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 3, 2016

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 3, 2016, Two Harbors Investment Corp. (the "Company") issued a press release announcing its financial results for the fiscal quarter ended June 30, 2016. A copy of the press release and the 2016 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 3, 2016.
99.2	2016 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 3, 2016

Exhibit Index

Exhibit No.	Description	Filing Method
99.1	Press Release of Two Harbors Investment Corp., dated August 3, 2016.	Electronically
99.2	2016 Second Quarter Earnings Call Presentation.	Electronically

Two Harbors Investment Corp. Reports Second Quarter 2016 Financial Results

Delivered Strong Return on Book Value of 3.7%(1) in Volatile Environment

NEW YORK, August 3, 2016 - 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, 2016.

Summary

- Reported book value of $9.83 per common share, representing a 3.7%(1) total return on book value after accounting for a dividend of $0.23 per share.
- Delivered Comprehensive Income of $122.3 million, a return on average equity of 14.3%, or $0.35 per weighted average common share.
- Reported Core Earnings of $76.2 million, or $0.22 per weighted average common share.(2)
- Added $5.7 billion unpaid principal balance (UPB) of MSR through expanded flow-sale relationships.
- Closed on additional senior commercial real estate assets; aggregate portfolio carrying value of $926.4 million at June 30, 2016.
- Subsequent to quarter-end, announced plan to discontinue the mortgage loan conduit and securitization business.

"We delivered a solid quarter despite the volatile interest rate environment. This is a testament to our investment team's approach to capital allocation and risk mitigation," stated Thomas Siering, Two Harbors' President and Chief Executive Officer. "As previously announced, we will be discontinuing our mortgage loan conduit business. While this was a difficult decision, we believe that it will allow us to reduce our operating complexity and costs, and deploy capital to other areas of the business that will generate better long-term returns for our stockholders."

(1) Return on book value for the quarter ended June 30, 2016 is defined as the increase in book value from March 31, 2016 to June 30, 2016 of $0.13, plus the dividend declared of $0.23 per share, divided by March 31, 2016 book value of $9.70 per share.
(2) Core Earnings is a non-GAAP measure. Please see page 13 for a definition of Core Earnings and a reconciliation of GAAP to non-GAAP financial information.

Operating Performance

The following table summarizes the company's GAAP and non-GAAP earnings measurements and key metrics for the second quarter of 2016:

Two Harbors Investment Corp. Operating Performance (unaudited)

(dollars in thousands, except per share data)

	Three Months Ended June 30, 2016			Six Months Ended June 30, 2016		
Earnings	Earnings	Per weighted share	Annualized return on average equity	Earnings	Per weighted share	Annualized return on average equity
Comprehensive Income	$ 122,310	$ 0.35	14.3 %	$ 54,725	$ 0.16	3.2 %
GAAP Net Loss	$ (16,981)	$ (0.05)	(2.0)%	$ (105,911)	$ (0.30)	(6.1)%
Core Earnings[(1)]	$ 76,162	$ 0.22	8.9 %	$ 148,006	$ 0.42	8.6 %

Operating Metrics	
Dividend per common share	$0.23
Book value per share at period end	$9.83
Other operating expenses as a percentage of average equity	2.1%

(1) Please see page 13 for a reconciliation of GAAP to non-GAAP financial information.

Earnings Summary

Two Harbors reported Comprehensive Income of $122.3 million, or $0.35 per weighted average common share outstanding, for the quarter ended June 30, 2016, as compared to a Comprehensive Loss of $67.6 million, or $0.19 per weighted average common share outstanding, for the quarter ended March 31, 2016. The company records unrealized fair value gains and losses on the majority of RMBS, classified as available-for-sale, in Other Comprehensive Income (Loss). On a Comprehensive Income (Loss) basis, the company recognized an annualized return on average equity of 14.3% and (7.8%) for the quarters ended June 30, 2016 and March 31, 2016, respectively.

The company reported a GAAP Net Loss of $17.0 million, or $0.05 per weighted average common share outstanding, for the quarter ended June 30, 2016, as compared to GAAP Net Loss of $88.9 million, or $0.25 per weighted average common share outstanding, for the quarter ended March 31, 2016. On a GAAP Net Loss basis, the company recognized an annualized return on average equity of (2.0%) and (10.2%) for the quarters ended June 30, 2016 and March 31, 2016, respectively.

For the second quarter of 2016, the company recognized:

- net realized gains on RMBS and mortgage loans held-for-sale of $12.3 million, net of tax;
- net unrealized gains on certain RMBS and mortgage loans held-for-sale of $1.0 million, net of tax;
- net losses of $45.6 million, net of tax, related to swap and swaption terminations and expirations;
- net unrealized gains of $28.9 million, net of tax, associated with interest rate swaps and swaptions economically hedging its investment portfolio, repurchase agreements and Federal Home Loan Bank (FHLB) of Des Moines advances;
- net realized and unrealized losses on other derivative instruments of approximately $33.7 million, net of tax;
- net realized and unrealized losses on consolidated financing securitizations of $10.9 million, net of tax;
- a net decrease in fair value of $66.3 million[(1)] on MSR, net of tax; and
- securitization deal costs of $0.3 million, net of tax.

(1) Decrease in fair value on MSR, net of tax, of $66.3 million is comprised of a decrease in fair value of $44.5 million, net of tax, excluded from Core Earnings and $21.8 million, net of tax, of estimated amortization included in Core Earnings.

The company reported Core Earnings for the quarter ended June 30, 2016 of $76.2 million, or $0.22 per weighted average common share outstanding, as compared to Core Earnings for the quarter ended March 31, 2016 of $71.8 million, or $0.21 per weighted average common share outstanding. On a Core Earnings basis, the company recognized an annualized return on average equity of 8.9% and 8.3% for the quarters ended June 30, 2016 and March 31, 2016, respectively.

Other Key Metrics

Two Harbors declared a quarterly cash dividend of $0.23 per common share for the quarter ended June 30, 2016. The annualized dividend yield on the company's common stock for the quarter, based on the June 30, 2016 closing price of $8.56, was 10.7%.

The company's book value per share, after taking into account the second quarter 2016 dividend of $0.23 per share, was $9.83 as of June 30, 2016, compared to $9.70 as of March 31, 2016, which represented a total return on book value for the quarter of 3.7%.(1)

Other operating expenses for the quarter ended June 30, 2016 were approximately $17.6 million, or 2.1% of average equity, compared to approximately $14.9 million, or 1.7% of average equity, for the quarter ended March 31, 2016.

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 assets. As of June 30, 2016, the total value of the company's portfolio was $16.1 billion.

The company's portfolio includes rates, credit and commercial real estate strategies. The rates strategy consisted of $12.7 billion of Agency RMBS, Agency Derivatives and MSR as well as their associated notional hedges as of June 30, 2016. The credit strategy consisted of $2.5 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, 2016. The commercial strategy consisted of senior and mezzanine commercial real estate assets with an aggregate carrying value of $926.4 million as of June 30, 2016.

For the quarter ended June 30, 2016, the annualized yield on the company's average aggregate portfolio was 3.77% and the annualized cost of funds on the associated average borrowings, which includes net interest rate spread expense on interest rate swaps, was 1.18%. This resulted in a net interest rate spread of 2.59%.

RMBS and Agency Derivatives

For the quarter ended June 30, 2016, the annualized yield on average RMBS and Agency Derivatives was 3.6%, consisting of an annualized yield of 3.0% in Agency RMBS and Agency Derivatives and 8.1% in non-Agency RMBS.

The company experienced a three-month average constant prepayment rate (CPR) of 8.6% for Agency RMBS and Agency Derivatives held as of June 30, 2016, compared to 9.2% for those securities held as of March 31, 2016. The weighted average cost basis of the principal and interest Agency portfolio was 105.3% of par as of June 30, 2016 and 106.6% of par as of March 31, 2016. The net premium amortization was $28.1 million and $24.2 million for the quarters ended June 30, 2016 and March 31, 2016, respectively.

