

A photograph of a lighthouse perched on a dark, rocky cliff. The lighthouse is illuminated from within, casting a warm glow. The sky is a deep blue, and the water in the foreground reflects the light from the lighthouse. The overall scene is serene and atmospheric.

Two Harbors Investment Corp.

February 9, 2012

Credit Suisse 13th Annual Financial
Services Forum Presentation

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. Factors that could cause actual results to differ include, but are not limited to, higher than expected operating costs, changes in prepayment speeds of mortgages underlying our RMBS, the rates of default or decreased recovery on the mortgages underlying our non-Agency securities, failure to recover certain losses that are expected to be temporary, changes in interest rates or the availability of financing, the impact of new legislation or regulatory changes on our operations, the impact of any deficiencies in the servicing or foreclosure practices of third parties and related delays in the foreclosure process, the inability to acquire mortgage loans or securitize the mortgage loans we acquire, the inability to acquire single family residential properties at attractive prices or lease such properties on a profitable basis, the impact of new or modified government mortgage refinance or principal reduction programs, and unanticipated changes in overall market and economic conditions.

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. 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.

Two Harbors is Well-Positioned

NYSE-listed hybrid mortgage REIT investing in residential mortgage and housing sectors

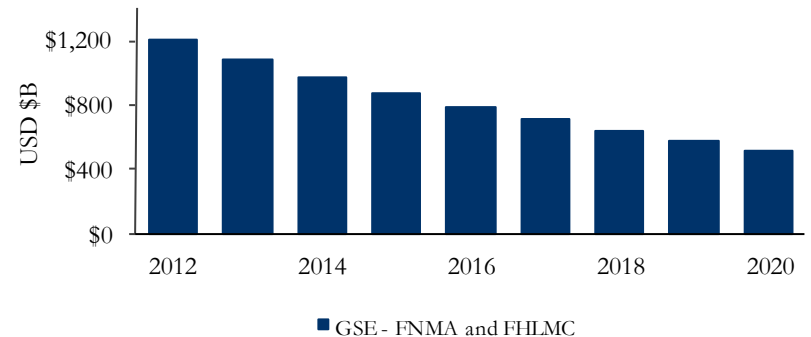
- Total shareholder return since inception of 43.4%¹
- Thirteen-fold increase in portfolio since inception to \$6.4 billion
- Security selection and credit analysis driven by experienced team and proprietary systems
- Strong focus on hedging and book value stability
- Targeted diversification of business model through asset securitization and single family residential properties

Supply and Opportunity

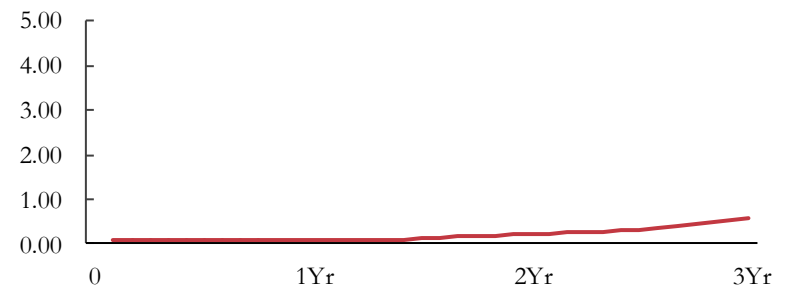
Macro Trends

- **Continued “supply” will likely keep Agency spreads attractive.**
 - Fannie Mae and Freddie Mac are mandated to shrink their portfolios by at least 10% per year.
- **Attractive loss-adjusted yields in the non-Agency sector.**
- **Current interest rate environment is attractive for the mortgage REIT model.**
 - The Fed has stated that they anticipate keeping the target federal funds rate low until late 2014.
 - The yield curve remains steep compared to historic averages.

Projected GSE Portfolio Run-off



Fed Funds Rate Expectations



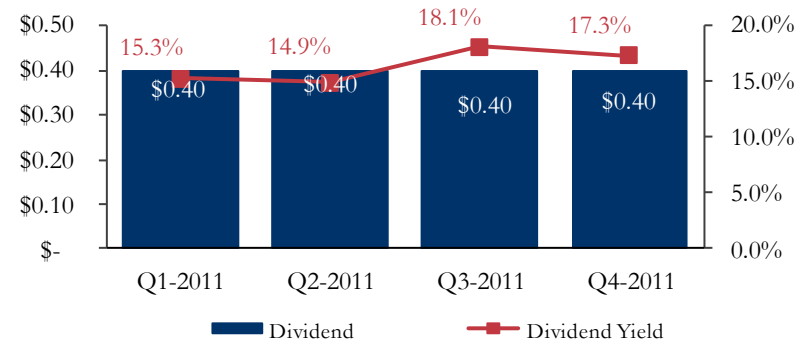
Source: Two Harbors estimates and the Federal Reserve.

