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: April 29, 2024

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 April 29, 2024, Two Harbors Investment Corp. issued a press release announcing its financial results for the fiscal quarter ended March 31, 2024. A copy of the press release and the 2024 First 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 April 29, 2024.
99.2	2024 First 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: April 29, 2024

Two Harbors Investment Corp. Reports First Quarter 2024 Financial Results

Positioned for Higher-for-Longer Rates with Growing MSR Portfolio and Operational Platform

NEW YORK, April 29, 2024 - Two Harbors Investment Corp. (NYSE: TWO), an MSR + Agency RMBS real estate investment trust (REIT), today announced its financial results for the quarter ended March 31, 2024.

Quarterly Summary

- Reported book value of $15.64 per common share, and declared a first quarter common stock dividend of $0.45 per share, representing a 5.8% quarterly economic return on book value.(1)
- Generated Comprehensive Income of $89.4 million, or $0.85 per weighted average basic common share.
- Repurchased 485,609 shares of preferred stock, lowering the ratio of preferred stock to total equity.(2)
- Settled $3.1 billion unpaid principal balance (UPB) of MSR through a bulk purchase and flow-sale acquisitions.

"Stronger than expected economic data and sticky inflation readings pushed interest rates higher in the quarter, though the consensus view remains that a soft landing in 2024 is the most likely outcome," stated Bill Greenberg, Two Harbors' President and CEO. "Our portfolio of MSR, which represents more than 60% of our capital allocation, is positioned to benefit in an environment where rates are higher for longer. Our portfolio's prepayment sensitivity remains low, with less than 1% of loans having an economic incentive to refinance and over 85% of loans at least 250 basis points below current mortgage rates. We expect the low duration and low convexity characteristics of MSR to continue to generate attractive cashflows with low spread volatility."

"Though the market remains subject to periods of high realized rate volatility, nominal spreads for Agency RMBS are wide on a historical basis and provide attractive levered returns," stated Nick Letica, Two Harbors' Chief Investment Officer. "The likelihood of significant tightening of RMBS spreads seems remote absent a substantial dovish pivot by the Federal Reserve, which would also bring in bank buyers from the sidelines. We are content to let spreads sit at these levels – wider for longer – and are optimistic about the return potential of our portfolio going forward."

(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 book value as of the beginning of the period.
(2) Includes 35,047 Series A, 280,060 Series B and 170,502 Series C preferred shares for the three months ended March 31, 2024.

Operating Performance

The following table summarizes the company's GAAP and non-GAAP earnings measurements and key metrics for the first quarter of 2024 and fourth quarter of 2023:

Two Harbors Investment Corp. Operating Performance (unaudited)
(dollars in thousands, except per common share data)

	Three Months Ended March 31, 2024			Three Months Ended December 31, 2023		
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	$ 89,370	$ 0.85	22.4 %	$ 38,886	$ 0.40	10.5 %
GAAP Net Income (Loss)	$ 192,448	$ 1.85	48.2 %	$ (444,693)	$ (4.56)	(120.4)%
Earnings Available for Distribution[1]	$ 4,725	$ 0.05	1.2 %	$ (10,505)	$ (0.11)	(2.8)%
Operating Metrics						
Dividend per common share	$ 0.45			$ 0.45		
Annualized dividend yield[2]	13.6 %			12.9 %		
Book value per common share at period end	$ 15.64			$ 15.21		
Economic return on book value[3]	5.8 %			2.0 %		
Operating expenses, excluding non-cash LTIP amortization and certain operating expenses[4]	$ 40,300			$ 40,235		
Operating expenses, excluding non-cash LTIP amortization and certain operating expenses, as a percentage of average equity[4]	7.2 %			7.6 %		

(1) Earnings Available for Distribution, or EAD, is a non-GAAP measure. Please see page 10 for a definition of EAD and a reconciliation of GAAP to non-GAAP financial information.
(2) 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.
(3) 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.
(4) Excludes non-cash equity compensation expense of $6.1 million for the first quarter of 2024 and $1.6 million for the fourth quarter of 2023 and certain operating expenses of $1.2 million for the first quarter of 2024 and $3.4 million for the fourth quarter of 2023. Certain operating expenses predominantly consists of expenses incurred in connection with the company's ongoing litigation with PRCM Advisers LLC. It also includes certain transaction expenses incurred in connection with the company's acquisition of RoundPoint Mortgage Servicing LLC.

Portfolio Summary

As of March 31, 2024, the company's portfolio was comprised of $11.3 billion of Agency RMBS, MSR and other investment securities as well as their associated notional debt hedges. Additionally, the company held $3.4 billion bond equivalent value of net long to-be-announced securities (TBAs).

The following tables summarize the company's investment portfolio as of March 31, 2024 and December 31, 2023:

Two Harbors Investment Corp. Portfolio
(dollars in thousands)

Portfolio Composition	As of March 31, 2024		As of December 31, 2023	
	(unaudited)		(unaudited)	
Agency RMBS	$ 8,188,432	72.6 %	$ 8,335,245	73.2 %
Mortgage servicing rights[1]	3,084,879	27.4 %	3,052,016	26.8 %
Other	3,953	— %	4,150	— %
Aggregate Portfolio	11,277,264		11,391,411	
Net TBA position[2]	3,433,417		3,222,022	
Total Portfolio	$ 14,710,681		$ 14,613,433	

(1) Based on the loans underlying the MSR reported by subservicers on a month lag, adjusted for current month purchases.
(2) 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.

Portfolio Metrics Specific to Agency RMBS	As of March 31, 2024	As of December 31, 2023
	(unaudited)	(unaudited)
Weighted average cost basis[1]	$ 100.70	$ 100.65
Weighted average experienced three-month CPR	4.8 %	5.2 %
Gross weighted average coupon rate	5.6 %	5.5 %
Weighted average loan age (months)	30	28

(1) Weighted average cost basis includes Agency principal and interest RMBS only and utilizes carrying value for weighting purposes.

Portfolio Metrics Specific to MSR[1]	As of March 31, 2024	As of December 31, 2023
(dollars in thousands)	(unaudited)	(unaudited)
Unpaid principal balance	$ 213,596,880	$ 215,647,172
Gross coupon rate	3.5 %	3.5 %
Current loan size	$ 335	$ 336
Original FICO[2]	759	759
Original LTV	72 %	72 %
60+ day delinquencies	0.7 %	0.7 %
Net servicing fee	25.3 basis points	25.3 basis points
	Three Months Ended March 31, 2024	**Three Months Ended December 31, 2023**
	(unaudited)	(unaudited)
Fair value gains (losses)	$ 11,012	$ (172,589)
Servicing income	$ 160,928	$ 174,243
Servicing costs	$ 6,904	$ 13,259
Change in servicing reserves	$ 215	$ (1,230)

(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 March 31, 2024	As of December 31, 2023
(dollars in thousands)	(unaudited)	(unaudited)
Net long TBA notional[1]	$ 3,450,000	$ 3,497,000
Futures notional	$ (5,638,800)	$ (6,203,050)
Interest rate swaps notional	$ 9,822,112	$ 17,788,114
Swaptions net notional	$ —	$ (200,000)

(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 March 31, 2024 and December 31, 2023:

March 31, 2024	Balance	Weighted Average Borrowing Rate	Weighted Average Months to Maturity	Number of Distinct Counterparties
(dollars in thousands, unaudited)				
Repurchase agreements collateralized by securities	$ 8,102,661	5.52 %	2.91	18
Repurchase agreements collateralized by MSR	258,977	6.92 %	5.28	3
Total repurchase agreements	8,361,638	5.61 %	2.98	19
Revolving credit facilities collateralized by MSR and related servicing advance obligations	1,357,671	8.56 %	15.32	4
Term notes payable collateralized by MSR	295,520	8.24 %	2.83	n/a
Unsecured convertible senior notes	268,953	6.25 %	21.53	n/a
Total borrowings	$ 10,283,782			

December 31, 2023	Balance	Weighted Average Borrowing Rate	Weighted Average Months to Maturity	Number of Distinct Counterparties
(dollars in thousands, unaudited)				
Repurchase agreements collateralized by securities	$ 7,747,635	5.64 %	1.59	18
Repurchase agreements collateralized by MSR	272,572	7.08 %	7.72	3
Total repurchase agreements	8,020,207	5.74 %	1.80	19
Revolving credit facilities collateralized by MSR and related servicing advance obligations	1,329,171	8.66 %	13.41	4
Term notes payable collateralized by MSR	295,271	8.27 %	5.82	n/a
Unsecured convertible senior notes	268,582	6.25 %	24.53	n/a
Total borrowings	$ 9,913,231			

Borrowings by Collateral Type	As of March 31, 2024	As of December 31, 2023
(dollars in thousands)	(unaudited)	(unaudited)
Agency RMBS	$ 8,102,444	$ 7,747,402
Mortgage servicing rights and related servicing advance obligations	1,912,168	1,897,014
Other - secured	217	233
Other - unsecured[(1)]	268,953	268,582
Total	10,283,782	9,913,231
TBA cost basis	3,421,932	3,170,548
Net payable (receivable) for unsettled RMBS	(213,264)	196,644
Total, including TBAs and net payable (receivable) for unsettled RMBS	$ 13,492,450	$ 13,280,423
Debt-to-equity ratio at period-end[(2)]	4.6 :1.0	4.5 :1.0
Economic debt-to-equity ratio at period-end[(3)]	6.0 :1.0	6.0 :1.0

