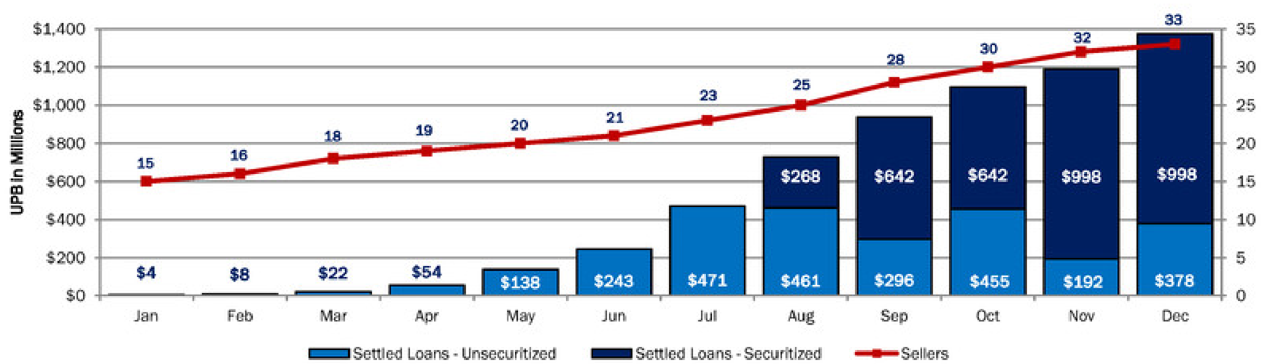
(1) Represents estimated percentage change in equity value for theoretical +100 bps parallel shift in interest rates. Change in equity value is total net asset change.
(2) Represents estimated percentage change in equity value for theoretical parallel shifts in interest rates. Change in equity value is total net asset change.

Mortgage Loan Conduit and Securitization

TRANSFORMATIONAL YEAR FOR CONDUIT BUSINESS

- Completed three securitizations throughout the year; Agate Bay Mortgage Trust 2014-3 closed in Q4-2014
- Pipeline (interest rate locks and prime jumbo holdings) strong; approximately $1.0 billion UPB at 2014 year-end
  - Run-rate of approximately $300 million per month
- Retained interest includes AAAs of approximately $300 million and Subs and IOs of approximately $230 million
- 33 sellers at year-end; focus on building additional seller relationships
- FHLB financing helps provide consistent pricing to our seller partners

2014 PRIME JUMBO LOAN SUMMARY



Business Update

LAUNCHED HIGH-LTV AND NON-PRIME DURING THE QUARTER

- High-LTV:
  - Extension of current prime jumbo program
  - Focused on higher credit quality borrowers who need or desire to make smaller down payments
- Non-Prime:
  - Aimed at average credit quality borrowers unable to get a loan due to the tight credit conditions
  - Large potential market
- Will take time to drive volume

MORTGAGE SERVICING RIGHTS

- Opportunity to build a large network of sellers
- Continue to view MSR as an attractive asset for portfolio
- Aim to cultivate a product and seller mix that overlaps both the MSR and Conduit businesses

COMMERCIAL MORTGAGE LOANS

- Attractive expected returns

Appendix


TWO HARBORS
Investment Corp.
A Pine River Capital Managed Company

Return on Book Value

Return on book value Q4-2014 (Per diluted share amounts, except for percentage)	
Book value at September 30, 2014	$11.25
Book value at December 31, 2014	$11.10
Decrease in book value	$(0.15)
Dividend declared in Q4-2014	$0.26
Return on book value Q4-2014	$0.11
Return on book value Q4-2014[1]	1.0%

Return on book value year-end 2014 (Per diluted share amounts, except for percentage)	
Book value at December 31, 2013	$10.56
Book value at December 31, 2014	$11.10
Increase in book value	$0.54
Dividend declared in FY-2014	$1.04
Return on book value FY-2014	$1.58
Return on book value FY-2014[2]	15.0%

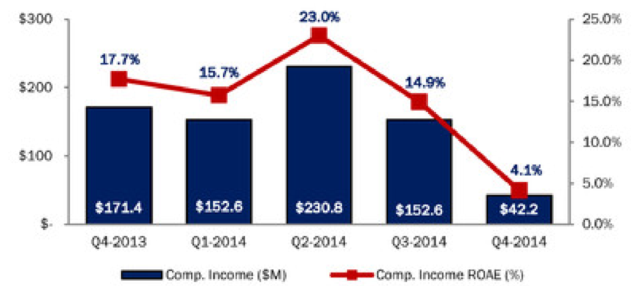
Note: Diluted shares outstanding at end of period are used as the denominator for book value per share calculation.