(1) Return on book value for the quarter ended June 30, 2016 is defined as the increase in book value from March 31, 2016 to June 30, 2016 of $0.13, plus the dividend declared of $0.23 per share, divided by March 31, 2016 book value of $9.70 per share.

The company experienced a three-month average CPR of 6.1% for non-Agency principal and interest RMBS held as of June 30, 2016, as compared to 5.3% for those securities held as of March 31, 2016. The weighted average cost basis of the non-Agency portfolio was 58.6% of par as of June 30, 2016, compared to 58.2% of par as of March 31, 2016. The discount accretion was $15.5 million for the quarter ended June 30, 2016, compared to $16.8 million for the quarter ended March 31, 2016. The total net discount remaining was $1.1 billion as of June 30, 2016, compared to $1.0 billion as of March 31, 2016, with $0.3 billion designated as credit reserve as of June 30, 2016.

As of June 30, 2016, fixed-rate investments composed 88.4% and adjustable-rate investments composed 11.6% of the company's RMBS and Agency Derivatives portfolio.

As of June 30, 2016, the company had residential mortgage loans held-for-investment with a carrying value of $3.4 billion and the company's collateralized borrowings had a carrying value of $3.1 billion, resulting in net economic interests in consolidated securitization trusts of $334.9 million.

Mortgage Servicing Rights

The company held MSR on mortgage loans with UPB totaling $55.6 billion.[(1)] The MSR had a fair market value of $427.8 million as of June 30, 2016, and the company recognized fair value losses of $76.5 million during the quarter ended June 30, 2016.

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 $35.8 million of servicing income, $6.5 million[(1)] of servicing expenses and $0.4 million in reserve expense for representation and warranty obligations during the quarter ended June 30, 2016.

Residential Mortgage Loans Held for Sale

As of June 30, 2016, the company held prime jumbo residential mortgage loans with a fair market value of $542.7 million and had outstanding purchase commitments to acquire an additional $636.5 million UPB of residential mortgage loans, subject to fallout if the loans do not close. For both of the quarters ended June 30, 2016 and March 31, 2016, the annualized yield on the prime jumbo residential mortgage loan portfolio was 4.1%.

Commercial Real Estate

The company originates and acquires senior and mezzanine commercial real estate assets. These assets are U.S.-domiciled and are secured by a diverse mix of property types, which includes office, retail, multifamily, hotel and industrial properties. As of June 30, 2016, the company held senior and mezzanine commercial real estate assets with an aggregate carrying value of $926.4 million. For the quarter ended June 30, 2016, the annualized yield on commercial real estate loans was 6.2% as compared to 6.4% for the quarter ended March 31, 2016.

Other Investments and Risk Management Derivatives

The company held $337.0 million notional of net short TBAs as of June 30, 2016, which are accounted for as derivative instruments in accordance with GAAP.

As of June 30, 2016, the company was a party to interest rate swaps and swaptions with a notional amount of $15.5 billion. Of this amount, $5.4 billion notional in swaps were utilized to economically hedge interest rate risk associated with the company's LIBOR-based repurchase agreements and FHLB advances, $8.3 billion notional in swaps were utilized to economically hedge interest rate risk associated with the company's investment portfolio, and $1.8 billion net notional in swaptions were utilized as macroeconomic hedges.

(1) Excludes residential mortgage loans held-for-investment in securitization trusts for which the company is the named servicing administrator.

The following tables summarize the company's investment portfolio as of June 30, 2016 and March 31, 2016:

Two Harbors Investment Corp. Portfolio

(dollars in thousands)

Portfolio Composition	As of June 30, 2016		As of March 31, 2016	
	(unaudited)		(unaudited)	
Rates Strategy				
Agency Bonds				
Fixed Rate Bonds	$ 11,973,994	74.4%	$ 7,972,296	65.3%
Hybrid ARMs	35,375	0.2%	36,800	0.3%
Total Agency	12,009,369	74.6%	8,009,096	65.6%
Agency Derivatives	152,032	0.9%	157,219	1.3%
Mortgage servicing rights	427,813	2.7%	446,170	3.6%
Residential mortgage loans held-for-sale	55,444	0.3%	61,319	0.5%
Credit Strategy				
Non-Agency Bonds				
Senior Bonds	1,138,771	7.1%	1,172,288	9.6%
Mezzanine Bonds	503,233	3.1%	397,492	3.3%
Non-Agency Other	5,237	—%	5,578	—%
Total Non-Agency	1,647,241	10.2%	1,575,358	12.9%
Net Economic Interest in Securitization[1]	334,851	2.1%	896,020	7.3%
Residential mortgage loans held-for-sale	553,616	3.4%	325,940	2.7%
Commercial real estate assets	926,377	5.8%	744,259	6.1%
Aggregate Portfolio	$ 16,106,743		$ 12,215,381	

(1) Net economic interest in securitization consists of residential mortgage loans held-for-investment, net of collateralized borrowings in consolidated securitization trusts.

Portfolio Metrics	Three Months Ended June 30, 2016	Three Months Ended March 31, 2016
	(unaudited)	(unaudited)
Annualized portfolio yield during the quarter	3.77%	4.58%
Rates Strategy		
Agency RMBS, Agency Derivatives and mortgage servicing rights	3.1%	3.7%
Credit Strategy		
Non-Agency RMBS, Legacy(1)	8.3%	8.6%
Non-Agency MBS, New issue(1)	5.9%	4.8%
Net economic interest in securitizations	7.2%	4.8%
Residential mortgage loans held-for-sale	4.1%	4.1%
Commercial Strategy	6.2%	6.4%
Annualized cost of funds on average borrowing balance during the quarter(2)	1.18%	1.21%
Annualized interest rate spread for aggregate portfolio during the quarter	2.59%	3.37%
Debt-to-equity ratio at period-end(3)	4.0:1.0	3.0:1.0

Portfolio Metrics Specific to RMBS and Agency Derivatives	As of June 30, 2016	As of March 31, 2016
	(unaudited)	(unaudited)
Weighted average cost basis of principal and interest securities		
Agency(4)	$ 105.31	$ 106.59
Non-Agency(5)	$ 58.61	$ 58.20
Weighted average three month CPR		
Agency	8.6%	9.2%
Non-Agency	6.1%	5.3%
Fixed-rate investments as a percentage of aggregate RMBS and Agency Derivatives portfolio	88.4%	83.7%
Adjustable-rate investments as a percentage of aggregate RMBS and Agency Derivatives portfolio	11.6%	16.3%

(1) Legacy non-Agency RMBS includes non-Agency bonds issued up to and including 2009. New issue non-Agency MBS includes bonds issued after 2009.
(2) Cost of funds includes interest spread expense associated with the portfolio's interest rate swaps.
(3) Defined as total borrowings to fund RMBS, residential mortgage loans held-for-sale, commercial real estate assets and Agency Derivatives, divided by total equity.
(4) Weighted average cost basis includes RMBS principal and interest securities only. Average purchase price utilized carrying value for weighting purposes.
(5) Average purchase price utilized carrying value for weighting purposes. If current face were utilized for weighting purposes, total non-Agency MBS excluding the company's non-Agency interest-only portfolio would be $54.64 at June 30, 2016 and $53.89 at March 31, 2016.

"All of our strategies delivered strong performance this quarter," stated Bill Roth, Two Harbors' Chief Investment Officer. "We increased overall leverage to take advantage of attractive spreads, adding to our RMBS portfolio, and also grew our investments in mortgage servicing rights and commercial real estate assets. We are excited about the available opportunities in our Rates, Credit and Commercial strategies and believe that we can deploy our capital to drive strong returns for stockholders."

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 assets divided by total equity, of 4.0:1.0 and 3.0:1.0 as of June 30, 2016 and March 31, 2016, respectively.

As of June 30, 2016, the company had outstanding $9.7 billion of repurchase agreements funding RMBS, Agency Derivatives, residential mortgage loans held-for-sale and commercial real estate assets with 23 different counterparties. Excluding the effect of the company's interest rate swaps, the repurchase agreements had a weighted average borrowing rate of 1.01% as of June 30, 2016.

