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 8, 2023

Two Harbors Investment Corp.
(Exact name of registrant as specified in its charter)

Maryland	**001-34506**	**27-0312904**
(State or other jurisdiction of incorporation or organization)	(Commission File Number)	(I.R.S. Employer Identification No.)
1601 Utica Avenue South, Suite 900	**St. Louis Park, MN**	**55416**
(Address of Principal Executive Offices)		(Zip Code)

(612) 453-4100
Registrant's telephone number, including area code

(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))

Securities Registered Pursuant to Section 12(b) of the Act:

Title of Each Class:	Trading Symbol(s)	Name of Exchange on Which Registered:
Common Stock, par value $0.01 per share	TWO	New York Stock Exchange
8.125% Series A Cumulative Redeemable Preferred Stock	TWO PRA	New York Stock Exchange
7.625% Series B Cumulative Redeemable Preferred Stock	TWO PRB	New York Stock Exchange
7.25% Series C Cumulative Redeemable Preferred Stock	TWO PRC	New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2).

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 8, 2023, Two Harbors Investment Corp. issued a press release announcing its financial results for the fiscal quarter ended December 31, 2022. A copy of the press release and the 2022 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 Item 2.02 of 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 8, 2023.
99.2	2022 Fourth Quarter Earnings Call Presentation.
104	Cover Page Interactive Data File, formatted in Inline XBRL.

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 8, 2023

Two Harbors Investment Corp. Reports Fourth Quarter 2022 Financial Results

Tightening Mortgage Spreads Drove Increase in Book Value

NEW YORK, February 8, 2023 - Two Harbors Investment Corp. (NYSE: TWO), an Agency + MSR mortgage real estate investment trust (REIT), today announced its financial results for the quarter ended December 31, 2022.

Quarterly Summary[(1)]

- Reported book value of $17.72 per common share, and declared a fourth quarter common stock dividend of $0.60 per share, representing an 11.6% quarterly economic return on book value.[(2)]
- Generated Comprehensive Income of $160.2 million, or $1.85 per weighted average basic common share.
- Reported Earnings Available for Distribution (EAD) of $22.2 million, or $0.26 per weighted average basic common share.[(3)]
- Generated Income Excluding Market-Driven Value Changes of $0.73 per weighted average basic common share.[(4)]
- Effected the previously announced one-for-four reverse stock split of outstanding shares of common stock on November 1, 2022.
- Repurchased 2,957,950 shares of preferred stock, contributing approximately $0.26 to book value per common share.[(5)]

Annual Summary

- Declared dividends of $2.64 per common share.
- Yielded 2022 total economic return on book value of (13.3)%.[(2)]
- Announced that Matrix Financial Services Corporation, a wholly owned subsidiary of Two Harbors, agreed to acquire all equity interests in RoundPoint Mortgage Servicing Corporation, which is expected to close in the third quarter of 2023.

Post Quarter-End Update

- Estimate book value has increased 4% through January 31, 2023.
- Issued 10 million shares of common stock through an underwritten offering for net proceeds of approximately $175.6 million.

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(1) On November 1, 2022, the company completed its previously announced one-for-four reverse stock split of its outstanding shares of common stock. In accordance with 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.

(2) Economic return on book value is defined as the increase (decrease) in book value per common share from the beginning to the end of the given period, plus dividends declared in the period, divided by book value as of the beginning of the period.

(3) Earnings Available for Distribution is a non-GAAP measure. Please see page 11 for a definition of Earnings Available for Distribution and a reconciliation of GAAP to non-GAAP financial information.

(4) Income Excluding Market-Driven Value Changes is a non-GAAP measure. Please see page 12 for a definition of Income Excluding Market-Driven Value Changes and a reconciliation of GAAP to non-GAAP financial information.

(5) Includes 428,549 Series A, 786,846 Series B and 1,742,555 Series C preferred shares.

"Despite spread volatility in the fourth quarter, we generated a positive return on book value, with our portfolio benefitting from being positioned in low coupon MSR and higher coupon RMBS," stated Bill Greenberg, Two Harbors' President and Chief Executive Officer. "Across all asset types, this past year was one of the most challenging investment environments in decades. However, it provided an opportunity to demonstrate the value in Two Harbors' model: that Agency RMBS paired with MSR, and active portfolio management, can dampen volatility. We continue to be very constructive on forward-looking return potential in 2023."

"In the fourth quarter, inflation moderated and rate expectations leveled off, but volatility remained stubbornly high," stated Nick Letica, Two Harbors' Chief Investment Officer. "We allowed our leverage to drift higher and captured positive performance from tightening spreads in November, before taking leverage back down again in December. We deliberately and actively managed our portfolio to have more high coupon mortgage exposure, which benefitted book value. We expect that volatility will moderate in 2023, which could result in tighter spreads and be a positive tailwind for mortgage securities."

Operating Performance

The following table summarizes the company's GAAP and non-GAAP earnings measurements and key metrics for the fourth quarter of 2022 and third quarter of 2022:

Two Harbors Investment Corp. Operating Performance (unaudited)

(dollars in thousands, except per common share data)

	Three Months Ended December 31, 2022			Three Months Ended September 30, 2022		
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 (Loss)	$ 160,233	$ 1.85	42.8 %	$ (287,808)	$ (3.35)	(67.9)%
GAAP Net (Loss) Income	$ (262,439)	$ (3.04)	(70.1)%	$ 263,865	$ 3.04	62.3 %
Earnings Available for Distribution[1]	$ 22,209	$ 0.26	5.9 %	$ 55,173	$ 0.64	13.0 %
Income Excluding Market-Driven Value Changes[2]	$ 62,706	$ 0.73	16.7 %			
Operating Metrics						
Dividend per common share	$ 0.60			$ 0.68		
Annualized dividend yield[3]	15.2 %			20.5 %		
Book value per common share at period end	$ 17.72			$ 16.42		
Economic return on book value[4]	11.6 %			(16.2)%		
Operating expenses, excluding non-cash LTIP amortization and nonrecurring expenses[5]	$ 10,462			$ 13,404		
Operating expenses, excluding non-cash LTIP amortization and nonrecurring expenses, as a percentage of average equity[5]	1.9 %			2.2 %		

(1) Earnings Available for Distribution, or EAD, is a non-GAAP measure. Please see page 11 for a definition of Earnings Available for Distribution and a reconciliation of GAAP to non-GAAP financial information.
(2) Income Excluding Market-Driven Value Changes is a non-GAAP measure being introduced for the fourth quarter of 2022. Please see page 12 for a definition of Income Excluding Market-Driven Value Changes and a reconciliation of GAAP to non-GAAP financial information.
(3) Dividend yield is calculated based on annualizing the dividends declared in the given period, divided by the closing share price as of the end of the period.
(4) Economic return on book value is defined as the increase (decrease) in book value per common share from the beginning to the end of the given period, plus dividends declared in the period, divided by the book value as of the beginning of the period.
(5) Excludes non-cash equity compensation expense of $1.7 million for the fourth quarter of 2022 and $2.4 million for the third quarter of 2022 and nonrecurring expenses of $10.8 million for the fourth quarter of 2022 and $5.0 million for the third quarter of 2022.

Portfolio Summary

As of December 31, 2022, the company's portfolio was comprised of $10.8 billion of Agency residential mortgage-backed securities (RMBS), Agency Derivatives and MSR as well as their associated notional debt hedges. Additionally, the company held $3.9 billion bond equivalent value of net long to-be-announced securities (TBAs).

The following tables summarize the company's investment portfolio as of December 31, 2022 and September 30, 2022:

Two Harbors Investment Corp. Portfolio
(dollars in thousands)

Portfolio Composition	As of December 31, 2022		As of September 30, 2022	
	(unaudited)		(unaudited)	
Agency				
Fixed Rate	$ 7,647,001	70.9 %	$ 9,237,881	73.8 %
Other Agency[1]	21,751	0.2 %	127,612	1.0 %
Total Agency	7,668,752	71.1 %	9,365,493	74.8 %
Mortgage servicing rights[2]	2,984,937	27.7 %	3,021,790	24.2 %
Other	125,158	1.2 %	124,860	1.0 %
Aggregate Portfolio	10,778,847		12,512,143	
Net TBA position[3]	3,900,395		4,047,890	
Total Portfolio	$ 14,679,242		$ 16,560,033	

Portfolio Metrics	Three Months Ended December 31, 2022	Three Months Ended September 30, 2022
	(unaudited)	(unaudited)
Average portfolio yield[4]	4.92 %	4.61 %
Average cost of financing[5]	3.95 %	2.84 %
Net spread	0.97 %	1.77 %

(1) Other Agency includes hybrid ARMs and inverse interest-only Agency securities classified as "Agency Derivatives" for purposes of GAAP.
(2) Based on the loans underlying the MSR reported by subservicers on a month lag, adjusted for current month purchases.
(3) Represents bond equivalent value of TBA position. Bond equivalent value is defined as notional amount multiplied by market price. Accounted for as derivative instruments in accordance with GAAP.
(4) Average portfolio yield includes interest income on Agency RMBS and non-Agency securities, MSR servicing income, net of estimated amortization, and servicing expenses, and the implied asset yield portion of TBA dollar roll income on TBAs. MSR estimated 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, which is deemed a non-GAAP measure due to the company's decision to account for MSR at fair value. TBA dollar roll income is the non-GAAP economic equivalent to holding and financing Agency RMBS using short-term repurchase agreements.
(5) Average cost of financing includes interest expense and amortization of deferred debt issuance costs on borrowings under repurchase agreements (excluding those collateralized by U.S. Treasuries), revolving credit facilities, term notes payable and convertible senior notes, interest spread income/expense and amortization of upfront payments made or received upon entering into interest rate swap agreements, U.S. Treasury futures income, and the implied financing benefit/cost portion of dollar roll income on TBAs. TBA dollar roll income is the non-GAAP economic equivalent to holding and financing Agency RMBS using short-term repurchase agreements. U.S. Treasury futures income is the economic equivalent to holding and financing a relevant cheapest-to-deliver U.S. Treasury note or bond using short-term repurchase agreements.

Portfolio Metrics Specific to RMBS and Agency Derivatives	As of December 31, 2022	As of September 30, 2022
	(unaudited)	(unaudited)
Weighted average cost basis of Agency principal and interest securities[1]	$ 102.26	$ 102.84
Weighted average three month CPR on Agency RMBS	5.9 %	9.1 %
Fixed-rate investments as a percentage of aggregate RMBS and Agency Derivatives portfolio	98.6 %	97.8 %
Adjustable-rate investments as a percentage of aggregate RMBS and Agency Derivatives portfolio	1.4 %	2.2 %

(1) Weighted average cost basis includes RMBS principal and interest securities only. Average purchase price utilized carrying value for weighting purposes.

Portfolio Metrics Specific to MSR[1]	As of December 31, 2022	As of September 30, 2022
(dollars in thousands)	(unaudited)	(unaudited)
Unpaid principal balance	$ 204,876,693	$ 206,613,560
Gross coupon rate	3.3 %	3.2 %
Current loan size	$ 334	$ 335
Original FICO[2]	760	760
Original LTV	72 %	72 %
60+ day delinquencies	0.8 %	0.7 %
Net servicing fee	26.5 basis points	26.4 basis points

	Three Months Ended December 31, 2022	Three Months Ended September 30, 2022
	(unaudited)	(unaudited)
Fair value losses	$ (64,085)	$ (6,720)
Servicing income	$ 160,926	$ 148,833
Servicing expenses	$ 24,542	$ 22,144
Change in servicing reserves	$ 713	$ (1,005)

Note: The company does not directly service mortgage loans, but instead contracts with appropriately licensed subservicers to handle substantially all servicing functions in the name of the subservicer for the loans underlying the company's MSR.

(1) Metrics exclude residential mortgage loans in securitization trusts for which the company is the named servicing administrator. Portfolio metrics, other than UPB, represent averages weighted by UPB.

(2) FICO represents a mortgage industry accepted credit score of a borrower.

Other Investments and Risk Management Metrics	As of December 31, 2022	As of September 30, 2022
(dollars in thousands)	(unaudited)	(unaudited)
Net long TBA notional amount[1]	$ 3,826,000	$ 4,154,000
Futures notional	$ (18,285,452)	$ (15,296,550)

(1) Accounted for as derivative instruments in accordance with GAAP.