Two Harbors' Competitive Advantages

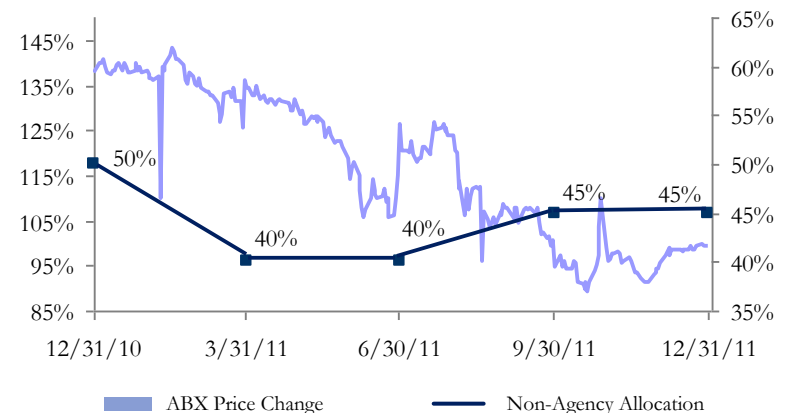
Core Strengths

- **Capture Benefits of Hybrid Model:** We seek out opportunities in Agency and non-Agency RMBS and believe this diversification allows us to better mitigate risks, including volatility in interest rates, prepayments, and credit risk.
- **Opportunistic:** We deploy capital to opportunities we believe are the best value in the residential mortgage market.
- **Disciplined Asset Selection:** We extensively analyze loans underlying the RMBS, including loan size, property type, maturity, prepayment characteristics and borrower credit profiles.
- **Hedging:** We utilize sophisticated hedging strategies to manage risk.

Dividends¹



Opportunistic Capital Allocation²



(1) 2011 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 quarter.

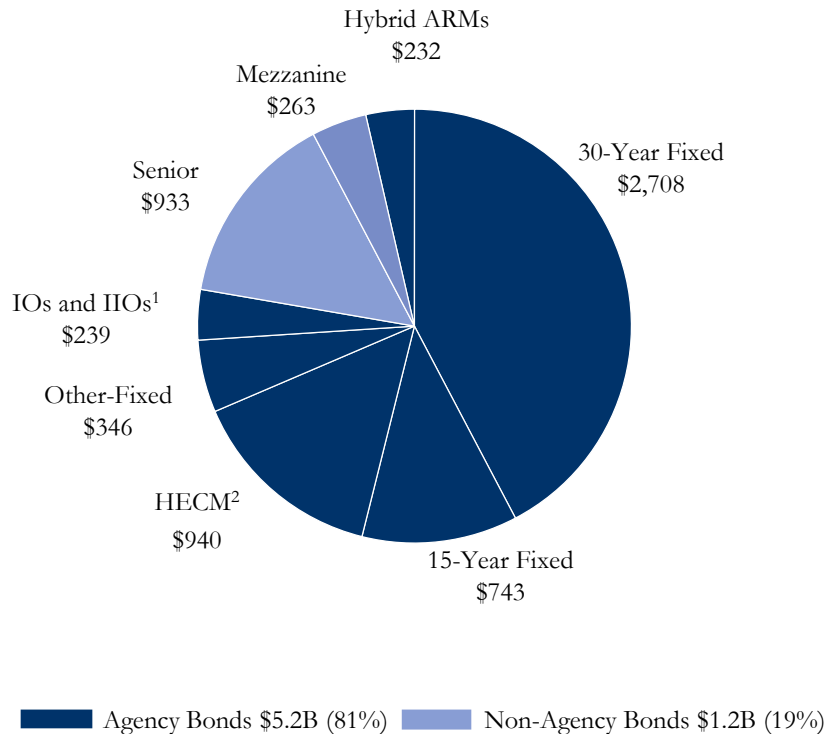
(2) ABX index represents ABX 06-2 AAA.

