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: August 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 August 4, 2015, Two Harbors Investment Corp. issued a press release announcing its financial results for the fiscal quarter ended June 30, 2015. A copy of the press release and the 2015 Second Quarter Earnings Call Presentation are attached hereto as Exhibits 99.1 and 99.2, respectively, and are incorporated herein by reference.

The information in this Current Report, including Exhibits 99.1 and 99.2 attached hereto, is furnished pursuant to Item 2.02 of Form 8-K and shall not be deemed to be "filed" for any other purpose, including for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that Section. The information in Item 2.02 of this Current Report, including Exhibits 99.1 and 99.2, shall not be deemed incorporated by reference into any filing of the registrant under the Securities Act of 1933 or the Exchange Act, whether made before or after the date hereof, regardless of any general incorporation language in such filings (unless the registrant specifically states that the information or exhibit in this 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 August 4, 2015.
99.2	2015 Second Quarter Earnings Call Presentation.

SIGNATURES

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

TWO HARBORS INVESTMENT CORP.

By: /s/ REBECCA B. SANDBERG
Rebecca B. Sandberg
General Counsel and Secretary

Date: August 4, 2015

Exhibit Index

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

TWO HARBORS
Investment Corp.
A Pine River Capital Managed Company

Two Harbors Investment Corp. Reports Second Quarter 2015 Financial Results

Protected Book Value While Advancing Operational Businesses

NEW YORK, August 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), commercial real estate and other financial assets, today announced its financial results for the quarter ended June 30, 2015.

Highlights

- Book value was $10.81 per common share, representing a (0.1)%(1) total return on book value after accounting for a dividend of $0.26 per share, bringing the total return on book value for the first half of 2015 to 2.1%.(2)

- Delivered Comprehensive Income of $2.7 million, a return on average equity of 0.3%, or $0.01 per weighted average common share.

- Reported Core Earnings of $80.2 million, or $0.22 per weighted average common share.(3)

- Generated an aggregate portfolio yield of 4.16% and a net interest margin of 2.79% for the quarter ended June 30, 2015.

- Completed two securitizations, issuing securities backed by approximately $493.3 million unpaid principal balance (UPB) of prime jumbo residential mortgage loans.

"We continue to shift capital from our legacy Agency and non-Agency portfolios to our operational businesses and are poised for growth in these segments over the next several quarters," stated Thomas Siering, Two Harbors' President and Chief Executive Officer. "We believe the expansion of these businesses has the potential to increase valuation and drive stockholder returns."

(1) Return on book value for the quarter ended June 30, 2015 is defined as the decrease in book value from March 31, 2015 to June 30, 2015 of $0.27, plus the dividend declared of $0.26 per share, divided by March 31, 2015 book value of $11.08 per share.
(2) Return on book value for the six months ended June 30, 2015 is defined as the decrease in book value from December 31, 2014 to June 30, 2015 of $0.29, plus dividends declared of $0.52, divided by the December 31, 2014 book value of $11.10 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, 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 2015:

Two Harbors Investment Corp. Operating Performance

(dollars in thousands, except per share data)

	Three Months Ended June 30, 2015			Six Months Ended June 30, 2015		
Earnings	Earnings	Per weighted share	Annualized return on average equity	Earnings	Per weighted share	Annualized return on average equity
		(unaudited)			(unaudited)	
Core Earnings[1]	$ 80,157	$ 0.22	7.9%	$ 174,232	$ 0.48	8.5%
GAAP Net Income	$ 221,501	$ 0.60	21.8%	$ 316,294	$ 0.86	15.5%
Comprehensive Income	$ 2,675	$ 0.01	0.3%	$ 91,537	$ 0.25	4.5%
Operating Metrics						
Dividend per common share	$0.26					
Book value per share at period end	$10.81					
Other operating expenses as a percentage of average equity	1.6%					

(1) Please see page 13 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 June 30, 2015 of $80.2 million, or $0.22 per weighted average common share outstanding, as compared to Core Earnings for the quarter ended March 31, 2015 of $94.1 million, or $0.26 per weighted average common share outstanding. On a Core Earnings basis, the company recognized an annualized return on average equity of 7.9% and 9.2% for the quarters ended June 30, 2015 and March 31, 2015, respectively.

For the second quarter of 2015, the company recognized:

- net realized gains on RMBS, trading securities and residential mortgage loans held-for-sale of $85.6 million, net of tax;
- unrealized losses on trading securities and residential mortgage loans held-for-sale of $18.0 million, net of tax;
- other-than-temporary impairment loss of $0.2 million, net of tax;
- net losses of $70.9 million, net of tax, related to swap and swaption terminations and expirations;
- net unrealized gains, net of tax, of $144.2 million 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 $8.4 million, net of tax;
- net realized and unrealized losses on consolidated financing securitizations of $17.6 million, net of tax;
- a net increase in fair value of $17.1 million[2] on MSR, net of tax;
- securitization deal costs of $1.6 million, net of tax; and
- a reduction in representation and warranty reserve of $0.6 million, net of tax.

(2) Increase in fair value on MSR, net of tax, of $17.1 million is comprised of a increase in fair value of $27.6 million, net of tax, excluded from Core Earnings and $10.5 million, net of tax, of estimated amortization included in Core Earnings.

The company reported GAAP Net Income of $221.5 million, or $0.60 per weighted average common share outstanding, for the quarter ended June 30, 2015, as compared to GAAP Net Income of $94.8 million, or $0.26 per weighted average common share outstanding, for the quarter ended March 31, 2015. On a GAAP Net Income basis, the company recognized an annualized return on average equity of 21.8% and 9.3% for the quarters ended June 30, 2015 and March 31, 2015, respectively.

The company reported Comprehensive Income of $2.7 million, or $0.01 per weighted average common share outstanding, for the quarter ended June 30, 2015, as compared to Comprehensive Income of $88.9 million, or $0.24 per weighted average common share outstanding, for the quarter ended March 31, 2015. The company records unrealized fair value gains and losses on RMBS, classified as available-for-sale, as Other Comprehensive Income. On a Comprehensive Income basis, the company recognized an annualized return on average equity of 0.3% and 8.7% for the quarters ended June 30, 2015 and March 31, 2015, respectively.

Other Key Metrics

Two Harbors declared a quarterly cash dividend of $0.26 per common share for the quarter ended June 30, 2015. The annualized dividend yield on the company's common stock for the quarter, based on the June 30, 2015 closing price of $9.74, was 10.7%.

The company's book value per share, after taking into account the second quarter 2015 dividend of $0.26 per share, was $10.81 as of June 30, 2015, compared to $11.08 as of March 31, 2015, which represented a total return on book value for the quarter of (0.1)%.[1]

Other operating expenses for the quarter ended June 30, 2015 were approximately $15.8 million, or 1.6% of average equity, compared to approximately $16.1 million, or 1.6% of average equity, for the quarter ended March 31, 2015.

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, net economic interests in consolidated securitization trusts and commercial real estate loans held-for-investment. As of June 30, 2015, the total value of the company's portfolio was $14.9 billion.

The company's portfolio includes rates, credit and commercial real estate strategies. The rates strategy consisted of $10.8 billion of Agency RMBS, Agency Derivatives and MSR as well as associated notional hedges as of June 30, 2015. The credit strategy consisted of $4.1 billion of non-Agency RMBS, net economic interests in consolidated securitization trusts, prime jumbo residential mortgage loans and credit sensitive residential mortgage loans, as well as their associated notional hedges as of June 30, 2015. The commercial real estate strategy consisted of a $45.6 million loan as of June 30, 2015.

