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 27, 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**

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))

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 7.01 Regulation FD.

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

The information in this Current Report, including Exhibit 99.1 attached hereto, is furnished pursuant to Item 7.01 of Form 8-K and shall not be deemed to be “filed” for any other purpose, including for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that Section. The information in Item 7.01 of this Current Report, including Exhibit 99.1, shall not be deemed incorporated by reference into any filing of the registrant under the Securities Act of 1933 or the Exchange Act, whether made before or after the date hereof, regardless of any general incorporation language in such filings (unless the registrant specifically states that the information or exhibit in this Item 7.01 is incorporated by reference).

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

Exhibit No.	Description
99.1	Second Quarter 2018 Investor Presentation.

SIGNATURES

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

TWO HARBORS INVESTMENT CORP.

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

Date: August 27, 2018


Second Quarter 2018
Investor Presentation
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, 2017, 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 acquisition of CYS and our ability to realize the benefits related thereto; 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.

Two Harbors Investment Corp. Overview[(1)]

TWO HARBORS Investment Corp.
A Pine River Capital Managed Company

A LEADING HYBRID MORTGAGE REIT

- ✓ Residentially-focused mortgage REIT formed in 2009
- ✓ Substantial total stockholder return outperformance since our inception relative to peers
- ✓ Proven stability in book value, especially during volatile periods
- ✓ Sophisticated and differentiated approach to risk management and hedging
- ✓ Diversified financing profile and strong balance sheet

1) Except as otherwise indicated in this presentation, reported data is as of or for the period ended June 30, 2018.

Two Harbors Snapshot

$3.8 billion
market capitalization(1)

$4.8 billion
total stockholders' equity(1)

$30.7 billion
hybrid portfolio comprised of Rates and Credit strategies(2)

218%
total stockholder return since our inception(3)

16.8%
substantial book value growth since our inception(4)

-2.4%
difference in book value volatility compared to mortgage REIT average since our inception(4)