Fluid Asset Allocation Drives Performance

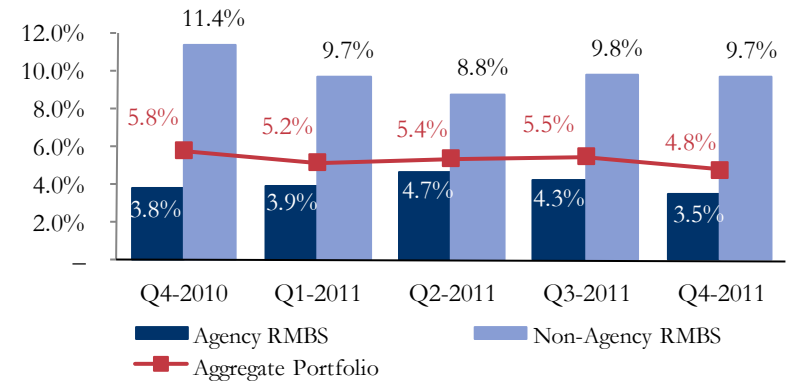
Investment Portfolio

As of December 31, 2011

\$6.4B RMBS Portfolio
(\$ in millions)



Annualized Yields by Portfolio³



Net Interest Spread⁴

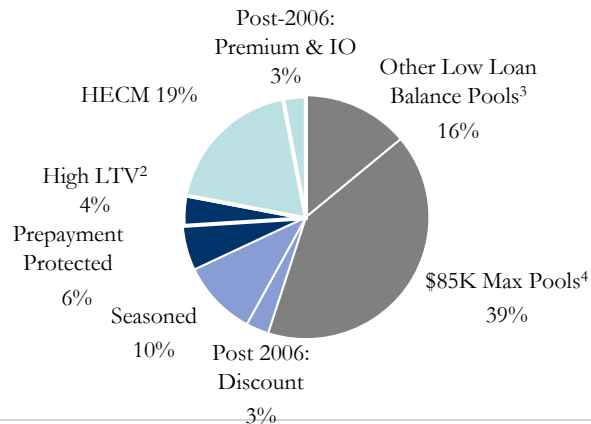
Three Months Ended	December 31, 2011			September 30, 2011		
	Agency	Non-Agency	Aggregate Portfolio	Agency	Non-Agency	Aggregate Portfolio
Annualized Yield	3.5%	9.7%	4.8%	4.3%	9.8%	5.5%
Cost of repurchase agreements	(0.4%)	(2.2%)	(0.6%)	(0.3%)	(2.1%)	(0.6%)
Cost of interest rate swaps	(0.5%)	-	(0.4%)	(0.8%)	-	(0.7%)
Cost of financing	(0.9%)	(2.2%)	(1.0%)	(1.1%)	(2.1%)	(1.3%)
Net interest spread	2.6%	7.5%	3.8%	3.2%	7.7%	4.2%

- (1) Includes interest-only securities ("IOs") and inverse interest-only securities ("IIOs" or "Agency Derivatives") of \$155 million as of December 31, 2011.
- (2) Home Equity Conversion Mortgage (or "HECM") are loans that allow the homeowner to convert home equity into cash collateralized by the value of their home.
- (3) Respective yields include Agency Derivatives.
- (4) Net interest spread includes Agency Derivatives, cost of financing RMBS and swap interest rate spread.

Security Selection is Paramount

Portfolio Composition¹

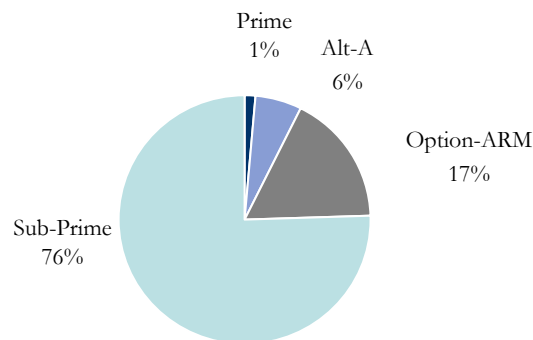
Q4-2011 Agency Portfolio



Agency Strategy

- Attractive returns with moderate leverage
- Intense focus on prepayment stability aims to provide for sustainable yields
- Stable cash flows make interest rate hedging more effective
- Portfolio's prepayment protection of 97%