Financing Summary

The following tables summarize the company's financing metrics and outstanding repurchase agreements, revolving credit facilities, term notes and convertible senior notes as of December 31, 2022 and September 30, 2022:

December 31, 2022	Balance	Weighted Average Borrowing Rate	Weighted Average Months to Maturity	Number of Distinct Counterparties
(dollars in thousands, unaudited)				
Repurchase agreements collateralized by RMBS	$ 7,405,716	3.81 %	1.56	20
Repurchase agreements collateralized by MSR	309,000	7.91 %	11.93	1
Repurchase agreements collateralized by U.S. Treasuries[1]	888,295	4.49 %	1.95	3
Total repurchase agreements	8,603,011	3.95 %	1.93	20
Revolving credit facilities collateralized by MSR and related servicing advance obligations	1,118,831	7.68 %	13.48	4
Term notes payable collateralized by MSR	398,011	7.19 %	17.82	n/a
Unsecured convertible senior notes	282,496	6.25 %	36.53	n/a
Total borrowings	$ 10,402,349			

September 30, 2022	Balance	Weighted Average Borrowing Rate	Weighted Average Months to Maturity	Number of Distinct Counterparties
(dollars in thousands, unaudited)				
Repurchase agreements collateralized by RMBS	$ 9,640,018	3.19 %	3.15	21
Repurchase agreements collateralized by MSR	394,000	6.57 %	4.31	1
Total repurchase agreements	10,034,018	3.32 %	3.19	21
Revolving credit facilities collateralized by MSR and related servicing advance obligations	1,131,161	6.40 %	16.54	4
Term notes payable collateralized by MSR	397,697	5.88 %	20.84	n/a
Unsecured convertible senior notes	282,096	6.25 %	39.55	n/a
Total borrowings	$ 11,844,972			

Borrowings by Collateral Type[2]	As of December 31, 2022	As of September 30, 2022
(dollars in thousands)	(unaudited)	(unaudited)
Agency RMBS and Agency Derivatives	$ 7,334,907	$ 9,563,755
Mortgage servicing rights and related servicing advance obligations	1,825,842	1,922,858
Other - secured	70,809	76,263
Other - unsecured[3]	282,496	282,096
Total	9,514,054	11,844,972
TBA cost basis	3,923,298	4,153,582
Net payable (receivable) for unsettled RMBS	342,964	34,576
Total, including TBAs and net payable (receivable) for unsettled RMBS	$ 13,780,316	$ 16,033,130
Debt-to-equity ratio at period-end[4]	4.4 :1.0	5.5 :1.0
Economic debt-to-equity ratio at period-end[5]	6.3 :1.0	7.5 :1.0

Cost of Financing by Collateral Type[2]	Three Months Ended December 31, 2022	Three Months Ended September 30, 2022
	(unaudited)	(unaudited)
Agency RMBS and Agency Derivatives	3.56 %	2.30 %
Mortgage servicing rights and related servicing advance obligations[6]	7.71 %	6.19 %
Other - secured	5.40 %	4.00 %
Other - unsecured[3][6]	6.93 %	6.92 %
Annualized cost of financing	4.46 %	3.04 %
Interest rate swaps[7]	— %	(0.01) %
U.S. Treasury futures[8]	0.25 %	0.61 %
TBAs[9]	2.03 %	1.31 %
Annualized cost of financing, including swaps, U.S. Treasury futures and TBAs	3.95 %	2.84 %

(1) U.S. Treasury securities effectively borrowed under reverse repurchase agreements.
(2) Excludes repurchase agreements collateralized by U.S. Treasuries.
(3) Unsecured convertible senior notes.
(4) Defined as total borrowings to fund RMBS, MSR and Agency Derivatives, divided by total equity.
(5) Defined as total borrowings to fund RMBS, MSR and Agency Derivatives, plus the implied debt on net TBA cost basis and net payable (receivable) for unsettled RMBS, divided by total equity. Effective as of December 31, 2022, net payable (receivable) on unsettled RMBS is now included in the calculation for economic debt-to-equity. Prior period metrics have been updated to conform to the current period methodology.
(6) Includes amortization of debt issuance costs.
(7) The cost of financing on interest rate swaps held to mitigate interest rate risk associated with the company's outstanding borrowings includes interest spread income/expense and amortization of upfront payments made or received upon entering into interest rate swap agreements and is calculated using average borrowings balance as the denominator.
(8) The cost of financing on U.S. Treasury futures held to mitigate interest rate risk associated with the company's outstanding borrowings is calculated using average borrowings balance as the denominator. U.S. Treasury futures income is the economic equivalent to holding and financing a relevant cheapest-to-deliver U.S. Treasury note or bond using short-term repurchase agreements.
(9) The implied financing benefit/cost of dollar roll income on TBAs is calculated using the average cost basis of TBAs as the denominator. TBA dollar roll income is the non-GAAP economic equivalent to holding and financing Agency RMBS using short-term repurchase agreements. TBAs are accounted for as derivative instruments in accordance with GAAP.

Conference Call

Two Harbors Investment Corp. will host a conference call on February 9, 2023 at 9:00 a.m. ET to discuss fourth quarter 2022 financial results and related information. The conference call will be webcast live and accessible in the Investors section of the company's website at www.twoharborsinvestment.com/investors. To participate in the teleconference, please call toll-free (877) 502-7185, approximately 10 minutes prior to the above start time. For those unable to attend, a telephone playback will be available beginning at 12:00 p.m. ET on February 9, 2023, through 12:00 p.m. ET on February 23, 2023. The playback can be accessed by calling (877) 660-6853, conference code 13734900. The call will also be archived on the company's website in the News & Events section.

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 St. Louis Park, MN.

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, 2021, 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; 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 recognize the benefits of our pending acquisition of RoundPoint Mortgage Servicing Corporation; our decision to terminate our management agreement with PRCM Advisers LLC and the ongoing litigation related to such termination; 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 income excluding market-driven value changes, earnings available for distribution and related per basic common share measures. The non-GAAP financial measures presented by the company provide supplemental information to assist investors in analyzing the company's results of operations and help facilitate comparisons to industry peers. 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 tables on pages 11 and 12 of this release.

Additional Information

Stockholders of Two Harbors and other interested persons may find additional information regarding the company at www.twoharborsinvestment.com, at the Securities and Exchange Commissions's Internet site at www.sec.gov or by directing requests to: Two Harbors Investment Corp., Attn: Investor Relations, 1601 Utica Avenue South, Suite 900, St. Louis Park, MN, 55416, telephone (612) 453-4100.

Contact

Margaret Karr, Head of Investor Relations, Two Harbors Investment Corp., (612) 453-4080, Margaret.Karr@twoharborsinvestment.com

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TWO HARBORS INVESTMENT CORP.
CONSOLIDATED BALANCE SHEETS
(dollars in thousands, except share data)

	December 31, 2022	December 31, 2021
	(unaudited)	
ASSETS		
Available-for-sale securities, at fair value (amortized cost $8,114,627 and $7,005,013, respectively; allowance for credit losses $6,958 and $14,238, respectively)	$ 7,778,734	$ 7,161,703
Mortgage servicing rights, at fair value	2,984,937	2,191,578
Cash and cash equivalents	683,479	1,153,856
Restricted cash	443,026	934,814
Accrued interest receivable	36,018	26,266
Due from counterparties	253,374	168,449
Derivative assets, at fair value	26,438	80,134
Reverse repurchase agreements	1,066,935	134,682
Other assets	193,219	262,823
Total Assets	$ 13,466,160	$ 12,114,305
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Repurchase agreements	$ 8,603,011	$ 7,656,445
Revolving credit facilities	1,118,831	420,761
Term notes payable	398,011	396,776
Convertible senior notes	282,496	424,827
Derivative liabilities, at fair value	34,048	53,658
Due to counterparties	541,709	196,627
Dividends payable	64,504	72,412
Accrued interest payable	94,034	18,382
Other liabilities	145,991	130,464
Total Liabilities	11,282,635	9,370,352
Stockholders' Equity:		
Preferred stock, par value $0.01 per share; 100,000,000 shares authorized and 26,092,050 and 29,050,000 shares issued and outstanding, respectively ($652,301 and $726,250 liquidation preference, respectively)	630,999	702,550
Common stock, par value $0.01 per share; 175,000,000 shares authorized and 86,428,845 and 85,977,831 shares issued and outstanding, respectively	864	860
Additional paid-in capital	5,645,998	5,627,758
Accumulated other comprehensive (loss) income	(278,711)	186,346
Cumulative earnings	1,453,371	1,212,983
Cumulative distributions to stockholders	(5,268,996)	(4,986,544)
Total Stockholders' Equity	2,183,525	2,743,953
Total Liabilities and Stockholders' Equity	$ 13,466,160	$ 12,114,305

TWO HARBORS INVESTMENT CORP.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(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,	
	2022	**2021**	**2022**	**2021**
	(unaudited)		(unaudited)	
Interest income:				
Available-for-sale securities	$ 83,712	$ 32,729	$ 272,230	$ 167,310
Other	15,591	276	23,310	1,287
Total interest income	99,303	33,005	295,540	168,597
Interest expense:				
Repurchase agreements	81,975	4,562	167,455	25,774
Revolving credit facilities	21,854	5,050	51,814	22,425
Term notes payable	6,906	3,251	19,514	12,936
Convertible senior notes	4,892	7,295	19,612	28,038
Total interest expense	115,627	20,158	258,395	89,173
Net interest (expense) income	(16,324)	12,847	37,145	79,424
Other (loss) income:				
(Loss) gain on investment securities	(347,450)	1,626	(603,937)	121,617
Servicing income	160,926	125,511	603,911	468,406
(Loss) gain on servicing asset	(64,085)	(131,828)	425,376	(114,941)
Gain on interest rate swap and swaption agreements	—	36,989	29,499	42,091
Gain (loss) on other derivative instruments	53,301	(11,565)	9,310	(251,283)
Other income (loss)	112	1,856	(5)	(3,845)
Total other (loss) income	(197,196)	22,589	464,154	262,045
Expenses:				
Servicing expenses	25,272	21,582	94,119	86,250
Compensation and benefits	7,411	6,396	40,723	35,041
Other operating expenses	15,540	6,648	42,005	28,759
Total expenses	48,223	34,626	176,847	150,050
(Loss) income before income taxes	(261,743)	810	324,452	191,419
Provision for income taxes	8,480	2,104	104,213	4,192
Net (loss) income	(270,223)	(1,294)	220,239	187,227
Dividends on preferred stock	(12,365)	(13,747)	(53,607)	(58,458)
Gain on repurchase and retirement of preferred stock	20,149	—	20,149	—
Net (loss) income attributable to common stockholders	$ (262,439)	$ (15,041)	$ 186,781	$ 128,769
Basic (loss) earnings per weighted average common share	$ (3.04)	$ (0.18)	$ 2.15	$ 1.72
Diluted (loss) earnings per weighted average common share	$ (3.04)	$ (0.18)	$ 2.13	$ 1.72
Dividends declared per common share	$ 0.60	$ 0.68	$ 2.64	$ 2.72
Weighted average number of shares of common stock:				
Basic	86,391,405	83,775,184	86,179,418	74,443,000
Diluted	86,391,405	83,775,184	96,076,175	74,510,884

TWO HARBORS INVESTMENT CORP.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS), 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,	
	2022	**2021**	**2022**	**2021**
	(unaudited)		(unaudited)	
Comprehensive income (loss):				
Net (loss) income	$ (270,223)	$ (1,294)	$ 220,239	$ 187,227
Other comprehensive income (loss):				
Unrealized gain (loss) on available-for-sale securities	422,672	(113,553)	(465,057)	(455,255)
Other comprehensive income (loss)	422,672	(113,553)	(465,057)	(455,255)
Comprehensive income (loss)	152,449	(114,847)	(244,818)	(268,028)
Dividends on preferred stock	(12,365)	(13,747)	(53,607)	(58,458)
Gain on repurchase and retirement of preferred stock	20,149	—	20,149	—
Comprehensive income (loss) attributable to common stockholders	$ 160,233	$ (128,594)	$ (278,276)	$ (326,486)

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, 2022	**September 30, 2022**
	(unaudited)	(unaudited)
Reconciliation of Comprehensive income (loss) to Earnings Available for Distribution:		
Comprehensive income (loss) attributable to common stockholders	$ 160,233	$ (287,808)
Adjustment for other comprehensive (income) loss attributable to common stockholders:		
Unrealized (gain) loss on available-for-sale securities	(422,672)	551,673
Net (loss) income attributable to common stockholders	$ (262,439)	$ 263,865
Adjustments to exclude reported realized and unrealized (gains) losses:		
Realized loss (gain) on securities	341,316	(18,265)
Unrealized loss on securities	6,453	23,294
(Reversal of) provision for credit losses	(318)	1,397
Realized and unrealized loss on mortgage servicing rights	64,084	6,720
Realized loss on termination or expiration of interest rate swaps and swaptions	—	146,750
Unrealized gain on interest rate swaps and swaptions	—	(181,378)
Realized and unrealized gain on other derivative instruments	(53,226)	(158,891)
Gain on repurchase and retirement of preferred stock	(20,149)	—
Other realized and unrealized gains	(112)	—
Other adjustments:		
MSR amortization[(1)]	(83,190)	(75,585)
TBA dollar roll income[(2)]	16,193	37,832
U.S. Treasury futures income[(3)]	(6,408)	(16,643)
Change in servicing reserves	713	(1,005)
Non-cash equity compensation expense	1,653	2,355
Other nonrecurring expenses	10,836	5,029
Net provision for income taxes on non-EAD	6,803	19,698
Earnings available for distribution to common stockholders[(4)]	$ 22,209	$ 55,173
Weighted average basic common shares	86,391,405	86,252,104
Earnings available for distribution to common stockholders per weighted average basic common share	$ 0.26	$ 0.64

(1) MSR 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, which is deemed a non-GAAP measure due to the company's decision to account for MSR at fair value.