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, 2016, TH Insurance had $4.0 billion in outstanding secured advances, with a weighted average borrowing rate of 0.63%, and had no additional available uncommitted capacity for borrowings.

As of June 30, 2016, the company's aggregate repurchase agreements and FHLB advances funding RMBS, Agency Derivatives, residential mortgage loans held-for-sale and commercial real estate assets had a weighted average of 3.9 years to maturity.

The following table summarizes the company's borrowings by collateral type under repurchase agreements and FHLB advances outstanding as of June 30, 2016 and March 31, 2016, and the related cost of funds for the three months ended June 30, 2016 and March 31, 2016:

	As of June 30, 2016	As of March 31, 2016
(in thousands)	(unaudited)	(unaudited)
Collateral type:		
Agency RMBS and Agency Derivatives	$ 11,245,063	$ 7,514,775
Mortgage servicing rights	—	—
Non-Agency MBS	1,140,526	1,072,780
Net economic interests in consolidated securitization trusts(1)	238,313	903,162
Residential mortgage loans held-for-sale	429,796	256,005
Commercial real estate assets	616,150	443,130
	$ 13,669,848	$ 10,189,852

Cost of Funds Metrics	Three Months Ended June 30, 2016	Three Months Ended March 31, 2016
	(unaudited)	(unaudited)
Annualized cost of funds on average borrowings during the quarter:	0.9%	0.9%
Agency RMBS and Agency Derivatives	0.7%	0.7%
Mortgage servicing rights	—%	—%
Non-Agency MBS	2.4%	2.3%
Net economic interests in consolidated securitization trusts(1)	1.2%	0.9%
Residential mortgage loans held-for-sale	0.8%	0.7%
Commercial real estate assets	1.9%	1.7%

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

Conference Call

Two Harbors Investment Corp. will host a conference call on August 4, 2016 at 9:00 a.m. EDT to discuss second quarter 2016 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 30480298, 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 4, 2016, through 12:00 a.m. EDT on August 11, 2016. The playback can be accessed by calling (855) 859-2056 (or (404) 537-3406 for international callers), conference code 30480298. 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, 2015, 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 successfully securitize or sell mortgage loans; 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

Tim Perrott, Senior Director of Investor Relations, Two Harbors Investment Corp., (612) 629-2514 or
tim.perrott@twoharborsinvestment.com

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TWO HARBORS INVESTMENT CORP.

CONSOLIDATED BALANCE SHEETS

(dollars in thousands, except share data)

	June 30, 2016	December 31, 2015
	(unaudited)	
ASSETS		
Available-for-sale securities, at fair value	$ 13,656,610	$ 7,825,320
Residential mortgage loans held-for-sale, at fair value	609,060	811,431
Residential mortgage loans held-for-investment in securitization trusts, at fair value	3,446,712	3,173,727
Commercial real estate assets	926,377	660,953
Mortgage servicing rights, at fair value	427,813	493,688
Cash and cash equivalents	692,188	737,831
Restricted cash	363,166	262,562
Accrued interest receivable	63,915	49,970
Due from counterparties	12,977	17,206
Derivative assets, at fair value	223,985	271,509
Other assets	317,635	271,575
Total Assets	$ 20,740,438	$ 14,575,772
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Repurchase agreements	$ 9,669,848	$ 5,008,274
Collateralized borrowings in securitization trusts, at fair value	3,111,861	2,000,110
Federal Home Loan Bank advances	4,000,000	3,785,000
Derivative liabilities, at fair value	160,724	7,285
Due to counterparties	227,354	34,294
Dividends payable	79,953	92,016
Other liabilities	72,630	72,232
Total Liabilities	17,322,370	10,999,211
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 347,621,385 and 353,906,807 shares issued and outstanding, respectively	3,476	3,539
Additional paid-in capital	3,652,256	3,705,519
Accumulated other comprehensive income	519,697	359,061
Cumulative earnings	1,578,844	1,684,755
Cumulative distributions to stockholders	(2,336,205)	(2,176,313)
Total Stockholders' Equity	3,418,068	3,576,561
Total Liabilities and Stockholders' Equity	$ 20,740,438	$ 14,575,772

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,	
	2016	**2015**	**2016**	**2015**
	(unaudited)		(unaudited)	
Interest income:				
Available-for-sale securities	$ 101,512	$ 118,129	$ 180,940	$ 253,654
Trading securities	—	3,981	—	8,676
Residential mortgage loans held-for-sale	4,960	7,518	12,162	11,789
Residential mortgage loans held-for-investment in securitization trusts	34,499	21,830	67,270	40,067
Commercial real estate assets	13,300	850	24,372	894
Cash and cash equivalents	505	221	795	418
Total interest income	154,776	152,529	285,539	315,498
Interest expense:				
Repurchase agreements	22,697	19,398	38,726	39,963
Collateralized borrowings in securitization trusts	25,184	13,131	44,543	23,839
Federal Home Loan Bank advances	6,088	2,500	12,060	4,730
Total interest expense	53,969	35,029	95,329	68,532
Net interest income	100,807	117,500	190,210	246,966
Other-than-temporary impairment losses	(90)	(170)	(807)	(297)
Other (loss) income:				
Gain on investment securities	8,331	69,932	37,805	199,389
(Loss) gain on interest rate swap and swaption agreements	(12,708)	44,952	(138,192)	(81,491)
Loss on other derivative instruments	(48,051)	(5,484)	(32,036)	(2,517)
Gain (loss) on residential mortgage loans held-for-sale	7,734	(6,832)	18,537	2,260
Servicing income	35,816	30,516	69,949	62,603
(Loss) gain on servicing asset	(76,535)	17,635	(177,975)	(34,768)
Other loss	(9,561)	(16,609)	(6,734)	(18,466)
Total other (loss) income	(94,974)	134,110	(228,646)	127,010
Expenses:				
Management fees	11,837	12,686	23,881	25,407
Securitization deal costs	429	2,484	4,161	5,095
Servicing expenses	7,576	5,899	15,437	12,615
Other operating expenses	17,644	15,827	32,500	31,882
Total expenses	37,486	36,896	75,979	74,999
(Loss) income before income taxes	(31,743)	214,544	(115,222)	298,680
Benefit from income taxes	(14,762)	(6,957)	(9,311)	(17,614)
Net (loss) income	$ (16,981)	$ 221,501	$ (105,911)	$ 316,294
Basic and diluted (loss) earnings per weighted average common share	$ (0.05)	$ 0.60	$ (0.30)	$ 0.86
Dividends declared per common share	$ 0.23	$ 0.26	$ 0.46	$ 0.52
Basic and diluted weighted average number of shares of common stock outstanding	347,597,955	367,074,131	348,516,985	366,792,459

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,	
	2016	**2015**	**2016**	**2015**
	(unaudited)		(unaudited)	
Comprehensive income:				
Net (loss) income	$ (16,981)	$ 221,501	$ (105,911)	$ 316,294
Other comprehensive income (loss), net of tax:				
Unrealized gain (loss) on available-for-sale securities	139,291	(218,826)	160,636	(224,757)
Other comprehensive income (loss)	139,291	(218,826)	160,636	(224,757)
Comprehensive income	$ 122,310	$ 2,675	$ 54,725	$ 91,537