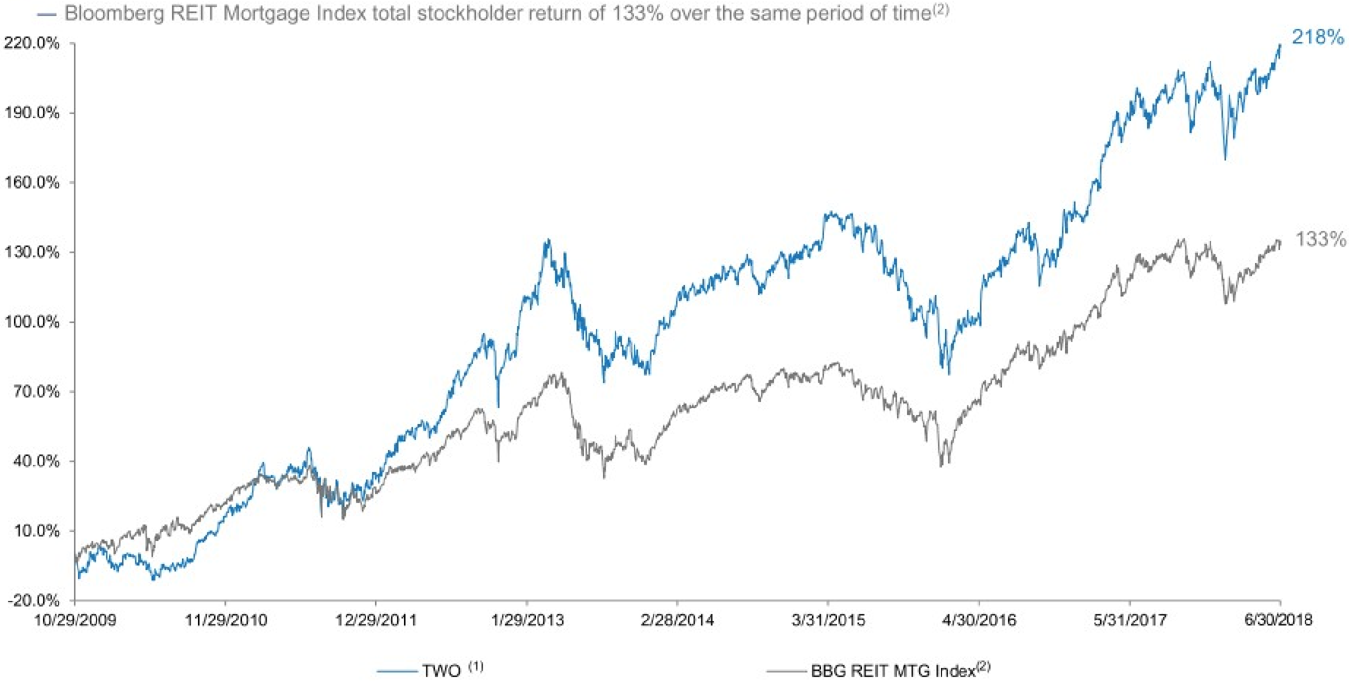
KEY DIFFERENTIATING FACTORS

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

1) As of July 31, 2018.
2) Assets in "Rates" include Agency RMBS, MSR and other interest rate sensitive assets. Assets in "Credit" include non-Agency securities and other credit sensitive assets. Portfolio as of July 31, 2018.
3) Two Harbors' total stockholder return calculated for the period October 29, 2009 through June 30, 2018. Total stockholder return is defined as stock price appreciation including dividends. Source: Bloomberg.
4) Book value growth and volatility since our inception is measured from December 31, 2009 or the peer company's inception, whichever is later, through June 30, 2018. Two Harbors quarterly book values have been adjusted for each quarter from Q1 2013 forward to include $1.88 of stock distributions associated with the special dividend of Silver Bay Realty Trust ("Silver Bay") and, beginning in Q4 2017, $3.67 of stock distributions associated with the special dividend of Granite Point Mortgage Trust Inc. ("Granite Point") common stock. Peer mortgage REITs include AGNC, ANH, ARR, CIM, CMO, IVR, MFA, MITT, NLY and NYMT. Peer book value figures are based on publicly reported data and have not been adjusted for the return of capital from dividends, if any, to peer stockholders during the same period. Book value volatility calculated by dividing the standard deviation of book values in the measured period by the average book value from the measured period.

Substantial Total Stockholder Return Outperformance

- Outperformed peer group by 85% since our inception
- Delivered total stockholder return of 218% during that time(1)
  - Bloomberg REIT Mortgage Index total stockholder return of 133% over the same period of time(2)

