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

FORM 8-K

Current Report

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

Date of Report: February 6, 2018

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.)

575 Lexington Avenue, Suite 2930
New York, NY 10022
(Address of principal executive offices)
(Zip Code)

Registrant's telephone number, including area code: **(612) 629-2500**

590 Madison Avenue, 36th Floor
New York, NY 10022
(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))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging Growth Company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

☐

Item 2.02 Results of Operations and Financial Condition.

On February 6, 2018, Two Harbors Investment Corp. (the "Company") issued a press release announcing its financial results for the fiscal quarter ended December 31, 2017. A copy of the press release and the 2017 Fourth Quarter Earnings Call Presentation are attached hereto as Exhibits 99.1 and 99.2, respectively, and are incorporated herein by reference.

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

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

Exhibit No.	Description
99.1	Press Release of Two Harbors Investment Corp., dated February 6, 2018.
99.2	2017 Fourth Quarter Earnings Call Presentation.

SIGNATURES

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

TWO HARBORS INVESTMENT CORP.

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

Date: February 6, 2018

Two Harbors Investment Corp. Reports Fourth Quarter 2017 Financial Results

A Year of Transformation and Increased Earnings Power for the Company

NEW YORK, February 6, 2018 - Two Harbors Investment Corp. (NYSE: TWO), a leading hybrid mortgage real estate investment trust (REIT) that invests in residential mortgage-backed securities (RMBS), mortgage servicing rights (MSR) and other financial assets, today announced its financial results for the quarter ended December 31, 2017.

Quarterly Summary

- Generated Comprehensive Income of $65.7 million, or $0.38 per weighted average basic common share.
- Reported book value of $16.31 per common share, representing a 1.6% total quarterly return on book value.(1)
- Reported Core Earnings of $81.3 million, or $0.47 per weighted average basic common share.(2)
- Closed a 2-year, $300 million financing facility with a large banking counterparty to finance Fannie Mae MSR collateral.
- Issued 11,800,000 shares of 7.25% Series C fixed-to-floating rate cumulative redeemable preferred stock for proceeds, net of offering costs, of $285.6 million.

2017 Summary

- Generated Comprehensive Income of $459.0 million, or $2.63 per weighted average basic common share, representing a return on average common equity of 13.6%.
- Grew Core Earnings return on average common equity to 11.3% for the quarter ended December 31, 2017, from 10.0% for the quarter ended December 31, 2016.(2)
- Enhanced balance sheet and capital structure through one convertible debt and three preferred stock offerings.
- Formed Granite Point Mortgage Trust Inc. ("Granite Point") (NYSE: GPMT) to continue and expand the company's commercial real estate business. On November 1, 2017 distributed approximately 33.1 million shares of common stock of Granite Point to Two Harbors' common stockholders and concurrently effected a one-for-two reverse stock split.

"2017 was a transformative year for Two Harbors, as we implemented our plan to maximize returns for our stockholders through running a more efficient and focused business model," stated Thomas Siering, Two Harbors' President and Chief Executive Officer. "The execution on our plan resulted in Core Earnings growth and three dividend increases, reflecting our stronger earnings power. Importantly, we achieved these results while maintaining an acute focus on book value protection and risk management. Our stock price reacted favorably to this and we are pleased to have delivered an annual total stockholder return of 26%.(3)"

(1) Return on book value for the quarter ended December 31, 2017 is defined as the decrease in book value per common share from September 30, 2017 to December 31, 2017 of $3.81, plus the dividend declared of $0.47 per common share and the special dividend of Granite Point common stock of $3.67 per common share, divided by September 30, 2017 book value of $20.12 per common 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. Core Earnings return on average common equity for the quarter ended December 31, 2017 excludes the company's controlling interest in Granite Point equity.

(3) Two Harbors' total stockholder return is calculated for the period December 31, 2016 through December 31, 2017. Total stockholder return is defined as stock price appreciation including dividends. Source: Bloomberg.

On November 1, 2017, the company distributed to its common stockholders the 33,071,000 shares of Granite Point common stock it had acquired in connection with the contribution of its commercial real estate portfolio to Granite Point. Due to the company's controlling ownership interest in Granite Point through November 1, 2017, Granite Point's results of operations and financial condition through such date are included in the company's financial statements in accordance with U.S. generally accepted accounting principles (GAAP). Because the company no longer has a controlling interest in Granite Point, it has reclassified all of Granite Point's current and prior period assets, liabilities and results of operations to discontinued operations.

Additionally, on November 1, 2017, the company completed its previously announced one-for-two reverse stock split of its outstanding shares of common stock. In accordance with GAAP, all common share and per common share amounts presented herein have been adjusted on a retroactive basis to reflect the reverse stock split.

Operating Performance

The following table summarizes the company's GAAP and non-GAAP earnings measurements and key metrics for the fourth quarter of 2017:

Two Harbors Investment Corp. Operating Performance (unaudited)

(dollars in thousands, except per common share data)

	Three Months Ended December 31, 2017			Year Ended December 31, 2017		
Earnings attributable to common stockholders	**Earnings**	**Per weighted average basic common share**	**Annualized return on average common equity**	**Earnings**	**Per weighted average basic common share**	**Annualized return on average common equity**
Comprehensive Income	$ 65,728	$ 0.38	8.5%	$ 459,035	$ 2.63	13.6%
GAAP Net Income	$ 153,955	$ 0.88	20.0%	$ 323,449	$ 1.85	9.6%
Core Earnings[(1)]	$ 81,342	$ 0.47	11.3%	$ 363,006	$ 2.08	10.8%
Operating Metrics						
Dividend per common share	$ 0.47					
Dividend per Series A preferred share	$ 0.50781					
Dividend per Series B preferred share	$ 0.47656					
Dividend per Series C preferred share	$ 0.30208					
Book value per common share at period end	$ 16.31					
Other operating expenses as a percentage of average equity[(2)]	1.1%					

(1) Please see page 13 for a definition of Core Earnings and a reconciliation of GAAP to non-GAAP financial information. Core Earnings return on average common equity for the quarter ended December 31, 2017 excludes the company's controlling interest in Granite Point equity.

(2) Includes non-cash equity compensation income (negative amortization) of $0.4 million.

Earnings Summary

Two Harbors reported Comprehensive Income of $65.7 million, or $0.38 per weighted average basic common share, for the quarter ended December 31, 2017, as compared to Comprehensive Income of $161.6 million, or $0.93 per weighted average basic common share, for the quarter ended September 30, 2017. The company records unrealized fair value gains and losses on the majority of RMBS, classified as available-for-sale, in Other Comprehensive Income. On a Comprehensive Income basis, the company recognized an annualized return on average common equity of 8.5% and 18.5% for the quarters ended December 31, 2017 and September 30, 2017, respectively.

The company reported GAAP Net Income of $154.0 million, or $0.88 per weighted average basic common share, for the quarter ended December 31, 2017, as compared to GAAP Net Income of $93.2 million, or $0.53 per weighted average basic common share, for the quarter ended September 30, 2017. On a GAAP Net Income basis, the company recognized an annualized return on average common equity of 20.0% and 10.7% for the quarters ended December 31, 2017 and September 30, 2017, respectively.

For the fourth quarter of 2017, the company recognized non-Core Earnings of:

- net realized losses on RMBS and mortgage loans held-for-sale of $9.4 million, net of tax;
- net unrealized losses on certain RMBS, equity securities and mortgage loans held-for-sale of $8.0 million, net of tax;
- other-than-temporary impairment loss of $0.4 million, net of tax;
- net losses of $5.4 million, net of tax, related to swap and swaption terminations and expirations;
- net unrealized gains of $70.9 million, net of tax, associated with interest rate swaps and swaptions economically hedging interest rate exposure (or duration);
- net realized and unrealized losses on other derivative instruments of $6.2 million, net of tax;
- net realized and unrealized gains on previously consolidated financing securitizations of $7.8 million, net of tax;
- net realized and unrealized gains on MSR of $34.9 million(1), net of tax;
- servicing reserve release of $0.1 million, net of tax;
- non-cash equity compensation income (negative amortization) of $0.4 million, net of tax;
- change in tax valuation allowance of $1.5 million;
- tax expense related to a decrease in the future federal statutory tax rate due to recent tax reform of $17.5 million; and
- income from discontinued operations of $3.9 million, net of tax.

The company reported Core Earnings for the quarter ended December 31, 2017 of $81.3 million, or $0.47 per weighted average basic common share outstanding, as compared to Core Earnings for the quarter ended September 30, 2017 of $89.2 million, or $0.51 per weighted average basic common share outstanding. On a Core Earnings basis, for the quarter ended December 31, 2017 the company recognized an annualized return on average common equity, excluding Granite Point equity, of 11.3%, and for the quarter ended September 30, 2017 the company recognized an annualized return on average common equity of 10.2%.

Other Key Metrics

Two Harbors declared a quarterly cash dividend of $0.47 per common share for the quarter ended December 31, 2017. The annualized dividend yield on the company's common stock for the quarter, based on the December 31, 2017 closing price of $16.26, was 11.6%.

Two Harbors declared quarterly dividends of $0.50781 per share on its 8.125% Series A fixed-to-floating rate cumulative redeemable preferred stock, $0.47656 per share on its 7.625% Series B fixed-to-floating rate cumulative redeemable preferred stock and a dividend of $0.30208 per share of the 7.25% Series C fixed-to-floating rate cumulative redeemable preferred stock. Each of the foregoing preferred dividends were paid on January 29, 2018 to the applicable preferred stockholders of record at the close of business on January 12, 2018.

