



Third Quarter 2015 Earnings Call

November 5, 2015



TWO HARBORS
Investment Corp.

A Pine River Capital Managed Company



Safe Harbor Statement

FORWARD-LOOKING STATEMENTS

This presentation includes “forward-looking statements” within the meaning of the safe harbor provisions of the United States Private Securities Litigation Reform Act of 1995. Actual results may differ from expectations, estimates and projections and, consequently, readers should not rely on these forward-looking statements as predictions of future events. Words such as “expect,” “target,” “assume,” “estimate,” “project,” “budget,” “forecast,” “anticipate,” “intend,” “plan,” “may,” “will,” “could,” “should,” “believe,” “predicts,” “potential,” “continue,” and similar expressions are intended to identify such forward-looking statements. These forward-looking statements involve significant risks and uncertainties that could cause actual results to differ materially from expected results, including, among other things, those described in our Annual Report on Form 10-K for the year ended December 31, 2014, and any subsequent Quarterly Reports on Form 10-Q, under the caption “Risk Factors.” Factors that could cause actual results to differ include, but are not limited to: the state of credit markets and general economic conditions; changes in interest rates and the market value of our assets; changes in prepayment rates of mortgages underlying our target assets; the rates of default or decreased recovery on the mortgages underlying our target assets; the occurrence, extent and timing of credit losses within our portfolio; the concentration of credit risks we are exposed to; declines in home prices; our ability to establish, adjust and maintain appropriate hedges for the risks in our portfolio; the availability and cost of our target assets; the availability and cost of financing; changes in the competitive landscape within our industry; our ability to successfully implement new strategies and to diversify our business into new asset classes; 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 loans and successfully securitize the mortgage loans we acquire; our ability to acquire mortgage servicing rights (MSR) and successfully operate our seller-servicer subsidiary and oversee our subservicers; the impact of any deficiencies in the servicing or foreclosure practices of third parties and related delays in the foreclosure process; the state of commercial real estate markets and our ability to acquire or originate commercial real estate loans or related assets; our exposure to legal and regulatory claims; legislative and regulatory actions affecting our business; the impact of new or modified government mortgage refinance or principal reduction programs; our ability to maintain our REIT qualification; and limitations imposed on our business due to our REIT status and our exempt status under the Investment Company Act of 1940.

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Financial Summary and Macroeconomic Overview

FINANCIAL RESULTS⁽¹⁾

- Total return of (0.2%) through first nine months of 2015⁽²⁾
 - Q3-2015 cash dividend of \$0.26 per share
- Comprehensive Loss of \$92.8 million
 - Return on average equity of (9.4%), or (\$0.25) per share
- Core Earnings of \$79.4 million, or \$0.22 per share⁽³⁾
- Repurchase of 1.4 million shares of common stock; accretive to book value
 - Average purchase price of \$8.96; aggregate cost of \$12.5 million

MACROECONOMIC CONSIDERATIONS

- Interest rate volatility remains heightened
 - Possibility the Fed will raise rates in late 2015 or early 2016
- Unemployment remains low; 5.1% in September
- Home price appreciation 6.4% on rolling 12-month basis, according to CoreLogic⁽⁴⁾

(1) Data for the three months ended September 30, 2015, except where noted.

(2) See Appendix slide 14 for calculation of 2015 year-to-date return on book value.

(3) Core Earnings is a non-GAAP measure. Please see Appendix slide 17 of this presentation for a definition of Core Earnings and a reconciliation of GAAP to non-GAAP financial information.

(4) Source: CoreLogic Home Price Index rolling 12-month change as of September 30, 2015.



Operational Business Update

SIGNIFICANT GROWTH ACROSS OPERATIONAL BUSINESSES DURING THIRD QUARTER 2015

MORTGAGE LOAN CONDUIT AND SECURITIZATION

Sponsored two prime jumbo securitizations; total UPB of \$606 million

Retained AAA and credit pieces from each deal

Pipeline (interest rate locks and prime jumbo residential mortgage loan holdings) robust

MORTGAGE SERVICING RIGHTS

Closed on two bulk acquisitions, totaling approximately \$6.1 billion UPB

Added three flow-sellers

COMMERCIAL REAL ESTATE

Capital deployment accelerated

Closed eight loans; initial loan carrying value of approximately \$245 million



Strategic Update

PROVIDING CAPITAL SOLUTIONS TO THE U.S. REAL ESTATE MARKET

MORTGAGE LOAN CONDUIT AND MSR

- Expand originator network and product offerings while continuing to be a regular issuer
- Active MSR participant through bulk purchases and flow agreements