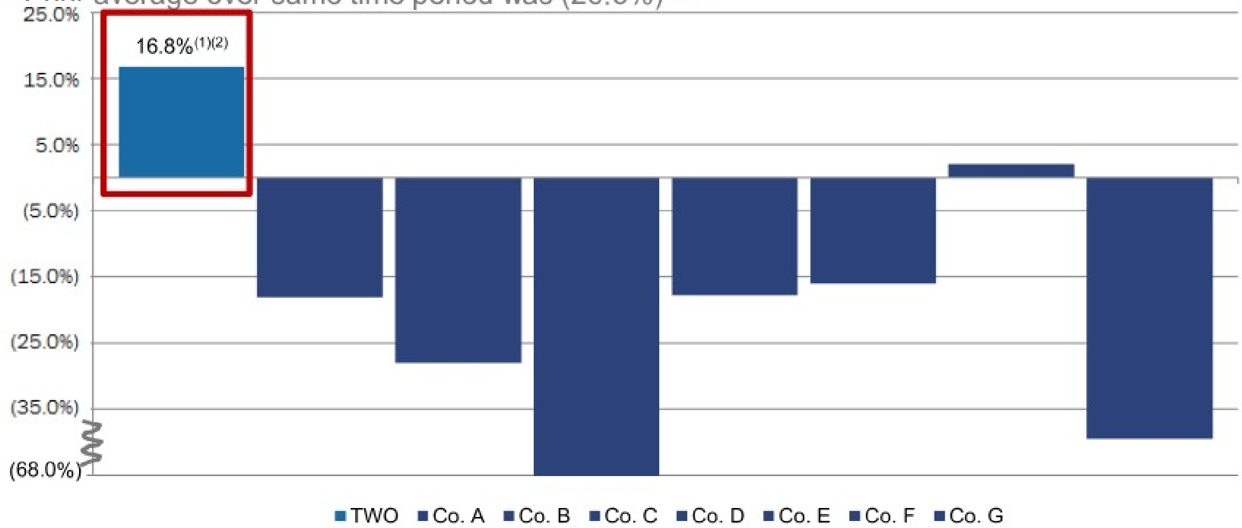


1) Two Harbors' total stockholder return is calculated for the period October 29, 2009 through June 30, 2018. Total stockholder return is defined as stock price appreciation including dividends. Source: Bloomberg.
2) Bloomberg REIT Mortgage Index total stockholder return for the period October 29, 2009 through June 30, 2018. The Bloomberg REIT Mortgage Index tracks publicly traded REITs whose principal business consists of originating, servicing or investing in residential mortgage interests. The index uses a modified market capitalization weighted methodology, and components are reviewed quarterly for eligibility. Source: Bloomberg.

Proven Book Value Stability…

BOOK VALUE STABILITY AND GROWTH

- Book value has grown by 16.8% since our inception through June 30, 2018, when adjusted to include the value of the Granite Point and Silver Bay stock distributions to Two Harbors stockholders[(1)(2)]
- Peer average over same time period was (26.5%)[(1)(3)]

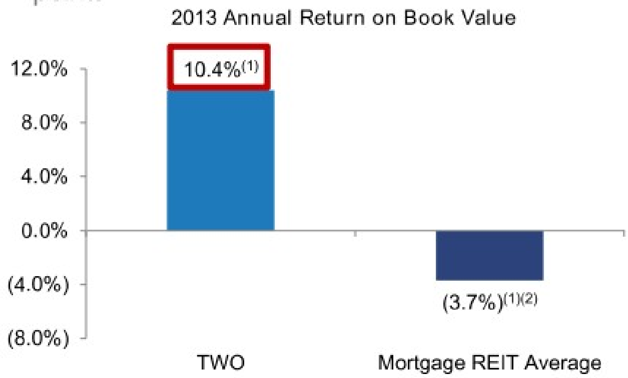


1) Book value growth since our inception is measured from December 31, 2009 through June 30, 2018.
2) Two Harbors quarterly book values have been adjusted for each quarter from Q1 2013 forward to include $1.88 of stock distributions associated with the special dividend of Silver Bay common stock and, beginning in Q4 2017, $3.67 of stock distributions associated with the special dividend of Granite Point common stock.
3) Companies A-G and peer average represent comparable mortgage REIT peers. Peer average book value figures are based on publicly reported data and have not been adjusted for the return of capital from dividends, if any, to peer stockholders during the same period.

…Particularly Through Volatile Times

REFLECTS SOPHISTICATED APPROACH TO RISK MANAGEMENT AND HEDGING

- Proven stability of book value through times of volatility: in the 2013 "taper tantrum" Two Harbors outperformed its peers by over 1,400 basis points(1)(2)



- Importantly, these results were achieved with less book value volatility than comparable mortgage REIT peers

	Mortgage REIT Average(2)	TWO(4)	Difference
Book value volatility since our inception(3)	11.9%	9.5%	(2.4%)
Book value volatility in 2013(3)	8.3%	2.9%	(5.4%)
Book value volatility in 2016(3)	3.3%	1.5%	(1.8%)