The company's book value per common share, after taking into account the fourth quarter 2017 common and preferred dividends, was $16.31 as of December 31, 2017, compared to $20.12 as of September 30, 2017, which represented a total return on book value for the quarter of 1.6%.(2)

(1) Excludes estimated amortization of $35.9 million, net of tax, included in Core Earnings.
(2) Return on book value for the quarter ended December 31, 2017 is defined as the decrease in book value per common share from September 30, 2017 to December 31, 2017 of $3.81, plus the dividend declared of $0.47 per common share and the special dividend of Granite Point common stock of $3.67 per common share, divided by September 30, 2017 book value of $20.12 per common share.

Other operating expenses from continuing operations for the quarter ended December 31, 2017 were approximately $9.8 million. The company's annualized expense ratio was 1.1% of average equity, compared to expenses from continuing operations of approximately $13.1 million, or 1.4% of average equity, for the quarter ended September 30, 2017. These include non-cash equity compensation income (negative amortization) of $0.4 million and non-cash equity compensation expense of $3.5 million, respectively.

Portfolio Summary

The company's aggregate portfolio is principally comprised of RMBS available-for-sale securities, inverse interest-only securities (Agency Derivatives) and MSR. As of December 31, 2017, the total value of the company's portfolio was $22.4 billion.

The company's portfolio includes rates and credit strategies. The rates strategy consisted of $19.4 billion of Agency RMBS, Agency Derivatives and MSR as well as their associated notional hedges as of December 31, 2017. The credit strategy consisted of $3.0 billion of non-Agency securities, as well as their associated notional hedges as of December 31, 2017.

For the quarter ended December 31, 2017, the annualized yield on the company's average aggregate portfolio was 3.69% and the annualized cost of funds on the associated average borrowings, which includes net interest rate spread expense on interest rate swaps, was 1.72%. This resulted in a net interest rate spread of 1.97%.

RMBS and Agency Derivatives

For the quarter ended December 31, 2017, the annualized yield on average RMBS and Agency Derivatives was 3.7%, consisting of an annualized yield of 3.1% in Agency RMBS and Agency Derivatives and 7.6% in non-Agency securities.

The company experienced a three-month average constant prepayment rate (CPR) of 7.6% for Agency RMBS and Agency Derivatives held as of December 31, 2017, compared to 8.0% as of September 30, 2017. The weighted average cost basis of the principal and interest Agency portfolio was 106.6% of par as of both December 31, 2017 and September 30, 2017. The net premium amortization was $43.0 million and $45.1 million for the quarters ended December 31, 2017 and September 30, 2017, respectively.

The company experienced a three-month average CPR of 6.4% for legacy non-Agency securities held as of both December 31, 2017 and September 30, 2017. The weighted average cost basis of the legacy non-Agency securities was 59.9% of par as of December 31, 2017, compared to 60.0% of par as of September 30, 2017. The discount accretion was $20.8 million for the quarter ended December 31, 2017, compared to $22.9 million for the quarter ended September 30, 2017. The total net discount remaining was $1.3 billion as of both December 31, 2017 and September 30, 2017, with $0.7 billion designated as credit reserve as of December 31, 2017.

As of December 31, 2017, fixed-rate investments composed 87.2% and adjustable-rate investments composed 12.8% of the company's RMBS and Agency Derivatives portfolio.

In the fourth quarter of 2017 the company sold all of its retained subordinated securities from prior securitization transactions, thereby causing the deconsolidation of the securitization trusts from the company's consolidated balance sheet. As of December 31, 2017, the remaining retained securities were included as non-Agency available-for-sale securities on the company's balance sheet.

Mortgage Servicing Rights

As of December 31, 2017, the company held MSR on mortgage loans with UPB totaling $101.3 billion.[1] The MSR had a fair market value of $1.1 billion, as of December 31, 2017, and the company recognized fair value losses of $0.6 million during the quarter ended December 31, 2017.

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

The company does not directly service mortgage loans, but instead contracts with fully licensed subservicers to handle substantially all servicing functions in the name of the subservicer for the loans underlying the company's MSR. The company recognized $60.6 million of servicing income, $10.0 million(1) of servicing expenses and $0.1 million in servicing reserve release during the quarter ended December 31, 2017.

Other Investments and Risk Management Derivatives

The company held $0.6 billion notional of net short TBAs as of December 31, 2017, which are accounted for as derivative instruments in accordance with GAAP.

As of December 31, 2017, the company was a party to interest rate swaps and swaptions with a notional amount of $31.1 billion. Of this amount, $28.5 billion notional in swaps were utilized to economically hedge interest rate exposure (or duration), and $2.7 billion net notional in swaptions were utilized as macroeconomic hedges.

The following tables summarize the company's investment portfolio as of December 31, 2017 and September 30, 2017:

Two Harbors Investment Corp. Portfolio
(dollars in thousands)

Portfolio Composition	As of December 31, 2017		As of September 30, 2017	
	(unaudited)		(unaudited)	
Rates Strategy				
Agency				
Fixed Rate	$ 18,215,505	81.2%	$ 17,529,411	74.0%
Hybrid ARMs	23,220	0.1%	24,960	0.1%
Total Agency	18,238,725	81.3%	17,554,371	74.1%
Agency Derivatives	90,975	0.4%	101,284	0.4%
Mortgage servicing rights	1,086,717	4.8%	930,613	3.9%
Residential mortgage loans held-for-sale	20,766	0.1%	21,709	0.1%
Credit Strategy				
Non-Agency				
Senior	1,956,145	8.7%	1,693,960	7.2%
Mezzanine	960,865	4.3%	945,447	4.0%
Other	65,084	0.3%	5,316	—%
Total Non-Agency	2,982,094	13.3%	2,644,723	11.2%
Net Economic Interest in Securitization(2)	—	—%	245,778	1.0%
Residential mortgage loans held-for-sale	9,648	0.1%	9,488	0.1%
Commercial real estate assets of discontinued operations	—	—%	2,171,344	9.2%
Aggregate Portfolio	$ 22,428,925		$ 23,679,310	

(1) Excludes residential mortgage loans in securitization trusts for which the company is the named servicing administrator.
(2) Net economic interest in securitization consists of residential mortgage loans held-for-investment, net of collateralized borrowings in previously consolidated securitization trusts. During the fourth quarter of 2017, the company sold all of the retained subordinated securities from the securitization trusts thereby causing the deconsolidation of the trusts from the company's consolidated balance sheet. As of December 31, 2017, the remaining retained securities were included within non-Agency available-for-sale securities.

Portfolio Metrics	Three Months Ended December 31, 2017	Three Months Ended September 30, 2017
	(unaudited)	(unaudited)
Annualized portfolio yield from continuing operations during the quarter	3.69%	3.66%
Rates Strategy		
Agency RMBS, Agency Derivatives and mortgage servicing rights	3.2%	3.1%
Credit Strategy		
Non-Agency securities, Legacy(1)	7.8%	8.4%
Non-Agency securities, New issue(1)	6.6%	6.6%
Net economic interest in securitizations	11.2%	11.0%
Residential mortgage loans held-for-sale	3.9%	5.1%
Annualized cost of funds from continuing operations on average borrowing balance during the quarter(2)	1.72%	1.68%
Annualized interest rate spread for aggregate portfolio during the quarter	1.97%	1.98%
Debt-to-equity ratio at period-end(3)	5.9:1.0	5.0:1.0

Portfolio Metrics Specific to RMBS and Agency Derivatives	As of December 31, 2017	As of September 30, 2017
	(unaudited)	(unaudited)
Weighted average cost basis of principal and interest securities		
Agency(4)	$ 106.56	$ 106.62
Non-Agency(5)	$ 59.89	$ 59.96
Weighted average three month CPR		
Agency	7.6%	8.0%
Non-Agency	6.4%	6.4%
Fixed-rate investments as a percentage of aggregate RMBS and Agency Derivatives portfolio	87.2%	88.0%
Adjustable-rate investments as a percentage of aggregate RMBS and Agency Derivatives portfolio	12.8%	12.0%

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(1) Legacy non-Agency securities includes non-Agency bonds issued up to and including 2009. New issue non-Agency securities 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, commercial real estate assets of discontinued operations, MSR 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 legacy non-Agency securities excluding the company's non-Agency interest-only portfolio would be $57.27 at December 31, 2017 and $57.40 at September 30, 2017.

“As we move into 2018, we believe that we are well positioned across our Rates and Credit strategies for continued economic improvement and higher rates,” stated Bill Roth, Two Harbors’ Chief Investment Officer. “Specifically, our MSR and deeply discounted legacy non-Agency RMBS portfolios are distinguishing factors that differentiate us from our peers and drive returns for shareholders.”

Financing Summary

The company reported a debt-to-equity ratio, defined as total borrowings under repurchase agreements, FHLB advances, revolving credit facilities and convertible senior notes to fund RMBS, Agency Derivatives and MSR divided by total equity, of 5.9:1.0 as of December 31, 2017.

As of December 31, 2017, the company had outstanding $19.3 billion of repurchase agreements funding RMBS and Agency Derivatives with 27 different counterparties. Excluding the effect of the company’s interest rate swaps, the repurchase agreements funding RMBS and Agency Derivatives had a weighted average borrowing rate of 1.68% as of December 31, 2017.

The company’s wholly owned subsidiary, TH Insurance Holdings Company LLC (TH Insurance), is a member of the FHLB. As a member of the FHLB, TH Insurance has access to a variety of products and services offered by the FHLB, including secured advances. As of December 31, 2017, TH Insurance had $1.2 billion in outstanding secured advances funding RMBS, with a weighted average borrowing rate of 1.79%.

As of December 31, 2017, the company had outstanding $20.0 million of short-term borrowings secured by MSR collateral under revolving credit facilities with a weighted average borrowing rate of 5.14% and remaining maturities of 351 days. Additionally, the company had outstanding $112.5 million of long-term repurchase agreements for MSR, with additional available capacity of $187.5 million.

As of December 31, 2017, the company's aggregate repurchase agreements, FHLB advances, revolving credit facilities and convertible senior notes funding RMBS, Agency Derivatives and MSR had a weighted average of 7.8 months to maturity.