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,	
	2016	2015	2016	2015
	(unaudited)		(unaudited)	
Reconciliation of Comprehensive income to Core Earnings:				
Comprehensive income	$ 122,310	$ 2,675	$ 54,725	$ 91,537
Adjustment for other comprehensive (income) loss:				
Unrealized (gain) loss on available-for-sale securities	(139,291)	218,826	(160,636)	224,757
Net (loss) income	$ (16,981)	$ 221,501	$ (105,911)	$ 316,294
Adjustments for non-core earnings:				
Gain on sale of securities and residential mortgage loans held-for-sale, net of tax	(12,332)	(85,633)	(29,081)	(208,160)
Unrealized (gain) loss on securities and residential mortgage loans held-for-sale, net of tax	(1,026)	18,032	(15,129)	9,388
Other-than-temporary impairment loss, net of tax	90	170	807	297
Realized loss on termination or expiration of swaps and swaptions, net of tax	45,598	70,877	36,012	63,598
Unrealized (gain) loss on interest rate swaps and swaptions economically hedging investment portfolio, repurchase agreements and FHLB advances, net of tax	(28,851)	(144,223)	106,091	(46,754)
Loss on other derivative instruments, net of tax	33,669	8,396	24,276	7,572
Realized and unrealized losses on financing securitizations, net of tax	10,960	17,593	9,482	20,495
Realized and unrealized loss (gain) on mortgage servicing rights, net of tax	44,521	(27,578)	118,182	8,740
Securitization deal costs, net of tax	279	1,614	2,705	3,311
Change in representation and warranty reserve, net of tax	235	(592)	572	(549)
Core Earnings[(1)]	$ 76,162	$ 80,157	$ 148,006	$ 174,232
Weighted average shares outstanding	347,597,955	367,074,131	348,516,985	366,792,459
Core Earnings per weighted average share outstanding	$ 0.22	$ 0.22	$ 0.42	$ 0.48

(1) Core Earnings is a non-GAAP measure that we define as Comprehensive Income, excluding realized and unrealized gains or losses on the aggregate portfolio, impairment losses, 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.

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, 2016	March 31, 2016	December 31, 2015	September 30, 2015	June 30, 2015
	(unaudited)				
Net Interest Income:					
Interest income	$ 154.8	$ 130.8	$ 133.6	$ 152.8	$ 152.5
Interest expense	54.0	41.4	36.6	37.0	35.0
Net interest income	100.8	89.4	97.0	115.8	117.5
Other income:					
Interest spread on interest rate swaps	(7.7)	(6.2)	(12.6)	(19.4)	(26.2)
Interest spread on other derivative instruments	5.0	5.4	6.0	5.6	6.4
Servicing income, net of amortization[(1)]	11.3	17.9	16.8	10.8	17.2
Other income	1.4	1.3	1.4	1.1	1.0
Total other income (loss)	10.0	18.4	11.6	(1.9)	(1.6)
Expenses	36.6	34.3	35.8	35.6	35.3
Core Earnings before income taxes	74.2	73.5	72.8	78.3	80.6
Income tax (benefit) expense	(2.0)	1.7	0.7	(1.1)	0.4
Core Earnings	$ 76.2	$ 71.8	$ 72.1	$ 79.4	$ 80.2
Basic and diluted weighted average Core EPS	$ 0.22	$ 0.21	$ 0.20	$ 0.22	$ 0.22

(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 2016 Earnings Call
August 4, 2016
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, 2015, 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 successfully securitize or sell mortgage loans; 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.

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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[1]

DELIVERED SOLID QUARTER IN VOLATILE INTEREST RATE ENVIRONMENT

QUARTERLY FINANCIAL RESULTS

- Total return on book value of 3.7%[2]
  - Cash dividend of $0.23 per share
- Comprehensive Income of $122.3 million, or $0.35 per share
- GAAP net loss of $17.0 million, or $0.05 per weighted average share
- Core Earnings[3] of $76.2 million, or $0.22 per share

(1) Except as otherwise indicated in this presentation, reported data is as of or for the period ended June 30, 2016.
(2) See Appendix slide 14 for calculation of Q2-2016 and 2016 year-to-date return on book value.
(3) Core Earnings is a non-GAAP measure. Please see Appendix slide 17 of this presentation for a definition of Core Earnings and a reconciliation of GAAP to non-GAAP financial information.

Business Overview

RATES STRATEGY

- Increased Agency RMBS holdings
- Added 3 MSR flow sellers
  - Portfolio of $55.6 billion in unpaid principal balance (UPB) at June 30, 2016[1]
- MSR complements Agency RMBS holdings
  - MSR exhibits positive yield, negative duration and hedges mortgage basis risk

CREDIT STRATEGY

- Strong tailwinds for legacy non-Agency RMBS

COMMERCIAL REAL ESTATE STRATEGY

- Added assets with an aggregate carrying value of $193.2 million
- Strengthening underlying fundamentals
  - Selective portfolio construction
  - Improvement in rents and occupancies
  - Investments cushioned by borrowers' equity

SUBSEQUENT TO QUARTER-END

- Announced plan to discontinue the mortgage loan conduit and securitization business

(1) Excludes residential mortgage loans held-for-investment in securitization trusts for which the company is the named servicing administrator.

Book Value

(Dollars in millions, except per share data)	Q2-2016 Book Value	Q2-2016 Book Value per share	YTD-2016 Book Value	YTD-2016 Book Value per share
Beginning stockholders' equity	**$3,370.7**	**$9.70**	**$3,576.6**	**$10.11**
GAAP Net Loss:				
Core Earnings, net of tax	76.2		148.0	
Realized gains and losses, net of tax	(39.3)		(13.8)	
Unrealized mark-to-market gains and losses, net of tax	(53.9)		(240.1)	
Other comprehensive income	139.3		160.6	
Dividend declaration	(79.9)		(159.9)	
Other	4.9		7.8	
Balance before capital transactions	3,418.0		3,479.2	
Repurchase of common stock	–		(61.3)	
Issuance of common stock, net of offering costs	0.1		0.2	
Ending stockholders' equity	**$3,418.1**	**$9.83**	**$3,418.1**	**$9.83**

Comprehensive Income (GAAP)
Q2-2016 Comprehensive Income of $122.3 million; $54.7 million Comprehensive Income YTD-2016

Declared Q2-2016 dividend of $0.23 per share; $0.46 per share YTD-2016

Core Earnings Summary[1]

Q2-2016 FINANCIAL HIGHLIGHTS

(Dollars in millions)	Q1-2016	Q2-2016	Variance ($)	Variance (%)
Interest income	$130.8	$154.8	$24.0	18.4%
Interest expense	41.4	54.0	(12.6)	(30.5%)
Net interest income	89.4	100.8	11.4	12.8%
Loss on swaps and swaptions	(6.2)	(7.7)	(1.5)	(23.7%)
Gain on other derivatives	5.4	5.0	(0.4)	(7.6%)
Servicing income, net of amortization on MSR	17.9	11.3	(6.6)	(36.8%)
Other	1.3	1.4	0.1	4.7%
Total other income	18.4	10.0	(8.4)	n/a
Expenses	34.3	36.6	2.3	(7.2%)
Income taxes	1.7	(2.0)	3.7	n/a
Core Earnings[1]	**$71.8**	**$76.2**	**$4.4**	**6.0%**
Basic and diluted weighted average Core EPS	$0.21	$0.22	$0.01	

- Net interest income increased quarter-over-quarter
  - Increased Agency RMBS holdings and overall debt-to-equity
  - Offset by higher overall financing costs due to borrowings on Agency RMBS and sale of previously retained senior AAA bonds
- Lower realized yield on MSR investments, consistent with expectations in lower rate environment
- Other operating expenses increased $2.7 million quarter-over-quarter, primarily due to amortization of restricted stock awards due to the strong performance of our shares, up nearly 8% in the second quarter

(1) Core Earnings is a non-GAAP measure. Please see Appendix slide 17 for a definition of Core Earnings and a reconciliation of GAAP to non-GAAP financial information.