COMMERCIAL REAL ESTATE

- Continued deployment of equity capital
- Market opportunity remains attractive and scalable

OPERATIONAL BUSINESSES DRIVE FRANCHISE VALUE AND STOCKHOLDER RETURNS

- Appealing investment opportunities
- Potential to drive long-term, high-quality returns and valuation



Book Value

(Dollars in millions, except per share data)	Q3-2015 Book Value (\$M)	Q3-2015 Book Value per share	YTD-2015 Book Value (\$M)	YTD-2015 Book Value per share
Beginning stockholders' equity	\$3,971.6	\$10.81	\$4,068.0	\$11.10
Cumulative effect of adoption of new accounting principle (ASU 2014-13)	n/a		(3.0)	
Beginning stockholders' equity - adjusted	\$3,971.6	\$10.81	\$4,065.0	\$11.10
GAAP Net Income:				
Core Earnings, net of tax	79.4		253.6	
Realized gains, net of tax	(3.1)		119.5	
Unrealized mark-to-market gains, net of tax	(111.1)		(91.6)	
Other comprehensive loss	(58.0)		(282.8)	
Dividend declaration	(95.5)		(286.3)	
Other	1.7		7.4	
Balance before capital transactions	\$3,785.0		\$3,784.8	
Repurchase of common stock	(12.5)		(12.5)	
Issuance of common stock, net of offering costs	0.2		0.4	
Ending stockholders' equity	\$3,772.7	\$10.30	\$3,772.7	\$10.30

Q3-2015
Comprehensive
Loss of \$92.8
million; \$1.3 million
loss year-to-date

Declared Q3-2015
dividend of \$95.5
million, or \$0.26
per share

Core Earnings Summary⁽¹⁾



Q3-2015 FINANCIAL HIGHLIGHTS

	Q2-2015	Q3-2015	Variance (\$)	Variance (%)
Interest income	\$152.5	\$152.8	\$0.3	0.2%
Interest expense	\$35.0	\$37.0	(\$2.0)	(5.9%)
Net interest income	\$117.5	\$115.8	(\$1.7)	(1.5%)
Loss on swaps and swaptions	(\$26.2)	(\$19.4)	\$6.8	25.8%
Gain on other derivatives	\$6.4	\$5.6	(\$0.8)	(11.2%)
Servicing income, net of amortization on MSR	\$17.2	\$10.8	(\$6.4)	(37.2%)
Other	\$1.0	\$1.1	\$0.1	11.6%
Total other income	(\$1.6)	(\$1.9)	(\$0.3)	(17.7%)
Expenses	\$35.3	\$35.6	(\$0.3)	(0.8%)
Income taxes	\$0.4	(\$1.1)	\$1.5	n/a
Core Earnings⁽¹⁾	\$80.2	\$79.4	(\$0.8)	(0.9%)

- Interest income flat quarter-over-quarter
 - Sold U.S. Treasury bond in Q2-2015
 - Sold approximately \$0.8 billion Agency securities
 - Offset by an increase in prime jumbo loans, mortgage loans held-for-investment in securitization trusts and commercial real estate loans
- Swap costs decreased by 25.8%
 - Lower average notional balance
 - Treasury hedge unwound in Q2-2015
 - Average interest spread on swaps decreased
- Servicing income, net of amortization on MSR, decreased by 37.2%
 - Primarily due to higher MSR amortization

(1) Core Earnings is a non-GAAP measure. Please see Appendix slide 17 for a definition of Core Earnings and a reconciliation of GAAP to non-GAAP financial information.



Financing Profile

REPURCHASE AGREEMENTS

- Focused on diversification and financial stability across repo counterparties
- Outstanding borrowings of \$8.0 billion with 21 active counterparties
- Continued to ladder repo maturities; average 57 days to maturity

FEDERAL HOME LOAN BANK OF DES MOINES

- Outstanding secured advances of \$3.7 billion
- Average maturity approximately 13 years; average borrowing rate 0.38%

MATURITY PROFILE OF JUST OVER 4 YEARS ON AGGREGATE REPO BORROWINGS AND FHLB ADVANCES



Portfolio Performance and Hedging

Q3-2015 PERFORMANCE HIGHLIGHTS

BOOK VALUE IMPACTED BY WIDER AGENCY AND CREDIT SPREADS AND TIGHTENING OF SWAPS VERSUS U.S. TREASURIES

RATES

- Agency yields decreased modestly quarter-over-quarter due to slightly higher prepayments