Cost of Financing by Collateral Type[(4)]	Three Months Ended March 31, 2024	Three Months Ended December 31, 2023
	(unaudited)	(unaudited)
Agency RMBS	5.63 %	5.74 %
Mortgage servicing rights and related servicing advance obligations[(5)]	9.08 %	9.19 %
Other - secured	6.99 %	6.87 %
Other - unsecured[(1)(5)]	6.87 %	6.93 %
Annualized cost of financing	6.30 %	6.43 %
Interest rate swaps[(6)]	(0.56) %	(0.28) %
U.S. Treasury futures[(7)]	(0.30) %	(0.20) %
TBAs[(8)]	3.57 %	3.64 %
Annualized cost of financing, including swaps, U.S. Treasury futures and TBAs	5.02 %	5.62 %

(1) Unsecured convertible senior notes.
(2) Defined as total borrowings to fund Agency and non-Agency investment securities and MSR, divided by total equity.
(3) Defined as total borrowings to fund Agency and non-Agency investment securities and MSR, plus the implied debt on net TBA cost basis and net payable (receivable) for unsettled RMBS, divided by total equity.
(4) Excludes any repurchase agreements collateralized by U.S. Treasuries.
(5) Includes amortization of debt issuance costs.
(6) 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.
(7) 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.
(8) 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 April 30, 2024 at 9:00 a.m. ET to discuss its first quarter 2024 financial results and related information. To participate in the teleconference, please call toll-free (888) 224-1121 approximately 10 minutes prior to the above start time and providing the Conference Code 9827118. The conference call will also be webcast live and accessible online in the News & Events section of the company's website at www.twoharborsinvestment.com. For those unable to attend, a replay of the webcast will be available on the company's website approximately four hours after the live call ends.

Two Harbors Investment Corp.

Two Harbors Investment Corp., a Maryland corporation, is a real estate investment trust that invests in mortgage servicing rights, residential mortgage-backed securities, 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, 2023, 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 acquisition of RoundPoint Mortgage Servicing LLC and to manage the risks associated with operating a mortgage loan servicer; 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 to maintain our MSR portfolio; our exposure to legal and regulatory claims; legislative and regulatory actions affecting our business; 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 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 table on page 10 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 Commission'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.
CONDENSED CONSOLIDATED BALANCE SHEETS
(dollars in thousands, except share data)

	March 31, 2024	December 31, 2023
	(unaudited)	
ASSETS		
Available-for-sale securities, at fair value (amortized cost $8,467,938 and $8,509,383, respectively; allowance for credit losses $3,607 and $3,943, respectively)	$ 8,182,544	$ 8,327,149
Mortgage servicing rights, at fair value	3,084,879	3,052,016
Cash and cash equivalents	666,244	729,732
Restricted cash	72,184	65,101
Accrued interest receivable	35,487	35,339
Due from counterparties	545,312	323,224
Derivative assets, at fair value	24,397	85,291
Reverse repurchase agreements	351,843	284,091
Other assets	199,035	236,857
Total Assets	$ 13,161,925	$ 13,138,800
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Repurchase agreements	$ 8,361,638	$ 8,020,207
Revolving credit facilities	1,357,671	1,329,171
Term notes payable	295,520	295,271
Convertible senior notes	268,953	268,582
Derivative liabilities, at fair value	3,027	21,506
Due to counterparties	330,551	574,735
Dividends payable	58,685	58,731
Accrued interest payable	79,990	141,773
Other liabilities	165,820	225,434
Total Liabilities	10,921,855	10,935,410
Stockholders' Equity:		
Preferred stock, par value $0.01 per share; 100,000,000 shares authorized and 24,870,817 and 25,356,426 shares issued and outstanding, respectively ($621,770 and $633,911 liquidation preference, respectively)	601,467	613,213
Common stock, par value $0.01 per share; 175,000,000 shares authorized and 103,474,944 and 103,206,457 shares issued and outstanding, respectively	1,035	1,032
Additional paid-in capital	5,931,558	5,925,424
Accumulated other comprehensive loss	(279,507)	(176,429)
Cumulative earnings	1,554,205	1,349,973
Cumulative distributions to stockholders	(5,568,688)	(5,509,823)
Total Stockholders' Equity	2,240,070	2,203,390
Total Liabilities and Stockholders' Equity	$ 13,161,925	$ 13,138,800

TWO HARBORS INVESTMENT CORP.
CONDENSED 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 March 31, 2024	
	2024	2023
	(unaudited)	
Net interest income (expense):		
Interest income	$ 117,783	$ 116,593
Interest expense	160,000	142,490
Net interest expense	(42,217)	(25,897)
Net servicing income:		
Servicing income	166,333	153,320
Servicing costs	7,119	28,366
Net servicing income	159,214	124,954
Other income (loss):		
(Loss) gain on investment securities	(10,975)	10,798
Gain (loss) on servicing asset	11,012	(28,079)
Gain (loss) on interest rate swap and swaption agreements	98,510	(82,154)
Gain (loss) on other derivative instruments	47,599	(155,771)
Other (loss) income	(3)	—
Total other income (loss)	146,143	(255,206)
Expenses:		
Compensation and benefits	26,529	14,083
Other operating expenses	21,052	10,484
Total expenses	47,581	24,567
Income (loss) before income taxes	215,559	(180,716)
Provision for (benefit from) income taxes	11,971	(3,908)
Net income (loss)	203,588	(176,808)
Dividends on preferred stock	(11,784)	(12,365)
Gain on repurchase and retirement of preferred stock	644	—
Net income (loss) attributable to common stockholders	$ 192,448	$ (189,173)
Basic earnings (loss) per weighted average common share	$ 1.85	$ (2.05)
Diluted earnings (loss) per weighted average common share	$ 1.73	$ (2.05)
Dividends declared per common share	$ 0.45	$ 0.60
Weighted average number of shares of common stock:		
Basic	103,401,940	92,575,840
Diluted	112,973,317	92,575,840
Comprehensive income (loss):		
Net income (loss)	$ 203,588	$ (176,808)
Other comprehensive (loss) income:		
Unrealized (loss) gain on available-for-sale securities	(103,078)	125,931
Other comprehensive (loss) income	(103,078)	125,931
Comprehensive income (loss)	100,510	(50,877)
Dividends on preferred stock	(11,784)	(12,365)
Gain on repurchase and retirement of preferred stock	644	—
Comprehensive income (loss) attributable to common stockholders	$ 89,370	$ (63,242)

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	
	March 31, 2024	**December 31, 2023**
	(unaudited)	(unaudited)
Reconciliation of Comprehensive income to Earnings Available for Distribution:		
Comprehensive income attributable to common stockholders	$ 89,370	$ 38,886
Adjustment for other comprehensive loss (income) attributable to common stockholders:		
Unrealized loss (gain) on available-for-sale securities	103,078	(483,579)
Net income (loss) attributable to common stockholders	$ 192,448	$ (444,693)
Adjustments to exclude reported realized and unrealized (gains) losses:		
Realized loss on securities	10,915	83,505
Unrealized gain on securities	(20)	(708)
Provision (reversal of provision) for credit losses	80	(328)
Realized and unrealized (gain) loss on mortgage servicing rights	(11,012)	172,589
Realized (gain) loss on termination or expiration of interest rate swaps and swaptions	(13,890)	12,438
Unrealized (gain) loss on interest rate swaps and swaptions	(70,325)	134,240
Realized and unrealized (gain) loss on other derivative instruments	(47,489)	143,906
Gain on repurchase and retirement of preferred stock	(644)	(519)
Other realized and unrealized losses	3	—
Other adjustments:		
MSR amortization(1)	(78,704)	(88,286)
TBA dollar roll (losses) income(2)	(1,905)	(777)
U.S. Treasury futures income(3)	7,694	5,143
Change in servicing reserves	215	(1,230)
Non-cash equity compensation expense	6,083	1,613
Certain operating expenses(4)	1,198	3,408
Net provision for (benefit from) income taxes on non-EAD	10,078	(30,806)
Earnings available for distribution to common stockholders(5)	$ 4,725	$ (10,505)
Weighted average basic common shares	103,401,940	97,489,039
Earnings available for distribution to common stockholders per weighted average basic common share	$ 0.05	$ (0.11)

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(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) Certain operating expenses predominantly consists of expenses incurred in connection with the company's ongoing litigation with PRCM Advisers LLC. It also includes certain transaction expenses incurred in connection with the company's acquisition of RoundPoint Mortgage Servicing LLC.

(5) EAD is a non-GAAP measure that we define as comprehensive income 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 certain operating 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 certain 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.


An MSR + Agency REIT
First Quarter 2024
Earnings Call
APRIL 30, 2024
TWO HARBORS
Investment Corp.

Safe Harbor Statement

TWO HARBORS
Investment Corp.

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, 2023, 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 acquisition of RoundPoint Mortgage Servicing LLC and to manage the risks associated with operating a mortgage loan servicer; 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 to maintain our MSR portfolio; our exposure to legal and regulatory claims; legislative and regulatory actions affecting our business; 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.