(2) TBA dollar roll income is the economic equivalent to holding and financing Agency RMBS using short-term repurchase agreements.

(3) U.S. Treasury futures income is the economic equivalent to holding and financing a relevant cheapest-to-deliver U.S. Treasury note or bond using short-term repurchase agreements.

(4) EAD is a non-GAAP measure that we define as comprehensive income (loss) attributable to common stockholders, excluding realized and unrealized gains and losses on the aggregate portfolio, gains and losses on repurchases of preferred stock, provision for (reversal of) credit losses, reserve expense for representation and warranty obligations on MSR, non-cash compensation expense related to restricted common stock and other nonrecurring expenses. As defined, EAD includes net interest income, accrual and settlement of interest on derivatives, dollar roll income on TBAs, U.S. Treasury futures income, servicing income, net of estimated amortization on MSR and recurring cash related operating expenses. EAD provides supplemental information to assist investors in analyzing the Company's results of operations and helps facilitate comparisons to industry peers. EAD is one of several measures our board of directors considers to determine the amount of dividends to declare on our common stock and should not be considered an indication of our taxable income or as a proxy for the amount of dividends we may declare.

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, 2022
		(unaudited)
Reconciliation of Comprehensive income (loss) to Income Excluding Market-Driven Value Changes:		
Comprehensive income (loss) attributable to common stockholders	$	160,233
Adjustments to exclude market-driven value changes and nonrecurring operating expenses:		
RMBS market-driven value changes[(1)]		(62,660)
MSR market-driven value changes[(2)]		12,989
Realized and unrealized gains on TBAs, excluding TBA dollar roll income[(3)]		(32,040)
Realized and unrealized gains on futures, excluding futures income[(4)]		(11,001)
Other nonrecurring expenses		10,836
Gain on repurchase and retirement of preferred stock		(20,149)
Net provision for income taxes associated with market-driven value changes		4,498
Income Excluding Market-Driven Value Changes[(5)]	$	62,706
Weighted average basic common shares		86,391,405
Income Excluding Market-Driven Value Changes per weighted average basic common share	$	0.73

(1) RMBS market-driven value changes refers to the sum of interest income, realized and unrealized gains and losses on RMBS, less the sum of the realization of RMBS cash flows which incorporates actual prepayments, changes in RMBS accrued interest, and price changes. Price changes are measured daily based on the assumption that spreads, interest rates and volatility factored into the previous day ending fair value are unchanged. RMBS includes inverse interest-only Agency RMBS which are accounted for as derivative instruments in accordance with GAAP.RMBS market-driven value changes refers to the sum of interest income, realized and unrealized gains and losses on RMBS, less the sum of the realization of RMBS cash flows which incorporates actual prepayments, changes in RMBS accrued interest, and price changes. Price changes are measured daily based on the assumption that spreads, interest rates and volatility factored into the previous day ending fair value are unchanged. RMBS includes inverse interest-only Agency RMBS which are accounted for as derivative instruments in accordance with GAAP.

(2) MSR market-driven value changes refers to the sum of servicing income, servicing expenses, realized and unrealized gains and losses on MSR, less the sum of the realization of MSR cash flows which incorporates actual prepayments, servicing income and servicing expenses, and price changes. Price changes are measured daily based on the assumption that spreads, interest rates and volatility factored into the previous day ending fair value are unchanged.

(3) TBA dollar roll income is the economic equivalent to holding and financing Agency RMBS using short-term repurchase agreements.

(4) Futures income is the economic equivalent to holding and financing a relevant cheapest-to-deliver note or bond using short-term repurchase agreements.

(5) Income Excluding Market-Driven Value Changes is a non-GAAP measure defined as comprehensive income attributable to common stockholders, excluding market-driven value changes on the aggregate portfolio, provision for income taxes associated with market-driven value changes, nonrecurring operating expenses and gain on the repurchase and retirement of preferred stock. As defined, Income Excluding Market-Driven Value Changes includes the realization of portfolio cash flows which incorporates actual prepayments, changes in portfolio accrued interest, servicing income and servicing expenses, and price changes. Price changes are measured daily based on the assumption that spreads, interest rates and volatility factored into the previous day ending fair value are unchanged. This applies to RMBS, MSR and derivatives, as applicable, and is net of all recurring operating expenses and provision for income taxes associated with Income Excluding Market-Driven Value Changes. Income Excluding Market-Driven Value Changes provides supplemental information to assist investors in analyzing the company's results of operations and helps facilitate comparisons to industry peers. Income Excluding Market-Driven Value Changes is one of several measures the company's board of directors considers to determine the amount of dividends to declare on the company's common stock and should not be considered an indication of taxable income or as a proxy for the amount of dividends the company may declare.


An Agency + MSR
Mortgage REIT
Fourth Quarter 2022
Earnings Call
FEBRUARY 9, 2023
TWO HARBORS
Investment Corp.

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, 2021, 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; 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 recognize the benefits of our pending acquisition of RoundPoint Mortgage Servicing Corporation; our ability to recognize the benefits of our pending acquisition of RoundPoint Mortgage Servicing Corporation; our decision to terminate our management agreement with PRCM Advisers LLC and the ongoing litigation related to such termination; 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.

Financials Overview

TWO HARBORS
Investment Corp.

TIGHTENING MORTGAGE SPREADS DROVE INCREASE IN BOOK VALUE

Portfolio[1]	$14.7b
Book Value	$17.72
Common Stock Dividend	$0.60
Economic Return on Book Value[2]	11.6%
Quarter-end Economic Debt-to-Equity[3]	6.3x
Comprehensive Income	$1.85
Income Excluding Market-Driven Value Changes[4]	$0.73
Earnings Available for Distribution (EAD)[5]	$0.26

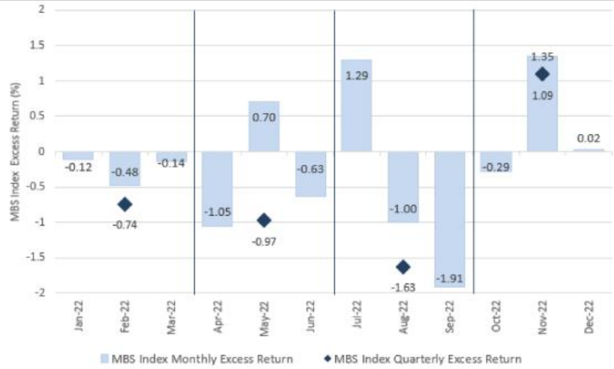
Note: Financial data throughout this presentation is as of or for the quarter ended December 31, 2022, unless otherwise noted. Per share metrics utilize basic common shares as the denominator. In accordance with generally accepted accounting principles, all common share and per common share amounts presented herein have been adjusted on a retroactive basis to reflect the one-for-four reverse stock split completed on November 1, 2022.

Note: The End Notes are an integral part of this presentation. See slides 28 through 33 at the back of this presentation for information related to certain financial metrics and defined terms used herein.

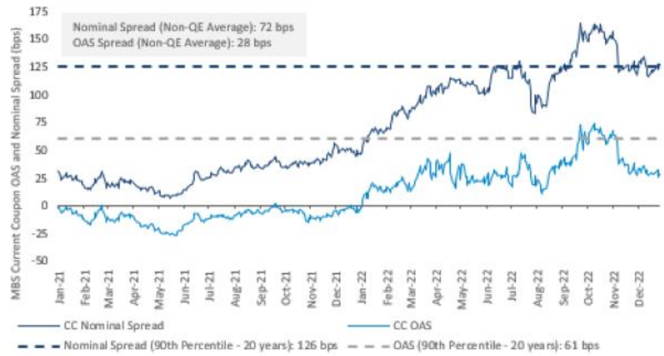
Key Market Highlights

STRONG QUARTER FOR MBS PERFORMANCE AS INFLATION FEARS MODERATE

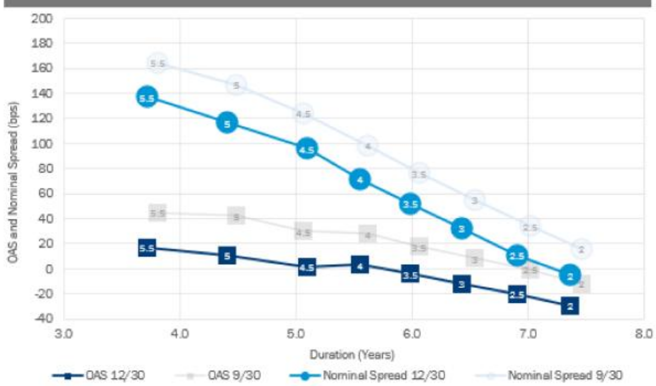
I. RMBS PERFORMANCE REMAINS VOLATILE(1)



II. RMBS SPREADS PEAKED IN OCTOBER THEN TIGHTENED(2)



III. HIGHER COUPONS HAVE WIDER SPREADS(3)



- Interest rate expectations have leveled off; market anticipates Fed Funds Rate of approximately 5% in mid-2023
- Mortgage spreads remain volatile; in Q4-2022 nominal spreads tightened 30 basis points
- Option-adjusted spreads (OAS) are less compelling having tightened to long-term averages as volatility remains high
- Expect rate volatility to moderate in 2023, which could result in tighter spreads and a positive tailwind to book value

Book Value Summary

($ millions, except per share data)	Q4-2022 Book Value	Q4-2022 Book Value per share	YTD-2022 Book Value	YTD-2022 Book Value per share
Beginning common stockholders' equity	**$ 1,418.2**	**$ 16.42**	**$ 2,017.7**	**$ 23.47**
Earnings Available for Distribution, net of tax[1]	34.6		268.0	
Dividend declaration - preferred	(12.4)		(53.6)	
Earnings Available for Distribution to common stockholders, net of tax[1]	22.2		214.4	
Realized and unrealized gains and losses, net of tax	(304.8)		(47.8)	
Other comprehensive income (loss), net of tax	422.7		(465.0)	
Gain on repurchase and retirement of preferred stock	20.1		20.1	
Comprehensive income (loss)	160.2		(278.3)	
Common stock dividends declared	(52.1)		(228.9)	
Other	1.7		11.7	
Repurchase and retirement of preferred stock	2.4		2.4	
Issuance of common stock, net of offering costs	0.8		6.6	
Ending common stockholders' equity	$ 1,531.2	**$ 17.72**	$ 1,531.2	**$ 17.72**
Total preferred stock liquidation preference	652.3		652.3	
Ending total equity	**$ 2,183.5**		**$ 2,183.5**	

- Book value of $17.72 per common share, resulting in an 11.6% quarterly economic return on book value[2]
  - Quarterly performance driven primarily by mortgage spread tightening
- Generated Comprehensive Income of $160.2 million, or $1.85 per weighted average common share
- Repurchased 2,957,950 shares of preferred stock, contributing approximately $0.26 to common book value and lowering the ratio of preferred stock to total equity[3]