(1) Return on book value for quarter ended December 31, 2014 is defined as the decrease in book value per diluted share from September 30, 2014 to December 31, 2014 of $0.15, plus dividend declared of $0.26 per share, divided by September 30, 2014 diluted book value of $11.25 per share.

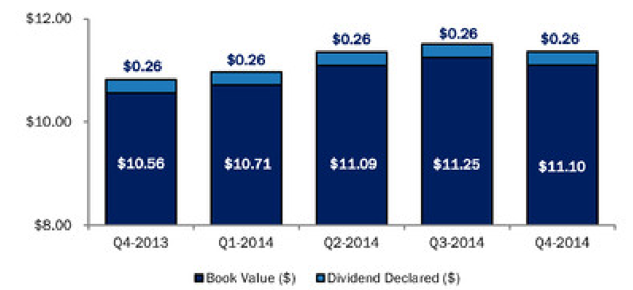
(2) Return on book value for year-ended December 31, 2014 is defined as the increase in book value per diluted share from December 31, 2013 to December 31, 2014 of $0.54, plus dividends declared of $1.04 per share, divided by December 31, 2013 diluted book value of $10.56 per share.

Financial Performance

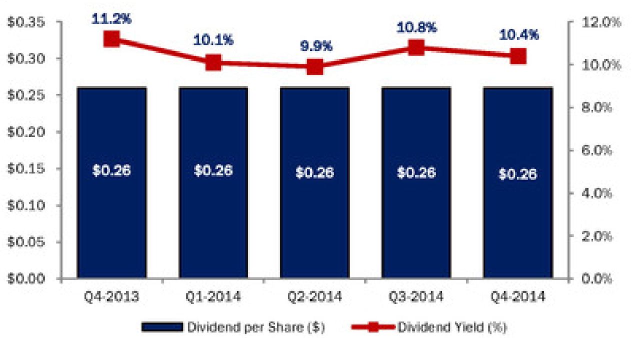
COMPREHENSIVE INCOME



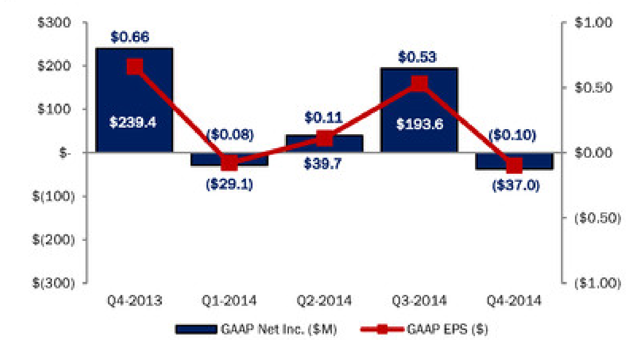
BOOK VALUE AND DIVIDEND PER SHARE(1)



DIVIDENDS(2)



GAAP NET INCOME (LOSS)



(1) Diluted shares outstanding at end of period, which includes the effect of dilutive outstanding warrants (Q4-2013) determined using the treasury stock method, are used as the denominator for book value per share calculation.
(2) Historical 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 relevant quarter.