1) Return on book value for 2013 measured from 12/31/2012 to 12/31/2013.
2) Mortgage REITs include AGNC, ANH, ARR, CIM, CMO, IVR, MFA, MITT, NLY and NYMT. Mortgage REIT average book value figures are based on publicly reported data and have not been adjusted for the return of capital from dividends, if any, to peer stockholders during the same period.
3) Book value volatility since our inception is measured from 12/31/2009 or the company's inception, whichever is later, through 6/30/2018. Book value volatility for 2013 is measured from 12/31/2012 to 12/31/2013 and for 2016 is measured from 12/31/2015 through 12/31/2016. Book value volatility calculated by dividing the standard deviation of book values in the measured period by the average book value from the measured period.
4) Two Harbors quarterly book values have been adjusted for each quarter from Q1 2013 forward to include $1.88 of stock distributions associated with the special dividend of Silver Bay common stock and, beginning in Q4 2017, $3.67 of stock distributions associated with the special dividend of Granite Point common stock.

Acquisition of CYS Investments, Inc.

TRANSACTION SUMMARY

- For each share of CYS common stock owned, CYS common stockholders received (i) 0.4680 newly issued shares of Two Harbors common stock and (ii) cash consideration of $0.0965
  - As an illustrative example, a CYS stockholder holding 1,000 shares of CYS common stock received 468 shares of Two Harbors common stock and an additional $96.50 of cash consideration
- Each share of CYS 7.75% Series A Cumulative Redeemable Preferred Stock was converted into one share of newly classified TWO 7.75% Series D Cumulative Redeemable Preferred Stock, and each share of CYS 7.50% Series B Cumulative Redeemable Preferred Stock was converted into one share of newly classified TWO 7.50% Series E Cumulative Redeemable Preferred Stock

UNIQUE OPPORTUNITY TO DRIVE VALUE FOR TWO HARBORS STOCKHOLDERS

✓ Enhanced scale, liquidity and larger capital base supports continued growth in target assets

✓ Anticipate improved Agency spreads in second half of 2018; believe this deal can be accretive to earnings and endorses the capital raising attendant to this transaction

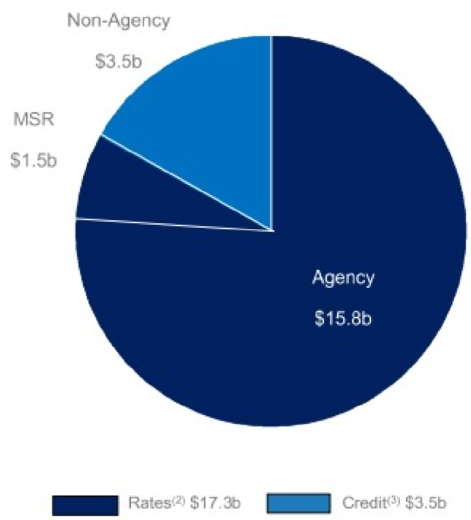
✓ Combination of Two Harbors and CYS should create cost efficiencies and decrease Two Harbors' other operating expense ratio by 30 to 40 basis points going forward

✓ Expect to maintain $0.47 per common share quarterly dividend for the remainder of 2018, subject to market conditions and the discretion and approval of Two Harbors' Board of Directors

Portfolio Composition

PORTFOLIO COMPOSITION(1)

$20.8 BILLION PORTFOLIO AS OF JUNE 30, 2018



HISTORICAL CAPITAL ALLOCATION

	June 30, 2017	March 31, 2018	June 30, 2018
Rates(2)	54%	69%	68%
Credit(3)	28%	31%	32%
Commercial(4)	18%	—%	—%

1) For additional detail on the portfolio, see Appendix slides 17-21.
2) Assets in "Rates" include Agency RMBS, MSR and other interest rate sensitive assets.
3) Assets in "Credit" include non-Agency securities and other credit sensitive assets.
4) 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

Q2-2018 PERFORMANCE SUMMARY

- Overall portfolio performance benefitted from floating-rate coupons on non-Agency securities, the LIBOR side of swaps and MSR float income