Results and Return Contributions

($ in thousands)	GAAP Net Income (Loss)	Other Comprehensive Income	Total Comprehensive Income	Market-Driven Value Changes and Nonrecurring Operating Expenses	Income Excluding Market-Driven Value Changes[1]
RMBS[2]					
RMBS (loss) income	$ (263,686)	$ 422,672	$ 158,986	$ 62,660	$ 96,326
RMBS funding expense	(73,797)		(73,797)	—	(73,797)
MSR					
MSR income	71,569		71,569	(12,989)	84,558
MSR funding expense	(36,938)		(36,938)	—	(36,938)
Derivatives and other					
Swaps and swaptions	—		—	—	—
TBAs	48,233		48,233	32,040	16,193
Futures	5,016		5,016	11,001	(5,985)
Interest on cash, reverse repurchase agreements and other	15,703		15,703	—	15,703
Expenses					
Operating expenses	(22,951)		(22,951)	(10,836)	(12,115)
Tax expense	(8,480)		(8,480)	(4,498)	(3,982)
(Losses) earnings before convertible debt interest expense	(265,331)	422,672	157,341	77,378	79,963
Convertible debt interest expense	(4,892)		(4,892)	—	(4,892)
(Losses) earnings attributable to Two Harbors	(270,223)	422,672	152,449	77,378	75,071
Dividends on preferred stock	(12,365)		(12,365)	—	(12,365)
Gain on repurchase and retirement of preferred stock	20,149		20,149	20,149	—
(Losses) earnings attributable to common stockholders	**$ (262,439)**	**$ 422,672**	**$ 160,233**	**$ 97,527**	**$ 62,706**
Annualized return on common equity					**16.7%**
Quarterly return per weighted average basic common share					**$ 0.73**

Earnings Available for Distribution

($ millions, except per share data)	Q4-2022	Q3-2022	Variance
Interest income	$ 99.3	$ 94.4	$ 4.9
Interest expense	115.6	83.4	(32.2)
Net interest (expense) income	(16.3)	11.0	(27.3)
Servicing income	160.9	148.8	12.1
MSR amortization[1]	(83.2)	(75.6)	(7.6)
Interest spread income on interest rate swaps	—	0.2	(0.2)
TBA dollar roll income[2]	16.2	37.8	(21.6)
U.S. Treasury futures income[3]	(6.4)	(16.6)	10.2
Other derivatives income	0.1	0.2	(0.1)
Total other income	87.6	94.8	(7.2)
Servicing expenses	24.6	22.2	(2.4)
Operating expenses	10.4	13.4	3.0
Total expenses	35.0	35.6	0.6
Provision for income taxes	1.7	1.3	(0.4)
Earnings Available for Distribution[4]	**$ 34.6**	**$ 68.9**	**$ (34.3)**
Dividends on preferred stock	(12.4)	(13.7)	(1.3)
Earnings Available for Distribution available to common stockholders	**$ 22.2**	**$ 55.2**	**$ (33.0)**
Earnings Available for Distribution per weighted average basic common share	**$ 0.26**	**$ 0.64**	
Earnings Available for Disribution annualized return on average common equity	**5.9 %**	**13.0 %**	
Operating expenses, excluding non-cash LTIP amortization and nonrecurring expenses, as a percentage of average equity	1.9 %	2.2 %	

- Fourth quarter EAD reflects:
  - Increased interest income due to higher rates on cash, partly offset by decreased RMBS portfolio size
  - Increased interest expense on higher financing rates and higher average borrowing balances on MSR, partly offset by lower average borrowing balances on RMBS
  - Increased net servicing revenue on higher MSR float income, partly offset by increased amortization due to EAD calculation based on original pricing yield
  - Decreased TBA dollar roll income reflecting a decline in notional balances and lower price drop
  - Spread compression between cost to deliver and implied repo for U.S. Treasury futures
  - Increased servicing expense due to deboarding costs associated with portfolio transfers to RoundPoint Mortgage Servicing Corporation
- EAD is expected to moderate over the next several quarters and may continue to diverge from expected ongoing earnings power[5]
  - EAD for assets utilizes concepts of amortized cost and yield-to-maturity at purchase, as opposed to market value and expected return, and are therefore slower to respond to rate and spread changes
  - Financing costs are quick to react to changes in rates; a majority of debt is floating rate and short-term
  - EAD may not reflect total return of hedging derivatives, and impacts to EAD differ depending on the instrument utilized

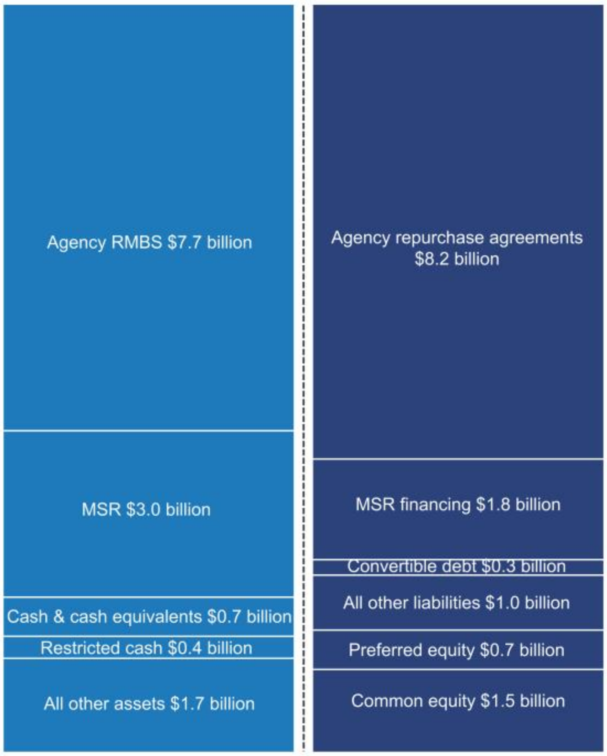
Portfolio Yields and Financing Costs

- Portfolio yield increased 31 bps to 4.92% primarily due to sales of lower coupon available-for-sale securities (AFS) with high unamortized premium, purchases of higher coupon AFS with lower unamortized premium, lower CPR experienced on AFS and higher proportion of total portfolio amortized cost invested in higher yielding assets
- Net spread narrowed by 80 bps due to higher rates on financing

($ thousands)	Q4-2022			Q3-2022		
Portfolio Asset Type	Average Amortized Cost	Income[1]	Average Yield	Average Amortized Cost	Income[1]	Average Yield
Available-for-sale securities	$ 8,118,269	$ 83,712	4.12%	$ 9,323,193	$ 88,472	3.80%
Mortgage servicing rights[2]	1,921,462	53,222	11.08%	1,925,372	51,159	10.63%
Agency derivatives[3]	21,463	74	1.38%	26,096	153	2.35%
TBAs[4]	4,066,675	36,852	3.62%	5,762,726	56,776	3.94%
Total portfolio	$ 14,127,869	$ 173,860	4.92%	$ 17,037,387	$ 196,560	4.61%
Financing Collateral Type	Average Outstanding Balance	Expense[5]	Average Cost	Average Outstanding Balance	Expense[5]	Average Cost
Available-for-sale securities	$ 7,664,204	$ 68,627	3.58%	$ 8,951,012	$ 51,769	2.31%
Mortgage servicing rights and advances	1,917,069	36,938	7.71%	1,718,842	26,579	6.19%
Agency derivatives[3]	14,618	155	4.24%	21,601	125	2.31%
Other - unsecured[6]	282,363	4,892	6.93%	281,961	4,877	6.92%
Interest rate swaps[7]		—	—%		(178)	—%
U.S. Treasury futures[8]		6,408	0.18%		16,643	0.40%
TBAs[4]	4,066,675	20,659	2.03%	5,762,726	18,944	1.31%
Total financing	$ 13,944,929	$ 137,679	3.95%	$ 16,736,142	$ 118,759	2.84%
Net Spread			**0.97%**			**1.77%**

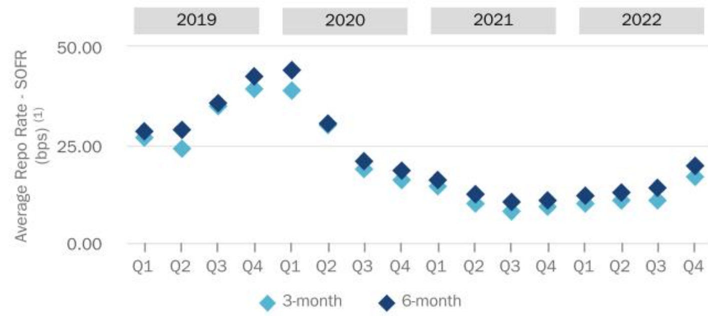
Strong Balance Sheet and Liquidity Position

BALANCE SHEET AS OF DECEMBER 31, 2022



AGENCY RMBS

- $8.2 billion of outstanding repurchase agreements with 20 counterparties
- Weighted average days to maturity of 48 days



MORTGAGE SERVICING RIGHTS

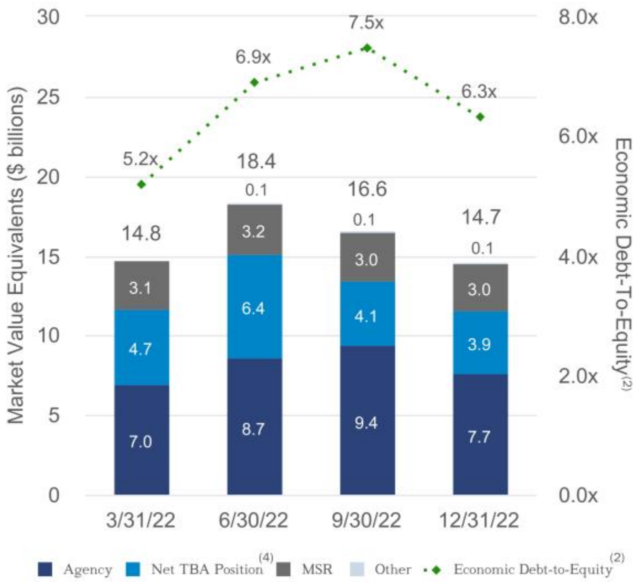
- $1.4 billion of outstanding borrowings under bilateral MSR asset financing facilities
- $400 million of outstanding 5-year MSR term notes(2)
- $402 million of unused, uncommitted MSR asset financing capacity
- $294 million of unused, committed MSR asset financing capacity
- $24 million outstanding borrowings and $176 million of unused, committed capacity for servicing advance receivables

Quarterly Activity and Portfolio Composition

PORTFOLIO COMPOSITION(1)

At December 31, 2022, $14.7 billion portfolio

Includes $10.8 billion settled positions



LEVERAGE

- Mortgage spread tightening resulted in lower portfolio leverage: shifted from "overweight" to a more "neutral" position
  - Quarter-end economic debt-to-equity declined to 6.3x from 7.5x due to an increase in book value concurrent with a decline in our Agency RMBS and TBA position(2)
  - Average economic debt-to-equity of 6.5x in the fourth quarter, compared to 6.8x in the third quarter(2)

PORTFOLIO ACTIVITY

- Reduced RMBS specified pool exposure by $1.8 billion(3) and TBAs by $0.2 billion(4)
  - Decreased balances partially attributed to the repurchase of 2.96 million shares of preferred stock(5)
  - Continued to rotate up-in-coupon in specified pools, with net additions to exposure in 4.5-6% coupons versus 3.5-4% coupons
  - Added long position in TBA 5% and 6% coupons to capture attractive relative value opportunity
- Settled $2.7 billion UPB in MSR recapture and flow sale purchases

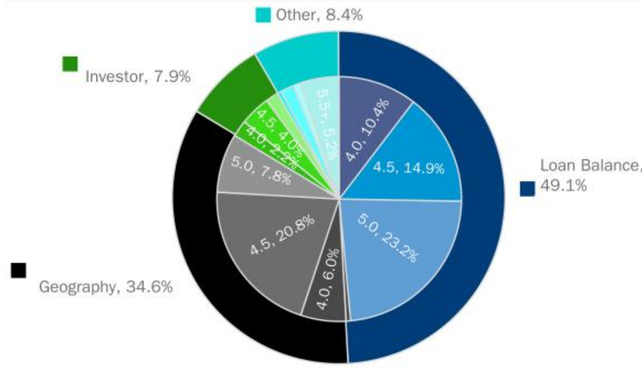
Specified Pools

TWO HARBORS Investment Corp.