Operating Performance

(In millions, except for per share data)	Core Earnings	Realized Gains	Unrealized MTM	Q4-2014 Financials	Core Earnings	Realized Gains	Unrealized MTM	FY-2014 Financials
Interest income	$156.2	$ -	$ -	$156.2	$577.2	$ -	$ -	$577.2
Interest expense	31.7	-	-	31.7	107.5	-	-	107.5
Net interest income	124.5	-	-	124.5	$469.7	-	-	$469.7
Net other-than-temporary impairment losses	-	-	(0.2)	(0.2)	-	-	(0.4)	(0.4)
Gain (loss) on investment securities	-	24.5	4.2	28.7	-	89.9	(2.7)	87.2
Loss on interest rate swaps and swaptions	(32.2)	(3.7)	(116.7)	(152.6)	(91.8)	(55.3)	(198.5)	(345.6)
Gain (loss) on other derivative instruments	7.0	(14.6)	2.4	(5.2)	26.8	(52.3)	8.0	(17.5)
Gain on mortgage loans held-for-sale	-	9.1	1.9	11.0	-	13.1	4.2	17.3
Servicing income	31.6	-	-	31.6	128.2	-	-	128.2
Loss on servicing asset	(13.7)	-	(41.6)	(55.3)	(54.8)	-	(73.5)	(128.3)
Other income (loss)	0.7	(0.7)	(1.4)	(1.4)	1.7	6.0	10.8	18.5
Total other (loss) income	(6.6)	14.6	(151.2)	(143.2)	10.1	1.4	(251.7)	(240.2)
Management fees & other operating expenses	33.7	(3.9)	-	29.8	129.2	6.4	-	135.6
Net income (loss) before income taxes	84.2	18.5	(151.4)	(48.7)	350.6	(5.0)	(252.1)	93.5
Income tax expense (benefit)	1.1	8.6	(21.4)	(11.7)	6.8	(20.9)	(59.6)	(73.7)
Net income (loss)	**$83.1**	**$9.9**	**$(130.0)**	**$(37.0)**	**$343.8**	**$15.9**	**$(192.5)**	**$167.2**
Basic and diluted weighted average EPS	$0.23	$0.03	$(0.36)	$(0.10)	$0.94	$0.04	$(0.52)	$0.46

GAAP to Core Earnings Reconciliation

(In thousands, except for per share data)	Three Months Ended December 31, 2014	Year-Ended December 31, 2014
Reconciliation of GAAP to non-GAAP information		
Core Earnings:		
Net (loss) income	$(36,963)	$167,139
Adjustments for non-core earnings:		
Gain on sale of securities and mortgage loans, net of tax	(30,447)	(95,175)
Unrealized gain on trading securities, equity securities and mortgage loans held-for-sale, net of tax	(3,983)	(1,191)
Other-than-temporary impairment loss	180	392
Realized loss on termination or expiration of swaps and swaptions, net of tax	8,458	42,938
Unrealized loss on interest rate swaps and swaptions economically hedging investment portfolio, repurchase agreements and FHLB advances, net of tax	103,239	157,972
Loss on other derivative instruments, net of tax	6,028	20,113
Realized and unrealized loss (gain) on financing securitizations, net of tax	2,129	(16,854)
Unrealized loss on mortgage servicing rights, net of tax	36,978	64,320
Securitization deal costs, net of tax	834	3,015
Income from discontinued operations	–	–
Amortization of business combination intangible assets, net of tax	–	346
Change in representation and warranty reserve, net of tax	(3,345)	793
Core Earnings	**$83,108**	**$343,808**
Weighted average shares outstanding – Diluted	366,230,566	366,011,855
Core Earnings per weighted average share outstanding – Diluted	$0.23	$0.94

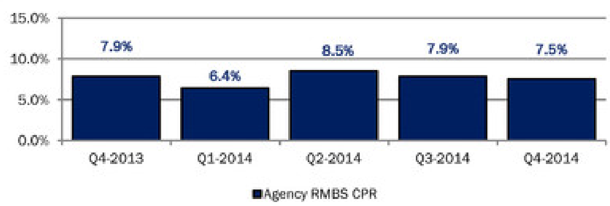
Rates: Agency RMBS Metrics

AGENCY PORTFOLIO YIELDS AND METRICS

Portfolio Yield	Realized Q3-2014	At Sept. 30, 2014	Realized Q4-2014	At Dec. 31, 2014
Agency yield	3.3%	3.3%	3.4%	3.2%
Repo and FHLB costs	0.4%	0.4%	0.4%	0.4%
Swap costs	0.9%	0.9%	1.0%	0.9%
Net interest spread	2.0%	2.0%	2.0%	1.9%

Portfolio Metrics	Q3-2014	Q4-2014
Weighted average 3-month CPR[3]	7.9%	7.5%
Weighted average cost basis[4]	$108.3	$107.7

AGENCY RMBS CPR[3]