The following table summarizes the company's borrowings by collateral type under repurchase agreements, FHLB advances, revolving credit facilities and convertible senior notes outstanding as of December 31, 2017 and September 30, 2017, and the related cost of funds for the three months ended December 31, 2017 and September 30, 2017:

	As of December 31, 2017	As of September 30, 2017
(in thousands)	(unaudited)	(unaudited)
Collateral type:		
Agency RMBS and Agency Derivatives	$ 18,610,196	$ 16,936,660
Mortgage servicing rights	132,500	40,000
Non-Agency securities	1,943,535	1,709,447
Net economic interests in consolidated securitization trusts[(1)]	—	155,800
Commercial real estate assets of discontinued operations	—	1,494,247
Other[(2)]	282,827	282,543
	$ 20,969,058	$ 20,618,697

Cost of Funds Metrics	Three Months Ended December 31, 2017	Three Months Ended September 30, 2017
	(unaudited)	(unaudited)
Annualized cost of funds from continuing operations on average borrowings during the quarter[(3)]:	1.8%	1.7%
Agency RMBS and Agency Derivatives	1.5%	1.4%
Mortgage servicing rights[(4)]	5.9%	5.8%
Non-Agency securities	3.0%	3.0%
Net economic interests in consolidated securitization trusts[(1)]	2.7%	2.8%
Other[(2)(4)]	6.8%	6.7%

(1) Includes the retained interests from the company's previous on-balance sheet securitizations, which, prior to December 31, 2017, were eliminated in consolidation in accordance with GAAP. During the fourth quarter of 2017, the company sold all of the retained subordinated securities thereby causing the deconsolidation of the securitization trusts from the company's consolidated balance sheet. As of December 31, 2017, the remaining retained securities were included as non-Agency available-for-sale securities on the company's balance sheet.
(2) Includes unsecured convertible senior notes.
(3) Excludes FHLB advances allocated to Granite Point not included in income from discontinued operations.
(4) Includes amortization of debt issuance costs.

Dividends and Taxable Income

The company declared cash dividends to common stockholders totaling $347.9 million, or $2.01 per share, not inclusive of the special dividend distribution of Granite Point common stock amounting to $616.4 million, or $3.56 per share, for the 2017 taxable year. As a REIT, the company is required to distribute at least 90% of its taxable income to stockholders, subject to certain distribution requirements. The company distributed 100% of its 2017 taxable income to stockholders, excluding the Granite Point common stock dividend. As such, each cash distribution and the distribution of Granite Point common stock will be characterized for Federal income tax purposes as 36.275% ordinary dividends, 0.00% capital gain distributions, and 63.725% nondividend distributions.

Conference Call

Two Harbors Investment Corp. will host a conference call on February 7, 2018 at 9:00 a.m. EST to discuss fourth quarter 2017 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 9173647, approximately 10 minutes prior to the above start time. You may also listen to the teleconference live via the Internet on the company's website at www.twoharborsinvestment.com in the Investor Relations section under the Events and Presentations link. For those unable to attend, a telephone playback will be available beginning at 12:00 p.m. EST on February 7, 2018, through 12:00 a.m. EST on February 14, 2018. The playback can be accessed by calling (855) 859-2056 (or (404) 537-3406 for international callers), conference code 9173647. 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, mortgage servicing rights and other financial assets. Two Harbors is headquartered in New York, New York, and is externally managed and advised by PRCM Advisers LLC, a wholly owned subsidiary of Pine River Capital Management L.P. Additional information is available at www.twoharborsinvestment.com.

Forward-Looking Statements

This presentation includes "forward-looking statements" within the meaning of the safe harbor provisions of the United States Private Securities Litigation Reform Act of 1995. Actual results may differ from expectations, estimates and projections and, consequently, readers should not rely on these forward-looking statements as predictions of future events. Words such as "expect," "target," "assume," "estimate," "project," "budget," "forecast," "anticipate," "intend," "plan," "may," "will," "could," "should," "believe," "predicts," "potential," "continue," and similar expressions are intended to identify such forward-looking statements. These forward-looking statements involve significant risks and uncertainties that could cause actual results to differ materially from expected results, including, among other things, those described in our Annual Report on Form 10-K for the year ended December 31, 2016, 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 effectively execute and to realize the benefits of strategic transactions and initiatives we have pursued or may in the future pursue; 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 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; 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 basic 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, 575 Lexington Avenue, Suite 2930, New York, NY 10022, telephone (612) 629-2500.

Contact

Margaret Field, Investor Relations, Two Harbors Investment Corp., (212) 364-3663 or
margaret.field@twoharborsinvestment.com

# # #

TWO HARBORS INVESTMENT CORP.

CONSOLIDATED BALANCE SHEETS

(dollars in thousands, except share data)

	December 31, 2017	December 31, 2016
	(unaudited)	
ASSETS		
Available-for-sale securities, at fair value	$ 21,220,819	$ 13,116,171
Mortgage servicing rights, at fair value	1,086,717	693,815
Residential mortgage loans held-for-investment in securitization trusts, at fair value	—	3,271,317
Residential mortgage loans held-for-sale, at fair value	30,414	40,146
Cash and cash equivalents	419,159	350,864
Restricted cash	635,836	408,052
Accrued interest receivable	68,309	59,006
Due from counterparties	842,303	60,131
Derivative assets, at fair value	309,918	324,182
Other assets	175,838	292,765
Assets of discontinued operations	—	1,495,607
Total Assets	$ 24,789,313	$ 20,112,056
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Repurchase agreements	$ 19,451,207	$ 8,865,184
Collateralized borrowings in securitization trusts, at fair value	—	3,037,196
Federal Home Loan Bank advances	1,215,024	4,000,000
Revolving credit facilities	20,000	70,000
Convertible senior notes	282,827	—
Derivative liabilities, at fair value	31,903	12,501
Due to counterparties	88,898	111,884
Dividends payable	12,552	83,437
Other liabilities	115,478	78,219
Liabilities of discontinued operations	—	452,524
Total Liabilities	21,217,889	16,710,945
Stockholders' Equity		
Preferred stock, par value $0.01 per share; 50,000,000 shares authorized:		
8.125% Series A cumulative redeemable: 5,750,000 and 0 shares issued and outstanding, respectively ($143,750 liquidation preference)	138,872	—
7.625% Series B cumulative redeemable: 11,500,000 and 0 shares issued and outstanding, respectively ($287,500 liquidation preference)	278,094	—
7.25% Series C cumulative redeemable: 11,800,000 and 0 shares issued and outstanding, respectively ($295,000 liquidation preference)	285,571	—
Common stock, par value $0.01 per share; 450,000,000 shares authorized and 174,496,587 and 173,826,163 shares issued and outstanding, respectively	1,745	1,738
Additional paid-in capital	3,672,003	3,661,712
Accumulated other comprehensive income	334,813	199,227
Cumulative earnings	2,386,604	2,038,033
Cumulative distributions to stockholders	(3,526,278)	(2,499,599)
Total Stockholders' Equity	3,571,424	3,401,111
Total Liabilities and Stockholders' Equity	$ 24,789,313	$ 20,112,056

TWO HARBORS INVESTMENT CORP.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(dollars in thousands)

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

	Three Months Ended December 31,		Year Ended December 31,	
	2017	**2016**	**2017**	**2016**
	(unaudited)		(unaudited)	
Interest income:				
Available-for-sale securities	$ 182,712	$ 122,475	$ 631,853	$ 414,050
Residential mortgage loans held-for-investment in securitization trusts	10,567	33,228	102,886	133,993
Residential mortgage loans held-for-sale	324	3,248	1,704	23,037
Other	1,502	1,334	8,646	4,000
Total interest income	195,105	160,285	745,089	575,080
Interest expense:				
Repurchase agreements	74,674	28,682	210,430	88,850
Collateralized borrowings in securitization trusts	8,374	26,764	82,573	97,729
Federal Home Loan Bank advances	6,357	7,297	36,911	26,101
Revolving credit facilities	614	476	2,341	604
Convertible senior notes	4,776	—	17,933	—
Total interest expense	94,795	63,219	350,188	213,284
Net interest income	100,310	97,066	394,901	361,796
Other-than-temporary impairment losses	(360)	—	(789)	(1,822)
Other income:				
Loss on investment securities	(19,210)	(173,469)	(34,695)	(107,374)
Gain (loss) on interest rate swap and swaption agreements	57,237	177,979	(9,753)	45,371
(Loss) gain on other derivative instruments	(3,831)	143,443	(70,159)	99,379
Servicing income	60,597	34,963	209,065	143,579
(Loss) gain on servicing asset	(593)	127,895	(91,033)	(83,531)
Gain (loss) on residential mortgage loans held-for-sale	234	(1,563)	2,383	16,085
Other income (loss)	8,854	(5,144)	27,758	(6,121)
Total other income	103,288	304,104	33,566	107,388
Expenses:				
Management fees	10,671	9,091	40,472	39,261
Servicing expenses	10,135	7,981	35,289	32,119
Securitization deal costs	—	(89)	—	6,152
Other operating expenses	9,787	14,529	54,160	56,605
Restructuring charges	—	1,801	—	2,990
Total expenses	30,593	33,313	129,921	137,127
Income from continuing operations before income taxes	172,645	367,857	297,757	330,235
Provision for (benefit from) income taxes	10,618	38,443	(10,482)	12,314
Net income from continuing operations	162,027	329,414	308,239	317,921
Income from discontinued operations, net of tax	4,977	11,989	44,146	35,357
Net income	167,004	341,403	352,385	353,278
Income from discontinued operations attributable to noncontrolling interest	1,100	—	3,814	—
Net income attributable to Two Harbors Investment Corp.	165,904	341,403	348,571	353,278
Dividends on preferred stock	11,949	—	25,122	—
Net income attributable to common stockholders	$ 153,955	$ 341,403	$ 323,449	$ 353,278