Q4-2011 Non-Agency Portfolio



Non-Agency Strategy

- Attractive loss-adjusted yields
- Weighted average cost basis of \$55.7
- Improving underlying loan performance: Declining delinquencies, relatively stable housing prices and servicers' actions benefiting bond holders
- Potential benefit from policy actions
- Minimizes downside credit risk, but retains upside optionality

Sophisticated Risk Management Approach

Hedging

- Portfolio reflects low interest rate exposure
- Swaps/swaptions complement IO strategy
- Optional protection still in place – reduced premium at risk

Funding and Liquidity

- Long-dated repos and non-Agency facility provide stability
- Maturities over 90 days represented 23% of total RMBS borrowings
- Systematic monitoring of daily liquidity
- Diversification with 20 repo counterparties
- Interest rate swap – U.S. Treasuries position

Swaptions Profile

- Swaptions payoff profile allows us to benefit if rates fall, but have protection if rates rise
- Profile provides for gain potential, but loss is limited to cost of purchasing the swaption and the future loss is limited to the premium at risk

Credit Risk

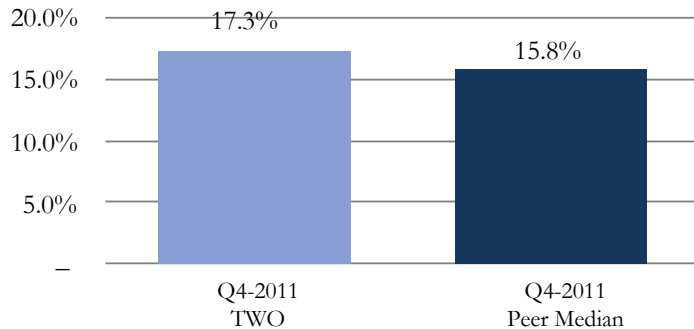
- Highly detailed loan level analysis
- Stress test to different housing scenarios
- Credit hedges utilized on a limited basis

Attractive Returns With Lower Risk

Superior asset selection and risk management drive returns while taking on less risk.

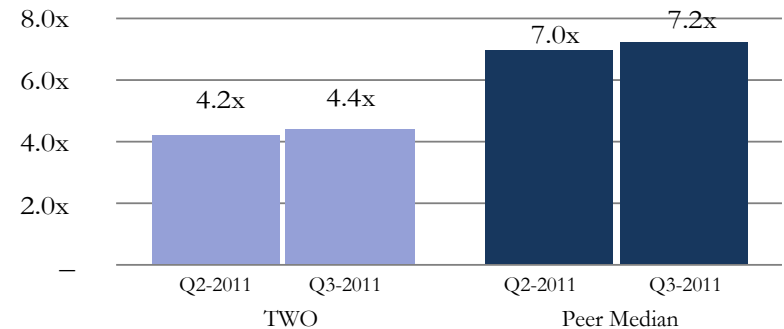
Attractive & Comparable Dividend Yield¹...

TWO Q4-2011 Dividend Yield: 17.3%



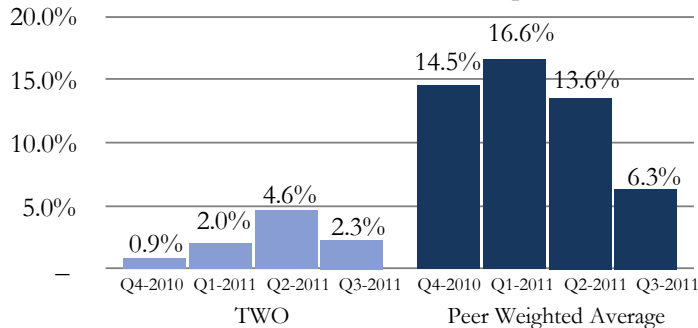
... With Lower Leverage²...

TWO December 31, 2011 RMBS Leverage: 4.5x



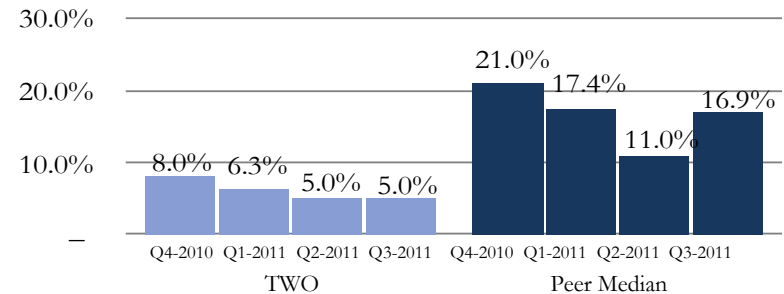
... Less Interest Rate Exposure³ ...