RATES

- Positive performance from hedges and MSR in rising rate environment
- Effect of flattening yield curve and variability in spreads had little impact on performance

CREDIT

- Residential credit benefitted from stable spreads and strong underlying credit performance, driving second quarter results

PORTFOLIO METRICS

Three Months Ended	March 31, 2018	June 30, 2018
Annualized portfolio yield during the quarter	3.77%	3.91%
Rates		
Agency RMBS, Agency Derivatives and MSR	3.2%	3.3%
Credit		
Non-Agency securities, Legacy[1]	7.5%	7.8%
Non-Agency securities, New issue[1]	10.9%	9.7%
Residential mortgage loans held-for-sale	4.7%	4.5%
Annualized cost of funds on average borrowings during the quarter[2]	1.84%	1.98%
Annualized interest rate spread for aggregate portfolio during the quarter	1.93%	1.93%

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 income/expense associated with the portfolio's interest rate swaps.

Rates Update

STRATEGY OF PAIRING MSR WITH AGENCY RMBS IS DISTINGUISHING FACTOR

AGENCY RMBS ACTIVITY

- Allocated capital from Agency pools into to-be-announced (“TBA”) positions
- Continued to add exposure to Fannie Mae TBA 4.5’s due to attractiveness of coupon
  - Roll for this coupon traded special most of the quarter, with implied financing costs about 30 basis points lower than repo
- Expect TBA position to fluctuate depending on availability and attractiveness of specified pools and any roll specialness[1]

MSR ACTIVITY

- Increased capital allocation to MSR by adding $10.5 billion UPB of MSR through one bulk purchase and our ongoing flow-sale arrangements
- Market for MSR bulk packages more active
- 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
- Low-to-mid double digit expected returns
- Addition of financing for MSR is beneficial to growing portfolio and enhancing returns

1) Specialness means that implied financing costs are lower than traditional repurchase agreements.

Protecting Book Value and Income

- Active management of risk positioning leads to stability in returns through periods of market volatility

HEDGING ACROSS THE CURVE

Book value exposure to changes in rates[1]		Net income exposure to changes in rates[2]	
+25 basis points	(0.7)%	+25 basis points	(0.1)%
+50 basis points	(2.2)%	+50 basis points	(0.3)%

BOOK VALUE SENSITIVITY TO MORTGAGE SPREADS[3]

Mortgage spreads	Change in Agency RMBS and mortgage derivatives	Change in MSR	Total overall Rates strategy change
25 basis points increase	($178)	$55	($123) / (3.5%)
15 basis points increase	($107)	$34	($73) / (2.1%)
15 basis points decrease	$99	($38)	$58 / 1.7%
25 basis points decrease	$155	($64)	$91 / 2.6%

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 change in equity value for theoretical parallel shift in interest rates.
2) Represents estimated percentage change in net interest income for theoretical parallel shifts in interest rates.
3) Dollars in millions. The information presented in this table projects the potential impact on book value of instantaneous changes in mortgage spreads. Spread sensitivity is based on results from third party models in conjunction with inputs from our internal investment professionals. Actual results could differ materially from these estimates.

Credit Update

UNIQUE NON-AGENCY PORTFOLIO DRIVES ATTRACTIVE TOTAL RETURNS

- Non-Agency securities holdings of $3.5 billion; primarily positioned in deeply discounted legacy subprime non-Agency RMBS with LIBOR floating rate coupons
- Increased holdings of low dollar priced legacy non-Agencies by approximately 18% quarter-over-quarter
- Average legacy market price of ~$75 creates opportunity to capture additional upside[1]

RESIDENTIAL CREDIT TAILWINDS

- Continued re-equification has potential to result in strong performance for deeply discounted holdings
  - Drives increased prepayments, and lower loan-to-value ratios, delinquencies, defaults and severities

SUBPRIME CPR[2]

1) Weighted average market price utilized current face for weighting purposes. Please see slide 21 in the Appendix for more information on our legacy non-Agency securities portfolio.
2) Source: Nomura research, through June 30, 2018.