Financing Profile

REPURCHASE AGREEMENTS

- Outstanding borrowings of $9.7 billion with 23 active counterparties; 31 total counterparties
  - Increased borrowings due to purchases of Agency RMBS
- Repo markets functioning efficiently; improved advance rates on financing non-Agency RMBS
- Added direct lending counterparty in the second quarter; $418.3 million outstanding

FEDERAL HOME LOAN BANK OF DES MOINES

- Outstanding secured advances of $4.0 billion
- Weighted average borrowing rate of 0.63%

FINANCING FOR COMMERCIAL REAL ESTATE ASSETS

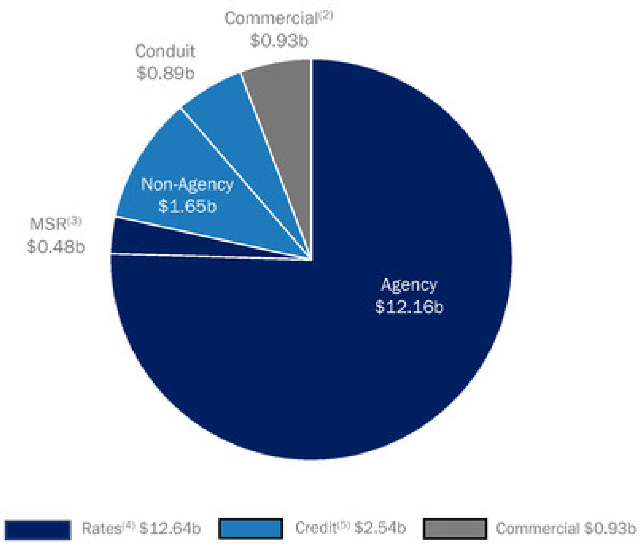
- Expanded usage of two $250 million financing facilities

Portfolio Composition

OPPORTUNISTIC CAPITAL ALLOCATION DRIVES STOCKHOLDER RETURNS

PORTFOLIO COMPOSITION(1)

$16.1 BILLION PORTFOLIO AS OF JUNE 30, 2016



HISTORICAL CAPITAL ALLOCATION

	Dec 31, 2015	Mar 31, 2016	June 30, 2016
Rates(4)			
Agency	35%	43%	43%
MSR	14%	13%	13%
Credit(5)			
Non-Agency	27%	22%	21%
Conduit	16%	11%	10%
Commercial	8%	11%	13%

(1) For additional detail on the portfolio, see Appendix slides 18-24.
(2) Commercial consists of senior and mezzanine commercial real estate debt and related instruments.
(3) MSR includes Ginnie Mae buyout residential mortgage loans.
(4) Assets in "Rates" include Agency RMBS, Agency Derivatives, MSR and 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 credit sensitive residential mortgage loans.

Portfolio Performance and Hedging

Q2-2016 PERFORMANCE HIGHLIGHTS

SOLID PERFORMANCE ACROSS RATES, CREDIT AND COMMERCIAL STRATEGIES

- Debt-to-equity 4.0x at June 30, 2016, compared to 3.0x at March 31, 2016[1]

RATES

- Added Agency pools at attractive returns
- Faster realized prepayment speeds for MSR

CREDIT

- Strong performance of residential mortgage credit assets

COMMERCIAL

- Continued portfolio growth; performance in-line quarter-over-quarter

Q2-2016 PORTFOLIO METRICS

Three Months Ended	Mar. 31, 2016	June 30, 2016
Annualized portfolio yield during the quarter	**4.58%**	**3.77%**
Rates		
Agency RMBS, Agency Derivatives and MSR	3.7%	3.1%
Credit		
Non-Agency RMBS, Legacy[2]	8.6%	8.3%
Non-Agency MBS, New issue[2]	4.8%	5.9%
Net economic interest in securitization trusts	4.8%	7.2%
Prime jumbo residential mortgage loans	4.1%	4.1%
Commercial	6.4%	6.3%
Annualized cost of funds on average repurchase and advance balance during the quarter[3]	**1.21%**	**1.18%**
Annualized interest rate spread for aggregate portfolio during the quarter	**3.37%**	**2.59%**

(1) Defined as total borrowings to fund RMBS, residential mortgage loans held-for-sale, commercial real estate assets and Agency Derivatives, divided by total equity.
(2) "Legacy" non-Agency RMBS includes non-Agency bonds issued up to and including 2009. "New issue" non-Agency MBS includes bonds issued after 2009.
(3) Cost of funds includes interest spread expense associated with the portfolio's interest rate swaps.

Rates Strategy Update

COMBINATION OF AGENCY AND MSR CREATES BETTER RETURNS WITH LESS VOLATILITY

AGENCY RMBS

- Agency holdings increased $2.0 billion[1]
- Converted TBA positions into pools, including specified pools for prepayment protection
- Approximately 60% of pools had some form of prepayment protection as of July 31, 2016

MORTGAGE SERVICING RIGHTS

- Added $5.7 billion UPB from flow sale arrangements at lower coupons
- 13 active flow sale relationships
- Expect near-term flow MSR volume of approximately $2.0 billion UPB per month

(in millions)	Mar. 31, 2016	June 30, 2016	Increase (Decrease)
Agency RMBS	$8,166	$12,161	$3,995
TBA Positions	1,637	(337)	(1,974)
Total Agency Holdings	$9,803	$11,824	$2,021

HEDGING STRATEGY

- Maintained low interest rate exposure
- Increased use of optional protection through swaptions and mortgage options by $3.5 billion net notional
  - Provides hedge against higher rates and benefits from lower rates

(1) Total Agency holdings increased $2.0 billion, net of TBA conversions, during the three months ended June 30, 2016. Excluding TBA conversions, Agency RMBS increased $4.0 billion during the three months ended June 30, 2016.

Credit Strategy Update

LEGACY NON-AGENCY RMBS

- Favorable tailwinds drove performance
- Strong realized yield of 8.3%
- Opportunistically added to holdings
- Benefitted from Countrywide RMBS class action settlement proceeds
- Credit reserve reduced by $40 million in the quarter and $155 million in the past 12 months due to positive fundamentals

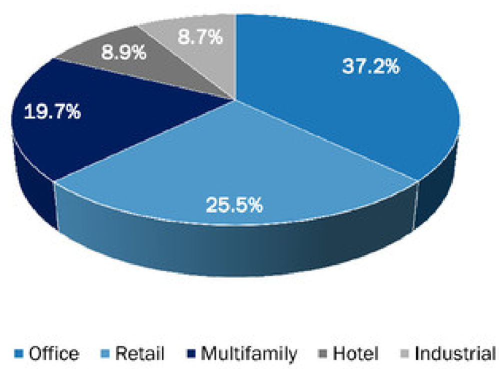
MORTGAGE LOAN CONDUIT

- Intend to retain attractive yielding credit assets from Agate Bay securitizations
- Anticipate disposition of conduit loans through completing one or more securitizations or through whole loan sales
- Expect to deploy roughly half of conduit capital into our other strategies over the next six months

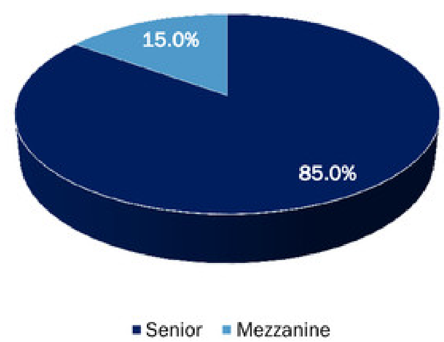
Commercial Real Estate Update

- Aggregate portfolio carrying value of $926.4 million at June 30, 2016, up from $744.3 million at March 31, 2016
  - Eighteen senior and six mezzanine assets
- Weighted average stabilized loan-to-value (LTV) of 65.5%[1]; weighted average spread of LIBOR plus 486 basis points
- Strong and attractive pipeline of loans

PORTFOLIO BY PROPERTY TYPE



PORTFOLIO BY LOAN TYPE



(1) Stabilized LTV considers the prospective market value "as stabilized" which reflects the property's market value as of the time the property is projected to achieve stabilized occupancy. Stabilized occupancy is the occupancy level that a property is expected to achieve after the property is exposed to the market for lease over a reasonable period of time and at comparable terms and conditions to other similar properties.