TWO December 31, 2011 Interest Rate Exposure: 2.3%



... And Less Prepayment Risk⁴

TWO Q4-2011 Constant Prepayment Rate: 5.6%



Note: "TWO" means Two Harbors Investment Corp. All peer financial data on this slide based on available September 30, 2011 financial information as filed with the SEC. Peers include AGNC, ANH, CIM, CMO, CYS, HTS, IVR, MFA and NLY.

(1) Reported fourth quarter 2011 dividend annualized, divided by closing share price as of December 31, 2011. Peer dividend data based on company press releases.

(2) Debt-to-equity defined as total borrowings to fund RMBS securities and Agency derivatives divided by total equity.

(3) Represents estimated percentage change in equity value for +100bps change in interest rates. Change in equity value is asset change adjusted for leverage. Data not available for CYS and CMO.

(4) Represents the constant prepayment rate, or CPR, on the Agency RMBS portfolios. Data not available for CIM prior to the first quarter of 2011.

Contact Information

For further information, please contact:

Christine Battist
Investor Relations
Two Harbors Investment Corp.
612.629.2507
Christine.Battist@twoharborsinvestment.com

Anh Huynh
Investor Relations
Two Harbors Investment Corp.
212.364.3221
Anh.Huynh@twoharborsinvestment.com

Appendix

Agency Securities as of December 31, 2011

	Par Value (\$K)	Market Value (\$K)	% of Agency Portfolio	Amortized Cost Basis (\$K)	Weighted Average Coupon	Weighted Average Age (Months)
30-Year Mortgages						
≤ 4.5%	\$ 1,358,296	\$ 1,452,920	27.9%	\$ 1,441,645	4.2%	11
5.0-6.0%	1,021,033	1,123,660	21.6%	1,105,365	5.4%	27
≥ 6.5%	114,841	131,140	2.5%	129,811	7.2%	110
	\$ 2,494,170	\$ 2,707,720	52.0%	\$ 2,676,821	4.8%	23
15-Year Mortgages						
≤ 4.0%	\$ 705,371	\$ 735,945	14.1%	\$ 697,222	3.2%	13
≥ 4.5%	6,342	7,429	0.1%	7,378	8.4%	182
	\$ 711,713	\$ 743,374	14.2%	\$ 704,600	3.3%	15
HECM Pools	\$ 855,101	\$ 939,738	18.0%	\$ 918,593	4.8%	7
Hybrid ARMs	217,942	231,679	4.5%	229,200	4.0%	87
Other-Fixed	313,555	346,387	6.7%	333,390	5.0%	52
IOs and IIOs	2,231,358	239,498 ¹	4.6%	259,027	5.3%	67
Total¹	\$ 6,823,839	\$ 5,208,396	100.0%	\$ 5,121,631	4.6%	26

(1) Market value of IOs of \$84 million and Agency Derivatives of \$155 million as of December 31, 2011.

Non-Agency Securities as of December 31, 2011

	Senior Bonds	Mezzanine Bonds	Total P&I Bonds
Portfolio Characteristics			
Carrying Value (\$K)	\$932,867	\$262,633	\$1,195,500
% of Non-Agency Portfolio	78.0%	22.0%	100.0%
Average Purchase Price	\$55.05	\$58.19	\$55.74
Average Coupon	2.3%	1.3%	2.0%
Collateral Attributes			
Average Loan Age (months)	65	83	69
Average Original Loan-to-Value	78.0%	77.4%	77.9%
Avg. Original FICO ¹	649	639	647
Current Performance			
60+ day Delinquencies	44.2%	35.2%	42.2%
Average Credit Enhancement ²	21.9%	31.7%	24.1%
3-Month CPR ³	2.1%	3.3%	2.4%

Non-Agency Discount Bond Example

Represents actual bond held in Two Harbors' portfolio as of the filing date of this presentation. Collateral summary and yield analysis scenarios represent the views of Two Harbors and its external manager, PRCM Advisers LLC, and are provided for illustration purposes only and may not represent all assumptions used.