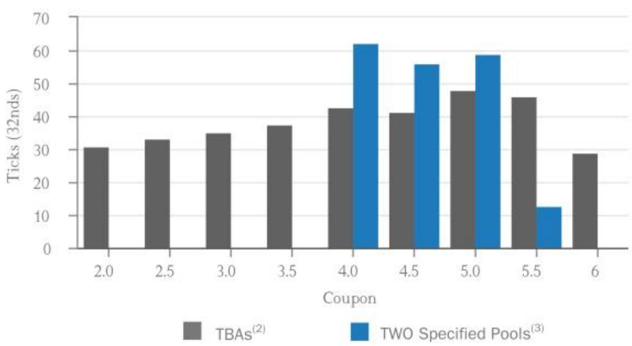
QUARTERLY HIGHLIGHTS

- Mortgages reversed much of the widening experienced during the third and early part of the fourth quarter
  - Majority of portfolio allocated to 4.0% to 5.0% coupon specified pools, which were the best performers on the stack
- Specified pools outperformed TBA by 10 to 20 ticks
  - Worsening TBA deliverable due to high conforming loan limits improved relative value
  - Longer spread durations in specified pools benefited payups as spreads tightened
- Weighted average specified pool portfolio speeds declined 35.2%, to 5.9% in the fourth quarter, from 9.1% in the third quarter

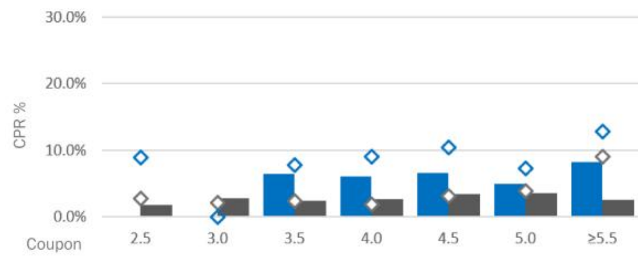
I. SPECIFIED POOL PORTFOLIO[1]



II. RMBS QUARTERLY PERFORMANCE



III. SPECIFIED POOL PREPAYMENT SPEEDS



Market Value[4] ($ billions)	$—	$—	$—	$1.4	$3.0	$2.4	$0.4

TBAs (Q4-2022)[5]
TWO Specified Pools (Q4-2022)
TBAs (Q3-2022)[5]
TWO Specified Pools (Q3-2022)

Mortgage Servicing Rights

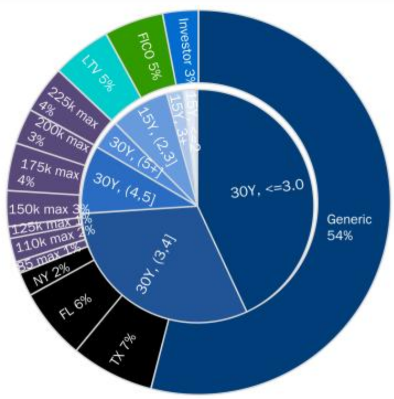
QUARTERLY HIGHLIGHTS

- $166 billion UPB of conventional MSR offered in the fourth quarter, bringing the 2022 full year total to just over $600 billion, a record annual amount
- Flow channel purchases and recaptured MSR of $2.7 billion offset much of the portfolio runoff experienced during the quarter
- MSR price multiple stable at 5.5x
- MSR speeds declined by 33.3%, to 4.6% from 6.9% in the third quarter
- Executed three MSR transfers totaling approximately 133,000 loans from our subservicing network to RoundPoint Mortgage Servicing Corporation

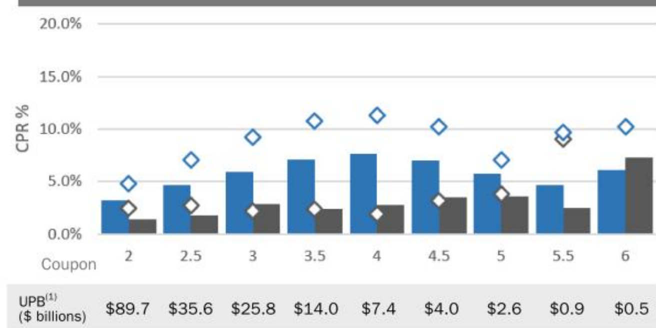
I. MSR PORTFOLIO CHARACTERISTICS[1]

	12/31/2022	9/30/2022
Fair value ($ millions)	$ 2,985	$ 3,022
Price multiple	5.5x	5.5x
UPB ($ millions)	$ 206,143	$ 208,229
Gross coupon rate	3.27%	3.24%
Current loan size ($ thousands)	$ 334	$ 336
Original FICO[2]	760	760
Original Loan-to-Value (LTV)	72%	72%
60+ day delinquencies	0.7%	0.7%
Net servicing fee (bps)	26.5	26.4
Loan age (months)	33	30
3-month CPR	4.6%	6.9%

II. MSR PORTFOLIO[3]



III. 30-YEAR MSR PREPAYMENT SPEEDS



Return Potential and Outlook

HISTORICALLY WIDE MORTGAGE SPREADS OFFER ATTRACTIVE OPPORTUNITIES BUT RISKS REMAIN

PROSPECTIVE MARKET RETURNS As of December 31, 2022	INVESTED CAPITAL ALLOCATED[1]	PORTFOLIO MARKET VALUE ($ millions)	STATIC MARKET RETURN ESTIMATE[2]
RMBS + MSR			
MSR		2,985	
TBA[3]		1,867	
Hedged MSR	**53%**	**4,852**	**14% - 16%**
RMBS + RATES			
Pools		7,273	
TBA[3]		2,042	
Other Securities		549	
Hedged Securities	**47%**	**9,864**	**14% - 15%**

PROSPECTIVE TWO HARBORS RETURNS As of December 31, 2022		INVESTED CAPITAL ($ millions)	STATIC TWO HARBORS RETURN ESTIMATE[4]
Total Portfolio Before Expenses			**13.9% - 15.3%**
Operating and Tax Expenses[5]			(3.2)% - (3.2)%
Total Portfolio After Expenses			**10.7% - 12.1%**
INVESTED CAPITAL			
Convertible Notes		288	6.2%
Preferred Equity		652	7.6%
Common Equity		**1,531**	**12.9 % - 15.1%**
PROSPECTIVE QUARTERLY STATIC RETURN PER BASIC COMMON SHARE[6]:			**$0.57 - $0.67**

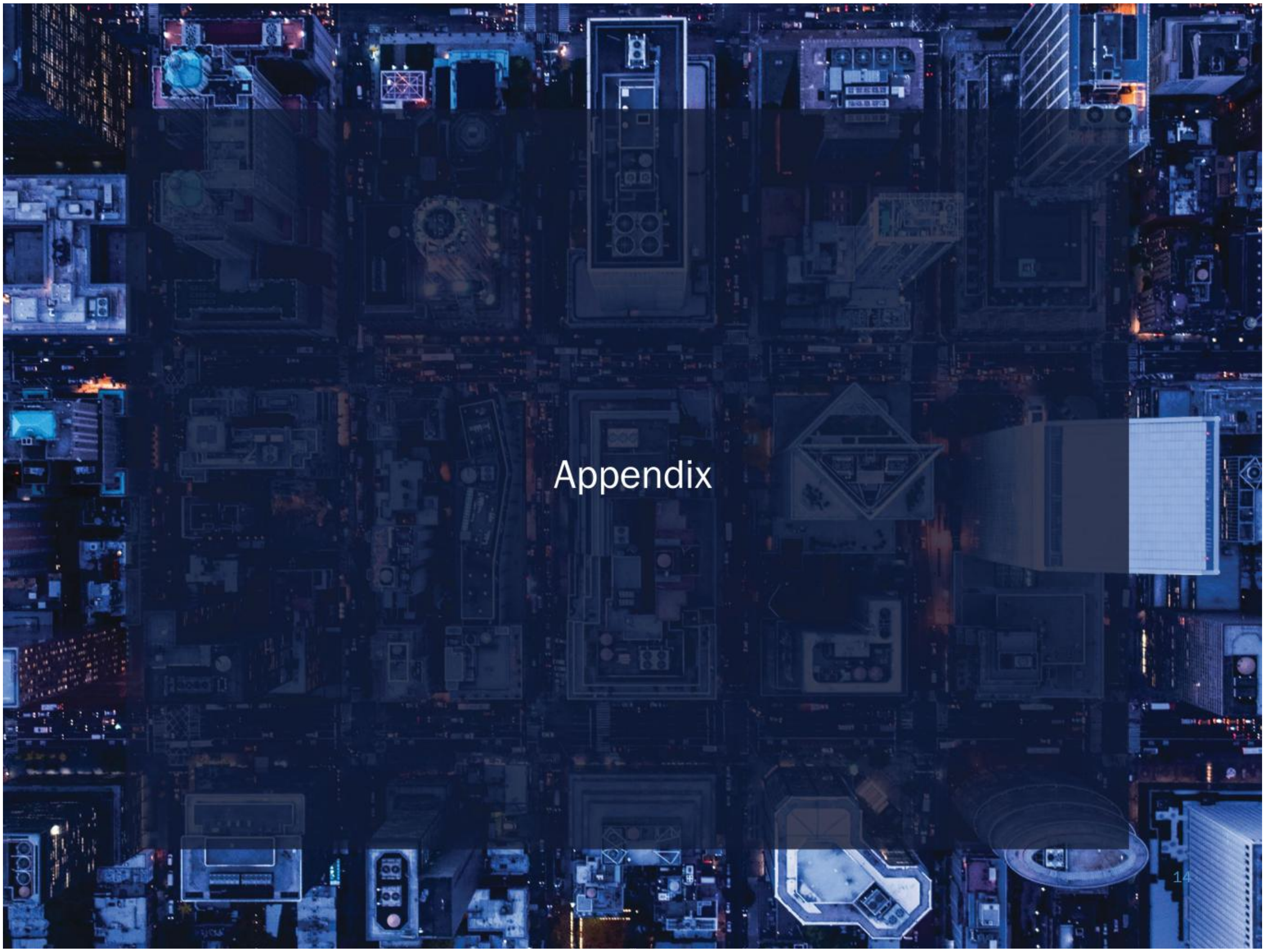
PROSPECTIVE MARKET RETURNS

- Market return estimates reflect static assumptions using quarter-end spreads and market data
- Both hedged MSR and RMBS offer gross return potential in the mid-teens

PROSPECTIVE TWO HARBORS RETURNS

- After including the effects of expenses, convertible notes and preferred equity, our prospective static return estimates are 12.9% - 15.1% on common equity
- Changes in market prices can cause realized returns to differ from these static estimates, sometimes meaningfully

Note: This slide presents estimates for illustrative purposes only, using Two Harbors' base case assumptions (e.g., spreads, prepayment speeds, financing costs and expenses), and does not contemplate market-driven value changes, active portfolio management, nonrecurring expenses or future impacts from the acquisition of RoundPoint. Actual results may differ materially.


Appendix
14

Effective Coupon Positioning

Coupon (%)	TBA Market Price[1]	TBA Notional ($m)	Specified Pools Par Value ($m)[2]	MSR/Agency IO UPB ($m)[3]	Combined ($m)
2.0%	$ 81.78	$ (600)	$ —	$ —	$ (600)
2.5%	$ 84.97	$ —	$ —	$ —	$ —
3.0%	$ 88.04	$ —	$ —	$ —	$ —
3.5%	$ 91.10	$ —	$ —	$ —	$ —
4.0%	$ 94.03	$ (400)	$ 1,460	$ —	$ 1,060
4.5%	$ 96.52	$ 1,188	$ 3,087	$ —	$ 4,275
5.0%	$ 98.70	$ 2,425	$ 2,440	$ (803)	$ 4,062
5.5%	$ 100.39	$ 641	$ 207	$ (1,085)	$ (237)
6.0%	$ 101.64	$ 572	$ 195	$ —	$ 767
Total		**$ 3,826**	**$ 7,389**	**$ (1,888)**	**$ 9,327**

Risk Positioning

TWO HARBORS Investment Corp.