Portfolio Considerations for Acquisition of CYS Investments, Inc.

REDEPLOYING CAPITAL AND MAINTAINING LOW LEVEL OF RISK

- Redeploying capital from 100% Agency assets acquired in merger into our targeted asset mix
- Prior to acquisition, portfolio allocation of about 70% to Rates and 30% to Credit
- Expect allocation to Agencies to move downward over time in favor of MSR and non-Agency securities
- Maintaining low level of risk exposures, in line with current level of positioning

Optimizing Financing Profile and Capital Structure

DEBT-TO-EQUITY

- 5.3x debt-to-equity at June 30, 2018(1)
- Economic debt-to-equity, which includes the implied debt on net TBA positions, of 6.2x at June 30, 2018, compared to 6.0x at
  March 31, 2018(2)
- Maintain substantial liquidity to opportunistically take advantage of market opportunities

PREFERRED STOCK

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

RATES – AGENCY RMBS

- Outstanding repurchase agreements of $16.9 billion with 25 active counterparties
- Outstanding secured FHLB advances of $865.0 million with weighted average borrowing rate of 2.39%
- Repo markets functioning efficiently for RMBS with new counterparties entering market

CREDIT – NON-AGENCY SECURITIES

- Outstanding borrowings of $2.3 billion with 14 active counterparties
- Market for non-Agency securities has seen improvement in both advance rates and spreads; in the second quarter saw haircuts generally between 20-30% and spreads of 100-125 basis points over LIBOR

RATES – MSR

- Added $330 million financing facility for conventional MSR
- Outstanding borrowings of $470.0 million under MSR financing facilities; additional available capacity of $350.0 million
- Continue to advance MSR financing discussions with additional counterparties

1) Defined as total borrowings to fund RMBS, MSR and Agency Derivatives, divided by total equity.
2) Defined as total borrowings to fund RMBS, MSR and Agency Derivatives, plus the implied debt on net TBA positions, divided by total equity.

Appendix


TWO HARBORS
Investment Corp.
A Pine River Capital Managed Company

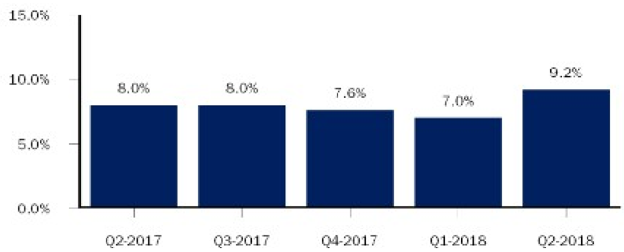
Rates: Agency RMBS Metrics

AGENCY PORTFOLIO YIELDS AND METRICS

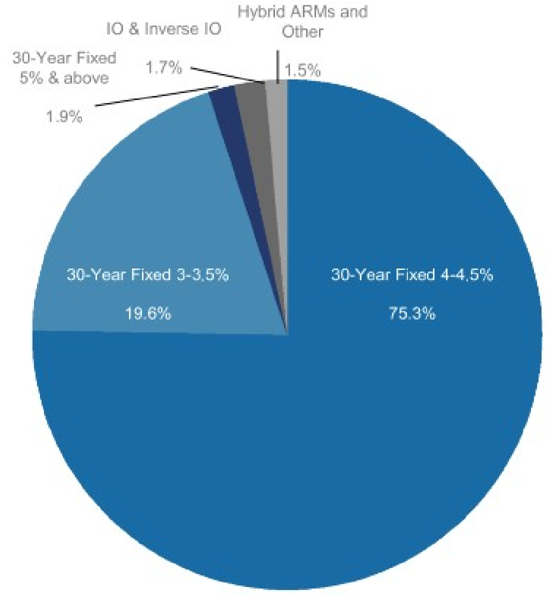
Portfolio Yield	Realized Q1-2018	At March 31, 2018	Realized Q2-2018	At June 30, 2018
Agency yield	3.1%	3.2%	3.0%	3.1%
Repo and FHLB costs	(1.7%)	(1.8%)	(2.0%)	(2.1%)
Swap costs	—%	—%	0.3%	0.3%
Net interest spread	1.4%	1.4%	1.3%	1.3%