For the quarter ended June 30, 2015, the annualized yield on the company's average aggregate portfolio was 4.16% and the annualized cost of funds on the associated average borrowings, which includes net interest rate spread expense on interest rate swaps, was 1.37%. This resulted in a net interest rate spread of 2.79%.

(1) Return on book value for the quarter ended June 30, 2015 is defined as the decrease in book value from March 31, 2015 to June 30, 2015 of $0.27, plus the dividend declared of $0.26 per share, divided by March 31, 2015 book value of $11.08 per share.

RMBS and Agency Derivatives

For the quarter ended June 30, 2015, the annualized yield on average RMBS and Agency Derivatives was 4.0%, consisting of an annualized yield of 3.1% in Agency RMBS and Agency Derivatives and 7.9% in non-Agency RMBS.

The company experienced a three-month average constant prepayment rate (CPR) of 9.0% for Agency RMBS and Agency Derivatives held during the quarter ended June 30, 2015, compared to 8.2% for those securities held during the quarter ended March 31, 2015. The weighted average cost basis of the principal and interest Agency portfolio was 108.0% of par as of June 30, 2015, compared to 107.9% of par as of March 31, 2015. The net premium amortization was $40.3 million and $35.4 million as of June 30, 2015 and March 31, 2015, respectively.

The company experienced a three-month average CPR of 6.0% for non-Agency principal and interest RMBS held during the quarter ended June 30, 2015, as compared to 5.1% for those securities held during the quarter ended March 31, 2015. The weighted average cost basis of the non-Agency portfolio was 63.0% of par as of June 30, 2015, compared to 62.0% of par as of March 31, 2015. The discount accretion was $25.3 million for the quarter ended June 30, 2015, compared to $27.5 million for the quarter ended March 31, 2015. The total net discount remaining was $1.5 billion as of June 30, 2015, compared to $1.6 billion as of March 31, 2015, with $0.7 billion designated as credit reserve as of June 30, 2015.

As of June 30, 2015, fixed-rate investments composed 80.5% and adjustable-rate investments composed 19.5% of the company's RMBS and Agency Derivatives portfolio.

As of June 30, 2015, the company had residential mortgage loans held-for-investment with a carrying value of $2.4 billion and the company's collateralized borrowings had a carrying value of $1.7 billion, resulting in net economic interests in consolidated securitization trusts of $734.5 million.

Mortgage Servicing Rights

The company held MSR on mortgage loans with UPB totaling $42.8 billion. The MSR had a fair market value of $437.6 million as of June 30, 2015, and recognized unrealized gains of $17.6 million during the quarter ended June 30, 2015.

The company does not directly service mortgage loans, but instead contracts with fully licensed subservicers to handle substantially all servicing functions for the loans underlying the company's MSR. The company recognized $30.5 million of servicing income, $6.8 million of servicing expenses and a $0.9 million change in reserve expense for representation and warranty obligations during the quarter ended June 30, 2015.

Residential Mortgage Loans Held for Sale

As of June 30, 2015, the company held prime jumbo residential mortgage loans with a fair market value of $633.6 million and had outstanding purchase commitments to acquire an additional $626.7 million UPB of residential mortgage loans, subject to fallout if the loans do not close. For the quarter ended June 30, 2015, the annualized yield on the prime jumbo residential mortgage loan portfolio was 3.8%, compared to 3.9% for the quarter ended March 31, 2015.

During the quarter, the company completed two securitizations, Agate Bay Mortgage Trust 2015-3 and Agate Bay Mortgage Trust 2015-4. The trusts issued securities backed by approximately $493.3 million UPB of prime jumbo 30-year fixed residential mortgage loans.

Commercial Real Estate

As previously disclosed, the company intends to allocate $500 million in equity capital to its commercial real estate initiative, and expects to deploy the remainder of this allocation in the latter half of 2015 and into 2016. At June 30, 2015, the company held a $45.6 million senior mezzanine commercial real estate loan.

Other Investments and Risk Management Derivatives

The company held $1.0 billion notional of net short TBAs as of June 30, 2015, which are accounted for as derivative instruments in accordance with GAAP.

As of June 30, 2015, the company was a party to interest rate swaps and swaptions with a notional amount of $25.6 billion. Of this amount, $10.5 billion notional in swaps were utilized to economically hedge interest rate risk associated with the company's LIBOR-based repurchase agreements and FHLB advances, $5.7 billion notional in swaps were utilized to economically hedge interest rate risk associated with the company's investment portfolio, and $9.4 billion net notional in swaptions were utilized as macroeconomic hedges.

The following tables summarize the company's investment portfolio:

Two Harbors Investment Corp. Portfolio

(dollars in thousands)

Portfolio Composition	As of June 30, 2015	
	(unaudited)	
Rates Strategy		
Agency Bonds		
Fixed Rate Bonds	$ 9,981,103	67.0%
Hybrid ARMs	119,710	0.8%
Total Agency	10,100,813	67.8%
Agency Derivatives	176,903	1.2%
Mortgage servicing rights	437,576	2.9%
Ginnie Mae buyout residential mortgage loans	50,650	0.4%
Credit Strategy		
Non-Agency Bonds		
Senior Bonds	1,904,680	12.8%
Mezzanine Bonds	795,071	5.3%
Non-Agency Other	7,094	0.1%
Total Non-Agency	2,706,845	18.2%
Net Economic Interest in Securitization(1)	734,464	4.9%
Residential mortgage loans held-for-sale	644,428	4.3%
Commercial real estate loans held-for-investment	45,605	0.3%
Aggregate Portfolio	$ 14,897,284	

Portfolio Metrics	Three Months Ended June 30, 2015
	(unaudited)
Annualized portfolio yield during the quarter	4.16%
Rates Strategy	
Agency RMBS, Agency Derivatives and mortgage servicing rights	3.4%
Credit Strategy	
Non-Agency RMBS, Legacy(2)	8.5%
Non-Agency RMBS, New issue(2)	4.3%
Net economic interest in securitizations	4.7%
Residential mortgage loans held-for-sale	
Prime nonconforming residential mortgage loans	3.8%
Credit sensitive residential mortgage loans	4.6%
Commercial Strategy	7.5%
Annualized cost of funds on average borrowing balance during the quarter(3)	1.37%
Annualized interest rate spread for aggregate portfolio during the quarter	2.79%
Debt-to-equity ratio at period-end(4)	3.1:1.0

Portfolio Metrics Specific to RMBS and Agency Derivatives as of June 30, 2015	
Weighted average cost basis of principal and interest securities	
Agency(5)	$ 107.98
Non-Agency(6)	$ 62.99
Weighted average three month CPR	
Agency	9.0%
Non-Agency	6.0%
Fixed-rate investments as a percentage of aggregate RMBS and Agency Derivatives portfolio	80.5%
Adjustable-rate investments as a percentage of aggregate RMBS and Agency Derivatives portfolio	19.5%

(1) Net economic interest in securitization consists of residential 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, residential mortgage loans held-for-sale, commercial real estate loans held-for-investment 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 $58.55 at June 30, 2015.

“We are proud to have protected book value despite volatility in the second quarter,” stated Bill Roth, Two Harbors’ Chief Investment Officer. “We believe that it is prudent to have a conservative risk profile in the current market environment and are focused on driving stockholder returns over time through our operational businesses.”