BOOK VALUE EXPOSURE TO CHANGES IN RATES

			% Change in Common Book Value			
2-Year Rate (basis points)	**10-Year Rate (basis points)**		**Agency P&I RMBS/TBA**	**MSR/Agency IO RMBS(1)**	**Other(2)**	**Combined**
-25	0	Bull Steepener(3)	3.3 %	0.5 %	(3.9)%	(0.1)%
0	-25	Bull Flattener(4)	5.0 %	(2.2)%	(3.8)%	(1.0)%
-25	-25	Parallel Shift(5)	8.3 %	(1.7)%	(7.7)%	(1.1)%
0	0	Base	— %	— %	— %	— %
+25	+25	Parallel Shift(5)	(8.9)%	1.4 %	7.6 %	0.1 %
+25	0	Bear Flattener(3)	(3.2)%	(0.2)%	3.8 %	0.4 %
0	+25	Bear Steepener(4)	(5.7)%	1.5 %	3.8 %	(0.4)%

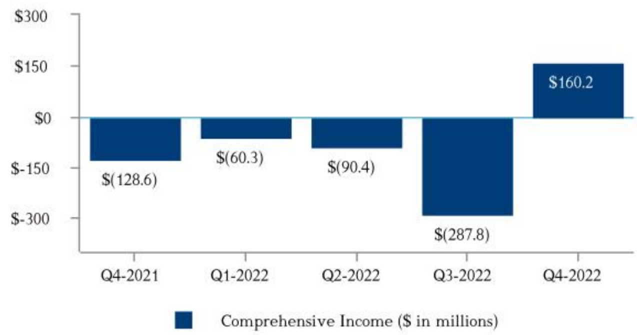
BOOK VALUE EXPOSURE TO CURRENT COUPON SPREAD(6)

	% Change in Common Book Value		
Parallel Shift in Spreads (basis points)	**Agency P&I RMBS/TBA**	**MSR/Agency IO RMBS(1)**	**Combined**
-25	6.9 %	(1.4)%	5.5 %
0	— %	— %	— %
+25	(7.4)%	1.2 %	(6.2)%

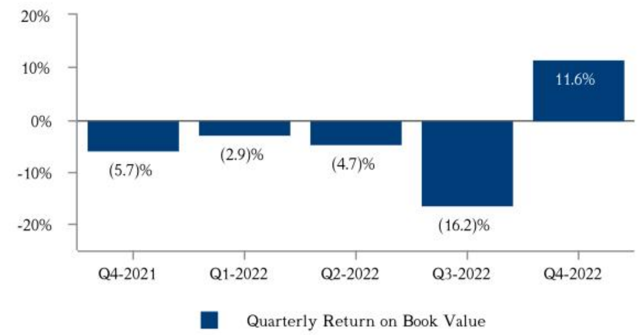
Note: Sensitivity data as of December 31, 2022. The above scenarios are provided for illustration purposes only and is not necessarily indicative of Two Harbors' financial condition and operating results, nor are they necessarily indicative of the financial condition or results of operations that may be expected for any future period or date.

Financial Performance

COMPREHENSIVE (LOSS) INCOME



QUARTERLY ECONOMIC RETURN ON BOOK VALUE[1]



DIVIDEND YIELD[2]

BOOK VALUE AND DIVIDEND PER COMMON SHARE[2]

Q4-2022 Operating Performance

($ millions, except for per common share data)	Q4-2022 Earnings Available for Distribution[1]	Q4-2022 Realized Gains (Losses)	Q4-2022 Unrealized MTM	Q4-2022 Total
Interest income	$ 99.3	$ —	$ —	$ 99.3
Interest expense	115.6	—	—	115.6
Net interest income	(16.3)	—	—	(16.3)
Loss on investment securities	—	(341.0)	(6.4)	(347.4)
Servicing income	160.9	—	—	160.9
(Loss) gain on servicing asset	(83.2)	3.3	15.8	(64.1)
Gain on interest rate swap and swaption agreements	—	—	—	—
Gain (loss) on other derivative instruments	9.9	119.6	(76.2)	53.3
Other income	—	0.1	—	0.1
Total other income (loss)	87.6	(218.0)	(66.8)	(197.2)
Servicing expenses	24.6	0.7	—	25.3
Operating expenses	10.4	12.5	—	22.9
Total expenses	35.0	13.2	—	48.2
Income (loss) before income taxes	36.3	(231.2)	(66.8)	(261.7)
Provision for (benefit from) income taxes	1.7	(2.6)	9.4	8.5
Net income (loss)	**34.6**	**(228.6)**	**(76.2)**	**(270.2)**
Dividends on preferred stock	(12.4)	—	—	(12.4)
Gain on repurchase and retirement of preferred stock	—	20.1	—	20.1
Net income (loss) attributable to common stockholders	**$ 22.2**	**$ (208.5)**	**$ (76.2)**	**$ (262.5)**
Earnings (loss) per weighted average basic common share	$ 0.26	$ (2.42)	$ (0.88)	$ (3.04)

Q3-2022 Operating Performance

TWO HARBORS Investment Corp.

($ millions, except for per common share data)	Q3-2022 Earnings Available for Distribution[1]	Realized Gains (Losses)	Unrealized MTM	Total
Interest income	$ 94.4	$ —	$ —	$ 94.4
Interest expense	83.4	—	—	83.4
Net interest income	11.0	—	—	11.0
Gain (loss) on investment securities	—	16.9	(23.3)	(6.4)
Servicing income	148.8	—	—	148.8
(Loss) gain on servicing asset	(75.6)	76.8	(8.0)	(6.8)
Gain (loss) on interest rate swap and swaption agreements	0.2	(146.8)	181.4	34.8
Gain (loss) on other derivative instruments	21.4	194.4	(56.7)	159.1
Other income	—	—	—	—
Total other income	94.8	141.3	93.4	329.5
Servicing expenses	22.2	(1.1)	—	21.1
Operating expenses	13.4	7.4	—	20.8
Total expenses	35.6	6.3	—	41.9
Income before income taxes	70.2	135.0	93.4	298.6
Provision for income taxes	1.3	4.0	15.7	21.0
Net income	**68.9**	**131.0**	**77.7**	**277.6**
Dividends on preferred stock	(13.7)	—	—	(13.7)
Net income attributable to common stockholders	**$ 55.2**	**$ 131.0**	**$ 77.7**	**$ 263.9**
Earnings per weighted average basic common share	$ 0.64	$ 1.50	$ 0.90	$ 3.04

GAAP to EAD Reconciliation

Reconciliation of GAAP to non-GAAP Information ($ thousands, except for per common share data)	Three Months Ended December 31, 2022	Three Months Ended September 30, 2022
Comprehensive income (loss) attributable to common stockholders	**$ 160,233**	**$ (287,808)**
Adjustment for other comprehensive (income) loss attributable to common stockholders:		
Unrealized (gain) loss on available-for-sale securities	(422,672)	551,673
Net (loss) income attributable to common stockholders	**$ (262,439)**	**$ 263,865**
Adjustments to exclude reported realized and unrealized (gains) losses:		
Realized loss (gain) on securities	341,316	(18,265)
Unrealized loss on securities	6,453	23,294
(Reversal of) provision for credit losses	(318)	1,397
Realized and unrealized loss on mortgage servicing rights	64,084	6,720
Realized loss on termination or expiration of interest rate swaps and swaptions	—	146,750
Unrealized gain on interest rate swaps and swaptions	—	(181,378)
Realized and unrealized gain on other derivative instruments	(53,226)	(158,891)
Gain on repurchase and retirement of preferred stock	(20,149)	—
Other realized and unrealized gains	(112)	—
Other adjustments:		
MSR amortization[1]	(83,190)	(75,585)
TBA dollar roll income[2]	16,193	37,832
U.S. Treasury futures income[3]	(6,408)	(16,643)
Change in servicing reserves	713	(1,005)
Non-cash equity compensation expense	1,653	2,355
Other nonrecurring expenses	10,836	5,029
Net provision for income taxes on non-Core Earnings	6,803	19,698
Earnings available for distribution to common stockholders	$ 22,209	$ 55,173
Weighted average basic common shares	86,391,405	86,252,104
Earnings available for distribution to common stockholders per weighted average basic common share	$ 0.26	$ 0.64

Note: Earnings Available for Distribution, or EAD, is a non-GAAP measure that we define as comprehensive income (loss) attributable to common stockholders, excluding realized and unrealized gains and losses on the aggregate portfolio, gains and losses on repurchases of preferred stock, provision for (reversal of) credit losses, reserve expense for representation and warranty obligations on MSR, non-cash compensation expense related to restricted common stock, and other nonrecurring expenses. As defined, EAD includes net interest income, accrual and settlement of interest on derivatives, dollar roll income on TBAs, U.S. Treasury futures income, servicing income, net of estimated amortization on MSR and recurring cash related operating expenses. EAD provides supplemental information to assist investors in analyzing the Company's results of operations and helps facilitate comparisons to industry peers. EAD is one of several measures our board of directors considers to determine the amount of dividends to declare on our common stock and should not be considered an indication of our taxable income or as a proxy for the amount of dividends we may declare.

GAAP to Income Excluding Market-Driven Value Changes Reconciliation

TWO HARBORS Investment Corp.

Reconciliation of GAAP to non-GAAP Information ($ thousands, except for per common share data)		Three Months Ended December 31, 2022
Comprehensive income (loss) attributable to common stockholders	**$**	**160,233**
Adjustments to exclude market-driven value changes and nonrecurring operating expenses:		
RMBS market-driven value changes[1]		(62,660)
MSR market-driven value changes[2]		12,989
Realized and unrealized gains on TBAs, excluding TBA dollar roll income[3]		(32,040)
Realized and unrealized gains on futures, excluding futures income[4]		(11,001)
Other nonrecurring expenses		10,836
Gain on repurchase and retirement of preferred stock		(20,149)
Net provision for income taxes associated with market-driven value changes		4,498
Income Excluding Market-Driven Value Changes	$	62,706
Weighted average basic common shares		86,391,405
Income Excluding Market-Driven Value Changes per weighted average basic common share	$	0.73

Note: Income Excluding Market-Driven Value Changes is a non-GAAP measure defined as total comprehensive income attributable to common stockholders, excluding market-driven value changes on the aggregate portfolio, provision for income taxes associated with market-driven value changes, nonrecurring operating expenses and gain on the repurchase and retirement of preferred stock. As defined, Income Excluding Market-Driven Value Changes includes the realization of portfolio cash flows which incorporates actual prepayments, changes in portfolio accrued interest, servicing income and servicing expenses, and price changes. Price changes are measured daily based on the assumption that spreads, interest rates and volatility factored into the previous day ending fair value are unchanged. This applies to RMBS, MSR and derivatives, as applicable, and is net of all recurring operating expenses and provision for income taxes associated with Income Excluding Market-Driven Value Changes. Income Excluding Market-Driven Value Changes provides supplemental information to assist investors in analyzing the company's results of operations and helps facilitate comparisons to industry peers. Income Excluding Market-Driven Value Changes is one of several measures the company's board of directors considers to determine the amount of dividends to declare on the company's common stock and should not be considered an indication of taxable income or as a proxy for the amount of dividends the company may declare.

Agency RMBS Portfolio

	Par Value ($ millions)	Market Value ($ millions)	Weighted Average CPR[1]	% Prepay Protected[2]	Amortized Cost Basis ($ millions)	Gross Weighted Average Coupon	Weighted Average Age (Months)
30-Year Fixed							
4.0%	1,460	1,382	3.9 %	100.0 %	1,474	4.6 %	20
4.5%	3,087	3,006	5.9 %	100.0 %	3,153	5.2 %	25
5.0%	2,440	2,431	6.5 %	100.0 %	2,506	5.7 %	10
≥ 5.5%	412	420	3.9 %	98.8 %	424	6.5 %	36
	7,399	7,239	5.6 %	99.9 %	7,557	5.3 %	19
Other P&I[3]	383	379	1.3 %	88.5 %	380	5.4 %	30
IOs and IIOs[4]	1,160	51	8.2 %	— %	67	5.5 %	165
Total Agency RMBS	$ 8,942	$ 7,669		98.7 %	$ 8,004		

	Notional Amount ($ millions)	Bond Equivalent Value ($ millions)[5]	Through-the-Box Speeds[6]
TBA Positions			
2.5% & below	$ (600)	$ (492)	2.7 %
3.0%	—	—	2.2 %
3.5%	—	—	2.4 %
4.0%	(400)	(376)	1.9 %
4.5%	1,188	1,149	3.2 %
5.0%	2,425	2,394	3.8 %
≥ 5.5%	1,213	1,225	9.0 %
Net TBA Position	$ 3,826	$ 3,900	

Mortgage Servicing Rights Portfolio[1]