Discount Subprime Senior Bond - HEAT 2006-3 2A4

Senior Bonds	A1 & A2 - Paid off -	A4 38.4%-100% \$71M Current Face 6 Yr WAL ¹
	A3 38.4%-100% \$31M Current Face 1.1 Yr WAL ¹	
Sub Bonds	SUBORDINATED BONDS	
	Absorbs the first 38.4% of losses, after depletion of ongoing excess spread (currently 4.1%).	

Security Info

- Pays sequentially after the A3 is fully paid, expected to be in early 2014
- Receives protection from credit losses from the subordinate bonds and ongoing excess interest
- Pays a coupon of LIBOR + 0.31%
- Wells Fargo & SPS as servicers

Collateral Summary

- Vintages: 2005 - 68%; 2006 - 32%
- 60+ days delinquent: 33%
- "Clean" & "Almost Clean"²: 32%
- Severities running in the mid to high 60s
- MTM LTVs³: "Clean" = 106%
Delinquent = 118%
"12mo LIQ"⁴ = 134%

Yield Analysis

- Market price at 12/31/11: \$54 ^{1/2}

	Upside	Base ⁵	Stressed	Severe Stress
Loss-adjusted yields	13.7%	11.3%	10.0%	7.5%
Total defaults	60%	71%	72%	76%
Average severity	62%	75%	78%	88%
Prospective deal losses	38%	53%	57%	63%
Bond recovery	100%	93%	85%	70%

(1) "WAL" is defined as weighted average life.

(2) "Clean" is defined as a borrower who has never missed a payment. "Almost Clean" is defined as a borrower who is current and has never been delinquent more than three times for a period greater than 30 days or delinquent one time for a period greater than 60 days.

(3) MTM LTV stands for mark-to-market loan-to-value.

(4) 12mo LIQ represents mark-to-market loan-to-value of loans liquidated in the last twelve months.

(5) Base case model assumes a 10% decline in housing prices for the first 12 months, then increases of 2% per year for the remaining life of the bond.

Two Harbors Team with Deep Securities Experience

Investment Team

Co-Chief Investment Officers

Steven Kuhn

- Also serves as Partner - Head of Fixed Income Trading of Pine River
- Goldman Sachs Portfolio Manager from 2002 to 2007; 20 years investing in and trading mortgage backed securities and other fixed income securities for firms including Citadel and Cargill

William Roth

- Also serves as Fixed Income Portfolio Manager for Pine River
- 31 years in mortgage securities market, including at Salomon Brothers and Citi; Managing Director in proprietary trading group managing MBS and ABS portfolios

Substantial RMBS Team

Traders and Analysts

- Trading team of nine traders and five analysts from top Street RMBS groups
- Fourteen person Research Group
- Three member funding team led by Repo Manager with 26 years of experience

Executive Officers

Chief Executive Officer

Thomas Siering

- Also serves as Partner - Head of Fundamental Strategies of Pine River
- Previously head of Value Investment Group at EBF & Associates; Partner since 1997
- 31 years of investing and management experience; commenced career at Cargill where he was a founding member of the Financial Markets Department

Chief Financial Officer

Brad Farrell

- Most recently served as Two Harbors' Controller from 2009 to 2011
- Previously Vice President and Executive Director of Financial Reporting at GMAC ResCap from 2007 to 2009 and held financial roles at XL Capital Ltd from 2002 to 2007. Began his career with KPMG.

Note: Employee data as of February 1, 2011.

Overview of Pine River Capital Management

Global multi-strategy asset management firm providing comprehensive portfolio management, transparency and liquidity to institutional and high net worth investors

- Founded June 2002 with offices in New York, London, Beijing, Hong Kong, San Francisco and Minnesota
- Over \$6.2 billion assets under management, of which approximately \$4.6 billion dedicated to mortgage strategies¹
 - Experienced manager of non-Agency, Agency and other mortgage related assets
 - Demonstrated success in achieving growth and managing scale

Experienced, Cohesive Team²

- Twelve partners together for average of 10 years
 - Average 19 years experience
- 188 employees, 69 investment professionals
- No senior management turnover
- Historically low attrition

Established Infrastructure

- Strong corporate governance
- Registrations: SEC/NFA (U.S.), FSA (U.K.), SFC (Hong Kong), SEBI (India) and TSEC (Taiwan)
- Proprietary technology
- Global footprint

Minnetonka, MN • London • Beijing • Hong Kong • San Francisco • New York



(1) Defined as estimated assets under management as of February 1, 2011, inclusive of Two Harbors.
(2) Employee data as of February 1, 2011.