Financing Summary

The company reported a debt-to-equity ratio, defined as total borrowings under repurchase agreements and FHLB advances to fund RMBS, Agency Derivatives, residential mortgage loans held-for-sale and commercial real estate loans held-for-investment divided by total equity, of 3.1:1.0 and 3.4:1.0 as of June 30, 2015 and March 31, 2015, respectively.

As of June 30, 2015, the company had outstanding $9.4 billion of repurchase agreements funding RMBS, Agency Derivatives and residential mortgage loans held-for-sale with 23 different counterparties. Excluding the effect of the company’s interest rate swaps, the repurchase agreements had a weighted average borrowing rate of 0.75% and weighted average remaining maturity of 69 days as of June 30, 2015.

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 June 30, 2015, TH Insurance had $3.0 billion in outstanding secured advances, with a weighted average borrowing rate of 0.35% and a weighted average of 11.4 years to maturity, and had an additional $1.0 billion of available uncommitted credit for borrowings.

As of June 30, 2015, the company’s aggregate repurchase agreements and FHLB advances funding RMBS, Agency Derivatives and residential mortgage loans held-for-sale had a weighted average of 2.9 years 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 June 30, 2015
(in thousands)		(unaudited)
Collateral type:		
Agency RMBS and Agency Derivatives	$	9,571,231
Mortgage servicing rights		—
Non-Agency RMBS		1,850,848
Net economic interests in consolidated securitization trusts[(1)]		535,202
Residential mortgage loans held-for-sale		
Prime nonconforming residential mortgage loans		442,572
Credit sensitive residential mortgage loans		—
Commercial real estate loans held-for-investment		22,950
	$	12,422,803

Cost of Funds Metrics	Three Months Ended June 30, 2015
	(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	1.9%
Net economic interests in consolidated securitization trusts[(1)]	0.6%
Residential mortgage loans held-for-sale	
Prime nonconforming residential mortgage loans	0.4%
Credit sensitive residential mortgage loans	—%
Commercial real estate loans held-for-investment	1.9%

(1) Includes the retained interests from on-balance sheet securitizations, which are eliminated in consolidation in accordance with U.S. GAAP.

Conference Call

Two Harbors Investment Corp. will host a conference call on August 5, 2015 at 9:00 a.m. EDT to discuss second quarter 2015 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 80774414, 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. EDT on August 5, 2015, through 12:00 a.m. EDT on August 12, 2015. The playback can be accessed by calling (855) 859-2056 (or (404) 537-3406 for international callers), Conference Code 80774414. 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, commercial real estate 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 our Annual Report on Form 10-K for the year ended December 31, 2014, 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: the state of credit markets and general economic conditions; changes in interest rates and the market value of our assets; changes in prepayment rates of mortgages underlying our target assets; the rates of default or decreased recovery on the mortgages underlying our target assets; the occurrence, extent and timing of credit losses within our portfolio; the concentration of credit risks we are exposed to; declines in home prices; our ability to establish, adjust and maintain appropriate hedges for the risks in our portfolio; the availability and cost of our target assets; the availability and cost of financing; changes in the competitive landscape within our industry; our ability to successfully implement new strategies and to diversify our business into new asset classes; our ability to manage various operational risks and costs associated with our business; interruptions in or impairments to our communications and information technology systems; our ability to acquire mortgage loans and successfully securitize the mortgage loans we acquire; our ability to acquire mortgage servicing rights (MSR) and successfully operate our seller-servicer subsidiary and oversee our subservicers; the impact of any deficiencies in the servicing or foreclosure practices of third parties and related delays in the foreclosure process; our exposure to legal and regulatory claims; legislative and regulatory actions affecting our business; the impact of new or modified government mortgage refinance or principal reduction programs; our ability to maintain our REIT qualification; the state of commercial real estate markets and our ability to acquire or originate commercial real estate loans or related assets; and limitations imposed on our business due to our REIT status and our exempt status under the Investment Company Act of 1940.

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 13 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 Investor and Media 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)

	June 30, 2015	December 31, 2014
	(unaudited)	
ASSETS		
Available-for-sale securities, at fair value	$ 12,807,658	$ 14,341,102
Trading securities, at fair value	—	1,997,656
Residential mortgage loans held-for-sale, at fair value	695,078	535,712
Residential mortgage loans held-for-investment in securitization trusts, at fair value	2,449,199	1,744,746
Commercial real estate loans held-for-investment	45,605	—
Mortgage servicing rights, at fair value	437,576	452,006
Cash and cash equivalents	933,579	1,005,792
Restricted cash	410,903	336,771
Accrued interest receivable	57,011	65,529
Due from counterparties	27,230	35,625
Derivative assets, at fair value	347,322	380,791
Other assets	236,560	188,579
Total Assets	$ 18,447,721	$ 21,084,309
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Repurchase agreements	$ 9,422,803	$ 12,932,463
Collateralized borrowings in securitization trusts, at fair value	1,714,735	1,209,663
Federal Home Loan Bank advances	3,000,000	2,500,000
Derivative liabilities, at fair value	22,475	90,233
Due to counterparties	160,014	124,206
Dividends payable	95,557	95,263
Other liabilities	60,568	64,439
Total Liabilities	14,476,152	17,016,267
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 367,527,725 and 366,395,920 shares issued and outstanding, respectively	3,675	3,664
Additional paid-in capital	3,816,861	3,811,027
Accumulated other comprehensive income	631,032	855,789
Cumulative earnings	1,508,839	1,195,536
Cumulative distributions to stockholders	(1,988,838)	(1,797,974)
Total Stockholders' Equity	3,971,569	4,068,042
Total Liabilities and Stockholders' Equity	$ 18,447,721	$ 21,084,309

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 June 30,		Six Months Ended June 30,	
	2015	**2014**	**2015**	**2014**
	(unaudited)		(unaudited)	
Interest income:				
Available-for-sale securities	$ 118,129	$ 127,605	$ 253,654	$ 251,518
Trading securities	3,981	1,940	8,676	3,866
Residential mortgage loans held-for-sale	7,518	2,699	11,789	7,285
Residential mortgage loans held-for-investment in securitization trusts	21,830	7,761	40,067	15,654
Commercial real estate loans held-for-investment	850	—	894	—
Cash and cash equivalents	221	144	418	361
Total interest income	152,529	140,149	315,498	278,684
Interest expense:				
Repurchase agreements	19,398	18,603	39,963	39,175
Collateralized borrowings in securitization trusts	13,131	5,592	23,839	10,945
Federal Home Loan Bank advances	2,500	755	4,730	908
Total interest expense	35,029	24,950	68,532	51,028
Net interest income	117,500	115,199	246,966	227,656
Other-than-temporary impairment losses	(170)	—	(297)	(212)
Other income:				
Gain (loss) on investment securities	69,932	37,688	199,389	(967)
Gain (loss) on interest rate swap and swaption agreements	44,952	(116,019)	(81,491)	(221,547)
Loss on other derivative instruments	(5,484)	(24,202)	(2,517)	(18,401)
(Loss) gain on residential mortgage loans held-for-sale	(6,832)	11,801	2,260	8,620
Servicing income	30,516	33,868	62,603	64,309
Gain (loss) on servicing asset	17,635	(29,571)	(34,768)	(62,331)
Other (loss) income	(16,609)	21,003	(18,466)	21,463
Total other income (loss)	134,110	(65,432)	127,010	(208,854)
Expenses:				
Management fees	12,686	12,190	25,407	24,301
Securitization deal costs	2,484	—	5,095	—
Servicing expenses	5,899	6,857	12,615	12,082
Other operating expenses	15,827	14,323	31,882	28,857
Total expenses	36,896	33,370	74,999	65,240
Income (loss) before income taxes	214,544	16,397	298,680	(46,650)
Benefit from income taxes	(6,957)	(23,260)	(17,614)	(57,162)
Net income	$ 221,501	$ 39,657	$ 316,294	$ 10,512
Basic and diluted earnings per weighted average common share	$ 0.60	$ 0.11	$ 0.86	$ 0.03
Dividends declared per common share	$ 0.26	$ 0.26	$ 0.52	$ 0.52
Basic and diluted weighted average number of shares of common stock outstanding	367,074,131	366,078,124	366,792,459	365,846,295