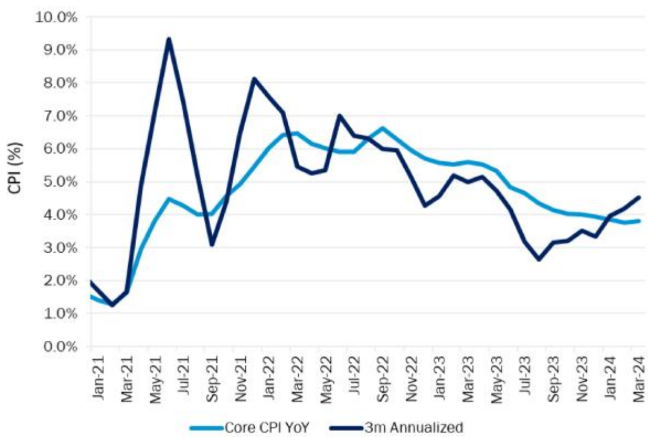
Book Value per Share	Common Stock Dividend	Economic Return on Book Value[(1)]
$15.64	$0.45	5.8%
Comprehensive Income	Investment Portfolio[(2)]	Quarter-End Economic Debt-to-Equity[(3)]
$0.85	$14.7b	6.0x

Note: Financial data throughout this presentation is as of or for the quarter ended March 31, 2024, unless otherwise noted. Per share metrics utilize basic common shares as the denominator. The End Notes are an integral part of this presentation. See slides 29 through 34 at the back of this presentation for information related to certain financial metrics and defined terms used herein.

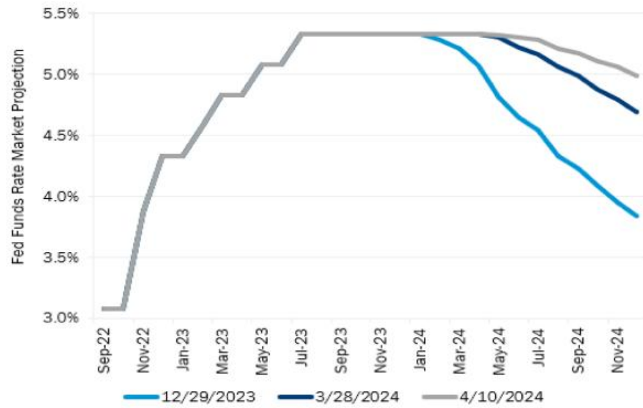
Markets Overview

- Interest rates moved higher during the quarter on the back of stronger than expected economic data, with 3-month annualized core CPI reaching 4.5%, its highest level since June 2023
- At quarter-end, the market anticipated three interest rate cuts in 2024, down from six at the start of the year
  - Post quarter-end, market expectations fell to 1.3 interest rate cuts on continued strong economic data

I. 3-MONTH ANNUALIZED CORE CPI[1]



II. FED FUND RATE EXPECTATIONS[2]



RoundPoint Operations Update

I. KEY INITIATIVES

Render cost savings and economies of scale

- Completed all 10 scheduled servicing transfers to the RoundPoint platform in accordance with transition plan
  - Final "clean up" servicing transfer planned for early June 2024

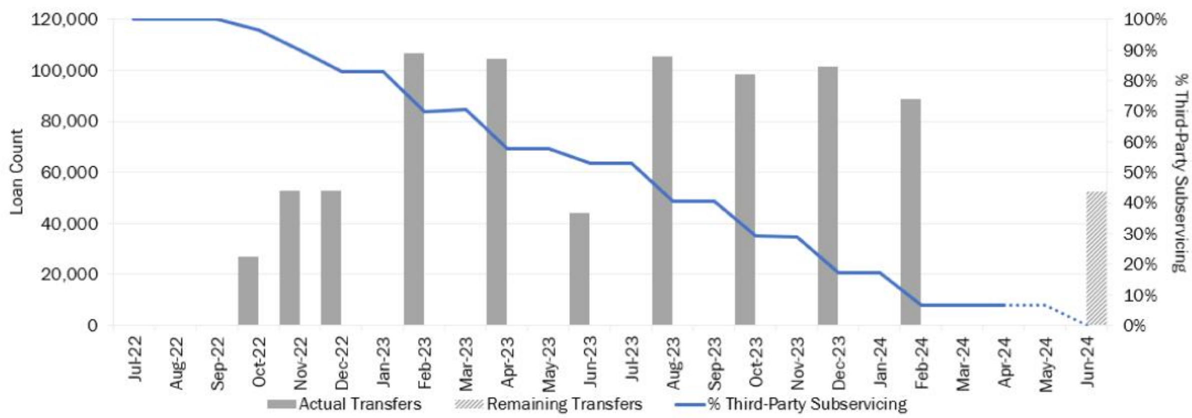
Develop direct-to-consumer origination channel

- Continuing to build out team and supporting infrastructure
  - Expect to begin taking locks in Q2

Expand third-party subservicing business

- Added one new subservicing client in Q1
  - In process of boarding approximately 17 thousand loans to the RoundPoint platform

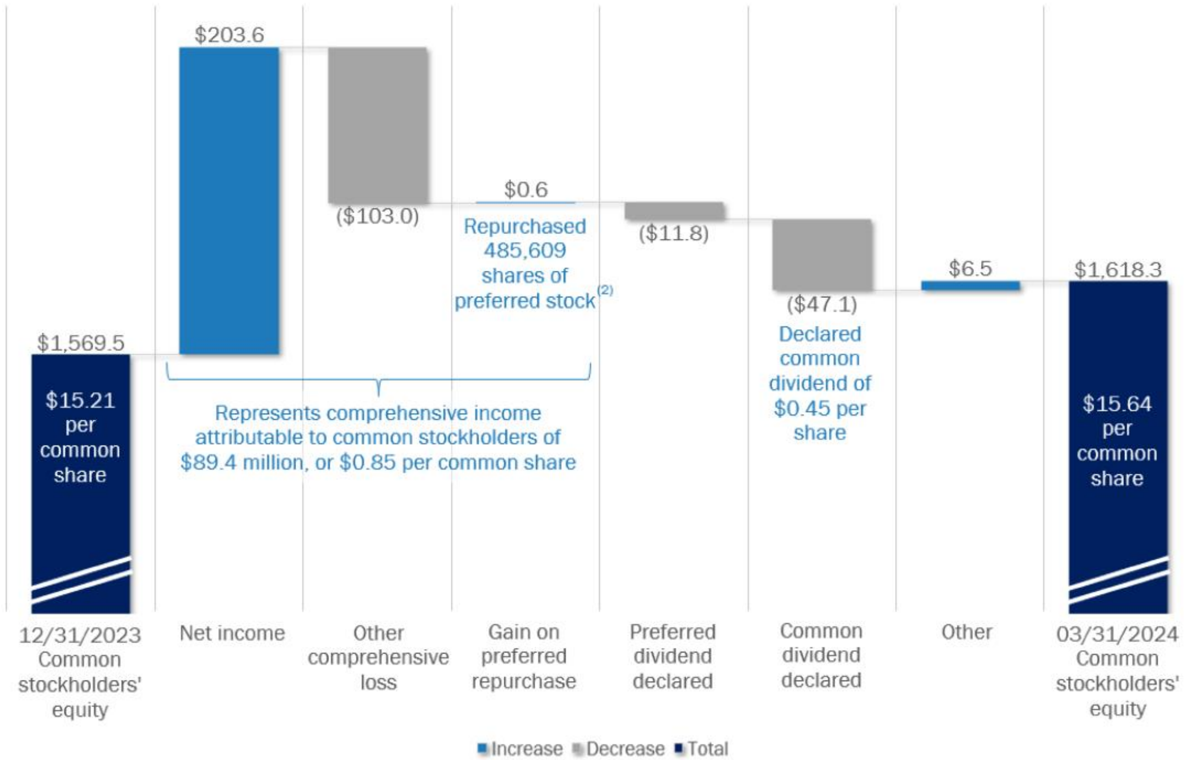
II. SERVICING TRANSFERS[1]



Book Value Summary

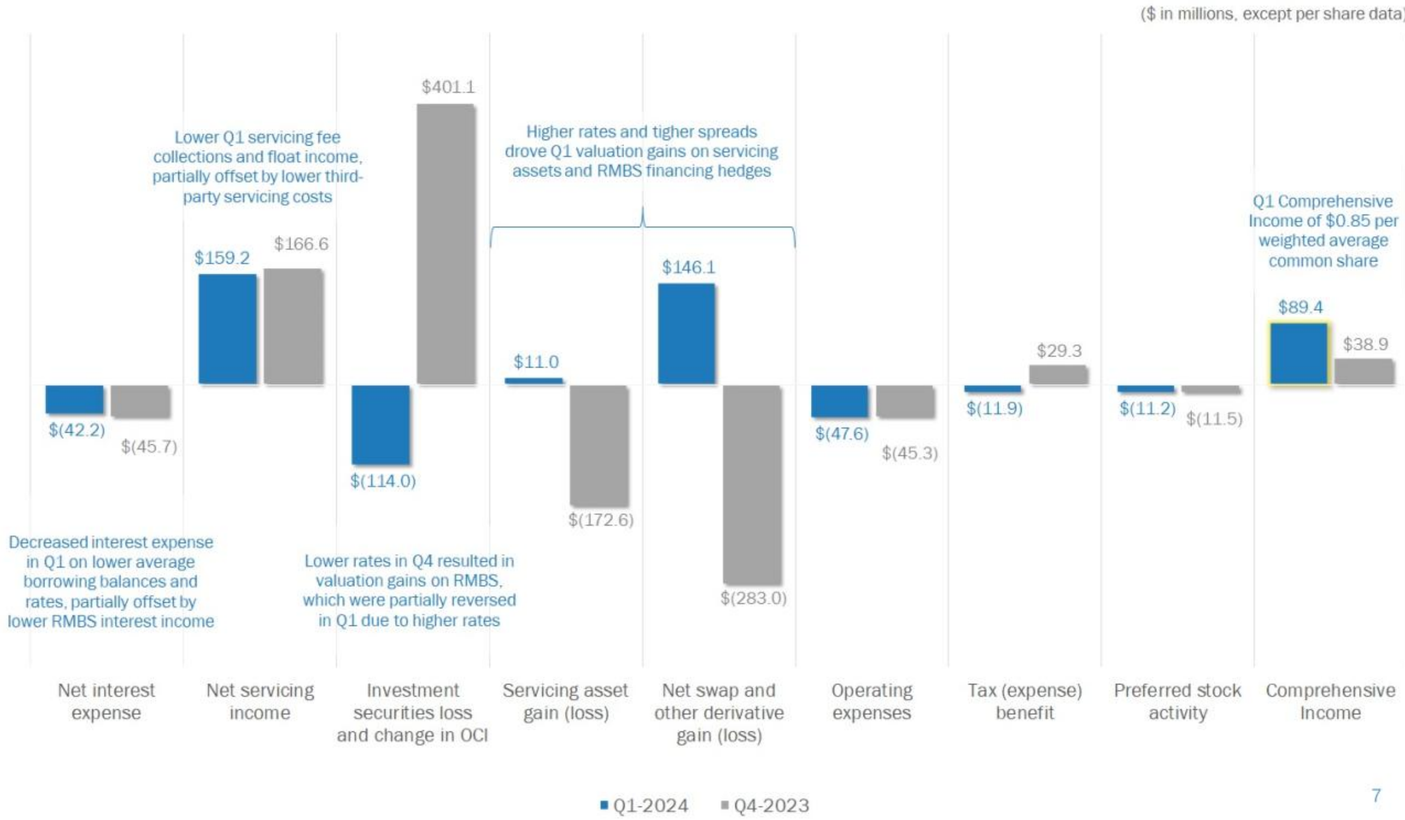
- Reported book value of $15.64 per common share, and declared a first quarter common stock dividend of $0.45 per share, representing a 5.8% quarterly economic return on book value(1)