TWO HARBORS INVESTMENT CORP.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME, continued

(dollars in thousands)

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

	Three Months Ended December 31,		Year Ended December 31,	
	2017	2016	2017	2016
	(unaudited)		(unaudited)	
Basic earnings per weighted average common share:				
Continuing operations	$ 0.86	$ 1.89	$ 1.62	$ 1.83
Discontinued operations	0.02	0.07	0.23	0.20
Net income	$ 0.88	$ 1.96	$ 1.85	$ 2.03
Diluted earnings per weighted average common share:				
Continuing operations	$ 0.82	$ 1.89	$ 1.60	$ 1.83
Discontinued operations	0.02	0.07	0.21	0.20
Net income	$ 0.84	$ 1.96	$ 1.81	$ 2.03
Dividends declared per common share	$ 0.47	$ 0.48	$ 2.01	$ 1.86
Weighted average number of shares of common stock:				
Basic	174,490,106	173,821,629	174,433,999	174,036,852
Diluted	188,938,030	173,821,629	188,133,341	174,036,852
Comprehensive income:				
Net income	$ 167,004	$ 341,403	$ 352,385	$ 353,278
Other comprehensive (loss) income, net of tax:				
Unrealized (loss) gain on available-for-sale securities	(88,227)	(339,216)	135,586	(159,834)
Other comprehensive (loss) income	(88,227)	(339,216)	135,586	(159,834)
Comprehensive income	78,777	2,187	487,971	193,444
Comprehensive income attributable to noncontrolling interest	1,100	—	3,814	—
Comprehensive income attributable to Two Harbors Investment Corp.	77,677	2,187	484,157	193,444
Dividends on preferred stock	11,949	—	25,122	—
Comprehensive income attributable to common stockholders	$ 65,728	$ 2,187	$ 459,035	$ 193,444

TWO HARBORS INVESTMENT CORP.

RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL INFORMATION

(dollars in thousands, except share data)

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

	Three Months Ended December 31,		Year Ended December 31,	
	2017	**2016**	**2017**	**2016**
	(unaudited)			
Reconciliation of Comprehensive income to Core Earnings:				
Comprehensive income attributable to common stockholders	$ 65,728	$ 2,187	$ 459,035	$ 193,444
Adjustment for other comprehensive loss (income) attributable to common stockholders:				
Unrealized loss (gain) on available-for-sale securities attributable to common stockholders	88,227	339,216	135,586	159,834
Net income attributable to common stockholders	$ 153,955	$ 341,403	$ 323,449	$ 353,278
Adjustments for non-Core Earnings:				
Realized loss on securities and residential mortgage loans held-for-sale, net of tax	9,374	158,026	16,302	93,317
Unrealized loss (gain) on securities and residential mortgage loans held-for-sale, net of tax	8,030	(14,794)	2,165	(23,203)
Other-than-temporary impairment loss, net of tax	360	—	789	1,822
Realized loss (gain) on termination or expiration of swaps and swaptions, net of tax	5,402	(40,793)	(29,804)	70,966
Unrealized (gain) loss on interest rate swaps and swaptions economically hedging interest rate exposure (or duration), net of tax	(70,909)	(138,488)	21,194	(122,682)
Loss (gain) on other derivative instruments, net of tax	6,157	(87,772)	58,313	(52,349)
Realized and unrealized (gain) loss on financing securitizations, net of tax	(7,778)	6,661	(22,635)	11,875
Realized and unrealized gains on mortgage servicing rights, net of tax	(34,929)	(142,677)	(35,696)	(27,433)
Securitization deal costs, net of tax	—	(58)	—	3,999
Change in servicing reserves, net of tax	(75)	83	(2,241)	1,347
Restructuring charges	—	1,801	—	2,990
Non-cash equity compensation (income) expense[(1)]	(372)	3,165	10,753	13,341
Change in tax valuation allowance	(1,543)	—	2,740	—
Transaction expenses associated with the contribution of TH Commercial Holdings LLC to Granite Point	—	—	2,193	—
Tax expense related to a decrease in the future federal statutory tax rate due to recent tax reform	17,547	—	17,547	—
Income from discontinued operations, net of tax	(3,877)	—	(12,721)	—
Two Harbors' share of Granite Point dividends declared during the three months ended September 30, 2017	—	—	10,658	—
Core Earnings attributable to common stockholders[(2)(3)]	$ 81,342	$ 86,557	$ 363,006	$ 327,268
Weighted average basic common shares outstanding	174,490,106	173,821,629	174,433,999	174,036,852
Core Earnings attributable to common stockholders per weighted average basic common share outstanding	$ 0.47	$ 0.50	$ 2.08	$ 1.88

(1) This non-cash equity compensation (income) expense was included in Core Earnings for periods ending prior to March 31, 2017.

(2) Core Earnings is a non-U.S. GAAP measure that we define as comprehensive income (loss) attributable to common stockholders, excluding "realized and unrealized gains and losses" (impairment losses, realized and unrealized gains and losses on the aggregate portfolio, reserve expense for representation and warranty obligations on MSR, certain upfront costs related to securitization transactions, non-cash compensation expense related to restricted common stock, restructuring charges and transaction costs related to the contribution of TH Commercial Holdings LLC to Granite Point). 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. We believe the presentation of Core Earnings provides investors greater transparency into our period-over-period financial performance and facilitates comparisons to peer REITs.

(3) For the six months ended December 31, 2017, Core Earnings excludes our controlling interest in Granite Point's Core Earnings and, for the three months ended September 30, 2017, includes our share of Granite Point's declared dividend. We believe this presentation is the most accurate reflection of our incoming cash associated with holding shares of Granite Point common stock and assists with the understanding of the forward-looking financial presentation of the company.

TWO HARBORS INVESTMENT CORP.

SUMMARY OF QUARTERLY CORE EARNINGS

(dollars in millions, except per share data)

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

	Three Months Ended				
	December 31, 2017	**September 30, 2017**	**June 30, 2017**	**March 31, 2017**	**December 31, 2016**
			(unaudited)		
Net Interest Income:					
Interest income	$ 195.1	$ 195.6	$ 184.7	$ 169.2	$ 160.3
Interest expense	94.8	99.0	85.3	70.7	63.2
Net interest income	100.3	96.6	99.4	98.5	97.1
Other income:					
Gain on investment securities	0.7	—	—	—	—
Interest spread on interest rate swaps	2.0	(0.4)	(2.6)	(7.9)	(2.9)
Interest spread on other derivative instruments	2.8	2.8	3.3	3.8	4.2
Servicing income, net of amortization(1)	19.8	18.0	19.4	13.2	(0.5)
Other income	1.1	1.2	1.4	1.4	1.5
Total other income	26.4	21.6	21.5	10.5	2.3
Expenses	31.1	28.8	32.7	27.7	28.3
Core Earnings before income taxes	95.6	89.4	88.2	81.3	71.1
Income tax expense (benefit)	2.4	2.0	0.6	(0.2)	(3.5)
Core Earnings from continuing operations	93.2	87.4	87.6	81.5	74.6
Core Earnings attributable to discontinued operations	—	10.7 (2)	14.2	13.5	12.0
Core Earnings	93.2	98.1	101.8	95.0	86.6
Dividends on preferred stock	11.9	8.9	4.3	—	—
Core Earnings attributable to common stockholders(3)	$ 81.3	$ 89.2	$ 97.5	$ 95.0	$ 86.6
Weighted average basic Core EPS	$ 0.47	$ 0.51	$ 0.56	$ 0.54	$ 0.50
Core earnings return on average common equity(4)	11.3%	10.2%	11.2%	11.0%	10.0%
Weighted average common equity	3,084,852				
Weighted average controlling interest in Granite Point common equity	216,860				
Weighted average common equity excluding controlling interest in Granite Point common equity	2,867,992				

(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.

(2) For the six months ended December 31, 2017, Core Earnings excludes our controlling interest in Granite Point's Core Earnings and, for the three months ended September 30, 2017, includes our share of Granite Point's declared dividend. We believe this presentation is the most accurate reflection of our incoming cash associated with holding shares of Granite Point common stock and assists with the understanding of the forward-looking financial presentation of the company.

(3) Please see page 13 for a definition of Core Earnings and a reconciliation of GAAP to non-GAAP financial information.

(4) Core Earnings return on average common equity for the quarter ended December 31, 2017 excludes the company's controlling interest in Granite Point equity.

Fourth Quarter 2017 Earnings Call

FEBRUARY 7, 2018

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, 2016, 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 effectively execute and to realize the benefits of strategic transactions and initiatives we have pursued or may in the future pursue; 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 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; 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.

Quarterly and Annual Summary[1]

A YEAR OF TRANSFORMATION AND INCREASED EARNINGS POWER

QUARTERLY HIGHLIGHTS

- Generated Comprehensive Income of $65.7 million, or $0.38 per weighted average basic common share.
- Reported book value of $16.31 per common share.
- Reported Core Earnings of $81.3 million, or $0.47 per weighted average basic common share.[2]
- Closed a 2-year, $300 million financing facility with a large banking counterparty to finance Fannie Mae MSR collateral.
- Issued 11,800,000 shares of 7.25% Series C fixed-to-floating rate cumulative redeemable preferred stock for proceeds, net of offering costs, of $285.6 million.

ANNUAL HIGHLIGHTS

- Generated Comprehensive Income of $459.0 million, or $2.63 per weighted average basic common share, representing a return on average common equity of 13.6%.
- Grew Core Earnings return on average common equity to 11.3%[3] for the quarter ended December 31, 2017, from 10.0% for the quarter ended December 31, 2016.
- Enhanced balance sheet and capital structure through one convertible debt and three preferred stock offerings.
- Formed Granite Point Mortgage Trust Inc. ("Granite Point") (NYSE: GPMT) to continue and expand the company's commercial real estate business. On November 1, 2017 distributed approximately 33.1 million shares of common stock of Granite Point to Two Harbors' common stockholders and concurrently effected a one-for-two reverse stock split.