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 June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
	(unaudited)		(unaudited)	
Comprehensive income:				
Net income	$ 221,501	$ 39,657	$ 316,294	$ 10,512
Other comprehensive (loss) income:				
Unrealized (loss) gain on available-for-sale securities, net	(218,826)	191,160	(224,757)	372,895
Other comprehensive (loss) income	(218,826)	191,160	(224,757)	372,895
Comprehensive income	$ 2,675	$ 230,817	$ 91,537	$ 383,407

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 June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
	(unaudited)		(unaudited)	
Reconciliation of net income to				
Core Earnings:				
Net income	$ 221,501	$ 39,657	$ 316,294	$ 10,512
Adjustments for non-core earnings:				
(Gain) loss on sale of securities and residential mortgage loans, net of tax	(85,633)	(34,772)	(208,160)	3,704
Unrealized loss (gain) on trading securities and residential mortgage loans held-for-sale, net of tax	18,032	(9,980)	9,388	(7,687)
Other-than-temporary impairment loss, net of tax	170	—	297	212
Realized loss on termination or expiration of swaps and swaptions, net of tax	70,877	4,399	63,598	6,380
Unrealized (gain) loss on interest rate swaps and swaptions economically hedging investment portfolio, repurchase agreements and FHLB advances, net of tax	(144,223)	78,666	(46,754)	138,353
Loss on other derivative instruments, net of tax	8,396	18,026	7,572	13,372
Realized and unrealized loss (gain) on financing securitizations, net of tax	17,593	(20,829)	20,495	(21,142)
Realized and unrealized (gain) loss on mortgage servicing rights, net of tax	(27,578)	14,418	8,740	33,824
Securitization deal costs, net of tax	1,614	—	3,311	—
Amortization of business combination intangible assets, net of tax	—	86	—	346
Change in representation and warranty reserve, net of tax	(592)	—	(549)	—
Core Earnings	$ 80,157	$ 89,671	$ 174,232	$ 177,874
Weighted average shares outstanding	367,074,131	366,078,124	366,792,459	365,846,295
Core Earnings per weighted average share outstanding	$ 0.22	$ 0.24	$ 0.48	$ 0.49

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				
	June 30, 2015	March 31, 2015	December 31, 2014	September 30, 2014	June 30, 2014
	(unaudited)				
Net Interest Income:					
Interest income	$ 152.5	$ 163.0	$ 156.2	$ 142.3	$ 140.1
Interest expense	35.0	33.5	31.7	24.7	24.9
Net interest income	117.5	129.5	124.5	117.6	115.2
Other income:					
Interest spread on interest rate swaps	(26.2)	(27.5)	(32.2)	(26.8)	(18.9)
Interest spread on other derivative instruments	6.4	7.7	7.0	7.1	7.9
Servicing income, net of amortization(1)	17.2	19.1	17.9	17.6	19.9
Other income	1.0	1.0	0.7	0.6	0.2
Total other (loss) income	(1.6)	0.3	(6.6)	(1.5)	9.1
Expenses	35.3	35.4	33.7	30.8	33.2
Core Earnings before income taxes	80.6	94.4	84.2	85.3	91.1
Income tax expense	0.4	0.3	1.1	2.5	1.4
Core Earnings	$ 80.2	$ 94.1	$ 83.1	$ 82.8	$ 89.7
Basic and diluted weighted average Core EPS	$ 0.22	$ 0.26	$ 0.23	$ 0.23	$ 0.24

(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.


Second Quarter 2015 Earnings Call
August 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, 2014, 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: the state of credit markets and general economic conditions; changes in interest rates and the market value of our assets; changes in prepayment rates of mortgages underlying our target assets; the rates of default or decreased recovery on the mortgages underlying our target assets; the occurrence, extent and timing of credit losses within our portfolio; the concentration of credit risks we are exposed to; declines in home prices; our ability to establish, adjust and maintain appropriate hedges for the risks in our portfolio; the availability and cost of our target assets; the availability and cost of financing; changes in the competitive landscape within our industry; our ability to successfully implement new strategies and to diversify our business into new asset classes; our ability to manage various operational risks and costs associated with our business; interruptions in or impairments to our communications and information technology systems; our ability to acquire mortgage loans and successfully securitize the mortgage loans we acquire; our ability to acquire mortgage servicing rights (MSR) and successfully operate our seller-servicer subsidiary and oversee our subservicers; the impact of any deficiencies in the servicing or foreclosure practices of third parties and related delays in the foreclosure process; the state of commercial real estate markets and our ability to acquire or originate commercial real estate loans or related assets; our exposure to legal and regulatory claims; legislative and regulatory actions affecting our business; the impact of new or modified government mortgage refinance or principal reduction programs; our ability to maintain our REIT qualification; and limitations imposed on our business due to our REIT status and our exempt status under the Investment Company Act of 1940.

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 and Business Overview

SOLID FINANCIAL RESULTS[1]

- Total return on book value of 2.1% through the first six months of 2015[2]
  - Q2-2015 cash dividend of $0.26 per share
- Comprehensive Income of $2.7 million
  - Return on average equity of 0.3%, or $0.01 per share
- Generated Core Earnings of $80.2 million, or $0.22 per share[3]

STRATEGIC UPDATE

- Mortgage Loan Conduit and Securitization
  - Completed two securitizations in Q2-2015; total of four securitizations year-to-date
  - Created subordinate and interest-only (IO) assets for portfolio
- Mortgage Servicing Rights
  - Focus on expanding flow sale relationships
  - Closed on $4.7 billion unpaid principal balance (UPB) bulk purchase of Fannie Mae MSR subsequent to quarter-end
- Commercial Real Estate
  - Expect to accelerate capital deployment in second half of 2015 and early 2016
  - Majority bear interest on a floating-rate basis

(1) Data for the three months ended June 30, 2015, except where noted.
(2) See Appendix slide 14 for calculation of 2015 year-to-date return on book value.
(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, 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 17.

Market and Policy Update

MACROECONOMIC ENVIRONMENT & POLICY CONSIDERATIONS

- Interest rate environment remains volatile
  - Conservatively positioned with respect to interest rates
- Steady improvement in unemployment rates
  - 5.3% in June 2015 versus 6.1% in June 2014
- Home price appreciation continues
  - CoreLogic Home Price Index up 6.5% on rolling 12-month basis(1)
- Actively engaged with a variety of parties in Washington D.C.
  - Private label securitization market
  - Servicing standards and capital requirements
  - GSE risk sharing and housing finance reform
  - FHFA proposed rulemaking regarding Federal Home Loan Bank (FHLB) membership

(1) Source: CoreLogic Home Price Index rolling 12-month change in June 2015.