($ in millions, except per share data)



Comprehensive Income Summary

- Generated Comprehensive Income of $89.4 million, or $0.85 per weighted average common share
- Positive performance resulting from spread tightening on RMBS and MSR

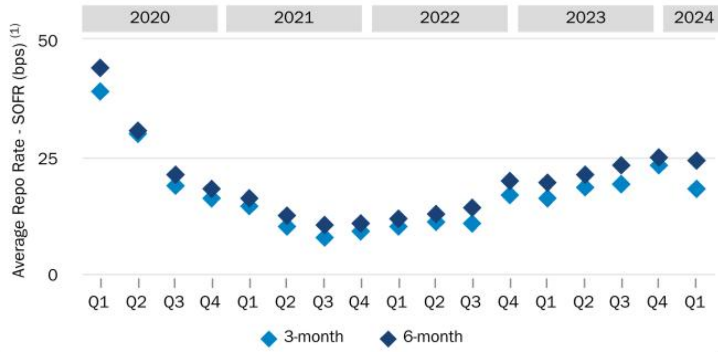


Balance Sheet and Liquidity Position

BALANCE SHEET AS OF MARCH 31, 2024

AGENCY RMBS

- $8.1 billion of outstanding repurchase agreements with 18 counterparties
- Weighted average days to maturity of 88 days



MORTGAGE SERVICING RIGHTS

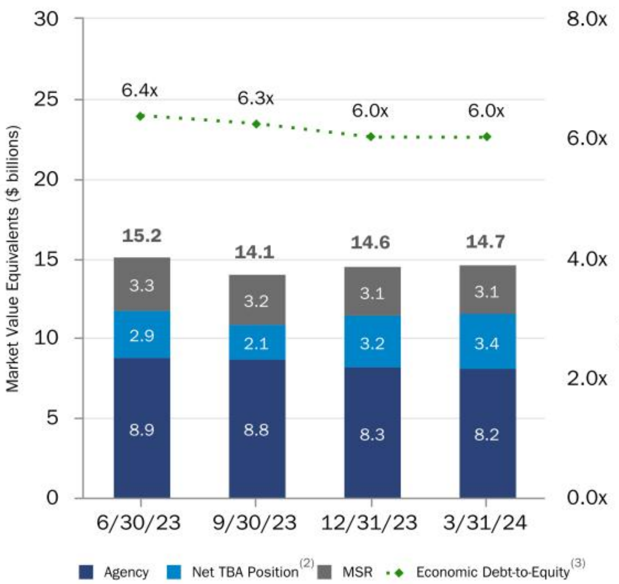
- $1.6 billion of outstanding borrowings under bilateral MSR asset financing facilities
- $296 million of outstanding 5-year MSR term notes[(2)]
- $602 million of unused MSR asset financing capacity; $135 million committed and $466 million uncommitted
- $59 million outstanding borrowings and $141 million of unused, committed capacity for servicing advance receivables

Portfolio Composition and Risk Positioning

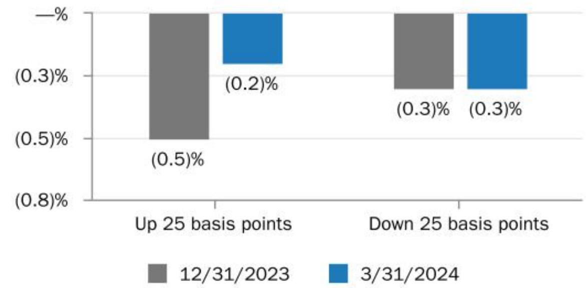
PORTFOLIO COMPOSITION[1]

At March 31, 2024, $14.7 billion portfolio

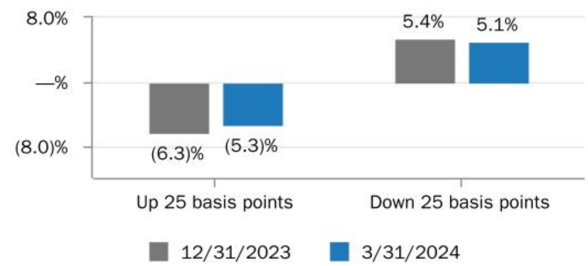
Includes $11.3 billion settled positions



INTEREST RATE EXPOSURE[4]



MORTGAGE SPREAD EXPOSURE[5]



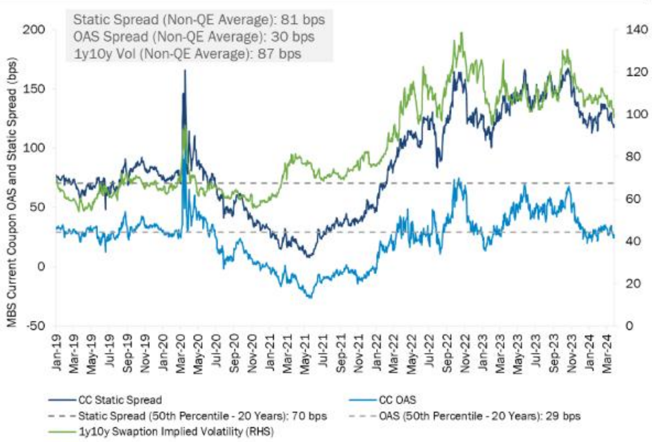
Note: Sensitivity data as of March 31, 2024. The above scenarios are provided for illustration purposes only and is not necessarily indicative of Two Harbors' financial condition and operating results, nor are they necessarily indicative of the financial condition or results of operations that may be expected for any future period or date. See Slide 19 in the Appendix for more information on our risk positioning.

Agency RMBS Investment Landscape

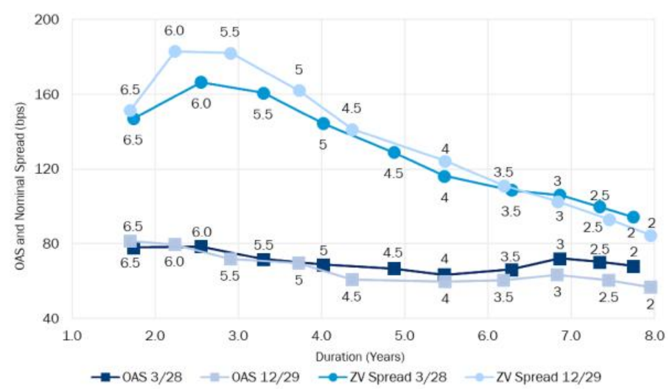
DECLINING VOLATILITY DROVE POSITIVE PERFORMANCE FOR AGENCY RMBS

- Performance varied across the coupon stack, with belly and higher coupons outperforming lower coupons
- Mortgage performance was aided by lower than expected supply, positive fixed-income fund inflows, and benign prepayment rates
- Specified pools outperformed same coupon TBAs, particularly for higher coupons
- Spread curves flattened over the quarter, both in nominal and option-adjusted bases
- Nominal spreads still historically wide and correlated to volatility, while option-adjusted spreads are closer to fair