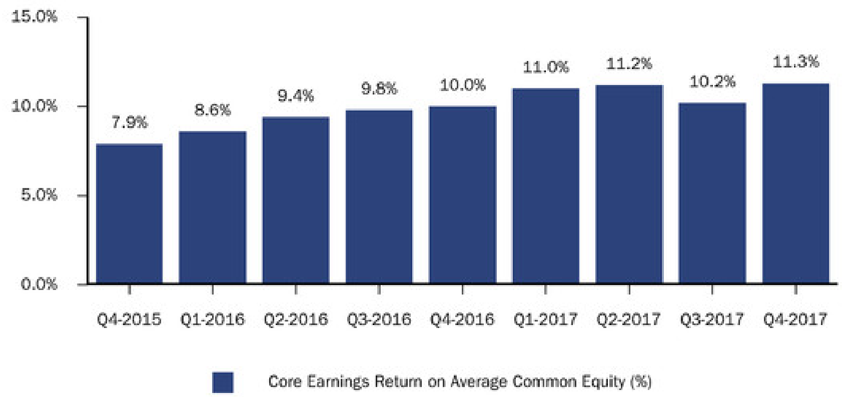
(1) On November 1, 2017, the company distributed to its common stockholders the 33,071,000 shares of Granite Point common stock it had acquired in connection with the contribution of its commercial real estate portfolio to Granite Point. Due to the company's controlling ownership interest in Granite Point through November 1, 2017, Granite Point's results of operations and financial condition through such date are included in the company's financial statements in accordance with U.S. generally accepted accounting principles (GAAP). Because the company no longer has a controlling interest in Granite Point, it has reclassified all of Granite Point's current and prior period results of operations to discontinued operations. On November 1, 2017, the company also completed its previously announced one-for-two reverse stock split of its outstanding shares of common stock. In accordance with U.S. generally accepted accounting principles, all common share and per common share amounts presented herein have been adjusted on a retroactive basis to reflect the reverse stock split. Except as otherwise indicated in this presentation, reported data is as of or for the period ended December 31, 2017.

(2) Core Earnings is a non-GAAP measure. Please see Appendix slide 20 of this presentation for a definition of Core Earnings and a reconciliation of GAAP to non-GAAP financial information.

(3) Core Earnings return on average common equity for the quarter ended December 31, 2017 excludes the company's controlling interest in Granite Point equity.

Strategic Overview

Plan for 2017	Accomplishments in 2017
More focused business model	- Reduced operating complexity and costs in 2017, following the discontinuation of the mortgage loan conduit business - Formed Granite Point to continue and expand on commercial real estate business; potential for higher valuation for both companies - On November 1 2017, distributed approximately 33.1 million shares of Granite Point common stock to Two Harbors' common stockholders
Attractive investment opportunities in target assets	Opportunistically added Agency and non-Agency RMBS; grew portfolio of high-quality new issue MSR through flow sale arrangements and bulk deals
Opportunistic use of capital structure	Enhanced balance sheet and capital structure through one convertible debt and three preferred stock offerings; effected one-for-two reverse stock split
Sophisticated approach to risk management	Book value and income stability through hedging with swaps, swaptions and MSR paired with Agency RMBS



Two Harbors Going Forward

KEY DIFFERENTIATING FACTORS

- ✓ Strategy of pairing MSR with Agency RMBS
- ✓ Utilize variety of instruments to hedge interest rate exposure
- ✓ Unique portfolio of legacy non-Agency securities

AREAS OF FOCUS IN 2018

- Acute focus on Rates(1) and Credit(2) strategies
  - Leverage competitive advantages in MSR and legacy non-Agency RMBS
- Manage balance sheet composition to optimize earnings and stockholder returns
- Emphasis on technology efficiencies to grow MSR platform
- Maintain sophisticated approach to risk management

✓ **Deliver strong results and book value stability through a variety of rate environments**

(1) Assets in "Rates" include Agency RMBS, Agency Derivatives, MSR and Ginnie Mae buyout residential mortgage loans.
(2) Assets in "Credit" include non-Agency securities, prime jumbo residential mortgage loans and credit sensitive residential mortgage loans.

Book Value

(Dollars in millions, except per share data)	Q4-2017 Book Value	Q4-2017 Book Value per share		FY-2017 Book Value	FY-2017 Book Value per share
Beginning common stockholders' equity	**$3,510.3**	**$20.12**		**$3,401.1**	**$19.56**
Distribution of special dividend of Granite Point common stock	(639.6)			(639.6)	
	2,870.7	$16.45	(1)	2,761.5	$15.89
GAAP Net Income:					
Core Earnings, net of tax[2]	93.2			388.1	
Dividend declaration - preferred	(11.9)			(25.1)	
Core Earnings attributable to common stockholders, net of tax[1]	81.3			363.0	
Realized and unrealized gains and losses, net of tax	72.7			(39.6)	
Other comprehensive (loss) income	(88.3)			135.6	
Dividend declaration - common	(82.0)			(350.7)	
Contribution of TH Commercial Holdings LLC to Granite Point[3]	—			(13.8)	
Other	—			12.4	
Balance before capital transactions	2,854.4			2,868.4	
Preferred stock issuance costs	(9.4)			(23.7)	
Issuance of common stock, net of offering costs	0.1			0.4	
Ending common stockholders' equity	**$2,845.1**	**$16.31**		**$2,845.1**	**$16.31**
Total preferred stock liquidation preference	726.3			726.3	
Ending total equity	**$3,571.4**			**$3,571.4**	

Comprehensive Income (GAAP)

Q4-2017 Comprehensive Income of $65.7 million.

Declared Q4-2017 dividends of $0.47 per common share and Series A, B and C preferred stock dividends totaling $11.9 million.

Declared 2017 dividends of $2.01 per common share.

Distributed special dividend of Granite Point common stock to Two Harbors stockholders, amounting to $3.67 per common share.

(1) Comparable to September 30, 2017 pro-forma book value of $16.44 that was previously provided for illustrative purposes.
(2) Please see Appendix slide 20 for a definition of Core Earnings and a reconciliation of GAAP to non-GAAP financial information.
(3) Impact of Granite Point's consolidated balance sheet subsequent to IPO.

Core Earnings Summary[1]

(Dollars in millions, except per share data)	Q3-2017	Q4-2017		Variance ($)
Interest income	$195.6	$195.1		($0.5)
Interest expense	99.0	94.8		4.2
Net interest income	96.6	100.3		3.7
Gain on investment securities	—	0.7		0.7
(Loss) gain on swaps and swaptions	(0.4)	2.0		2.4
Gain on other derivatives	2.8	2.8		—
Servicing income, net of amortization on MSR	18.0	19.8		1.8
Other	1.2	1.1		(0.1)
Total other income	21.6	26.4		4.8
Expenses	28.8	31.1		(2.3)
Provision for income taxes	2.0	2.4		(0.4)
Core Earnings from continuing operations [1]	**87.4**	**93.2**		**5.8**
Dividend income on investment in Granite Point	10.7	—		(10.7)
Core Earnings	**98.1**	**93.2**		**(4.9)**
Dividends on preferred stock	8.9	11.9		(3.0)
Core Earnings attributable to common stockholders[1]	**$89.2**	**$81.3**		**($7.9)**
Basic weighted average Core EPS	**$0.51**	**$0.47**		**($0.04)**
Core Earnings as a % of average common equity	**10.2%**	**11.3%**	[2]	

- Core Earnings return on average common equity increased to 11.3%[2]
- Core Earnings benefited from addition of RMBS and MSR bulk purchase
- Other operating expenses from continuing operations of 1.1%

	Q3-2017	Q4-2017
Other operating expenses (excl. LTIP)	1.0%	1.1 %
LTIP amortization (non-cash)	0.4%	(0.0%)
Total other operating expenses	1.4%	1.1 %

- Excluding LTIP amortization, expect continuing operations expense ratio to be in the range of 1.1-1.4% going forward

(1) Core Earnings is a non-GAAP measure. Please see Appendix slide 20 for a definition of Core Earnings and a reconciliation of GAAP to non-GAAP financial information.
(2) Core Earnings return on average common equity for the quarter ended December 31, 2017 excludes the company's controlling interest in Granite Point equity.

Tax Characterization of Dividends(1)

Distributions, Year Ended December 31, 2017 (in millions, except per share data)	Q1	Q2	Q3	Q4	Total
REIT 2017 taxable income plus prior year undistributed taxable income of $24.2 million					$354.6
Add: Utilization of carryover capital losses from prior tax years					$17.0
Less: Preferred stock dividends and convertible note deemed dividends					$21.8
Total earnings and profits allocable to common stockholders					$349.8
Common stock cash distributions	$86.5	$90.0	$90.0	$81.4	$347.9
Granite Point common stock distribution	-	-	-	$616.4	$616.4
Total distributions	$86.5	$90.0	$90.0	$697.8	$964.3
Distributions per share					
Common stock cash distributions	$0.5000	$0.5200	$0.5200	$0.4700	$2.0100
Granite Point common stock distribution	-	-	-	$3.5594	$3.5594
Total distributions per share	$0.5000	$0.5200	$0.5200	$4.0294	$5.5694
Form 1099 tax characterization per share					
Ordinary dividend income	$0.1814	$0.1886	$0.1886	$1.4617	$2.0203
Return of capital (nondividend distribution)	$0.3186	$0.3314	$0.3314	$2.5677	$3.5491
Total dividend income and return of capital per share	$0.5000	$0.5200	$0.5200	$4.0294	$5.5694
Percent allocation of total distributions to dividend income	36.3%	36.3%	36.3%	36.3%	36.3%
Percent allocation of total distributions to return of capital	63.7%	63.7%	63.7%	63.7%	63.7%
Total percent allocation of total distributions	100.0%	100.0%	100.0%	100.0%	100.0%