Book Value

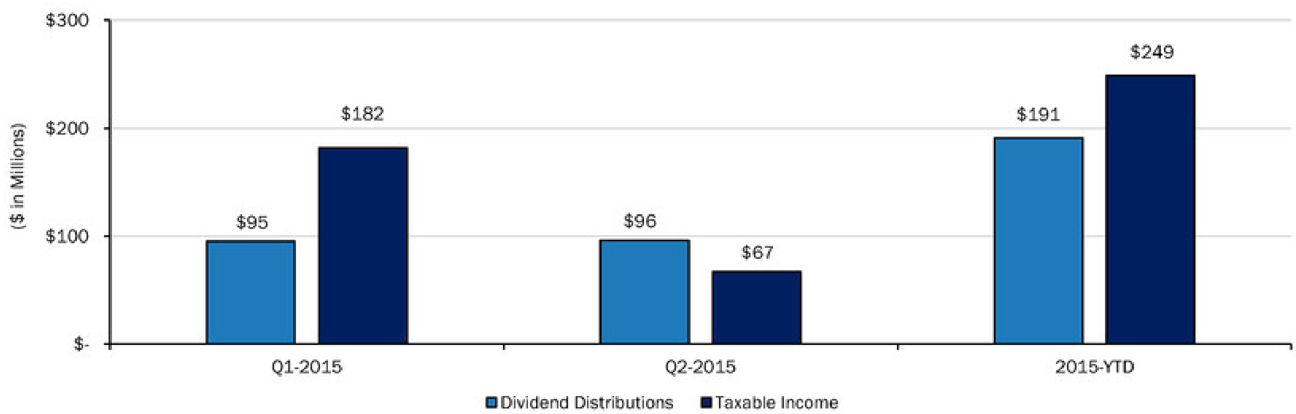
(Dollars in millions, except per share data)	Q2-2015 Book Value ($M)	Q2-2015 Book Value per share	YTD-2015 Book Value ($M)	YTD-2015 Book Value per share
Beginning stockholders' equity	**$4,061.5**	**$11.08**	**$4,068.0**	**$11.10**
Cumulative effect of adoption of new accounting principle (ASU 2014-13)	n/a		(3.0)	
Beginning stockholders' equity - Adjusted	**$4,061.5**	**$11.08**	**$4,065.0**	**$11.10**
GAAP Net Income:				
Core Earnings, net of tax	80.2		174.2	
Realized gains, net of tax	4.0		122.6	
Unrealized mark-to-market gains, net of tax	137.3		19.5	
Other comprehensive loss	(218.8)		(224.8)	
Dividend declaration	(95.5)		(190.8)	
Other	2.9		5.7	
Balance before capital transactions	$3,971.6		$3,971.4	
Issuance of common stock, net of offering costs	-		0.2	
Ending stockholders' equity	**$3,971.6**	**$10.81**	**$3,971.6**	**$10.81**

Q2-2015 Comprehensive Income of $2.7 million, $91.5 million year-to-date

Taxable Income[1]

DIVIDEND REQUIREMENTS ARE BASED ON REIT TAXABLE INCOME

- Declared Q2-2015 dividends of $95.5 million, or $0.26 per share
- Required to distribute 90% of REIT taxable income
- Realized gains support dividend in the near-term
  - Distributed 76% of REIT taxable income year-to-date
  - Realized capital gains of approximately $65 million on RMBS portfolio in Q2-2015; approximately $167 million in first half of year



(1) Historical dividends may not be indicative of future dividend distributions. Our company ultimately distributes dividends based on its taxable income per share of common stock.

Core Earnings(1) Summary

Q2-2015 FINANCIAL HIGHLIGHTS

	Q1-2015	Q2-2015	Variance ($)	Variance (%)
Interest Income	$163.0	$152.5	($10.5)	(6.4%)
Interest Expense	$33.5	$35.0	($1.5)	(4.6%)
Net interest income	$129.5	$117.5	($12.0)	(9.2%)
Loss on Swaps and Swaptions	($27.5)	($26.2)	$1.3	5.0%
Gain on other derivatives	$7.7	$6.4	($1.3)	(17.0%)
Servicing income, net of amortization on MSR	$19.1	$17.2	($1.9)	(10.0%)
Other	$1.0	$1.0	($0.0)	(5.9%)
Total other income	$0.3	($1.6)	($1.9)	(614.9%)
Expenses	$35.4	$35.3	$0.1	0.3%
Income taxes	$0.3	$0.4	($0.1)	59.0%
Core Earnings(1)	**$94.1**	**$80.2**	**($13.9)**	**(14.8%)**

- Core Earnings of $0.22 per share; annualized return on average equity of 7.9%(1)
- Interest income decreased over 6%
  - Sold over $1.4 billion in Agency securities
  - Decreased leverage on Agency portfolio from 6.0x to 5.5x
- Extended swaps to improve exposure across the curve
  - Protection carries higher net spread
- Servicing income, net of amortization on MSR, decreased 10%; modestly higher prepayments in Q2-2015 and favorable seasonal activity in Q1-2015
- Focused on delivering total returns over the long-term, rather than quarterly core earnings performance

(1) See footnote 2 on slide 3 for Core Earnings definition. For a reconciliation of GAAP to non-GAAP financials, refer to Appendix slide 17.

Financing Profile

FEDERAL HOME LOAN BANK OF DES MOINES

- Outstanding secured advances of $3.0 billion
- Average maturity approximately 11.4 years; average borrowing rate 0.35%

REPURCHASE AGREEMENTS

- Focused on diversification and financial stability across repo counterparties
  - Outstanding borrowings of $9.4 billion with 23 active counterparties
- Continued to ladder repo maturities; average 69 days to maturity

MATURITY PROFILE OF APPROXIMATELY 3 YEARS ON AGGREGATE REPO BORROWINGS AND FHLB ADVANCES

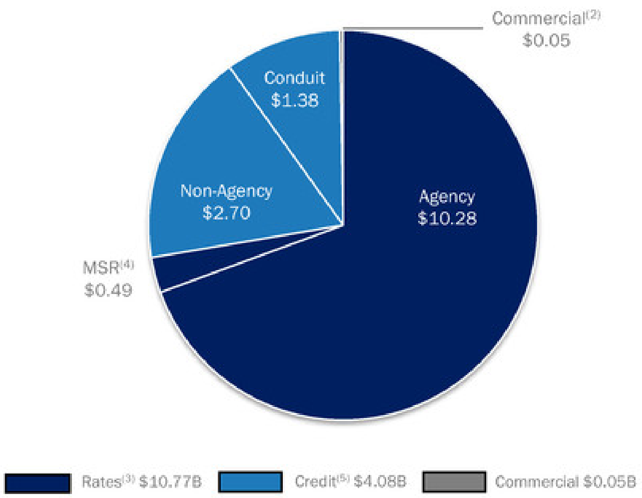
Portfolio Composition

CAPITAL ALLOCATION TO MSR, CONDUIT AND COMMERCIAL REAL ESTATE INCREASING

PORTFOLIO COMPOSITION(1)

$14.9 BILLION PORTFOLIO AS OF JUNE 30, 2015

($ billions)



HISTORICAL CAPITAL ALLOCATION

	June 30, 2013	June 30, 2014	June 30, 2015	Long-Term Trend(6)
Rates(3)				
Agency	54%	45%	44%	↓
MSR	0%	13%	11%	↑
Credit(5)				
Non-Agency	43%	36%	33%	↓
Conduit	3%	6%	12%	↑
Commercial	0%	0%	<1%	↑

(1) For additional detail on the portfolio, see appendix slides 18-22.
(2) Commercial consists of senior mezzanine debt.
(3) Assets in "Rates" include Agency RMBS, Agency Derivatives, MSR and Ginnie Mae buyout residential mortgage loans.
(4) MSR includes Ginnie Mae buyout residential mortgage loans.
(5) Assets in "Credit" include non-Agency RMBS, prime jumbo residential mortgage loans, net economic interest in securitization trusts and CSL.
(6) The capital allocation strategies are intended to be illustrative of allocation trends and reflect the company's current expectations based on a variety of market, economic and regulatory factors. Actual portfolio composition and allocation strategies may differ materially.