Appendix


TWO HARBORS
Investment Corp.
A Pine River Capital Managed Company

Return on Book Value

Return on book value Q2-2016 (Per share amounts, except for percentage)	
Book value at March 31, 2016	$9.70
Book value at June 30, 2016	9.83
Increase in book value	0.13
Dividends declared in Q2-2016	0.23
Return on book value Q2-2016	$0.36
Percent return on book value Q2-2016[(1)]	3.7%

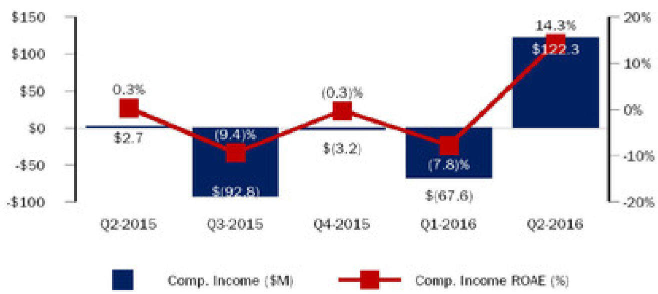
Return on book value YTD-2016 (Per share amounts, except for percentage)	
Book value at December 31, 2015	$10.11
Book value at June 30, 2016	9.83
Decrease in book value	(0.28)
Dividends declared YTD-2016	0.46
Return on book value YTD-2016	$0.18
Percent return on book value YTD-2016[(2)]	1.8%

(1) Return on book value for three-month period ended June 30, 2016 is defined as the increase in book value from March 31, 2016 to June 30, 2016 of $0.13 per share, plus dividends declared of $0.23 per share, divided by March 31, 2016 book value of $9.70 per share.

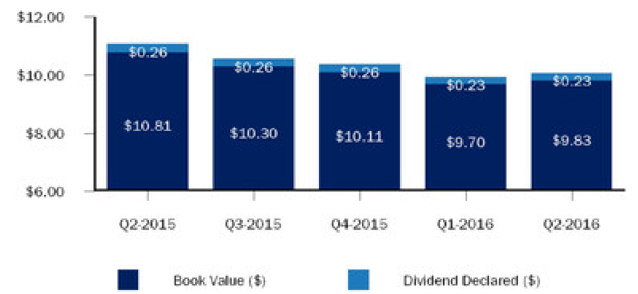
(2) Return on book value for six-month period ended June 30, 2016 is defined as the decrease in book value from December 31, 2015 to June 30, 2016 of $0.28 per share, plus dividends declared of $0.46 per share, divided by December 31, 2015 book value of $10.11 per share.

Financial Performance

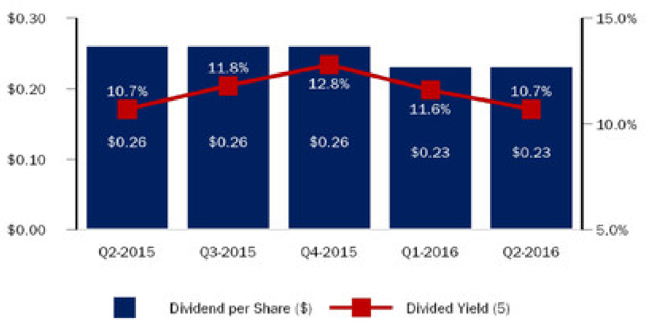
CONMPREHENSIVE INCOME (LOSS)



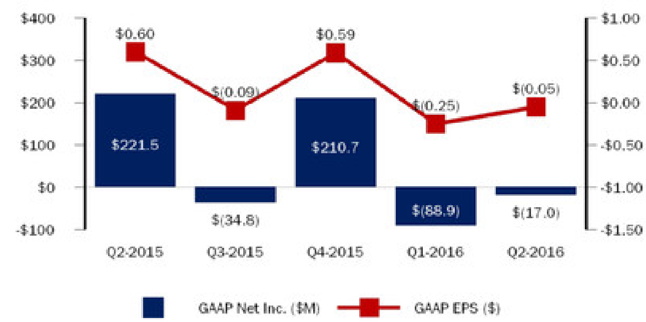
BOOK VALUE AND DIVIDEND PER SHARE[1]



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

	Q1-2016				Q2-2016			
(In millions, except for per share data)	Core Earnings[1]	Realized Gains (Losses)	Unrealized MTM	Total	Core Earnings[1]	Realized Gains (Losses)	Unrealized MTM	Total
Interest income	$130.8	$–	$–	$130.8	$154.8	$–	$–	$154.8
Interest expense	41.4	–	–	41.4	54.0	–	–	54.0
Net interest income	89.4	–	–	89.4	100.8	–	–	100.8
Net other-than-temporary impairment losses	–	–	(0.7)	(0.7)	–	–	(0.1)	(0.1)
Gain (loss) on investment securities	–	21.7	7.8	29.5	–	9.9	(1.6)	8.3
(Loss) gain on interest rate swaps and swaptions	(6.2)	30.6	(149.9)	(125.5)	(7.7)	(55.1)	50.1	(12.7)
Gain (loss) on other derivative instruments	5.4	6.3	4.4	16.1	5.0	0.2	(53.2)	(48.0)
Gain on residential mortgage loans held-for-sale	–	1.1	9.7	10.8		3.8	3.9	7.7
Servicing income	34.1	–	–	34.1	35.8	–	–	35.8
Loss on servicing asset	(16.2)	–	(85.2)	(101.4)	(24.5)	–	(52.0)	(76.5)
Other income (loss)	1.3	(2.2)	3.7	2.8	1.4	(5.7)	(5.3)	(9.6)
Total other income (loss)	18.4	57.5	(209.5)	(133.6)	10.0	(46.9)	(58.1)	(95.0)
Management fees & other operating expenses	34.3	4.2	–	38.5	36.6	0.8	–	37.4
Net income (loss) before income taxes	73.5	53.3	(210.2)	(83.4)	74.2	(47.7)	(58.2)	(31.7)
Income tax expense (benefit)	1.7	27.8	(24.0)	5.5	(2.0)	(8.4)	(4.3)	(14.7)
Net income (loss)	**$71.8**	**$25.5**	**($186.2)**	($88.9)	**$76.2**	**($39.3)**	**($53.9)**	($17.0)
Weighted average EPS	$0.21	$0.07	($0.53)	($0.25)	$0.22	($0.11)	($0.16)	($0.05)

(1) Core Earnings is a non-GAAP measure. Please see Appendix slide 17 of this presentation for a definition of Core Earnings and a reconciliation of GAAP to non-GAAP financial information.

GAAP to Core Earnings Reconciliation[(1)]

Reconciliation of GAAP to non-GAAP Information (in thousands, except for per share data)	Three Months Ended March 31, 2016	Three Months Ended June 30, 2016
Reconciliation of Comprehensive (loss) income to Core Earnings:		
Comprehensive (loss) income	**($67,585)**	**$122,310**
Adjustment for other comprehensive income:		
Unrealized gain on available-for-sale securities	(21,345)	(139,291)
Net loss	**($88,930)**	**($16,981)**
Adjustments for non-core earnings:		
Gain on sale of securities and residential mortgage loans, net of tax	(16,749)	(12,332)
Unrealized gain on securities and residential mortgage loans held-for-sale, net of tax	(14,103)	(1,026)
Other-than-temporary impairment loss	717	90
Unrealized loss (gain) on interest rate swaps and swaptions economically hedging investment portfolio, repurchase agreements and FHLB advances, net of tax	134,942	(28,851)
Realized (gain) loss on termination or expiration of swaps and swaptions, net of tax	(9,586)	45,598
(Gain) loss on other derivative instruments, net of tax	(9,393)	33,669
Realized and unrealized (gain) loss on financing securitizations, net of tax	(1,478)	10,960
Realized and unrealized loss on mortgage servicing rights, net of tax	73,661	44,521
Securitization deal costs, net of tax	2,426	279
Change in representation and warranty reserve, net of tax	337	235
Core Earnings	**$71,844**	**$76,162**
Weighted average shares outstanding	349,436,015	347,597,955
Core Earnings per weighted average share outstanding	$0.21	$0.22

(1) Core Earnings is a non-GAAP measure that we define as Comprehensive Income, excluding realized and unrealized gains or losses on the aggregate portfolio, impairment losses, 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.