AGENCY PORTFOLIO COMPOSITION

Agency: Vintage & Prepayment Protection	Q3-2014	Q4-2014
Other Low Loan Balance Pools[1]	28%	33%
$85K Max Pools[2]	17%	22%
HECM	18%	15%
2006 & subsequent vintages – Premium and IOs	15%	12%
High LTV (predominately MHA)[5]	7%	5%
Seasoned (2005 and prior vintages)	5%	4%
Prepayment Protected	5%	4%
2006 & subsequent vintages – Discount	4%	4%
Low FICO[6]	1%	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 December 31, 2014	Par Value ($M)	Market Value ($M)	% of Agency Portfolio	Amortized Cost Basis ($M)	Weighted Average Coupon	Weighted Average Age (Months)
30-Year Fixed						
3.0-3.5%	$495	$501	4.4%	$492	3.0%	19
4.0-4.5%	$6,466	$7,012	61.1%	$6,947	4.2%	19
≥ 5.0%	$694	$782	6.8%	$752	5.5%	71
	$7,655	$8,295	72.3%	$8,191	4.2%	24
15-Year Fixed						
3.0-3.5%	$58	$60	0.5%	$57	3.0%	49
4.0-4.5%	$2	$2	0.0%	$2	4.0%	54
≥ 5.0%	$1	$1	0.0%	$1	6.6%	111
	$61	$63	0.5%	$60	3.1%	50
HECM	$1,610	$1,741	15.2%	$1,691	4.7%	37
Hybrid ARMs	$118	$128	1.1%	$124	3.5%	130
Other-Fixed	$740	$790	6.9%	$763	4.6%	80
IOs and IIOs	$4,406	$462[1]	4.0%	$436	3.8%	65
Total	**$14,590**	**$11,479**	**100.0%**	**$11,265**	**4.3%**	**33**

(1) Represents the market value of $275.8 million of IOs and $186.4 million of Agency Derivatives.

Rates: Mortgage Servicing Rights

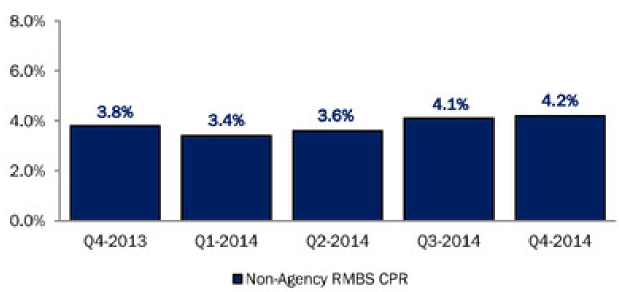
	As of Mar. 31, 2014	As of Jun. 30, 2014	As of Sept. 30, 2014	As of Dec. 31, 2014
Fair Value ($M)	$476.7	$500.5	$498.5	$452.0
Unpaid Principal Balance ($M)	$41,596.3	$45,629.2	$45,526.8	$44,949.1
Weighted Average Coupon	3.9%	3.9%	3.9%	3.9%
Original FICO Score	738	740	730	725
Original LTV	75%	74%	74%	74%
60+ Day Delinquencies	1.0%	1.2%	1.4%	1.5%
Net Servicing Spread	25 basis points	25 basis points	25 basis points	25 basis points
Vintage:				
Pre-2009	3.7%	3.8%	3.6%	3.5%
2009-2012	62.8%	64.5%	63.0%	61.2%
Post 2012	33.5%	31.7%	33.4%	35.3%
Percent of MSR Portfolio:				
Conventional	67.1%	71.1%	72.1%	72.9%
Government FHA	24.7%	21.7%	20.9%	20.3%
Government VA/USDA	8.2%	7.2%	7.0%	6.8%

Credit: Non-Agency RMBS Metrics

NON-AGENCY PORTFOLIO YIELDS AND METRICS

Portfolio Yield	Realized Q3-2014	At Sept. 30, 2014	Realized Q4-2014	At Dec. 31, 2014
Non-Agency yield	8.5%	8.2%	8.1%	8.1%
Repo and FHLB costs	1.7%	1.7%	1.8%	1.7%
Swap costs	0.8%	0.8%	0.8%	0.6%
Net interest spread	6.0%	5.7%	5.5%	5.8%

NON-AGENCY RMBS CPR



NON-AGENCY PORTFOLIO COMPOSITION

Non-Agency: Loan Type	Q3-2014	Q4-2014
Sub-Prime	77%	73%
Prime	10%	13%
Option-ARM	7%	7%
Other	2%	4%
Alt-A	4%	3%
Portfolio Metrics	**Q3-2014**	**Q4-2014**
Weighted average 3-month CPR	4.1%	4.2%
Weighted average cost basis[1]	$57.2	$59.2

(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 $54.78 at December 31, 2014.