Portfolio Metrics	Q1-2018	Q2-2018
Weighted average 3-month CPR[1]	7.0%	9.2%
Weighted average cost basis[2]	$106.4	$106.7

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, 2018	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%	$3,111	$3,106	100.0%	$3,265	3.5%	20
4.0-4.5%	11,548	11,949	100.0%	12,314	4.2%	22
≥ 5.0%	272	296	100.0%	292	5.7%	115
	14,931	15,351	100.0%	15,871	4.1%	24
Hybrid ARMs	19	21	—%	20	4.9%	172
Other	229	220	0.5%	224	4.9%	161
IOs and IIOs	3,907	271 [2]	—%	307	2.6%	107
Total Agency holdings	$19,086	$15,863	96.8%	$16,422		
Net TBA position		3,049				
Total		$18,912				

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 $197.3 million of IOs and $73.7 million of Agency Derivatives.

Rates: Mortgage Servicing Rights[1]

	As of March 31, 2018	As of June 30, 2018
Fair value ($M)	$1,301.0	$1,450.3
Unpaid principal balance ($M)	$111,703.2	$119,531.6
Weighted average coupon	4.0 %	4.0 %
Original FICO score[2]	752	752
Original LTV	74 %	74 %
60+ day delinquencies	0.5 %	0.4 %
Net servicing spread	25.5 basis points	25.5 basis points
Vintage:		
Pre-2009	0.3 %	0.3 %
2009-2012	11.5 %	10.3 %
Post 2012	88.2 %	89.4 %

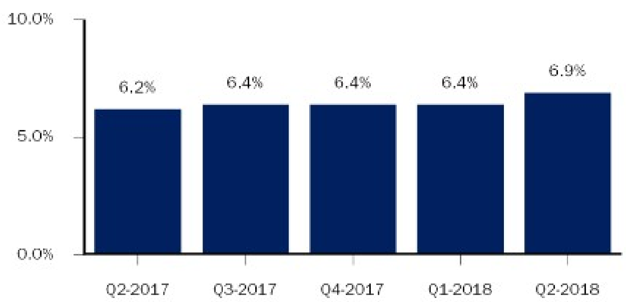
1) Excludes residential mortgage loans for which the company is the named servicing administrator.
2) FICO represents a mortgage industry accepted credit score of a borrower.

Credit: Non-Agency Securities Metrics

NON-AGENCY PORTFOLIO YIELDS AND METRICS

Portfolio Yield	Realized Q1-2018	At March 31, 2018	Realized Q2-2018	At June 30, 2018
Non-Agency yield	8.0%	7.6%	8.1%	7.5%
Repo and FHLB costs	(3.1%)	(3.2%)	(3.5%)	(3.6%)
Swap income	—%	0.1%	0.1%	0.3%
Net interest spread	4.9%	4.4%	4.7%	4.2%

LEGACY NON-AGENCY CPR



LEGACY NON-AGENCY PORTFOLIO

Non-Agency: Loan Type	March 31, 2018	June 30, 2018
Sub-prime	80%	75%
Option-ARM	9%	11%
Prime	1%	1%
Alt-A	10%	13%
Portfolio Metrics	**Q1-2018**	**Q2-2018**
Weighted average 3-month CPR	5.7%	6.9%
Weighted average cost basis(1)	$59.5	$61.2

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 $58.52 at June 30, 2018.