Includes 2017 taxable income of $330.4 million and $24.2 million rolled over from 2016

$616.4 million was fair market value of Granite Point shares on the distribution date

The return of capital distribution of $3.5491 is roughly equivalent to the distribution of Granite Point common stock of $3.5594

36.275% = earnings and profits allocable to common stockholders divided by total common stockholder distributions, or

$$\frac{\$349.8 \text{ million}}{\$964.3 \text{ million}}$$

All remaining distributions, or 63.725% of total distributions, are treated as return of capital

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

Optimizing Financing Profile and Capital Structure

DEBT-TO-EQUITY

- 5.9x at December 31, 2017; excluding the consolidation of Granite Point, the company's debt-to-equity ratio would have been 5.8x at September 30, 2017
- Maintain substantial liquidity to opportunistically take advantage of market opportunities

PREFERRED STOCK ISSUANCES

- $726 million issued with weighted average dividend rate of 7.6%
- Accounts for approximately 20% of capital base

RATES – AGENCY RMBS

- Outstanding repurchase agreements of $17.4 billion with 23 active counterparties
- Outstanding secured FHLB advances of $1.2 billion with weighted average borrowing rate of 1.79%
- Repo markets functioning efficiently for RMBS; new counterparties entering market and larger counterparties favoring pool spreads versus treasuries

CREDIT – NON-AGENCY SECURITIES

- Outstanding borrowings of $1.9 billion with 15 active counterparties
- Market for non-Agency securities has seen improvement in both advance rates and spreads in 2017

RATES – MSR

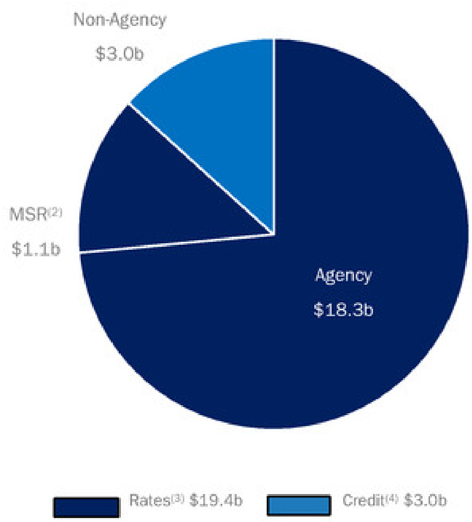
- Closed a 2-year, $300 million financing facility with a large banking counterparty to finance Fannie Mae MSR collateral
  - Financial terms are 48.75% advance rate at LIBOR +225 basis points[1]
- Outstanding borrowings of $20.0 million under revolving credit facilities; additional available capacity of $70.0 million
- Continue to advance other MSR financing discussions

(1) Excludes non-usage, commitment and other fees associated with facility.

Portfolio Composition

PORTFOLIO COMPOSITION[1]

$22.4 BILLION PORTFOLIO AS OF DECEMBER 31, 2017



HISTORICAL CAPITAL ALLOCATION

	December 31, 2016	September 30, 2017	December 31, 2017
Rates[3]	58%	55%	68%
Credit[4]	27%	29%	32%
Commercial[5]	15%	16%	—%

(1) For additional detail on the portfolio, see Appendix slides 21-25.
(2) MSR includes Ginnie Mae buyout residential mortgage loans.
(3) Assets in "Rates" include Agency RMBS, Agency Derivatives, MSR and Ginnie Mae buyout residential mortgage loans.
(4) Assets in "Credit" include non-Agency securities, net economic interests in securitization trusts, prime jumbo residential mortgage loans and credit sensitive residential mortgage loans.
(5) Commercial consists of the consolidated financial results of Granite Point and its subsidiaries, which is now reflected in discontinued operations.

Portfolio Performance

DRIVING SUPERIOR PORTFOLIO PERFORMANCE

Q4-2017 PERFORMANCE SUMMARY

RATES

- Returns driven by Agency yields and MSR performance
- Specified pools gave back some of the price outperformance from the third quarter

CREDIT

- Strong tailwinds for residential credit environment
- Realized attractive yields; strong total returns driven by better valuations across portfolio

PORTFOLIO METRICS

Three Months Ended	September 30, 2017	December 31, 2017
Annualized portfolio yield from continuing operations during the quarter	**3.66%**	**3.69%**
Rates		
Agency RMBS, Agency Derivatives and MSR	3.1%	3.2%
Credit		
Non-Agency securities, Legacy[1]	8.4%	7.8%
Non-Agency securities, New issue[1]	6.6%	6.6%
Net economic interest in securitization trusts	11.0%	11.2%
Residential mortgage loans held-for-sale	5.1%	3.9%
Annualized cost of funds from continuing operations on average borrowings during the quarter[2]	**1.68%**	**1.72%**
Annualized interest rate spread for aggregate portfolio during the quarter	**1.98%**	**1.97%**

(1) "Legacy" non-Agency securities includes non-Agency bonds issued up to and including 2009. "New issue" non-Agency securities includes bonds issued after 2009.
(2) Cost of funds includes interest spread expense associated with the portfolio's interest rate swaps.

Rates Update

QUARTERLY ACTIVITY

- Deployed capital from Series C preferred stock offering into RMBS and MSR
- Added MSR $6.8 billion UPB through flow-sale arrangements and $9.0 billion UPB bulk purchase
  - Post quarter-end, closed on additional bulk purchase of $8.7 billion UPB
- Addition of financing for MSR is beneficial to growing portfolio and enhancing returns

STRATEGY OF PAIRING MSR WITH AGENCY RMBS IS DISTINGUISHING FACTOR

- Pairing MSR with Agency RMBS results in a portfolio that has higher return potential with lower mortgage spread risk
  - Mitigates adverse impact to book value in spread widening scenario
- Opportunity to capitalize on Fed's tapering of RMBS
- Expect attractive investment opportunities in wider spread environment

Protecting Book Value and Income

- Combination of hedging strategy and floating-rate non-Agency holdings leads to minimal income and book value exposure to rate changes

HEDGING ACROSS THE CURVE

Curve Exposures			
Short end of the curve - income effect		**Long end of the curve - book value effect**	
	Income change to increasing rates		**Market value change to increasing rates**
Repo	↓	**Fixed rate Agency RMBS**	↓
LIBOR received on swaps	↑	**MSR**	↑
Non-Agency floating-rate MBS	↑	**Swaps**	↑
Float income from MSR	↑	**Swaptions/mortgage options**	↑
Net income exposure to changes in rates[(1)]		**Book value exposure to changes in rates**[(2)]	
+25 basis points	2.4%	**+25 basis points**	(0.7%)
+50 basis points	4.4%	**+50 basis points**	(3.2%)

Note: The above scenario is provided for illustration purposes only and is not necessarily indicative of Two Harbors' financial condition and operating results, nor is it necessarily indicative of the financial condition or results of operations that may be expected for any future period or date.
(1) Represents estimated percentage change in net interest income for theoretical parallel shifts in interest rates.
(2) Represents estimated change in equity value for theoretical parallel shift in interest rates. Change in equity market capitalization is adjusted for leverage.

Credit Update

RESIDENTIAL CREDIT TAILWINDS

- Home prices continue to improve; CoreLogic Home Price Index up 6.6% on a rolling 12-month basis[1]
  - Home prices expected to increase 4-6% in 2018[2]
  - Supported by affordability, low housing supply and strong demand
- Continued re-equification has potential to result in strong performance for deeply discounted holdings
  - Drives increased prepayments, and lower LTVs, delinquencies, defaults and severities

UNIQUE NON-AGENCY PORTFOLIO DRIVES ATTRACTIVE TOTAL RETURNS

- Non-Agency securities holdings of $3.0 billion; primarily positioned in deeply discounted legacy subprime non-Agency RMBS
- Better underlying performance drives:
  - Attractive yields
  - Strong total return opportunities from price appreciation
- Average legacy market price of ~$76 creates opportunity to capture additional upside[3]

(1) Source: CoreLogic Home Price Index rolling 12-month change as of December 2017.
(2) Source: J.P. Morgan, Nomura, Citi and CoreLogic research.
(3) Weighted average market price utilized current face for weighting purposes. Please see slide 25 in the Appendix for more information on our legacy non-Agency securities portfolio.

Appendix


TWO HARBORS
Investment Corp.
A Pine River Capital Managed Company

Return on Book Value

Return on common book value Q4-2017 (Per common share amounts, except for percentage)	
Book value at September 30, 2017	$20.12
Book value at December 31, 2017	16.31
Decrease in book value	(3.81)
Dividend declared in Q4-2017	0.47
Distribution of special dividend of Granite Point common stock	3.67
Return on book value Q4-2017	$0.33
Percent return on book value Q4-2017[1]	1.6%

Return on common book value FY-2017 (Per common share amounts, except for percentage)	
Book value at December 31, 2016	$19.56
Book value at December 31, 2017	16.31
Decrease in book value	(3.25)
Dividends declared YTD-2017	2.01
Distribution of special dividend of Granite Point common stock	3.67
Return on book value FY-2017	$2.43
Percent return on book value YTD-2017[2]	12.4%

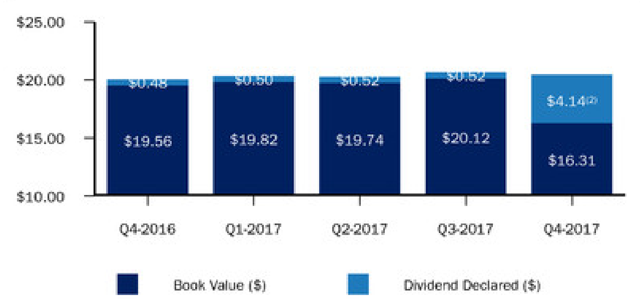
(1) Return on book value for the three-month period ended December 31, 2017 is defined as the decrease in book value per common share from September 30, 2017 to December 31, 2017 of $3.81 per common share, plus the dividend declared of $0.47 per common share and the special dividend of Granite Point common stock of $3.67 per common share, divided by September 30, 2017 book value of $20.12 per common share.