I. RMBS SPREADS REMAIN ATTRACTIVE[1]



II. COUPON/SPREAD CURVE FLATTER[2]

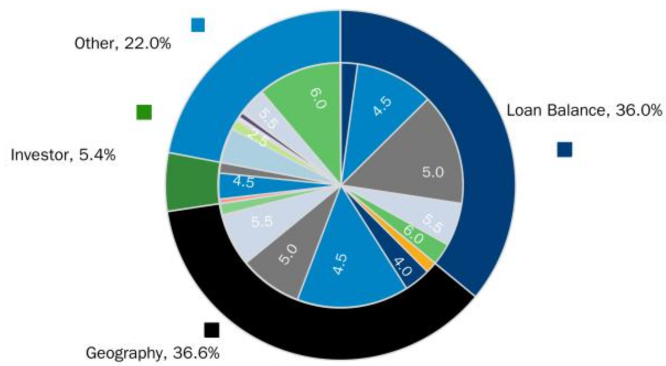


Agency RMBS

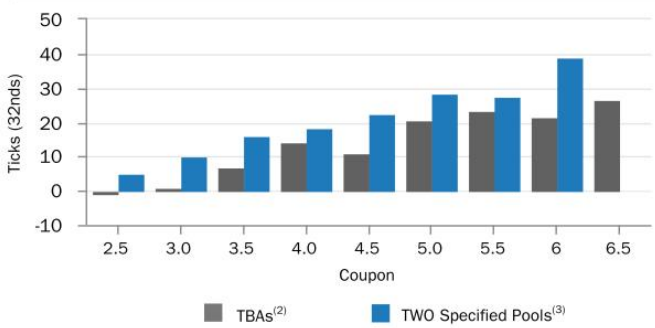
QUARTERLY HIGHLIGHTS

- Replaced approximately $2.4 billion notional 2.5% - 5% TBAs with an equal amount of 5.5% - 6.5% TBAs to more defensively positioning our portfolio from a spread perspective
- Rotated approximately $350 million notional lower coupon specified pools into 6% specified pools to capture positive pay-up performance across different coupons
- Weighted average specified pool portfolio prepayment speed of 5.1%, compared to 5.4% in fourth quarter 2023[1]

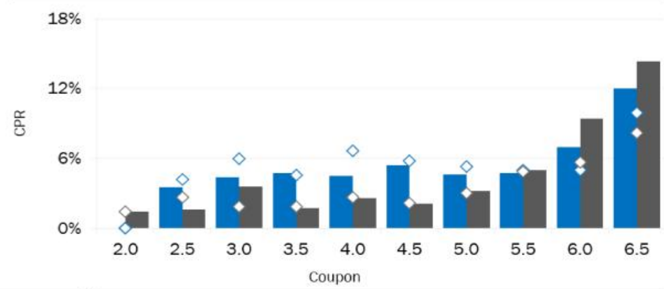
I. SPECIFIED POOL PORTFOLIO[1]



II. RMBS QUARTERLY PERFORMANCE



III. SPECIFIED POOL PREPAYMENT SPEEDS



Market Value[4] ($ billions)	$—	$0.34	$0.20	$0.06	$0.46	$2.20	$1.86	$1.22	$1.17	$0.01

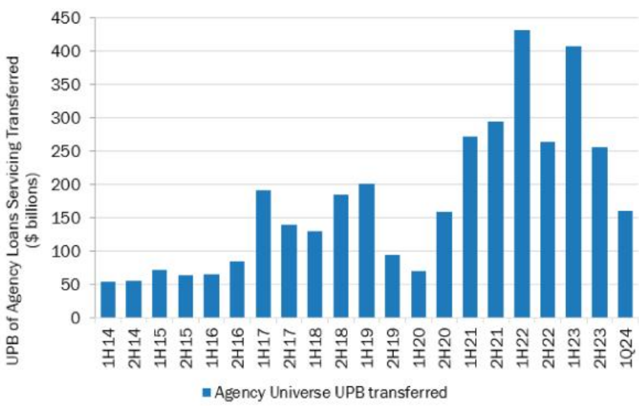
TBAs (Q1-2024)[5] TWO Specified Pools (Q1-2024)
TBAs (Q4-2023)[5] TWO Specified Pools (Q4-2023)

Mortgage Servicing Rights Investment Landscape

MSR SPREADS WELL SUPPORTED; PREPAYMENTS EXPECTED TO REMAIN HISTORICALLY SLOW

- Activity in MSR market is brisk, with $160 billion UPB bid in Q1-2024
- Bulk packages of MSR are well bid, with regional banks, non-bank originators and REITs seeking to add exposure
- Prepayments remain slow and are a tailwind to MSR investments; predominantly driven by housing turnover versus refinancing
- Turnover rates low due to homeowner lock-in effect, and track well to Existing Home Sales
- Expect turnover on lower rate mortgages to continue to prepay at historically slow speeds

I. SERVICING TRANSFERS 2014-PRESENT[1]



II. MSR SPEEDS TRACK EXISTING HOME SALES[2]

Mortgage Servicing Rights

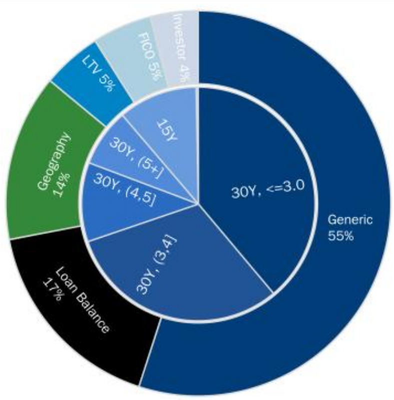
QUARTERLY HIGHLIGHTS

- Settled $3.1 billion UPB through bulk and flow acquisitions and recapture
- Price multiple increased to 5.7x from 5.6x
- Prepay speeds stable at 3.8% CPR
- Weighted average coupon of 3.47%
  - Less than 1% of loans in our portfolio have 50 bps or more of incentive to refinance
  - Over 80% of loans in our portfolio are at least 250 basis points below current mortgage rates
- Post quarter-end, committed to purchase approximately $2 billion UPB through a bulk acquisition

I. MSR PORTFOLIO CHARACTERISTICS[1]

	3/31/2024	12/31/2023
Fair value ($ millions)	$ 3,085	$ 3,052
Price multiple	5.7x	5.6x
UPB ($ millions)	$ 214,992	$ 216,884
Gross coupon rate	3.47%	3.45%
Current loan size ($ thousands)	$ 335	$ 337
Original FICO[3]	759	759
Original Loan-to-Value (LTV)	72%	72%
60+ day delinquencies	0.7%	0.7%
Net servicing fee (bps)	25.3	25.3
Loan age (months)	44	41
3-month CPR	3.8%	3.8%

II. MSR PORTFOLIO[4]



III. 30-YEAR MSR PREPAYMENT SPEEDS[5]

Return Potential and Outlook

TWO HARBORS Investment Corp.

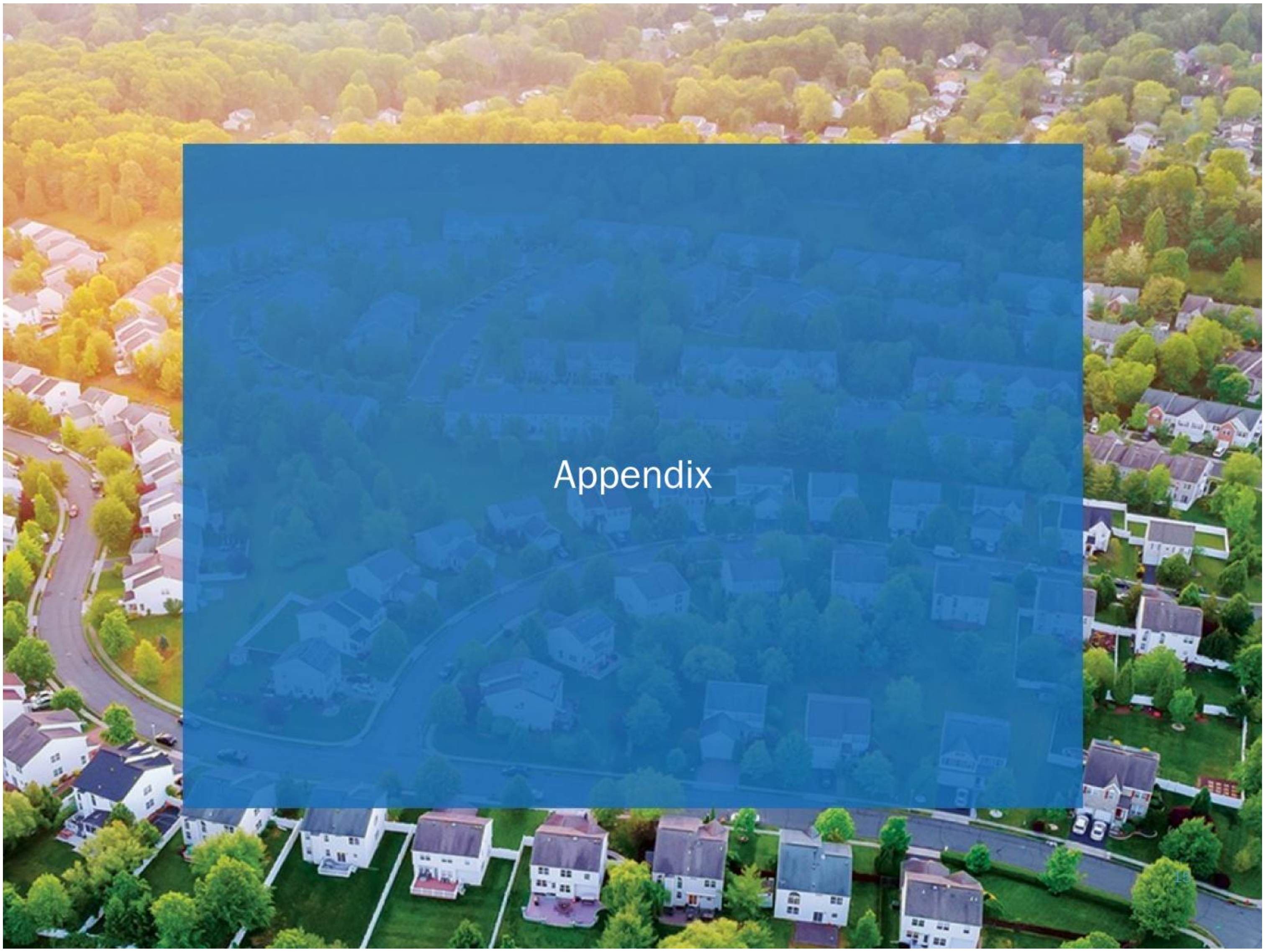
ATTRACTIVE RETURN OPPORTUNITIES FOR UNIQUELY POSITIONED MSR AND AGENCY RMBS STRATEGY