Rates: Agency RMBS Metrics

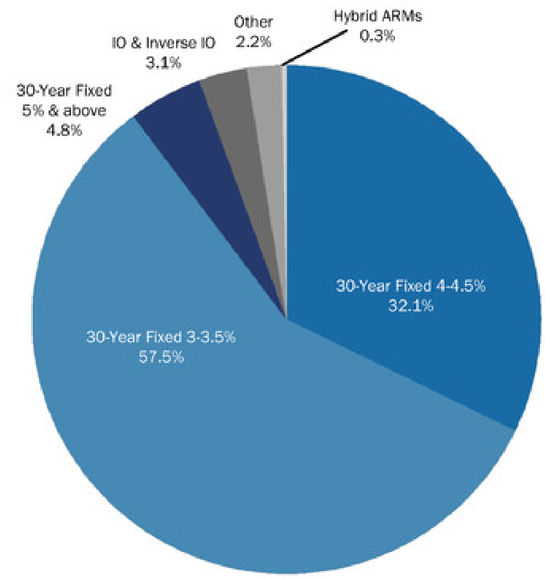
AGENCY PORTFOLIO YIELDS AND METRICS

Portfolio Yield	Realized Q1-2016	At March 31, 2016	Realized Q2-2016	At June 30, 2016
Agency yield	3.3%	3.1%	3.0%	2.8%
Repo and FHLB costs	0.6%	0.7%	0.7%	0.7%
Swap costs	0.4%	0.4%	0.3%	0.2%
Net interest spread	2.3%	2.0%	2.0%	1.9%

Portfolio Metrics	Q1-2016	Q2-2016
Weighted average 3-month CPR[1]	9.2%	8.6%
Weighted average cost basis[2]	$106.6	$105.3

AGENCY RMBS CPR[1]

AGENCY PORTFOLIO COMPOSITION



(1) Agency weighted average 3-month Constant Prepayment Rate (CPR) includes IIOs (or Agency Derivatives).
(2) Weighted average cost basis includes RMBS principal and interest securities only. Average purchase price utilized carrying value for weighting purposes.

Rates: Agency RMBS

As of June 30, 2016	Par Value ($M)	Market Value ($M)	% Lower Balance/HARP[1]	Amortized Cost Basis ($M)	Weighted Average Coupon	Weighted Average Age (Months)
30-Year fixed						
3.0-3.5%	$6,684	$6,991	—%	$6,928	3.2%	3
4.0-4.5%	3,536	3,901	85.4%	3,805	4.2%	36
≥ 5.0%	513	585	73.7%	553	5.5%	89
	10,733	11,477	32.8%	11,286	3.6%	19
Hybrid ARMs	33	35	—%	35	5.1%	148
Other	267	268	0.1%	244	3.9%	102
IOs and IIOs	3,722	381[2]	0.3%	360	3.7%	77
Total	$14,755	$12,161	30.9%	$11,925	3.7%	23

(1) Percent of securities with implicit or explicit prepayment protection, including lower loan balances (securities collateralized by loans less than or equal to $175K of initial principal balance) and higher LTVs (securities collateralized by loans with greater than or equal to 80% LTV).
(2) Represents market value of $229.3 million of IOs and $152.0 million of Agency Derivatives.

Rates: Mortgage Servicing Rights[1]

	As of March 31, 2016	As of June 30, 2016
Fair value ($M)	$446.2	$427.8
Unpaid principal balance ($M)	$52,070.4	$55,622.0
Weighted average coupon	3.9%	3.9%
Original FICO score[2]	750	750
Original LTV	75%	75%
60+ day delinquencies	1.0%	0.9%
Net servicing spread	27.2 basis points	27.0 basis points
Vintage:		
Pre-2009	2.4%	2.2%
2009-2012	44.8%	39.9%
Post 2012	52.8%	57.9%
Percent of MSR portfolio:		
Conventional	81.6%	83.8%
Government FHA	13.7%	12.1%
Government VA/USDA	4.7%	4.1%

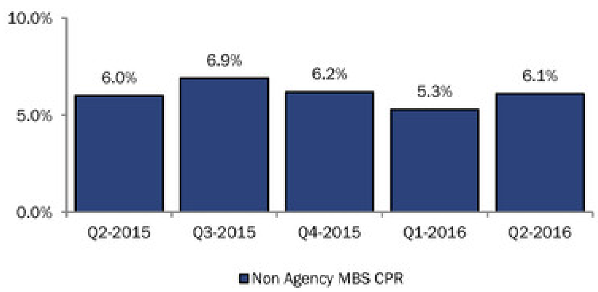
(1) Excludes residential mortgage loans held-for-investment in securitization trusts for which the company is the named servicing administrator.
(2) FICO represents a mortgage industry accepted credit score of a borrower.

Credit: Non-Agency MBS Metrics

NON-AGENCY PORTFOLIO YIELDS AND METRICS

Portfolio Yield	Realized Q1-2016	At March 31, 2016	Realized Q2-2016	At June 30, 2016
Non-Agency yield	8.3%	8.3%	8.1%	8.3%
Repo and FHLB costs	2.5%	2.3%	2.4%	2.4%
Swap costs	0.3%	0.3%	0.3%	0.3%
Net interest spread	5.5%	5.7%	5.4%	5.6%

NON-AGENCY MBS CPR



NON-AGENCY PORTFOLIO COMPOSITION

Non-Agency: Loan Type	March 31, 2016	June 30, 2016
Sub-prime	71%	68%
Option-ARM	9%	9%
Prime	6%	6%
Alt-A	5%	5%
Other	9%	12%
Portfolio Metrics	**Q1-2016**	**Q2-2016**
Weighted average 3-month CPR	5.3%	6.1%
Weighted average cost basis[1]	$58.2	$58.6

(1) Weighted average cost basis includes MBS 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 MBS excluding the company's non-Agency interest-only portfolio would have been $54.64 at June 30, 2016.

Credit: Non-Agency MBS

As of June 30, 2016	Senior Bonds	Mezzanine Bonds	Total P&I
Portfolio characteristics:			
Carrying value ($M)	$1,138.8	$503.2	$1,642.0
% of non-Agency portfolio	69.4%	30.6%	100.0%
Average purchase price[1]	$54.07	$68.89	$58.61
Average coupon	3.0%	2.3%	2.8%
Weighted average market price[2]	$73.57	$76.14	$74.34
Collateral attributes:			
Average loan age (months)	117	121	118
Average loan size ($K)	$363	$318	$352
Average original Loan-to-Value	71.0%	69.3%	70.6%
Average original FICO[3]	635	659	641
Current performance:			
60+ day delinquencies	26.4%	19.2%	24.7%
Average credit enhancement[4]	10.1%	19.7%	12.4%
3-Month CPR[5]	4.9%	9.7%	6.1%

(1) Average purchase price utilized carrying value for weighting purposes. If current face were utilized for weighting purposes, the average purchase price for senior, mezzanine and total non-Agency MBS, excluding our non-Agency interest-only portfolio, would have been $49.94, $65.66 and $54.64, 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 MBS 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.