(2) Return on book value for the twelve-month period ended December 31, 2017 is defined as the decrease in book value per common share from December 31, 2016 to December 31, 2017 of $3.25 per common share, plus dividends declared of $2.01 per common share and the special dividend of Granite Point common stock of $3.67 per common share, divided by December 31, 2016 book value of $19.56 per common share.

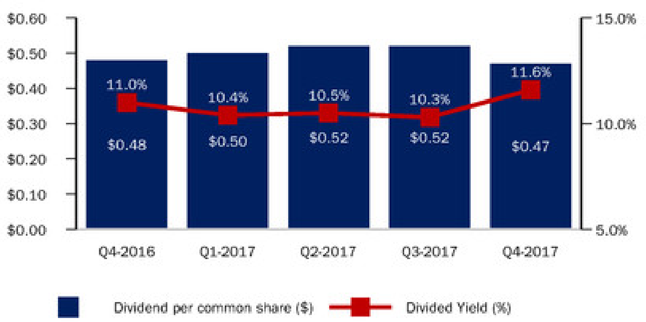
Financial Performance

COMPREHENSIVE INCOME

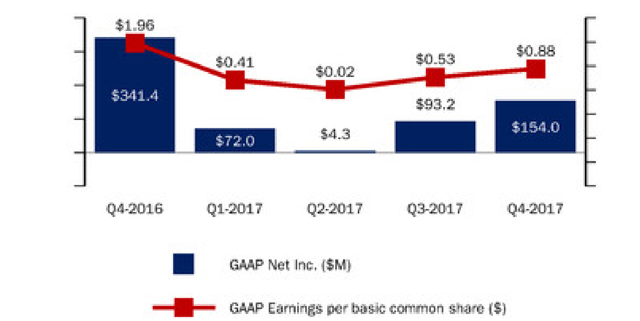
BOOK VALUE AND DIVIDEND PER COMMON SHARE(1)



DIVIDENDS(1)



GAAP NET INCOME



(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.

(2) Includes the special dividend of Granite Point common stock of $3.67 per common share.

Q4-2017 Operating Performance

	Q4-2017			
(In millions, except for per common share data)	Core Earnings[1]	Realized Gains (Losses)	Unrealized MTM	Total
Interest income	$195.1	$—	$—	$195.1
Interest expense	94.8	—	—	94.8
Net interest income	100.3	—	—	100.3
Total other-than-temporary impairment losses	—	—	(0.4)	(0.4)
Gain (loss) on investment securities	0.7	(11.5)	(8.4)	(19.2)
Gain (loss) on interest rate swaps and swaptions	2.0	(5.7)	60.9	57.2
Gain (loss) on other derivative instruments	2.8	5.9	(12.5)	(3.8)
Servicing income	60.6	—	—	60.6
(Loss) gain on servicing asset	(40.8)	0.3	39.9	(0.6)
(Loss) gain on residential mortgage loans held-for-sale	—	(0.1)	0.3	0.2
Other income (loss)	1.1	40.8	(33.0)	8.9
Total other income (loss)	26.4	29.7	46.8	102.9
Management fees & other operating expenses	31.1	(0.5)	—	30.6
Net income before income taxes	95.6	30.2	46.8	172.6
Income tax expense (benefit)	2.4	(0.3)	8.5	10.6
Net income from continuing operations	**93.2**	**30.5**	**38.3**	**162.0**
Income from discontinued operations	—	5.0	—	5.0
Net income	**93.2**	**35.5**	**38.3**	**167.0**
Income from discontinued operations attributable to noncontrolling interest	—	1.1	—	1.1
Net income attributable to Two Harbors Investment Corp.	**93.2**	**34.4**	**38.3**	**165.9**
Dividends on preferred stock	11.9	—	—	11.9
Net income attributable to common stockholders	**$81.3**	**$34.4**	**$38.3**	**$154.0**
Weighted average earnings per basic common share	$0.47	$0.19	$0.22	$ 0.88

(1) Core Earnings is a non-GAAP measure. Please see Appendix slide 20 of this presentation for a definition of Core Earnings and a reconciliation of GAAP to non-GAAP financial information.

Q3-2017 Operating Performance

	Q3-2017				
(In millions, except for per common share data)	Core Earnings[1]		Realized Gains (Losses)	Unrealized MTM	Total
Interest income	$195.6		$—	$—	$195.6
Interest expense	99.0		—	—	99.0
Net interest income	96.6		—	—	96.6
Total other-than-temporary impairment losses	—		—	—	—
(Loss) gain on investment securities	—		(3.9)	9.5	5.6
(Loss) gain on interest rate swaps and swaptions	(0.4)		32.9	(32.7)	(0.2)
Gain (loss) on other derivative instruments	2.8		(19.3)	(2.5)	(19.0)
Servicing income	57.4		—	—	57.4
(Loss) gain on servicing asset	(39.4)		(0.5)	10.7	(29.2)
Gain on residential mortgage loans held-for-sale	—		0.1	0.3	0.4
Other income (loss)	1.2		(1.7)	8.6	8.1
Total other income (loss)	21.6		7.6	(6.1)	23.1
Management fees & other operating expenses	28.8		3.0	—	31.8
Net income (loss) before income taxes	89.4		4.6	(6.1)	87.9
Income tax expense (benefit)	2.0		9.9	(17.3)	(5.4)
Net income (loss) from continuing operations	**87.4**		**(5.3)**	**11.2**	**93.3**
Income from discontinued operations	10.7	[2]	0.8	—	0.8
Net income	**98.1**		**(4.5)**	**11.2**	**94.1**
Income from discontinued operations attributable to noncontrolling interest	—		2.7	—	2.7
Net income attributable to Two Harbors Investment Corp.	**98.1**		**(7.2)**	**11.2**	**91.4**
Dividends on preferred stock	8.9		—	—	8.9
Net income attributable to common stockholders	**$89.2**		**($7.2)**	**$11.2**	**$82.5**
Weighted average earnings per basic common share	$0.51		($0.04)	$0.06	$ 0.53

(1) Core Earnings is a non-GAAP measure. Please see Appendix slide 20 of this presentation for a definition of Core Earnings and a reconciliation of GAAP to non-GAAP financial information.
(2) For the six months ended December 31, 2017, Core Earnings excludes our controlling interest in Granite Point's Core Earnings and, for the three months ended September 30, 2017, includes our share of Granite Point's declared dividend. We believe this presentation is the most accurate reflection of our incoming cash associated with holding shares of Granite Point common stock and assists with the understanding of the forward-looking financial presentation of the company.

GAAP to Core Earnings Reconciliation[1]

Reconciliation of GAAP to non-GAAP Information (In thousands, except for per common share data)	Three Months Ended September 30, 2017		Three Months Ended December 31, 2017
Reconciliation of Comprehensive income to Core Earnings:			
Comprehensive income	**$161,601**		**$65,728**
Adjustment for other comprehensive (income) loss attributable to common stockholders:			
Unrealized (gain) loss on available-for-sale securities attributable to common stockholders	(68,425)		88,227
Net income attributable to common stockholders	**$93,176**		**$153,955**
Adjustments for non-core earnings:			
Realized loss on securities and residential mortgage loans, net of tax	2,168		9,374
Unrealized (gain) loss on securities and residential mortgage loans held-for-sale, net of tax	(9,752)		8,030
Other-than-temporary impairment loss	—		360
Unrealized loss (gain) on interest rate swaps and swaptions hedging interest rate exposure (or duration), net of tax	11,340		(70,909)
Realized (gain) loss on termination or expiration of swaps and swaptions, net of tax	(14,563)		5,402
Losses on other derivative instruments, net of tax	14,578		6,157
Realized and unrealized gains on financing securitizations, net of tax	(6,835)		(7,778)
Realized and unrealized gains on mortgage servicing rights, net of tax	(5,864)		(34,929)
Change in servicing reserves, net of tax	(315)		(75)
Non-cash equity compensation expense (income)[2]	3,917		(372)
Change in tax valuation allowance	(57)		(1,543)
Tax expense related to a decrease in the future federal statutory tax rate due to recent tax reform	—		17,547
Income from discontinued operations, net of tax	(9,273)		(3,877)
Two Harbors' share of GPMT dividends declared during the three months ended September 30, 2017	10,658		—
Core Earnings attributable to common stockholders	**$89,178**	(3)	**$81,342**
Weighted average basic common shares outstanding	174,488,296		174,490,106
Core Earnings per weighted average basic common share outstanding	$0.51		$0.47

(1) Core Earnings is a non-U.S. GAAP measure that we define as comprehensive income (loss) attributable to common stockholders, excluding "realized and unrealized gains and losses" (impairment losses, realized and unrealized gains or losses on the aggregate portfolio, reserve expense for representation and warranty obligations on MSR, certain upfront costs related to securitization transactions, non-cash compensation expense related to restricted common stock, restructuring charges and transaction costs related to the the contribution of TH Commercial Holdings LLC to Granite Point). 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. We believe the presentation of Core Earnings provides investors greater transparency into our period-over-period financial performance and facilitates comparisons to peer REITs.

(2) This non-cash equity compensation expense was included in Core Earnings for periods ending prior to March 31, 2017.

(3) For the six months ended December 31, 2017, Core Earnings excludes our controlling interest in Granite Point's Core Earnings and, for the three months ended September 30, 2017, includes our share of Granite Point's declared dividend. We believe this presentation is the most accurate reflection of our incoming cash associated with holding shares of Granite Point common stock and assists with the understanding of the forward-looking financial presentation of the company.