Portfolio Performance and Hedging

Q2-2015 PERFORMANCE HIGHLIGHTS

RATES

- Specified pool, IO and MSR yields declined; prepayments modestly higher, sold certain higher yielding specified pools

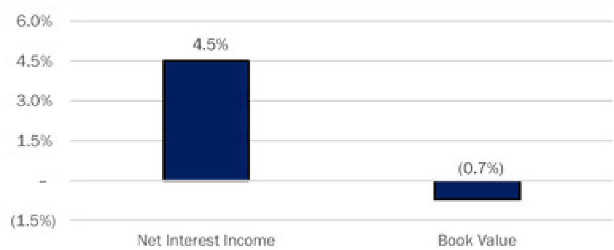
CREDIT

- Credit assets performed well

HEDGING

- Positioned for Federal Reserve to move rates higher
  - Book value protected in rising rate environment
  - Net interest income benefits due to high sensitivity to floating rates
- Maintained low exposure to Agency mortgage spread duration

EXPOSURE TO +100BPS CHANGE IN RATES[2]



Q2-2015 NET INTEREST YIELD

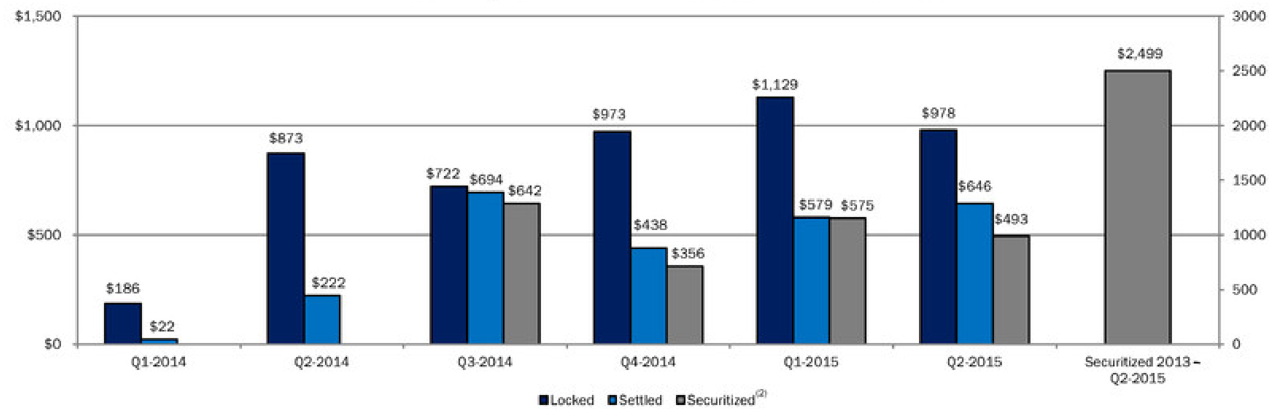
Three Months Ended	Mar. 31, 2015	June 30, 2015
Annualized portfolio yield during the quarter	**4.40%**	**4.16%**
Rates		
Agency RMBS, Agency derivatives and MSR	3.8%	3.4%
Credit		
Non-Agency RMBS, legacy[1]	8.5%	8.5%
Non-Agency RMBS, new issue[1]	3.9%	4.3%
Net economic interest in securitization trusts	4.6%	4.7%
Prime jumbo residential mortgage loans	3.9%	3.8%
Commercial	7.0%	7.5%
Annualized cost of funds on average repurchase and advance balance during the quarter[3]	**1.33%**	**1.37%**
Annualized interest rate spread for aggregate portfolio during the quarter	**3.07%**	**2.79%**

(1) "Legacy" non-Agency RMBS includes non-Agency bonds issued up to and including 2009. "New issue" non-Agency RMBS includes bonds issued after 2009.
(2) Represents estimated percentage change in book value and net interest income for a +100 basis point theoretical parallel shift in interest rates at period end.
(3) Cost of funds includes interest spread expense associated with the portfolio's interest rate swaps.

Conduit Update

- Completed two securitizations during the quarter, totaling approximately $493 million unpaid principal balance (UPB)
  - Retained subordinates and IOs of approximately $32 million
  - Accounted for roughly 19% of the total private label RMBS issuance year-to-date[1]
  - Expect to complete a total of 6-10 securitizations in 2015
- Pipeline (interest rate locks and prime jumbo residential mortgage loan holdings) strong; approximately $1.3 billion UPB at June 30, 2015
- Expanded Credit targets borrowers with lower FICOs and higher loan-to-value (LTV) ratios than prime jumbo program

LOCKED, SETTLED AND SECURITIZED LOANS



(1) Source: Credit Suisse Research, as of June 30, 2015.
(2) Includes only securitizations completed using our own depositor, Agate Bay Mortgage Trust.

MSR and Commercial Real Estate Update

MORTGAGE SERVICING RIGHTS

- Subsequent to quarter-end, added MSR through bulk acquisition
- On track to add 5-10 new flow relationships by year-end

COMMERCIAL REAL ESTATE

- Personnel and infrastructure requirements to support strategy substantially in place
- Healthy pipeline developing
- Significant opportunities in marketplace
  - Returns remain attractive

Appendix


TWO HARBORS
Investment Corp.
A Pine River Capital Managed Company

Return on Book Value

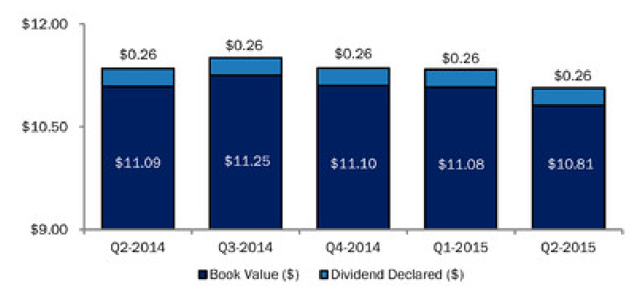
Return on book value YTD-2015 (Per share amounts, except for percentage)	
Book value at December 31, 2014	$11.10
Book value at June 30, 2015	$10.81
Decrease in book value	($0.29)
Dividends declared in 2015-YTD	$0.52
Return on book value 2015-YTD	$0.23
Return on book value 2015-YTD[1]	2.1%

(1) Return on book value for six-month period ended June 30, 2015 is defined as the decrease in book value from December 31, 2014 to June 30, 2015 of $0.29 per share, plus dividends declared of $0.52 per share, divided by December 31, 2014 book value of $11.10 per share.