As of March 31, 2024	PORTFOLIO MARKET VALUE ($ millions)	INVESTED CAPITAL ALLOCATED[1]	STATIC RETURN ESTIMATE[2]		
SERVICING					
MSR	3,085				
RMBS[3]	4,927				
Total	**8,012**	**63%**	**12%**	-	**15%**
SECURITIES					
RMBS[3]	6,065				
Other Securities	776				
Total	**6,841**	**37%**	**12%**	-	**13%**

	INVESTED CAPITAL ($ millions)		STATIC TWO HARBORS RETURN ESTIMATE[4]		
Total Portfolio Before Corporate and Tax Expenses			**11.8%**	-	**14.4%**
Corporate and Tax Expenses[5]			(2.8)%	-	(2.8)%
Total Return to Invested Capital			**9.1%**	-	**11.7%**
INVESTED CAPITAL					
Convertible Notes	272		6.2%		
Preferred Equity	622		7.6%		
Common Equity	**1,618**		**10.1%**	-	**14.1%**
PROSPECTIVE QUARTERLY STATIC RETURN PER BASIC COMMON SHARE[6]:			**$0.39 - $0.55**		

- **Market Presence:** Our size allows us to be nimble and actively allocate capital to MSR and Agency RMBS.
- **Investment Strategy:** Our portfolio is uniquely constructed with MSR and Agency RMBS as well as an operational platform, RoundPoint Mortgage Servicing LLC.
- **Market Environment:** MSR is stable, with very little duration and convexity risks. Agency RMBS spreads are historically wide in nominal terms and can be expected to tighten should implied interest rate volatility return to historical norms.
- **Financing and Liquidity:** We have a strong balance sheet and diversified financing for both MSR and Agency RMBS.

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, and certain operating expenses. Actual results may differ materially.


Appendix

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)	ZV to SOFR Spreads for Specified Pools(4)
2.5%	$ 82.76	$ —	$ 414	$ —	$ 414	104
3.0%	$ 86.15	—	234	—	234	103
3.5%	$ 89.59	659	66	—	725	111
4.0%	$ 92.70	—	495	—	495	108
4.5%	$ 95.30	(697)	2,288	—	1,591	117
5.0%	$ 97.67	(46)	1,889	—	1,843	132
5.5%	$ 99.58	1,545	1,218	(4,010)	(1,247)	155
6.0%	$ 100.99	1,464	1,148	(181)	2,431	173
6.5%	$ 102.17	525	2	—	527	128
Total		**$ 3,450**	**$ 7,754**	**$ (4,191)**	**$ 7,013**	**133**

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]	2.2 %	1.1 %	(2.6)%	0.7 %
0	-25	Bull Flattener[4]	5.9 %	(2.8)%	(4.1)%	(1.0)%
-50	-50	Parallel Shift[5]	15.8 %	(4.0)%	(13.5)%	(1.7)%
-25	-25	Parallel Shift[5]	8.1 %	(1.7)%	(6.7)%	(0.3)%
0	0	Base	— %	— %	— %	— %
+25	+25	Parallel Shift[5]	(8.5)%	1.7 %	6.6 %	(0.2)%
+50	+50	Parallel Shift[5]	(17.4)%	3.0 %	13.1 %	(1.3)%
+25	0	Bear Flattener[3]	(2.1)%	(0.9)%	2.5 %	(0.5)%
0	+25	Bear Steepener[4]	(6.4)%	2.7 %	4.1 %	0.4 %

BOOK VALUE EXPOSURE TO CURRENT COUPON SPREAD[6]

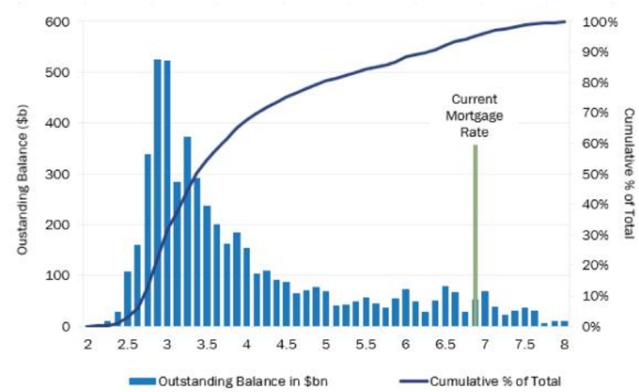
	% Change in Common Book Value		
Parallel Shift in Spreads (basis points)	Agency P&I RMBS/TBA	MSR/Agency IO RMBS[1]	Combined
-25	6.8 %	(1.7)%	5.1 %
0	— %	— %	— %
+25	(7.2)%	1.9 %	(5.3)%

Note: Sensitivity data as of March 31, 2024. 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.

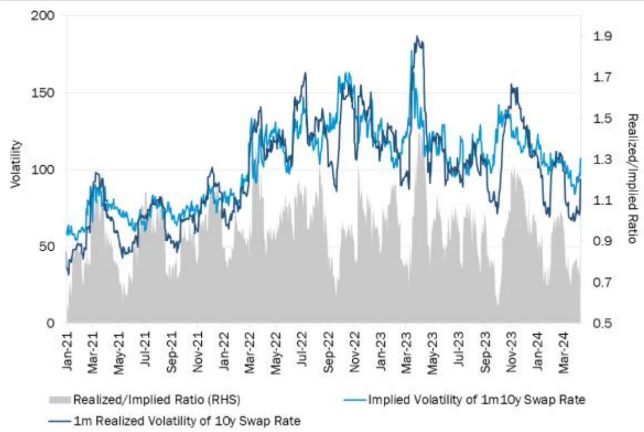
Markets Overview

2-YEAR AND 10-YEAR INTEREST RATE YIELDS[(1)]

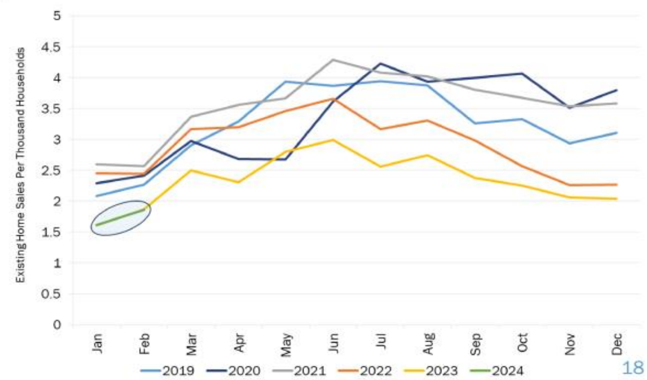
COMPOSITION OF MARKET VS. CURRENT RATES[(2)]



ACTUAL VS. IMPLIED VOLATILITY[(3)]

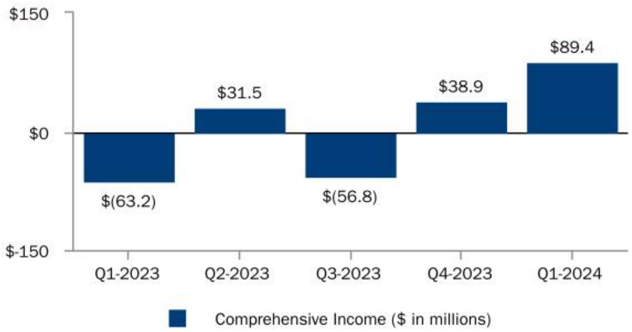


EXISTING HOME SALES[(4)]



Financial Performance

COMPREHENSIVE (LOSS) INCOME



QUARTERLY ECONOMIC RETURN ON BOOK VALUE[1]

DIVIDEND YIELD[2]

BOOK VALUE AND DIVIDEND PER COMMON SHARE[2]

Earnings Available for Distribution

($ millions, except per share data)	Q1-2024	Q4-2023	Variance
Interest income	$ 117.8	$ 122.4	$ (4.6)
Interest expense	160.0	168.1	8.1
Net interest expense	(42.2)	(45.7)	3.5
Servicing income	166.3	178.6	(12.3)
Servicing costs	6.9	13.2	6.3
Net servicing income	159.4	165.4	(6.0)
MSR amortization(1)	(78.7)	(88.3)	9.6
Interest spread income on interest rate swaps	14.3	7.4	6.9
TBA dollar roll losses(2)	(1.9)	(0.8)	(1.1)
U.S. Treasury futures income(3)	7.7	5.2	2.5
Other derivatives income	0.1	0.1	—
Total other (loss) income	(58.5)	(76.4)	17.9
Total expenses	40.3	40.3	—
Provision for income taxes	1.9	1.5	(0.4)
Earnings Available for Distribution(4)	**$ 16.5**	**$ 1.5**	**$ 15.0**
Dividends on preferred stock	(11.8)	(12.0)	(0.2)
Earnings Available for Distribution available to common stockholders	**$ 4.7**	**$ (10.5)**	**$ 15.2**
Earnings Available for Distribution per weighted average basic common share	**$ 0.05**	**$ (0.11)**	
Earnings Available for Disribution annualized return on average common equity	**1.2 %**	**(2.8)%**	
Operating expenses, excluding non-cash LTIP amortization and certain operating expenses, as a percentage of average equity(5)	7.2 %	7.6 %	