Credit: Legacy Non-Agency Securities

As of June 30, 2018	Senior Bonds	Mezzanine Bonds	Total P&I
Portfolio characteristics:			
Carrying value ($M)	$2,282.5	$842.9	$3,125.4
% of non-Agency portfolio	73.0%	27.0%	100.0%
Average purchase price[(1)]	$59.62	$65.28	$61.15
Average coupon	3.1%	2.8%	3.0%
Weighted average market price[(2)]	$73.23	$82.78	$75.58
Collateral attributes:			
Average loan age (months)	142	151	145
Average loan size ($K)	$377	$381	$378
Average original Loan-to-Value	67.9%	67.7%	67.9%
Average original FICO[(3)]	610	577	601
Current performance:			
60+ day delinquencies	21.0%	18.6%	20.3%
Average credit enhancement[(4)]	6.4%	16.1%	9.0%
3-Month CPR[(5)]	6.4%	8.0%	6.9%

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 $57.16, $62.69 and $58.52, 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	$	2,852.2	$	—	$	—	$	—	$	2,852.2	15.4%
30 to 59 days		3,614.2		—		—		—		3,614.2	19.5%
60 to 89 days		3,897.4		—				—		3,897.4	21.0%
90 to 119 days		2,736.1		—		—		—		2,736.1	14.8%
120 to 364 days		3,805.9		815.0		20.0		—		4,640.9	25.1%
One to three years		300.0		—		—		—		300.0	1.6%
Three to five years		—		—		—		283.3		283.3	1.5%
Five to ten years		—		—		150.0		—		150.0	0.8%
Ten years and over[2]		—		50.0		—		—		50.0	0.3%
	$	17,205.8	$	865.0	$	170.0	$	283.3	$	18,524.1	100.0%
Collateral Pledged for Borrowings[3]		**Repurchase Agreements[4]**		**FHLB Advances**		**Revolving Credit Facilities[4]**		**Convertible Notes**		**Total Collateral Pledged**	**Percent (%)**
Available-for-sale securities, at fair value	$	18,069.2	$	903.3	$	—		n/a	$	18,972.5	93.4 %
Derivative assets, at fair value		73.6		—		—		n/a		73.6	0.4 %
Mortgage servicing rights, at fair value		726.2		—		541.1		n/a		1,267.3	6.2 %
	$	18,869.0	$	903.3	$	541.1		n/a	$	20,313.4	100.0 %

1) Weighted average of 5.3 months to maturity.
2) Includes FHLB advances of $50 million with original maturities of 20 years.
3) Excludes FHLB membership and activity stock totaling $40.8 million.
4) Repurchase agreements and/or revolving credit facilities secured by MSR may be 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	$2.0	1.289%	2.318%	0.4
2019	4.4	1.769%	2.358%	1.3
2020	2.9	1.785%	2.327%	2.3
2021	2.4	1.788%	2.339%	3.4
2022 and after	6.5	2.407%	2.345%	8.0
	$18.2	1.926%	2.341%	3.8

Maturities	Notional Amounts ($B)	Average Pay Rate	Average Fixed Receive Rate	Average Maturity (Years)
Receivers				
2020	$0.5	1.984%	2.362%	1.8
2021	3.0	2.499%	2.362%	2.7
2022 and after	4.4	2.534%	2.333%	6.9
	$7.9	2.489%	2.345%	5.0

1) Notional amount includes $0.9 billion in forward starting interest rate swaps as of June 30, 2018.
2) Weighted averages exclude forward starting interest rate swaps. As of June 30, 2018, the weighted average fixed pay rate on interest rate swaps was 2.6%.

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	$9.7	$10.7	0.8	$2,545	2.91%	3M LIBOR	5.9
Sale Contracts:								
Payer	≥6 Months	($6.8)	($4.8)	8.2	($280)	2.99%	3M LIBOR	10.0
Receiver	<6 Months	($9.7)	($3.2)	3.7	($2,723)	3M LIBOR	2.40%	5.9
Receiver	≥6 Months	($7.0)	($5.5)	8.2	($280)	3M LIBOR	2.99%	10.0


TWO HARBORS
Investment Corp.
A Pine River Capital Managed Company