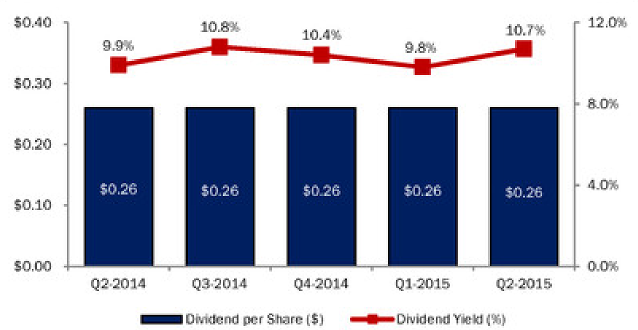
Financial Performance

COMPREHENSIVE INCOME

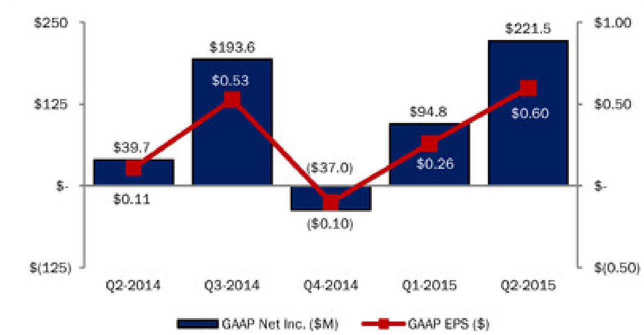
BOOK VALUE AND DIVIDEND PER SHARE[1]



DIVIDENDS[1]



GAAP NET INCOME (LOSS)



(1) 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	Q1-2015 Financials	Core Earnings	Realized Gains	Unrealized MTM	Q2-2015 Financials
Interest income	$163.0	$ -	$ -	$163.0	$152.5	$ -	$ -	$152.5
Interest expense	33.5	-	-	33.5	35.0	-	-	35.0
Net interest income	$129.5	-	-	$129.5	$117.5	-	-	$117.5
Net other-than-temporary impairment losses	-	-	(0.1)	(0.1)	-	-	(0.2)	(0.2)
Gain (loss) on investment securities	-	117.4	12.0	129.4	-	83.3	(13.3)	70.0
(Loss) gain on interest rate swaps and swaptions	(27.5)	11.8	(110.7)	(126.4)	(26.2)	(74.9)	146.0	44.9
Gain (loss) on other derivative instruments	7.7	(9.1)	4.4	3.0	6.4	(9.1)	(2.8)	(5.5)
Gain (loss) on residential mortgage loans held-for-sale	-	7.8	1.3	9.1	-	7.6	(14.4)	(6.8)
Servicing income	32.1	-	-	32.1	30.5	-	-	30.5
(Loss) gain on servicing asset	(13.0)	-	(39.4)	(52.4)	(13.3)	-	30.9	17.6
Other income (loss)	1.0	(3.6)	0.7	(1.9)	1.0	(3.8)	(13.8)	(16.6)
Total other income (loss)	0.3	124.3	(131.7)	(7.1)	(1.6)	3.1	132.6	134.1
Management fees & other operating expenses	35.4	2.7	-	38.1	35.3	1.6	-	36.9
Net income (loss) before income taxes	94.4	121.6	(131.8)	84.2	80.6	1.5	132.4	214.5
Income tax expense (benefit)	0.3	3.1	(14.0)	(10.6)	0.4	(2.5)	(4.9)	(7.0)
Net income (loss)	**$94.1**	**$118.5**	**$(117.8)**	**$94.8**	**$80.2**	**$4.0**	**$137.3**	**$221.5**
Weighted average EPS	$0.26	$0.32	$(0.32)	$0.26	$0.22	$0.01	$0.37	$0.60

GAAP to Core Earnings Reconciliation

(In thousands, except for per share data)	Three Months Ended March 31, 2015	Three Months Ended June 30, 2015
Reconciliation of GAAP to non-GAAP Information		
Core Earnings:		
Net income	$94,793	$221,501
Adjustments for non-core earnings:		
Gain on sale of securities and residential mortgage loans, net of tax	(122,527)	(85,633)
Unrealized (gain) loss on trading securities and residential mortgage loans held-for-sale, net of tax	(8,644)	18,032
Other-than-temporary impairment loss	127	170
Realized (gain) loss on termination or expiration of swaps and swaptions, net of tax	(7,279)	70,877
Unrealized loss (gain) on interest rate swaps and swaptions economically hedging investment portfolio, repurchase agreements and FHLB advances, net of tax	97,469	(144,223)
(Gain) loss on other derivative instruments, net of tax	(824)	8,396
Realized and unrealized losses on financing securitizations, net of tax	2,902	17,593
Realized and unrealized loss (gain) on mortgage servicing rights, net of tax	36,318	(27,578)
Securitization deal costs, net of tax	1,697	1,614
Change in representation and warranty reserve, net of tax	43	(592)
Core Earnings	**$94,075**	**$80,157**
Weighted average shares outstanding	366,507,657	367,074,131
Core Earnings per weighted average share outstanding	$0.26	$0.22

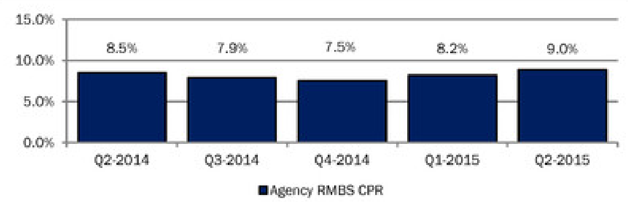
Rates: Agency RMBS Metrics

AGENCY PORTFOLIO YIELDS AND METRICS

Portfolio Yield	Realized Q1-2015	At Mar. 31, 2015	Realized Q2-2015	At June 30, 2015
Agency yield	3.5%	3.1%	3.1%	3.2%
Repo and FHLB costs	0.4%	0.4%	0.4%	0.4%
Swap costs	0.9%	1.1%	1.2%	1.0%
Net interest spread	2.2%	1.6%	1.5%	1.8%

Portfolio Metrics	Q1-2015	Q2-2015
Weighted average 3-month CPR(3)	8.2%	9.0%
Weighted average cost basis(4)	$107.9	$108.0

AGENCY RMBS CPR(3)



AGENCY PORTFOLIO COMPOSITION

Agency: Vintage & Prepayment Protection	Q1-2015	Q2-2015
Other Low Loan Balance Pools(1)	41%	37%
$85K Max Pools(2)	16%	17%
HECM	15%	16%
2006 & subsequent vintages – Premium and IOs	12%	10%
Prepayment protected	4%	5%
High LTV (predominately MHA)(5)	4%	4%
Seasoned (2005 and prior vintages)	4%	4%
2006 & subsequent vintages – Discount	3%	4%
Low FICO(6)	1%	3%

(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, consisting 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 June 30, 2015	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%	1,077	1,115	10.9%	1,141	3.5%	6
4.0-4.5%	5,010	5,401	52.5%	5,388	4.2%	22
≥ 5.0%	628	713	6.9%	680	5.5%	77
	6,715	7,229	70.3%	7,209	4.2%	28
15-Year Fixed						
3.0-3.5%	53	55	0.5%	52	3.0%	55
4.0-4.5%	2	2	0.0%	2	4.0%	60
≥ 5.0%	1	1	0.0%	1	6.6%	113
	56	58	0.5%	55	3.1%	56
HECM	1,570	1,691	16.5%	1,638	4.7%	45
Hybrid ARMs	111	120	1.2%	116	3.5%	135
Other-Fixed	711	753	7.3%	727	4.6%	85
IOs and IIOs	4,110	428[1]	4.2%	400	3.8%	72
Total	**13,273**	**10,279**	**100%**	**10,145**	**4.3%**	**36**

(1) Represents the market value of $251.2 million of IOs and $176.9 million of Agency Derivatives.