	Number of Loans	Unpaid Principal Balance ($ millions)	Gross Coupon Rate	Current Loan Size ($ thousands)	Loan Age (months)	Original FICO[2]	Original LTV	60+ Day Delinquencies	3-Month CPR	Net Servicing Fee (bps)
30-Year Fixed										
≤ 3.25%	299,221	$ 96,929	2.8%	$ 382	23	768	71%	0.4%	3.3%	25.8
3.25% - 3.75%	140,499	36,531	3.4%	327	38	754	74%	0.8%	5.0%	26.3
3.75% - 4.25%	108,214	22,603	3.9%	272	61	751	76%	1.3%	6.3%	27.3
4.25% - 4.75%	60,343	10,753	4.4%	249	63	736	77%	2.4%	7.8%	26.4
4.75% - 5.25%	31,694	5,736	4.9%	285	44	732	79%	2.9%	7.0%	28.2
> 5.25%	31,046	7,270	5.9%	343	15	736	81%	1.4%	6.4%	33.5
	671,017	179,822	3.4%	344	34	758	73%	0.8%	4.5%	26.5
15-Year Fixed										
≤ 2.25%	23,157	6,522	2.0%	330	20	777	59%	0.1%	3.0%	25.2
2.25% - 2.75%	38,830	8,782	2.4%	277	24	772	59%	0.2%	4.2%	25.9
2.75% - 3.25%	36,300	5,297	2.9%	202	53	766	61%	0.3%	6.6%	26.2
3.25% - 3.75%	21,402	2,307	3.4%	159	65	757	64%	0.6%	8.3%	26.9
3.75% - 4.25%	10,044	910	3.9%	146	61	742	65%	0.8%	9.0%	28.6
> 4.25%	5,648	575	4.7%	193	34	734	66%	1.3%	10.0%	33.5
	135,381	24,393	2.6%	257	35	769	60%	0.3%	5.1%	26.2
Total ARMs	2,627	662	3.6%	330	56	761	68%	1.0%	13.6%	25.5
Total Portfolio	809,025	$ 204,877	3.3%	$ 334	34	760	72%	0.8%	4.6%	26.5

Mortgage Servicing Rights UPB Roll-Forward

$ millions	Q4-2022	Q3-2022	Q2-2022	Q1-2022	Q4-2021
UPB at beginning of period	$ 206,614	$ 227,074	$ 229,416	$ 193,771	$ 194,394
Bulk purchases of mortgage servicing rights	—	—	—	37,197	3,214
Flow purchases of mortgage servicing rights	2,678	4,449	5,720	7,940	10,349
Sales of mortgage servicing rights	—	(19,807)	—	—	9
Scheduled payments	(1,538)	(1,565)	(1,697)	(1,573)	(1,442)
Prepaid	(2,440)	(3,709)	(6,027)	(8,250)	(11,967)
Other changes	(437)	172	(338)	331	(786)
UPB at end of period	$ 204,877	$ 206,614	$ 227,074	$ 229,416	$ 193,771

Financing

TWO HARBORS Investment Corp.

$ millions

Outstanding Borrowings and Maturities[1]	Repurchase Agreements	Revolving Credit Facilities	Term Notes Payable	Convertible Notes	Total Outstanding Borrowings	Percent (%)
Within 30 days	$ 2,691.2	$ —	$ —	$ —	$ 2,691.2	25.9 %
30 to 59 days	2,160.7	—	—	—	2,160.7	20.8 %
60 to 89 days	2,536.6	—	—	—	2,536.6	24.4 %
90 to 119 days	905.5	—	—	—	905.5	8.7 %
120 to 364 days	309.0	200.0	—	—	509.0	4.9 %
One to three years	—	918.8	398.0	—	1,316.8	12.6 %
Three to five years	—	—	—	282.5	282.5	2.7 %
	$ 8,603.0	$ 1,118.8	$ 398.0	$ 282.5	$ 10,402.3	100.0 %

Collateral Pledged for Borrowings	Repurchase Agreements[2]	Revolving Credit Facilities[2]	Term Notes Payable	Convertible Notes	Total Collateral Pledged	Percent (%)
Available-for-sale securities, at fair value	$ 7,427.0	$ —	$ —	n/a	$ 7,427.0	63.5 %
Mortgage servicing rights, at fair value	667.2	1,790.8	500.0	n/a	2,958.0	25.3 %
Restricted cash	324.7	—	0.2	n/a	324.9	2.8 %
Due from counterparties	22.1	—	—	n/a	22.1	0.2 %
Derivative assets, at fair value	14.7	—	—	n/a	14.7	0.1 %
Other assets (includes servicing advances)	—	67.8	—	n/a	67.8	0.6 %
U.S. Treasuries[3]	877.6	—	—	n/a	877.6	7.5 %
	$ 9,333.3	$ 1,858.6	$ 500.2	n/a	$ 11,692.1	100.0 %

Futures

Type & Maturity	Notional Amount ($M)	Carrying Value ($M)[1]	Weighted Average Days to Expiration
U.S. Treasury futures - 2 year	$ (562)	$ —	95
U.S. Treasury futures - 5 year	(3,856)	—	95
U.S. Treasury futures - 10 year	(2,397)	—	90
U.S. Treasury futures - 20 year	101	—	90
Federal Funds futures - 30 day	(7,949)	—	92
Eurodollar futures - 3 month			
< 1 year	(2,957)	—	184
> 1 and < 2 years	(666)	—	489
Total futures	$ (18,286)	$ —	122

Tax Characterization of Dividends in 2022

TWO HARBORS Investment Corp.

FULL YEAR 2022 DISTRIBUTIONS SUMMARY

- Generated REIT taxable income, before dividend distributions and net operating loss deductions, of $625.7 million in 2022
- 2022 distributions for tax purposes totaled $289.1 million
  - $289.1 million consists of distributions to common shares of $234.1 million and distributions to preferred shares of $55.0 million
  - Q4 2021 common stock distribution payable to shareholders on January 28, 2022 with a record date of December 29, 2021 is treated as a 2022 distribution for tax purposes
  - Q4 2022 common stock distribution payable to shareholders on January 27, 2023 with a record date of January 5, 2023 is treated as a 2023 distribution for tax purposes
  - No convertible note deemed distributions occurred in 2022
- Utilized net operating loss carryover of $336.6 million
- No carryover obligation for 2023
- 2022 common distributions are characterized for tax purposes as 100% ordinary dividends
- 2022 preferred distributions are characterized for tax purposes as 100% ordinary dividends

End Notes

PAGE 3 - Financials Overview

1. Includes $10.8 billion in settled positions and $3.9 billion net TBA position, which represents the bond equivalent value of the company's TBA position. Bond equivalent value is defined as notional amount multiplied by market price. Accounted for as derivative instruments in accordance with GAAP. For additional detail on the portfolio, see slide 10 and Appendix slides 22 and 23.
2. Economic return on book value is defined as the increase (decrease) in book value per common share from the beginning to the end of the given period, plus dividends declared in the period, divided by book value as of the beginning of the period.
3. Economic debt-to-equity is defined as total borrowings to fund RMBS, MSR and Agency Derivatives, plus the implied debt on net TBA cost basis and net payable (receivable) for unsettled RMBS, divided by total equity. Effective as of December 31, 2022, net payable (receivable) on unsettled RMBS is now included in the calculation for economic debt-to-equity. Prior period metrics have been updated to conform to the current period methodology.
4. Income Excluding Market-Driven Value Changes is a non-GAAP measure. Please Appendix slide 21 for a definition of Income Excluding Market-Driven Value Changes and a reconciliation of GAAP to non-GAAP financial information.
5. Earnings Available for Distribution, or EAD, is a non-GAAP measure. Please see Appendix slide 20 for a definition of Earnings Available for Distribution and a reconciliation of GAAP to non-GAAP financial information.

PAGE 4 - Key Market Highlights

1. Represents generic MBS Index performance during the quarter. Data as of December 30, 2022.
2. Represents universal mortgage-backed securities (UMBS) TBA spreads as of the dates noted.
3. Source: J.P. Morgan DataQuery. Data as of December 30, 2022.

PAGE 5 - Book Value Summary

1. Earnings Available for Distribution, or EAD, is a non-GAAP measure. Please see Appendix slide 20 for a definition of Earnings Available for Distribution and a reconciliation of GAAP to non-GAAP financial information.
2. Economic return on book value is defined as the increase (decrease) in book value per common share from the beginning to the end of the given period, plus dividends declared in the period, divided by book value as of the beginning of the period.
3. Includes 428,549 Series A, 786,846 Series B and 1,742,555 Series C preferred shares.

PAGE 6 - Results and Return Contributions

1. Income Excluding Market-Driven Value Changes is a non-GAAP measure. Please Appendix slide 21 for a definition of Income Excluding Market-Driven Value Changes and a reconciliation of GAAP to non-GAAP financial information.
2. RMBS includes inverse interest-only Agency RMBS which are accounted for as derivative instruments in accordance with GAAP.

End Notes (continued)

PAGE 7 - Earnings Available for Distribution

1. MSR 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, which is deemed a non-GAAP measure due to the company's decision to account for MSR at fair value.
2. TBA dollar roll income is the economic equivalent to holding and financing Agency RMBS using short-term repurchase agreements.
3. U.S. Treasury futures income is the economic equivalent to holding and financing a relevant cheapest-to-deliver U.S. Treasury note or bond using short-term repurchase agreements.
4. Earnings Available for Distribution, or EAD, is a non-GAAP measure. Please see Appendix slide 20 for a definition of Earnings Available for Distribution and a reconciliation of GAAP to non-GAAP financial information.
5. Agency fixed-rate RMBS use the GAAP concept of amortized cost and yield-to-maturity determined at time of purchase. Net servicing income and MSR amortization is based on original pricing yield and does not include the benefit of increased float income and lower compensating interest. Financing costs are largely variable and short-term, responding more quickly to rising rates than our longer term assets. U.S. Treasury futures income represents the sum of the implied net cash and expected change in price of a financed U.S. Treasury security, but excludes unexpected price change.

PAGE 8 - Portfolio Yields and Financing Costs

1. Includes interest income, net of premium amortization/discount accretion, on available-for-sale securities and Agency Derivatives, servicing income, net of estimated amortization and servicing expenses, on MSR, and the implied asset yield portion of dollar roll income on TBAs. Amortization on MSR refers to the portion of change in fair value of MSR primarily attributed to the realization of expected cash flows (runoff) of the portfolio, which is deemed a non-GAAP measure due to the company's decision to account for MSR at fair value. TBA dollar roll income is the non-GAAP economic equivalent to holding and financing Agency RMBS using short-term repurchase agreements.
2. Amortized cost on MSR for a given period equals the net present value of the remaining future cash flows (obtained by applying original prepayment assumptions to the actual unpaid principal balance at the start of the period) using a discount rate equal to the original pricing yield. Original pricing yield is the discount rate which makes the net present value of the cash flows projected at purchase equal to the purchase price. MSR amortized cost is deemed a non-GAAP measure due to the company's decision to account for MSR at fair value.
3. Represents inverse interest-only Agency RMBS which are accounted for as derivative instruments in accordance with GAAP.
4. Both the implied asset yield and implied financing benefit/cost of dollar roll income on TBAs are calculated using the average cost basis of TBAs as the denominator. TBA dollar roll income is the non-GAAP economic equivalent to holding and financing Agency RMBS using short-term repurchase agreements. TBAs are accounted for as derivative instruments in accordance with GAAP.
5. Includes interest expense and amortization of deferred debt issuance costs on borrowings under repurchase agreements (excluding those collateralized by U.S. Treasuries), revolving credit facilities, term notes payable and convertible senior notes, interest spread income/expense and amortization of upfront payments made or received upon entering into interest rate swap agreements, and the implied financing benefit/cost portion of dollar roll income on TBAs. TBA dollar roll income is the non-GAAP economic equivalent to holding and financing Agency RMBS using short-term repurchase agreements.

PAGE 9 - Strong Balance Sheet and Liquidity Position

1. Source: Bloomberg. Represents the average spread between repurchase rates and the Secured Overnight Financing Rate (SOFR) over trailing 3-month and 6-month periods between Q1 2019 and Q4 2022 (as of December 31, 2022).
2. Balance of 5-year MSR term notes excludes deferred debt issuance costs.

End Notes (continued)

TWO HARBORS Investment Corp.

PAGE 10 - Quarterly Activity and Portfolio Composition

1. For additional detail on the portfolio, see Appendix slides 22 and 23.
2. Economic debt-to-equity is defined as total borrowings to fund RMBS, MSR and Agency Derivatives, plus the implied debt on net TBA cost basis and net payable (receivable) for unsettled RMBS, divided by total equity. Effective as of December 31, 2022, net payable (receivable) on unsettled RMBS is now included in the calculation for economic debt-to-equity. Prior period metrics have been updated to conform to the current period methodology.
3. Specified pools include securities with implicit or explicit prepayment protection including lower loan balances (securities collateralized by loans less than or equal to $200K of initial principal balance), higher LTVs (securities collateralized by loans with greater than or equal to 80% LTV), certain geographic concentrations, loans secured by investor-owned properties, and lower FICO scores, as well as securities without such protection, including large bank-serviced and others.
4. Net TBA position represents the bond equivalent value of the company's TBA position. Bond equivalent value is defined as notional amount multiplied by market price. Accounted for as derivative instruments in accordance with GAAP.
5. Includes 428,549 Series A, 786,846 Series B and 1,742,555 Series C preferred shares.