Commercial Real Estate Assets

	Type	Origination Date	Principal Balance	Book Value	Cash Coupon(1)	Yield(2)	Original Term (Years)	State	Property Type	Initial LTV(3)	Stabilized LTV(4)
Asset 1	Senior	12/15	$120.0	$119.2	L + 4.20%	5.91 %	4	LA	Retail	65.5 %	60.0 %
Asset 2	Senior	09/15	105.0	104.6	L + 3.42%	4.76 %	3	CA	Retail	70.9 %	66.9 %
Asset 3	Senior	04/16	82.0	81.0	L + 4.75%	6.09 %	3	NY	Industrial	55.4 %	55.4 %
Asset 4	Senior	11/15	76.6	76.1	L + 4.20%	5.80 %	3	NY	Office	66.4 %	68.7 %
Asset 5	Mezzanine	11/15	49.8	49.8	L + 7.25%	7.82 %	3	Multi-state	Office	77.6 %	77.5 %
Asset 6	Senior	06/16	50.3	49.6	L + 4.49%	5.67 %	4	HI	Retail	76.2 %	56.5 %
Asset 7	Mezzanine	03/15	45.9	45.8	L + 6.75%	8.15 %	2	Multi-state	Hotel	70.3 %	63.5 %
Asset 8	Senior	12/15	43.5	43.3	L + 4.05%	5.61 %	3	TX	Multifamily	81.2 %	76.8 %
Asset 9	Senior	04/16	43.5	42.7	L + 4.40%	6.11 %	3	NY	Office	66.9 %	62.1 %
Asset 10	Senior	02/16	40.1	39.6	L + 4.30%	5.63 %	3	TX	Office	72.9 %	70.4 %
Asset 11	Senior	12/15	39.5	39.3	L + 4.65%	6.43 %	4	PA	Office	74.5 %	67.5 %
Asset 12	Senior	11/15	38.0	37.6	L + 4.55%	6.41 %	4	MD	Office	80.0 %	64.5 %
Asset 13	Senior	03/16	33.8	33.6	5.11%	5.24 %	10	NJ	Office	74.9 %	74.9 %
Asset 14	Senior	01/16	27.8	27.4	L + 4.80%	6.46 %	3	IL	Multifamily	82.8 %	66.7 %
Asset 15	Senior	10/15	23.5	23.4	L + 3.60%	4.94 %	4	NY	Multifamily	73.4 %	58.6 %

(1) Cash coupon does not include origination or exit fees.
(2) Yield includes net origination fees and exit fees, but does not include future fundings.
(3) Initial LTV considers the original appraisal at the time of origination.
(4) Stabilized LTV considers the prospective market value "as stabilized" which reflects the property's market value as of the time the property is projected to achieve stabilized occupancy. Stabilized occupancy is the occupancy level that a property is expected to achieve after the property is exposed to the market for lease over a reasonable period of time and at comparable terms and conditions to other similar properties.

Commercial Real Estate Assets

	Type	Origination Date	Principal Balance	Book Value	Cash Coupon[1]	Yield[2]	Original Term (Years)	State	Property Type	Initial LTV[3]	Stabilized LTV[4]
Asset 16	Senior	08/15	$18.7	$18.6	L + 4.05%	5.67 %	3	FL	Multifamily	85.0 %	68.4 %
Asset 17	Mezzanine	08/15	17.0	17.0	L + 8.75%	10.06 %	2	FL	Hotel	71.9 %	67.9 %
Asset 18	Senior	08/15	14.3	14.3	L + 5.25%	6.82 %	3	FL	Multifamily	76.3 %	75.3 %
Asset 19	Senior	06/16	13.4	13.2	L + 4.62%	5.98 %	3	NY	Multifamily	69.5 %	64.7 %
Asset 20	Senior	10/15	12.6	12.5	L + 4.99%	6.53 %	3	MO	Hotel	73.2 %	57.8 %
Asset 21	Senior	09/15	11.0	11.0	L + 4.03%	5.39 %	3	FL	Multifamily	77.7 %	76.9 %
Asset 22	Mezzanine	07/15	9.9	9.9	L + 12.25%	14.03 %	3	PA	Office	81.6 %	79.6 %
Asset 23	Mezzanine	08/15	9.9	9.9	L + 9.50%	11.59 %	5	GA	Office	78.7 %	66.4 %
Asset 24	Mezzanine	11/15	7.4	6.9	13.00%[5]	13.00 %	10	NY	Hotel	68.3 %	43.7 %
Total/Weighted Average			**$933.6**	**$926.4**	**L + 4.86%**	**6.27 %**	**3.5**			**71.2 %**	**65.5 %**

(1) Cash coupon does not include origination or exit fees.
(2) Yield includes net origination fees and exit fees, but does not include future fundings.
(3) Initial LTV considers the original appraisal at the time of origination.
(4) Stabilized LTV considers the prospective market value "as stabilized" which reflects the property's market value as of the time the property is projected to achieve stabilized occupancy. Stabilized occupancy is the occupancy level that a property is expected to achieve after the property is exposed to the market for lease over a reasonable period of time and at comparable terms and conditions to other similar properties.
(5) A variable rate per annum generating not less than a 13% internal rate of return on the principal balance of the loan, inclusive of the exit fee.

Repo and FHLB Financing[1]

Repo and FHLB Collateral[2]	Repo	FHLB	Total ($M)
Available-for-sale securities, at fair value	$10,061.9	$3,391.6	$13,453.5
Derivative asset, at fair value	152.0	—	152.0
Residential mortgage loans held-for-sale, at fair value	24.3	519.5	543.8
Commercial real estate assets	374.9	424.5	799.4
Net economic interests in consolidated securitization trusts	227.8	74.8	302.6
	$10,840.9	$4,410.4	$15,251.3

Repo Maturities[3]	Amount ($M)	Percent (%)
Within 30 days	$3,824.7	39.6 %
30 to 59 days	1,556.0	16.1 %
60 to 89 days	1,533.4	15.9 %
90 to 119 days	1,075.2	11.1 %
120 to 364 days	1,473.5	15.2 %
One year and over	207.0	2.1 %
	$9,669.8	100.0 %

FHLB Maturities	Amount ($M)	Percent (%)
≤ 1 year	$651.2	16.3 %
> 1 and ≤ 3 years	$815.0	20.4 %
> 3 and ≤ 5 years	—	— %
> 10 years[4]	2,533.8	63.3 %
	$4,000.0	100.0 %

(1) As of June 30, 2016.
(2) Excludes FHLB membership and activity stock totaling $167.9 million.
(3) Weighted average of 75 days to maturity.
(4) Includes advances of $2.5 billion with original maturities of 20 years.

Interest Rate Swaps[1]

Maturities	Notional Amounts ($B)[2]	Average Fixed Pay Rate[3]	Average Receive Rate[3]	Average Maturity (Years)[3]
Payers Hedging Repo and FHLB Advances				
2016	$1.0	0.435%	0.640%	0.5
2017	2.4	0.765%	0.638%	1.1
2018	0.3	0.984%	0.638%	1.6
2019	0.3	1.283%	0.642%	2.9
2020 and after	1.4	1.919%	0.631%	8.1
	$5.4	0.938%	0.638%	2.3
Other Payers				
2018	$4.0	1.307%	0.654%	2.1
2020 and after	1.2	2.164%	0.638%	4.6
	$5.2	1.504%	0.651%	2.7

Maturities	Notional Amounts ($B)	Average Pay Rate	Average Fixed Receive Rate	Average Maturity (Years)
Other Receivers				
2018	$0.6	0.654%	1.440%	2.4
2019	0.5	0.635%	1.042%	2.6
2020 and after	2.0	0.646%	2.070%	6.1
	$3.1	0.645%	1.784%	4.8

(1) As of June 30, 2016.
(2) Notional amount includes $563.0 million in forward starting interest rate swaps as of June 30, 2016.
(3) Weighted averages exclude forward starting interest rate swaps. As of June 30, 2016, the weighted average fixed pay rate on interest rate swaps starting in September 2016 was 2.3%.

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	$56.8	$—	2.0	$1,700	4.09%	3M LIBOR	6.5
Payer	≥6 Months	43.0	0.4	11.9	1,800	3.27%	3M LIBOR	5.6
Total Payer		$99.8	$0.4	11.9	$3,500	3.67%	3M LIBOR	6.0
Receiver	<6 Months	$20.5	$27.4	1.9	$1,500	3M LIBOR	1.53%	10.0
Total Receiver		$20.5	$27.4	1.9	$1,500	3M LIBOR	1.53%	10.0
Sale Contracts:								
Payer	<6 Months	($26.0)	(10.3)	2.1	($2,400)	1.71%	3M LIBOR	10.0
Payer	≥6 Months	($81.2)	($0.4)	12.0	($800)	3.44%	3M LIBOR	10.0
Total Payer		($107.2)	($10.7)	2.2	($3,200)	2.14%	3M LIBOR	10.0

(1) As of June 30, 2016.


TWO HARBORS
Investment Corp.
A Pine River Capital Managed Company