Rates: Mortgage Servicing Rights

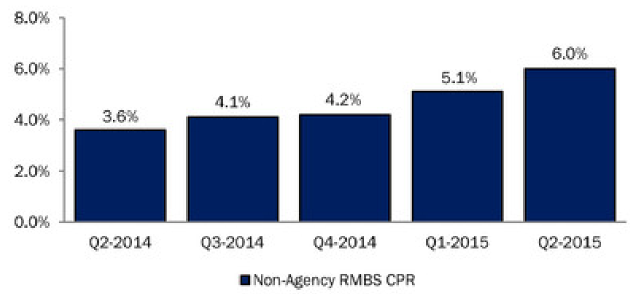
	As of Sept. 30, 2014	As of Dec. 31, 2014	As of Mar. 31, 2015	As of June 30, 2015
Fair Value ($M)	$498.5	$452.0	$410.2	$437.6
Unpaid Principal Balance ($M)	$45,526.8	$44,949.1	$43,974.9	$42,811.3
Weighted Average Coupon	3.9%	3.9%	3.9%	3.9%
Original FICO Score	730	748	748	749
Original LTV	74%	74%	74%	74%
60+ Day Delinquencies	1.4%	1.5%	1.3%	1.4%
Net Servicing Spread	25 basis points	25 basis points	25 basis points	25 basis points
Vintage:				
Pre-2009	3.6%	3.5%	3.4%	3.4%
2009-2012	63.0%	61.2%	60.4%	59.1%
Post 2012	33.4%	35.3%	36.2%	37.5%
Percent of MSR Portfolio:				
Conventional	72.1%	72.9%	73.6%	74.4%
Government FHA	20.9%	20.3%	19.7%	19.1%
Government VA/USDA	7.0%	6.8%	6.7%	6.5%

Credit: Non-Agency RMBS Metrics

NON-AGENCY PORTFOLIO YIELDS AND METRICS

Portfolio Yield	Realized Q1-2015	At Mar. 31, 2015	Realized Q2-2015	At June 30, 2015
Non-Agency yield	7.9%	7.8%	7.9%	7.8%
Repo and FHLB costs	1.8%	1.9%	1.9%	1.9%
Swap costs	0.1%	0.0%	0.0%	0.0%
Net interest spread	6.0%	5.9%	6.0%	5.9%

NON-AGENCY RMBS CPR



NON-AGENCY PORTFOLIO COMPOSITION

Non-Agency: Loan Type	Q1-2015	Q2-2015
Sub-Prime	68%	65%
Prime	15%	12%
Option-ARM	7%	7%
Other	6%	13%
Alt-A	4%	3%
Portfolio Metrics	**Q1-2015**	**Q2-2015**
Weighted average 3-month CPR	5.1%	6.0%
Weighted average cost basis[1]	$62.0	$63.0

(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 $58.55 at June 30, 2015.

Credit: Non-Agency RMBS

As of June 30, 2015	Senior Bonds	Mezzanine Bonds	Total P&I
Portfolio Characteristics:			
Carrying Value ($M)	$1,904.7	$795.1	$2,699.8
% of Non-Agency Portfolio	71%	29%	100%
Average Purchase Price(1)	$57.24	$76.78	$62.99
Average Coupon	2.65%	2.70%	2.66%
Weighted Average Market Price(2)	$75.84	$88.59	$79.19
Collateral Attributes:			
Average Loan Age (months)	98	78	92
Average Loan Size ($K)	$385	$294	$361
Average Original Loan-to-Value	71%	73%	72%
Average Original FICO(3)	647	692	659
Current Performance:			
60+ Day Delinquencies	26.4%	14.3%	23.1%
Average Credit Enhancement(4)	8.9%	14.7%	10.4%
3-Month CPR(5)	4.3%	10.5%	6.0%

(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 $53.12, $73.75 and $58.55, 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]	Repo	FHLB	Total ($M)
Available–for-sale securities, at fair value	$10,284.5	$2,268.6	$12,553.1
Derivative asset, at fair value	$176.0	-	$176.0
Residential mortgage loans held-for-sale, at fair value	$10.5	$551.3	$561.8
Commercial real estate	$45.6	-	$45.6
Net economic interests in consolidated securitization trusts	$113.8	$491.3	$605.1
	$10,630.4	$3,311.2	$13,941.6

Repo Maturities	Amount ($M)	Percent (%)
Within 30 days	$2,454.0	26%
30 to 59 days	$3,624.0	38%
60 to 89 days	$715.2	8%
90 to 119 days	$535.5	6%
120 to 364 days	$2,094.1	22%
	$9,422.8	

FHLB Maturities	Amount ($M)	Percent (%)
> 1 and ≤ 3 years	$651.3	22%
> 3 and ≤ 5 years	$815.0	27%
> 10 years	$1,533.7	51%
	$3,000.0	

(1) As of June 30, 2015.
(2) Excludes FHLB membership and activity stock totaling $125.3 million as of June 30, 2015.

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	$4.2	0.583%	0.282%	1.10
2017	$2.4	0.864%	0.281%	2.09
2018	$0.8	1.165%	0.280%	2.65
2019	$0.3	1.730%	0.278%	3.94
2020 and after	$2.8	1.944%	0.279%	7.62
	$10.5	1.090%	0.281%	3.26
Other Payers				
2018	$2.1	1.563%	0.282%	3.44
2020 and after	$1.2	2.164%	0.281%	5.58
	$3.3	1.787%	0.282%	4.24

Maturities	Notional Amounts ($B)	Average Pay Rate	Average Fixed Receive Rate	Average Maturity (Years)
Other Receivers				
2019	$0.6	0.281%	1.440%	3.39
2020 and after	$1.9	0.283%	2.588%	8.10
	$2.5	0.282%	2.320%	7.00

(1) As of June 30, 2015.

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	$18.0	$14.5	4.36	$5,600	2.75%	3M LIBOR	6.3
	≥ 6 Months	$259.3	$134.6	50.71	$9,210	4.01%	3M LIBOR	6.9
Total Payer		$277.3	$149.1	46.40	$14,810	3.53%	3M LIBOR	6.7
Receiver	< 6 Months	$13.5	$0.3	1.04	$2,000	3M LIBOR	1.33%	5.0
Total Receiver		$13.5	$0.3	1.04	$2,000	3M LIBOR	1.33%	5.0
Sale Contracts:								
Payer	≥ 6 Months	($81.2)	($20.7)	24.02	($800)	3.44%	3M LIBOR	10.0
Total Payer		($81.2)	($20.7)	24.02	($800)	3.44%	3M LIBOR	10.0
Receiver	< 6 Months	($29.0)	($19.9)	4.29	($6,600)	3M LIBOR	1.64%	6.1
Total Receiver		($29.0)	($19.9)	4.29	($6,600)	3M LIBOR	1.64%	6.1

(1) As of June 30, 2015.


TWO HARBORS
Investment Corp.
A Pine River Capital Managed Company