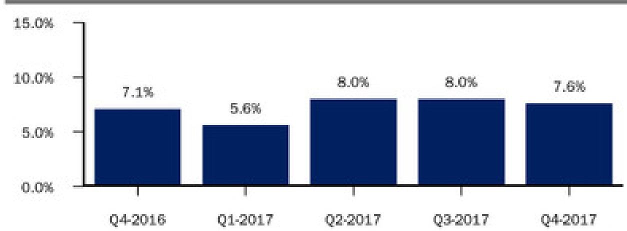
Rates: Agency RMBS Metrics

AGENCY PORTFOLIO YIELDS AND METRICS

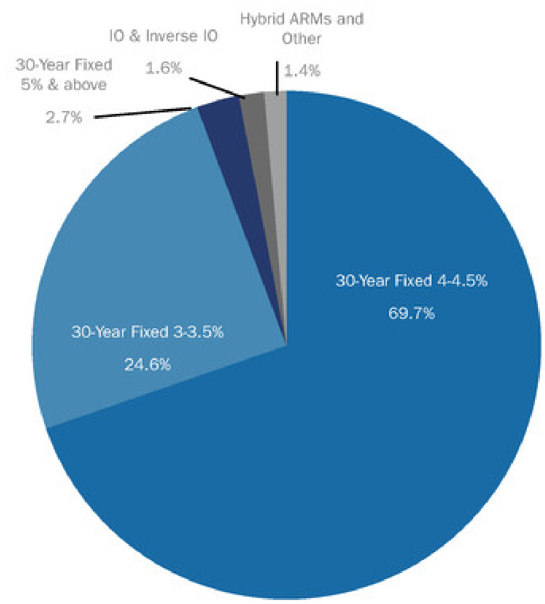
Portfolio Yield	Realized Q3-2017	At September 30, 2017	Realized Q4-2017	At December 31, 2017
Agency yield	3.0%	3.0%	3.1%	3.1 %
Repo and FHLB costs	1.4%	1.5%	1.5%	1.6 %
Swap costs	0.1%	(0.1)%	—%	0.1%
Net interest spread	1.5%	1.6%	1.6%	1.4 %

Portfolio Metrics	Q3-2017	Q4-2017
Weighted average 3-month CPR(1)	8.0%	7.6 %
Weighted average cost basis(2)	$106.6	$106.6

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 December 31, 2017	Par Value ($M)	Market Value ($M)	% Prepay Protected[(1)]	Amortized Cost Basis ($M)	Weighted Average Coupon	Weighted Average Age (Months)
30-Year fixed						
3.0-3.5%	$4,371	$4,510	95.9%	$4,570	3.5%	13
4.0-4.5%	11,991	12,765	99.1%	12,812	4.2%	17
≥ 5.0%	453	501	100.0%	489	5.4%	90
	16,815	17,776	98.3%	17,871	4.1%	18
Hybrid ARMs	22	23	—%	23	5.0%	166
Other	245	245	0.6%	242	4.9%	153
IOs and IIOs	3,530	286 [(2)]	—%	310	3.1%	104
Total	**$20,612**	**$18,330**	**95.4%**	**$18,446**		

(1) Includes securities with implicit or explicit protection including lower loan balances (securities collateralized by loans less than or equal to $175K of initial principal balance), higher LTVs (securities collateralized by loans with greater than or equal to 80% LTV), certain geographic concentrations and lower FICO scores.

(2) Represents market value of $195.1 million of IOs and $91.0 million of Agency Derivatives.

Rates: Mortgage Servicing Rights(1)

	As of September 30, 2017	As of December 31, 2017
Fair value ($M)	$930.6	$1,086.7
Unpaid principal balance ($M)	$88,789.8	$101,344.1
Weighted average coupon	3.9%	3.9%
Original FICO score(2)	753	753
Original LTV	73%	74%
60+ day delinquencies	0.3%	0.5%
Net servicing spread	25.4 basis points	25.3 basis points
Vintage:		
Pre-2009	0.4%	0.3%
2009-2012	15.4%	13.1%
Post 2012	84.2%	86.6%

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

Credit: Non-Agency Securities Metrics

NON-AGENCY PORTFOLIO YIELDS AND METRICS

Portfolio Yield	Realized Q3-2017	At September 30, 2017	Realized Q4-2017	At December 31, 2017
Non-Agency yield	8.1%	7.7%	7.6%	7.5%
Repo and FHLB costs	3.0%	3.0%	3.0%	3.0%
Swap costs	—%	—%	—%	—%
Net interest spread	5.1%	4.7%	4.6%	4.5%

LEGACY NON-AGENCY CPR

LEGACY NON-AGENCY PORTFOLIO COMPOSITION

Non-Agency: Loan Type	September 30, 2017	December 31, 2017
Sub-prime	79%	81%
Option-ARM	10%	9%
Prime	2%	1%
Alt-A	9%	9%
Portfolio Metrics	**Q3-2017**	**Q4-2017**
Weighted average 3-month CPR	6.4%	6.4%
Weighted average cost basis(1)	$60.0	$59.9

(1) Weighted average cost basis includes legacy non-Agency principal and interest securities only. Average purchase price utilized carrying value for weighting purposes. If current face were utilized for weighting purposes, total legacy non-Agency securities excluding the company's non-Agency interest-only portfolio would have been $57.27 at December 31, 2017.

Credit: Legacy Non-Agency Securities

As of December 31, 2017	Senior Bonds	Mezzanine Bonds	Total P&I
Portfolio characteristics:			
Carrying value ($M)	$1,790.5	$762.3	$2,552.8
% of non-Agency portfolio	70.1%	29.9%	100.0%
Average purchase price[1]	$57.57	$65.36	$59.89
Average coupon	2.8%	2.3%	2.6%
Weighted average market price[2]	$75.06	$79.17	$76.24
Collateral attributes:			
Average loan age (months)	137	145	139
Average loan size ($K)	$370	$356	$366
Average original Loan-to-Value	69.3%	68.8%	69.1%
Average original FICO[3]	636	573	617
Current performance:			
60+ day delinquencies	22.9%	20.3%	22.1%
Average credit enhancement[4]	7.5%	16.1%	10.0%
3-Month CPR[5]	6.1%	7.1%	6.4%

(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 legacy non-Agency securities, excluding our non-Agency interest-only portfolio, would have been $55.07, $62.73 and $57.27, 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 legacy non-Agency 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.

Financing

$ in millions						
Outstanding Borrowings and Maturities[1]	Repurchase Agreements	FHLB Advances	Revolving Credit Facilities	Convertible Notes	Total Outstanding Borrowings	Percent (%)
Within 30 days	$ 4,269.5	$ —	$ —	$ —	$ 4,269.5	20.4%
30 to 59 days	3,831.1	—	—	—	3,831.1	18.3%
60 to 89 days	3,458.9	—		—	3,458.9	16.5%
90 to 119 days	2,452.4	—	—	—	2,452.4	11.7%
120 to 364 days	5,326.8	—	20.0	—	5,346.8	25.5%
One to three years	112.5	815.0	—	—	927.5	4.4%
Three to five years	—	—	—	282.8	282.8	1.3%
Ten years and over[2]	—	400.0	—	—	400.0	1.9%
	$ 19,451.2	$ 1,215.0	$ 20.0	$ 282.8	$ 20,969.0	100.0%
Collateral Pledged for Borrowings[3]	Repurchase Agreements	FHLB Advances	Revolving Credit Facilities[5]	Convertible Notes	Total Collateral Pledged	Percent (%)
Available-for-sale securities, at fair value[4]	$ 20,489.4	$ 1,273.7	$ —	n/a	$ 21,763.1	97.0%
Derivative assets, at fair value	90.9	—	—	n/a	90.9	0.4%
Mortgage servicing rights, at fair value	424.7	—	159.5	n/a	584.2	2.6%
	$ 21,005.0	$ 1,273.7	$ 159.5	n/a	$ 22,438.2	100.0%

(1) Weighted average of 7.8 months to maturity.
(2) Includes FHLB advances of $0.4 billion with original maturities of 20 years.
(3) Excludes FHLB membership and activity stock totaling $53.8 million.
(4) Includes unsettled sales of available-for-sale securities included in due from counterparties on the consolidated balance sheet.
(5) Revolving credit facilities over-collateralized due to operational considerations.

Interest Rate Swaps

Maturities	Notional Amounts ($B)(1)	Average Fixed Pay Rate(2)	Average Receive Rate(2)	Average Maturity Years(2)
Payers				
2018	$4.3	1.155%	1.508%	0.5
2019	5.5	1.767%	1.386%	1.8
2020	5.5	1.945%	1.509%	2.9
2021	2.4	1.788%	1.628%	3.9
2022 and after	5.2	1.764%	1.516%	6.4
	$22.9	1.694%	1.493%	3.0

Maturities	Notional Amounts ($B)	Average Pay Rate	Average Fixed Receive Rate	Average Maturity (Years)
Receivers				
2020	0.2	1.391%	1.642%	2.6
2021	0.5	1.357%	1.327%	3.1
2022 and after	4.9	1.475%	2.325%	8.3
	$5.6	1.462%	2.211%	7.7

(1) Notional amount includes $570.0 million in forward starting interest rate swaps as of December 31, 2017.
(2) Weighted averages exclude forward starting interest rate swaps. As of December 31, 2017, the weighted average fixed pay rate on interest rate swaps starting in 2018 was 2.1%.

Interest Rate Swaptions

	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	$21.4	$17.7	4.0	$7,200	2.27%	3M LIBOR	3.8
Receiver	<6 Months	$4.7	$3.0	3.7	$2,300	3M LIBOR	2.10%	10.0
Sale Contracts:								
Payer	<6 Months	($8.0)	($5.6)	4.7	($1,693)	2.70%	3M LIBOR	10.0
Receiver	<6 Months	($16.3)	($4.7)	5.2	($5,141)	3M LIBOR	1.89%	5.6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