Credit: Non-Agency RMBS

As of December 31, 2014	Senior Bonds	Mezzanine Bonds	Total P&I
Portfolio Characteristics:			
Carrying Value ($M)	$2,370.5	$670.4	$3,040.9
% of Credit Portfolio	78%	22%	100%
Average Purchase Price(1)	$56.45	$68.74	$59.16
Average Coupon	2.4%	2.1%	2.3%
Weighted Average Market Price(2)	$73.77	$84.35	$75.87
Collateral Attributes:			
Average Loan Age (months)	91	93	91
Average Loan Size ($K)	$374	$304	$359
Average Original Loan-to-Value	70.1%	71.5%	70.4%
Average Original FICO(3)	628	669	636
Current Performance:			
60+ Day Delinquencies	27.4%	20.2%	25.9%
Average Credit Enhancement(4)	8.4%	18.0%	10.4%
3-Month CPR(5)	3.4%	7.3%	4.2%

(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 $52.11, $65.59 and $54.78, 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	$11,874.8	$2,284.5	$14,159.3
Derivative asset, at fair value	$185.1	-	$185.1
Mortgage loans held-for-sale, at fair value	$19.1	$397.7	$416.8
Net economic interests in consolidated securitization trusts	$363.5	$80.7	$444.2
	$12,442.5	$2,762.9	$15,205.4

Repo Maturities [4]	Amount ($M)	Percent (%)
Within 30 days	$2,980.5	27%
30 to 59 days	$4,595.4	42%
60 to 89 days	$903.3	8%
90 to 119 days	$434.6	4%
120 to 364 days	$1,929.2	18%
One year and over	$93.2	1%
	$10,936.2	

FHLB Maturities	Amount ($M)	Percent (%)
≤ 1 year	$33.7	1%
> 1 and ≤ 3 years	$651.3	26%
> 3 and ≤ 5 years	$815.0	33%
> 10 years	$1,000.0	40%
	$2,500.0	

(1) As of December 31, 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 $100 million as of December 31, 2014.
(4) Excludes repurchase agreements collateralized by U.S. Treasuries.

Interest Rate Swaps[1]

Maturities	Notional Amounts ($B)	Average Fixed Pay Rate	Average Receive Rate	Average Maturity (Years)
Payers Hedging Repo and FHLB Advances				
2016	$4.1	0.667%	0.249%	1.65
2017	$5.3	1.063%	0.248%	2.55
2018	$0.6	0.945%	0.233%	3.08
2019 and after	$1.5	2.408%	0.235%	7.70
	$11.5	1.089%	0.246%	2.92
Other Payers				
2017	$2.0	1.070%	0.229%	2.54
2018	$2.0	1.563%	0.238%	3.94
2019 and after	$0.9	2.378%	0.255%	6.24
	$4.9	1.512%	0.237%	3.80
Maturities	**Notional Amounts ($B)**	**Average Pay Rate**	**Average Fixed Receive Rate**	**Average Maturity (Years)**
Other Receivers				
2018	$0.6	0.231%	1.440%	3.89
2019 and after	$1.6	0.239%	2.794%	9.19
	$2.2	0.237%	2.433%	7.77

(1) As of December 31, 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	$255.4	$130.1	56.62	$8,210	4.12%	3M LIBOR	7.4
Total Payer		$255.4	$130.1	56.62	$8,210	4.12%	3M LIBOR	7.4
Receiver	< 6 Months	$10.7	$6.5	3.38	$5,000	3M LIBOR	1.35%	5.0
Total Receiver		$10.7	$6.5	3.38	$5,000	3M LIBOR	1.35%	5.0
Sale Contracts:								
Payer	≥ 6 Months	$(81.2)	$(20.0)	30.02	$(800)	3.44%	3M LIBOR	10.0
Total Payer		$(81.2)	$(20.0)	30.02	$(800)	3.44%	3M LIBOR	10.0

(1) As of December 31, 2014.


TWO HARBORS
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