- First quarter EAD primarily driven by:
  - Lower MSR amortization and third-party servicing costs partially offset by lower servicing fee collections and float income due to seasonality of escrow balances
  - Higher interest spread on swaps due to increased net payer notional and lower average pay rates
- With the closing of RoundPoint, costs of servicing operations are captured in compensation and other operating expenses, as opposed to servicing expenses
- EAD is expected to continue to diverge from ongoing earnings power(6)
  - EAD for assets utilizes concepts of amortized cost and yield-to-maturity at purchase (RMBS) or amortized cost and original pricing yield (MSR), as opposed to market value and expected return
  - EAD may not reflect total return of hedging derivatives, and impacts to EAD differ depending on the instrument utilized

Q1-2024 Portfolio Yields and Financing Costs

($ thousands) Portfolio Asset Type	Measure	Average Amortized Cost	Income[1]	Average Yield
Available-for-sale securities	GAAP	$ 8,569,566	$ 100,605	4.70%
Adjustments to include other portfolio items:				
Mortgage servicing rights[2][3]	Non-GAAP	1,923,349	57,086	11.87%
Agency derivatives[2][4]	Non-GAAP	17,504	110	2.51%
TBAs[2][5]	Non-GAAP	2,928,069	24,264	3.31%
Total portfolio	Non-GAAP	$ 13,438,488	$ 182,065	5.42%

Financing Collateral Type	Measure	Average Outstanding Balance	Expense[6]	Average Cost
Borrowings collateralized by available-for-sale securities	GAAP	$ 7,986,939	$ 112,353	5.63%
Adjustments to include other financing items:				
Borrowings collateralized by mortgage servicing rights and advances	GAAP	1,889,112	42,892	9.08%
Borrowings collateralized by Agency derivatives[4]	GAAP	8,393	130	6.20%
Convertible senior notes[7]	GAAP	268,831	4,619	6.87%
Interest rate swaps[2][8]	Non-GAAP		(14,295)	(0.44)%
U.S. Treasury futures[2][9]	Non-GAAP		(7,694)	(0.24)%
TBAs[2][5]	Non-GAAP	2,928,069	26,169	3.57%
Total financing	Non-GAAP	$ 13,081,344	$ 164,174	5.02%

Net Spread	Measure			Average Yield, less Cost
Net spread on AFS securities	GAAP			(0.93%)
Net spread on total portfolio	Non-GAAP			0.40%

GAAP to EAD Reconciliation

Reconciliation of GAAP to non-GAAP Information ($ thousands, except for per common share data)	Three Months Ended March 31, 2024	Three Months Ended December 31, 2023
Comprehensive income attributable to common stockholders	**$ 89,370**	**$ 38,886**
Adjustment for other comprehensive loss (income) attributable to common stockholders:		
Unrealized loss (gain) on available-for-sale securities	103,078	(483,579)
Net income (loss) attributable to common stockholders	**$ 192,448**	**$ (444,693)**
Adjustments to exclude reported realized and unrealized (gains) losses:		
Realized loss on securities	10,915	83,505
Unrealized gain on securities	(20)	(708)
Provision (reversal of provision) for credit losses	80	(328)
Realized and unrealized (gain) loss on mortgage servicing rights	(11,012)	172,589
Realized (gain) loss on termination or expiration of interest rate swaps and swaptions	(13,890)	12,438
Unrealized (gain) loss on interest rate swaps and swaptions	(70,325)	134,240
Realized and unrealized (gain) loss on other derivative instruments	(47,489)	143,906
Gain on repurchase and retirement of preferred stock	(644)	(519)
Other realized and unrealized losses	3	—
Other adjustments:		
MSR amortization[1]	(78,704)	(88,286)
TBA dollar roll losses[2]	(1,905)	(777)
U.S. Treasury futures income[3]	7,694	5,143
Change in servicing reserves	215	(1,230)
Non-cash equity compensation expense	6,083	1,613
Certain operating expenses[4]	1,198	3,408
Net provision for (benefit from) income taxes on non-EAD	10,078	(30,806)
Earnings available for distribution to common stockholders	$ 4,725	$ (10,505)
Weighted average basic common shares	103,401,940	97,489,039
Earnings available for distribution to common stockholders per weighted average basic common share	$ 0.05	$ (0.11)

Note: Earnings Available for Distribution, or EAD, is a non-GAAP measure that we define as comprehensive income 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 certain operating 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 certain 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.

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							
≤ 2.5%	$ 414	$ 344	— %	— %	$ 354	3.3 %	33
3.0%	234	203	4.7 %	85.4 %	208	3.7 %	29
3.5%	66	59	5.5 %	71.8 %	58	4.3 %	26
4.0%	495	463	3.8 %	100.0 %	500	4.6 %	52
4.5%	2,288	2,202	6.4 %	100.0 %	2,340	5.1 %	43
5.0%	1,889	1,860	6.6 %	100.0 %	1,925	5.8 %	24
5.5%	1,218	1,218	6.3 %	99.8 %	1,228	6.4 %	21
6.0%	1,148	1,166	8.5 %	95.9 %	1,173	6.9 %	17
≥ 6.5%	8	8	— %	97.8 %	9	7.8 %	251
	7,760	7,523	6.4 %	94.1 %	7,795	5.6 %	31
Other P&I(3)	620	607	4.8 %	— %	613	5.3 %	11
IOs and IIOs(4)	944	58	7.2 %	— %	72	4.7 %	122
Total Agency RMBS	$ 9,324	$ 8,188		86.5 %	$ 8,480		

($ millions)	Notional Amount	Bond Equivalent Value(5)	Through-the-Box Speeds(6)
TBA Positions			
≤ 2.5%	$ —	$ —	2.3 %
3.0%	—	—	2.4 %
3.5%	659	590	2.4 %
4.0%	—	—	3.1 %
4.5%	(697)	(665)	3.1 %
5.0%	(46)	(45)	5.4 %
5.5%	1,545	1,539	7.8 %
6.0%	1,464	1,478	12.0 %
≥ 6.5%	525	536	16.5 %
Net TBA Position	$ 3,450	$ 3,433	

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%	299,570	$ 94,021	2.8%	$ 371	38	768	71%	0.4%	2.9%	25.1
3.25% - 3.75%	145,100	37,407	3.4%	327	51	753	74%	0.8%	4.0%	25.2
3.75% - 4.25%	104,829	21,666	3.9%	272	73	752	76%	1.0%	4.7%	25.5
4.25% - 4.75%	58,640	10,711	4.4%	261	72	739	77%	1.9%	5.2%	25.3
4.75% - 5.25%	40,852	9,577	4.9%	355	41	746	79%	1.5%	4.5%	25.2
> 5.25%	64,614	18,253	6.0%	384	21	746	80%	1.3%	5.4%	26.5
	713,605	191,635	3.6%	345	45	758	74%	0.7%	3.7%	25.3
15-Year Fixed										
≤ 2.25%	22,588	5,765	2.0%	301	35	777	59%	0.1%	2.8%	25.0
2.25% - 2.75%	38,118	7,797	2.4%	253	39	772	59%	0.2%	4.1%	25.0
2.75% - 3.25%	33,658	4,398	2.9%	186	64	765	61%	0.2%	5.4%	25.0
3.25% - 3.75%	19,008	1,816	3.4%	146	77	756	64%	0.4%	7.6%	25.3
3.75% - 4.25%	8,872	725	3.9%	137	73	742	65%	0.9%	8.4%	25.4
> 4.25%	6,579	795	5.0%	225	34	742	65%	0.8%	9.3%	28.0
	128,823	21,296	2.6%	238	47	769	60%	0.2%	4.7%	25.2
Total ARMs	2,441	666	4.6%	364	56	760	71%	1.0%	12.9%	25.4
Total Portfolio	844,869	$ 213,597	3.5%	$ 335	45	759	72%	0.7%	3.9%	25.3

Mortgage Servicing Rights UPB Roll-Forward

$ millions	Q1-2024	Q4-2023	Q3-2023	Q2-2023	Q1-2023
UPB at beginning of period	$ 215,647	$ 218,662	$ 222,622	$ 212,445	$ 204,877
Bulk purchases of mortgage servicing rights	2,906	—	—	14,234	10,713
Flow purchases of mortgage servicing rights	211	829	472	539	669
Sales of mortgage servicing rights	(1,430)	(62)	—	—	(143)
Scheduled payments	(1,646)	(1,640)	(1,640)	(1,595)	(1,527)
Prepaid	(2,111)	(2,127)	(2,787)	(2,993)	(2,120)
Other changes	20	(15)	(5)	(8)	(24)
UPB at end of period	$ 213,597	$ 215,647	$ 218,662	$ 222,622	$ 212,445

Financing

$ millions

Outstanding Borrowings and Maturities[1]	Repurchase Agreements	Revolving Credit Facilities	Term Notes Payable	Convertible Notes	Total Borrowings	Percent (%)
Within 30 days	$ 2,329.0	$ —	$ —	$ —	$ 2,329.0	22.7 %
30 to 59 days	1,367.0	—	—	—	1,367.0	13.3 %
60 to 89 days	1,023.0	—	295.5	—	1,318.5	12.8 %
90 to 119 days	702.5	—	—	—	702.5	6.8 %
120 to 364 days	2,940.1	381.8	—	—	3,321.9	32.3 %
One to three years	—	975.9	—	269.0	1,244.9	12.1 %
	$ 8,361.6	$ 1,357.7	$ 295.5	$ 269.0	$ 10,283.8	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	$ 8,178.3	$ —	$ —	n/a	$ 8,178.3	70.6 %
Mortgage servicing rights, at fair value	468.6	2,179.0	394.8	n/a	3,042.4	26.3 %
Restricted cash	24.9	1.5	0.2	n/a	26.6	0.2 %
Due from counterparties	237.7	—	—	n/a	237.7	2.0 %
Derivative assets, at fair value	9.5	—	—	n/a	9.5	0.1 %
Other assets (includes servicing advances)	—	93.8	—	n/a	93.8	0.8 %
	$ 8,919.0	$ 2,274.3	$ 395.0	n/a	$ 11,588.3	100.0 %