PAGE 11 - Specified Pools

1. Specified pools include securities with implicit or explicit prepayment protection including lower loan balances (securities collateralized by loans less than or equal to $200K of initial principal balance), higher LTVs (securities collateralized by loans with greater than or equal to 80% LTV), certain geographic concentrations, loans secured by investor-owned properties, and lower FICO scores, as well as securities without such protection, including large bank-serviced and others.
2. Represents UMBS generic TBA performance during the quarter.
3. Specified pool performance excludes certain coupons in which we were not invested for the full duration of the quarter.
4. Specified pool market value by coupon as of December 31, 2022.
5. Three month prepayment speeds of delivered TBA contracts; average of J.P. Morgan, Credit Suisse, and Citi data.

PAGE 12 - Mortgage Servicing Rights

1. MSR portfolio based on the loans underlying the MSR reported by subservicers on a month lag, adjusted for current month purchases. Portfolio metrics, other than fair value and UPB, represent averages weighted by UPB.
2. FICO represents a mortgage industry accepted credit score of a borrower.
3. MSR portfolio based on the loans underlying the MSR reported by subservicers on a month lag, adjusted for current month purchases and excluding unsettled MSR on loans for which the company is the named servicer.
4. Three month prepayment speeds of delivered TBA contracts; average of J.P. Morgan, Credit Suisse, and Citi data.

End Notes (continued)

PAGE 13 - Return Potential and Outlook

1. Capital allocated represents management's internal allocation. Certain financing balances and associated interest expenses are allocated between investments based on management's assessment of leverage ratios and required capital or liquidity to support the investment.
2. Market return estimates reflect static assumptions using quarter-end spreads and market data.
3. Net TBA position represents the bond equivalent value of the company's TBA position. Bond equivalent value is defined as notional amount multiplied by market price. Accounted for as derivative instruments in accordance with GAAP.
4. Estimated return on invested capital reflects static return assumptions using quarter end portfolio valuations.
5. Total expenses includes operating expenses and tax expense within the company's taxable REIT subsidiaries.
6. Prospective quarterly static return estimate per basic common share reflects portfolio performance expectations given current market conditions and represents the comprehensive income attributable to common stockholders (net of dividends on preferred stock).

PAGE 15 - Effective Coupon Positioning

1. Represents UMBS TBA market prices as of December 30, 2022.
2. Specified pools include securities with implicit or explicit prepayment protection including lower loan balances (securities collateralized by loans less than or equal to $200K of initial principal balance), higher LTVs (securities collateralized by loans with greater than or equal to 80% LTV), certain geographic concentrations, loans secured by investor-owned properties, and lower FICO scores, as well as securities without such protection, including large bank-serviced and others.
3. MSR/Agency IO represents an internally calculated exposure of a synthetic TBA position and the current coupon equivalents of our MSR, including the effect of unsettled MSR, and Agency IO RMBS.

PAGE 16 - Risk Positioning

1. MSR/Agency IO RMBS includes the effect of unsettled MSR.
2. Other includes all other derivative assets and liabilities and borrowings. Other excludes TBAs, which are included in the Agency P&I RMBS/TBA category.
3. Bull Steepener/Bear Flattener is a shift in short-term rates that represents estimated change in common book value for theoretical non-parallel shifts in the yield curve. Analysis uses a +/- 25 basis point shift in 2-year rates while holding long-term rates constant.
4. Bull Flattener/Bear Steepener is a shift in long-term rates that represents estimated change in common book value for theoretical non-parallel shifts in the yield curve. Analysis uses a +/- 25 basis point shift in 10-year rates while holding short-term rates constant.
5. Parallel shift represents estimated change in common book value for theoretical parallel shift in interest rates.
6. Book value exposure to current coupon represents estimated change in common book value for theoretical parallel shifts in spreads.

PAGE 17 - Financial Performance

1. Economic return on book value is defined as the increase (decrease) in book value per common share from the beginning to the end of the given period, plus dividends declared in the period, divided by the book value as of the beginning of the period.
2. Historical dividends may not be indicative of future dividend distributions. The company ultimately distributes dividends based on its taxable income per common share, not GAAP earnings. The annualized dividend yield on the company's common stock is calculated based on the closing price of the last trading day of the relevant quarter.

End Notes (continued)

PAGE 18 - Q4-2022 Operating Performance

1. Earnings Available for Distribution, or EAD, is a non-GAAP measure. Please see Appendix slide 20 for a definition of Earnings Available for Distribution and a reconciliation of GAAP to non-GAAP financial information.

PAGE 19 - Q3-2022 Operating Performance

1. Earnings Available for Distribution, or EAD, is a non-GAAP measure. Please see Appendix slide 20 for a definition of Earnings Available for Distribution and a reconciliation of GAAP to non-GAAP financial information.

PAGE 20 - GAAP to EAD Reconciliation

1. MSR 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, which is deemed a non-GAAP measure due to the company's decision to account for MSR at fair value.
2. TBA dollar roll income is the economic equivalent to holding and financing Agency RMBS using short-term repurchase agreements.
3. U.S. Treasury futures income is the economic equivalent to holding and financing a relevant cheapest-to-deliver U.S. Treasury note or bond using short-term repurchase agreements.

PAGE 21 - GAAP to Income Excluding Market-Driven Value Changes Reconciliation

1. RMBS market-driven value changes refers to the sum of interest income, realized and unrealized gains and losses on RMBS, less the sum of the realization of RMBS cash flows which incorporates actual prepayments, changes in RMBS accrued interest, and price changes. Price changes are measured daily based on the assumption that spreads, interest rates and volatility factored into the previous day ending fair value are unchanged. RMBS includes inverse interest-only Agency RMBS which are accounted for as derivative instruments in accordance with GAAP.
2. MSR market-driven value changes refers to the sum of servicing income, servicing expenses, realized and unrealized gains and losses on MSR, less the sum of the realization of MSR cash flows which incorporates actual prepayments, servicing income and servicing expenses, and price changes. Price changes are measured daily based on the assumption that spreads, interest rates and volatility factored into the previous day ending fair value are unchanged.
3. TBA dollar roll income is the economic equivalent to holding and financing Agency RMBS using short-term repurchase agreements.
4. Futures income is the economic equivalent to holding and financing a relevant cheapest-to-deliver note or bond using short-term repurchase agreements.

End Notes (continued)

PAGE 22 - Agency RMBS Portfolio

1. Weighted average actual 1 month CPR released at the beginning of the following month based on RMBS held as of the preceding month-end.
2. Determination of the percentage of prepay protected 30-year fixed Agency RMBS includes securities with implicit or explicit prepayment protection including lower loan balances (securities collateralized by loans less than or equal to $200K of initial principal balance), higher LTVs (securities collateralized by loans with greater than or equal to 80% LTV), certain geographic concentrations, loans secured by investor-owned properties, and lower FICO scores.
3. Other P&I includes 15-year fixed, Hybrid ARMs, CMO and DUS pools.
4. IOs and IIOs represent market value of $15.2 million of Agency Derivatives and $36.1 million of IOs.
5. Bond equivalent value is defined as the notional amount multiplied by market price. Accounted for as derivative instruments in accordance with GAAP.
6. Three month prepayment speeds of delivered TBA contracts; average of J.P. Morgan, Credit Suisse, and Citi data.

PAGE 23 - Mortgage Servicing Rights Portfolio

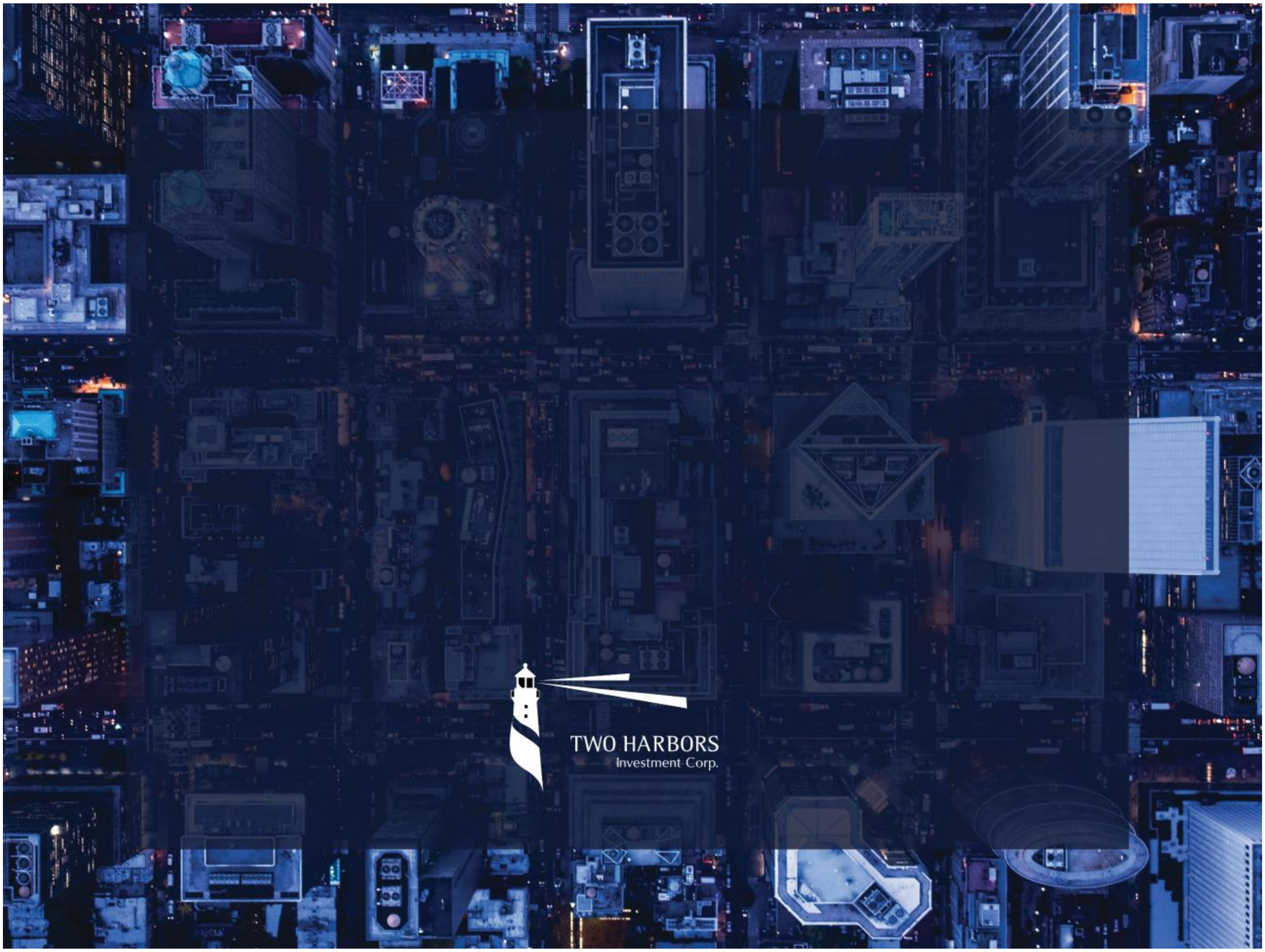
1. MSR portfolio excludes residential mortgage loans for which the company is the named servicing administrator. Portfolio metrics, other than fair value and UPB, represent averages weighted by UPB.
2. FICO represents a mortgage industry accepted credit score of a borrower.

PAGE 25 - Financing

1. Outstanding borrowings have a weighted average of 20.9 months to maturity.
2. Repurchase agreements and revolving credit facilities secured by MSR and/or other assets may be over-collateralized due to operational considerations.
3. U.S. Treasury securities effectively borrowed under reverse repurchase agreements.

PAGE 26 - Futures

1. Exchange-traded derivative instruments (futures and options on futures) require the posting of an “initial margin” amount determined by the clearing exchange, which is generally intended to be set at a level sufficient to protect the exchange from the derivative instrument’s maximum estimated single-day price movement. The company also exchanges “variation margin” based upon daily changes in fair value, as measured by the exchange. The exchange of variation margin is considered a settlement of the derivative instrument, as opposed to pledged collateral. Accordingly, the receipt or payment of variation margin is accounted for as a direct reduction to the carrying value of the exchange-traded derivative asset or liability.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