Futures

Type & Maturity	Notional Amount ($M)	Carrying Value ($M)[1]	Weighted Average Months to Expiration
U.S. Treasury futures			
2 year	$ (497.4)	$ —	2.9
5 year	(1,354.2)	—	2.9
10 year	(1,925.5)	—	2.6
20 year	(40.7)	—	2.6
Eris SOFR swap futures - 10 year	(30.0)	—	122.7
SOFR futures			
< 1 year	(1,416.0)	—	5.7
> 1 and < 2 years	(375.0)	—	16.1
Total futures	$ (5,638.8)	$ —	5.0

Interest Rate Swaps[1]

Maturities		Notional Amount ($B)[2]	Average Fixed Pay Rate[3]	Average Receive Rate[3]	Average Maturity (Years)[3]
Payers					
≤ 1 year	$	2.6	4.7 %	5.3 %	1.0
> 1 and ≤ 3 years		2.0	4.1 %	5.3 %	1.8
> 3 and ≤ 5 years		1.8	3.5 %	5.3 %	3.8
> 5 and ≤ 7 years		—	— %	— %	—
> 7 and ≤ 10 years		1.0	3.6 %	5.3 %	9.0
> 10 years		0.5	3.8 %	5.3 %	14.3
	$	7.9	4.2 %	5.3 %	3.4

Maturities		Notional Amount ($B)[4]	Average Pay Rate[5]	Average Fixed Receive Rate[5]	Average Maturity (Years)[5]
Receivers					
≤ 1 year	$	0.8	5.3 %	4.0 %	1.0
> 1 and ≤ 3 years		0.6	— %	— %	—
> 3 and ≤ 5 years		0.3	5.3 %	3.3 %	3.5
> 5 and ≤ 7 years		—	— %	— %	—
> 7 and ≤ 10 years		—	— %	— %	—
> 10 years		0.3	5.3 %	3.4 %	19.8
	$	2.0	5.3 %	3.8 %	5.2

End Notes

PAGE 3 - Financials Overview

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 book value as of the beginning of the period.
2. Includes $11.3 billion in settled positions and $3.4 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. TBA contracts accounted for as derivative instruments in accordance with GAAP. For additional detail on the portfolio, see slides 11 and 13, and Appendix slides 23 and 24.
3. Economic debt-to-equity is defined as total borrowings to fund Agency and non-Agency investment securities and MSR, plus the implied debt on net TBA cost basis and net payable (receivable) for unsettled RMBS, divided by total equity.

PAGE 4 - Markets Overview

1. Source: Bloomberg and Bureau of Labor Statistics data, as of the dates noted.
2. Source: Bloomberg data, as of the dates noted.

PAGE 5 - RoundPoint Operations

1. "Third-Party Subservicing" includes all subservicers of the company's MSR portfolio other than RoundPoint Mortgage Servicing LLC.

PAGE 6 - Book Value Summary

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 book value as of the beginning of the period.
2. Includes 35,047 Series A, 280,060 Series B and 170,502 Series C preferred shares for the quarter ended March 31, 2024.

PAGE 8 - Balance Sheet and Liquidity Position

1. Source: Bloomberg. Represents the average spread between repurchase rates and the Secured Overnight Financing Rate (SOFR) over trailing three-month and six-month periods between Q1 2020 and Q1 2024 (as of March 31, 2024).
2. Balance of five-year MSR term notes excludes deferred debt issuance costs.

PAGE 9 - Portfolio Composition and Risk Positioning

1. For additional detail on the portfolio, see Appendix slides 23 and 24.
2. 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. TBA contracts accounted for as derivative instruments in accordance with GAAP.
3. Economic debt-to-equity is defined as total borrowings to fund Agency and non-Agency investment securities and MSR, plus the implied debt on net TBA cost basis and net payable (receivable) for unsettled RMBS, divided by total equity.
4. Interest rate exposure represents estimated change in common book value for theoretical parallel shift in interest rates.
5. Spread exposure represents estimated change in common book value for theoretical parallel shifts in spreads.

PAGE 10 - Agency RMBS Investment Landscape

1. Source: J.P. Morgan DataQuery. Data is model-based and represents universal mortgage-backed securities (UMBS) generic TBA spreads as of the dates noted. In 2023, J.P. Morgan updated their model affecting only 2023 data.
2. Spreads generated using prepayment speeds generated with The Yield Book® Software using internally calibrated prepayment dials. Data as of March 31, 2024.

End Notes (continued)

PAGE 11 - Agency RMBS

1. Specified pools include securities with implicit or explicit prepayment protection, including lower loan balances (securities collateralized by loans less than or equal to $300K 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 (1) certain coupons in which we were not invested for the full duration of the quarter and (2) certain coupons with de minimis balances.
4. Specified pool market value by coupon as of March 31, 2024.
5. Three-month prepayment speeds of delivered TBA contracts; average of J.P. Morgan, Bank of America, and Citi data.

PAGE 12 - Mortgage Servicing Rights Investment Landscape

1. Source: RiskSpan.
2. Source: National Association of Realtors via Bloomberg and RiskSpan.

PAGE 13 - 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. 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 as well as MSR on loans recently settled for which transfer to the company is not yet complete.
5. Three-month prepayment speeds of delivered TBA contracts; average of J.P. Morgan, Bank of America, and Citi data.

End Notes (continued)

PAGE 14 - 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. Includes Agency pools and TBA positions. 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. TBA contracts 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 16 - Effective Coupon Positioning

1. Represents UMBS TBA market prices as of March 31, 2024.
2. Specified pools include securities with implicit or explicit prepayment protection, including lower loan balances (securities collateralized by loans less than or equal to $300K 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.
4. Spreads generated with The Yield Book® Software using internally calibrated dials.

PAGE 17 - 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.

End Notes (continued)

PAGE 18 - Markets Overview

1. Source: Bloomberg, as of dates noted.
2. Source: RiskSpan. UMBS30 UPB as of 4/1/2024 Factor Date; Freddie Mac's Primary Mortgage Market Survey (PMMS) as of March 28, 2024.
3. Source: Bloomberg, as of dates noted.
4. Source: Bloomberg and National Associated of Realtors, as of dates noted.

PAGE 19 - 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.

PAGE 20 - 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 22 for a definition of EAD and a reconciliation of GAAP to non-GAAP financial information.
5. Certain operating expenses predominantly consists of expenses incurred in connection with the company's ongoing litigation with PRCM Advisers LLC. It also includes certain transaction expenses incurred in connection with the company's acquisition of RoundPoint Mortgage Servicing LLC.
6. 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.

End Notes (continued)

PAGE 21 - Portfolio Yields and Financing Costs

1. Includes interest income, net of premium amortization/discount accretion, on Agency and non-Agency investment securities, 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. As reported elsewhere in the company's filings with the Securities and Exchange Commission, MSR, Agency derivatives, TBA, interest rate swap agreements and U.S. Treasury futures are reported at fair value in the company's consolidated financial statements in accordance with GAAP, and the GAAP presentation and disclosure requirements for these items do not define or include the concepts of yield or cost of financing, amortized cost, or outstanding borrowings.
3. 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.
4. Represents inverse interest-only Agency RMBS which are accounted for as derivative instruments in accordance with GAAP.
5. 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.
6. 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.
7. Unsecured convertible senior notes.
8. The cost of financing on interest rate swaps held to mitigate interest rate risk associated with the company's outstanding borrowings is calculated using average borrowings balance as the denominator.
9. 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.

PAGE 22 - 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.
4. Certain operating expenses predominantly consists of expenses incurred in connection with the company's ongoing litigation with PRCM Advisers LLC. It also includes certain transaction expenses incurred in connection with the company's acquisition of RoundPoint Mortgage Servicing LLC.

End Notes (continued)

PAGE 23 - Agency RMBS Portfolio

1. Weighted average actual one-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 $300K 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 $9.8 million of Agency derivatives and $48.3 million of interest-only Agency RMBS. Agency derivatives are inverse interest-only Agency RMBS, which are accounted for as derivative instruments in accordance with GAAP.
5. Bond equivalent value is defined as the notional amount multiplied by market price. TBA contracts accounted for as derivative instruments in accordance with GAAP.
6. Three-month prepayment speeds of delivered TBA contracts; average of J.P. Morgan, Bank of America, and Citi data.

PAGE 24 - 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 26 - Financing

1. Outstanding borrowings have a weighted average of 5.1 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.

PAGE 27 - 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.

PAGE 28 - Interest Rate Swaps

1. The Company did not hold any interest rate swaptions at March 31, 2024.
2. Includes $1.1 billion net notional amount of forward starting interest rate swaps.
3. Weighted averages exclude forward starting interest rate swaps. As of March 31, 2024, the weighted average pay rate on forward starting interest rate swap payers was 4.0%.
4. Includes $641.1 million net notional amount of forward starting interest rate swaps.
5. Weighted averages exclude forward starting interest rate swaps. As of March 31, 2024, the weighted average receive rate on forward starting interest rate swap receivers was 4.3%.


TWO HARBORS
Investment Corp.