CREDIT

- Credit yields were stable

COMMERCIAL

- Strong yields on initial holdings

HEDGING

- Continued to maintain low interest rate exposure

Q3-2015 NET INTEREST YIELD

Three Months Ended	June 30, 2015	Sept. 30, 2015
Annualized portfolio yield during the quarter	4.16%	4.14%
Rates		
Agency RMBS, Agency Derivatives and MSR	3.4%	3.3%
Credit		
Non-Agency RMBS, Legacy ⁽¹⁾	8.5%	8.6%
Non-Agency RMBS, New issue ⁽¹⁾	4.3%	4.1%
Net economic interest in securitization trusts	4.7%	4.9%
Prime jumbo residential mortgage loans	3.8%	3.9%
Commercial	7.5%	7.9%
Annualized cost of funds on average repurchase and advance balance during the quarter⁽²⁾	1.37%	1.31%
Annualized interest rate spread for aggregate portfolio during the quarter	2.79%	2.83%

(1) "Legacy" non-Agency RMBS includes non-Agency bonds issued up to and including 2009. "New issue" non-Agency RMBS includes bonds issued after 2009.

(2) Cost of funds includes interest spread expense associated with the portfolio's interest rate swaps.

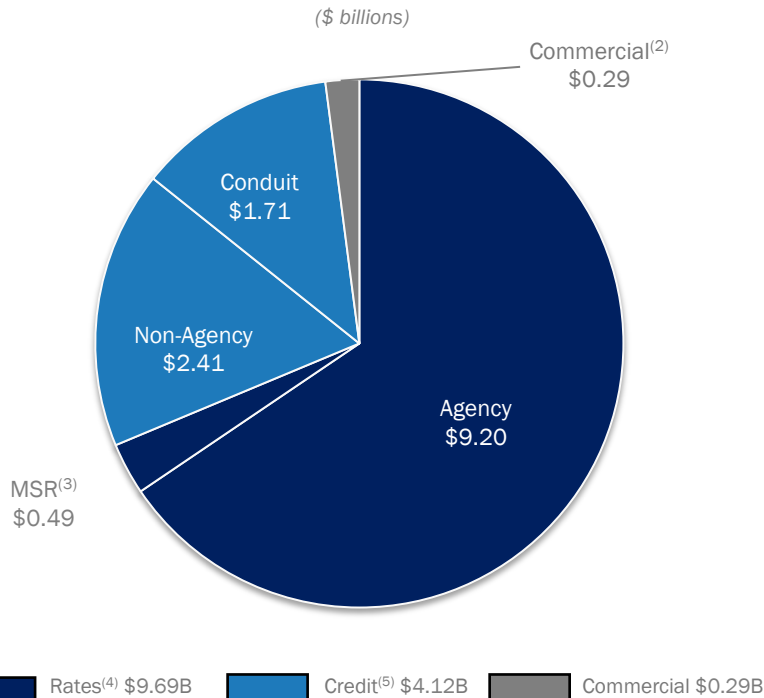


Portfolio Composition

CAPITAL ALLOCATION TO MSR, CONDUIT AND COMMERCIAL REAL ESTATE INCREASING

PORTFOLIO COMPOSITION⁽¹⁾

\$14.1 BILLION PORTFOLIO AS OF SEPTEMBER 30, 2015



HISTORICAL CAPITAL ALLOCATION

	Sept. 30, 2013	Sept. 30, 2014	Sept. 30, 2015	Long-Term Trend ⁽⁶⁾
Rates⁽⁴⁾				
Agency	54%	44%	41%	↓
MSR	1%	12%	12%	↑
Credit⁽⁵⁾				
Non-Agency	44%	36%	30%	↓
Conduit	1%	8%	13%	↑
Commercial	n/a	n/a	4%	↑

(1) For additional detail on the portfolio, see appendix slides 18-22.

(2) Commercial consists of senior and mezzanine commercial real estate debt and related instruments.

(3) MSR includes Ginnie Mae buyout residential mortgage loans.

(4) Assets in "Rates" include Agency RMBS, Agency Derivatives, MSR and Ginnie Mae buyout residential mortgage loans.

(5) Assets in "Credit" include non-Agency RMBS, prime jumbo residential mortgage loans, net economic interest in securitization trusts and CSL.

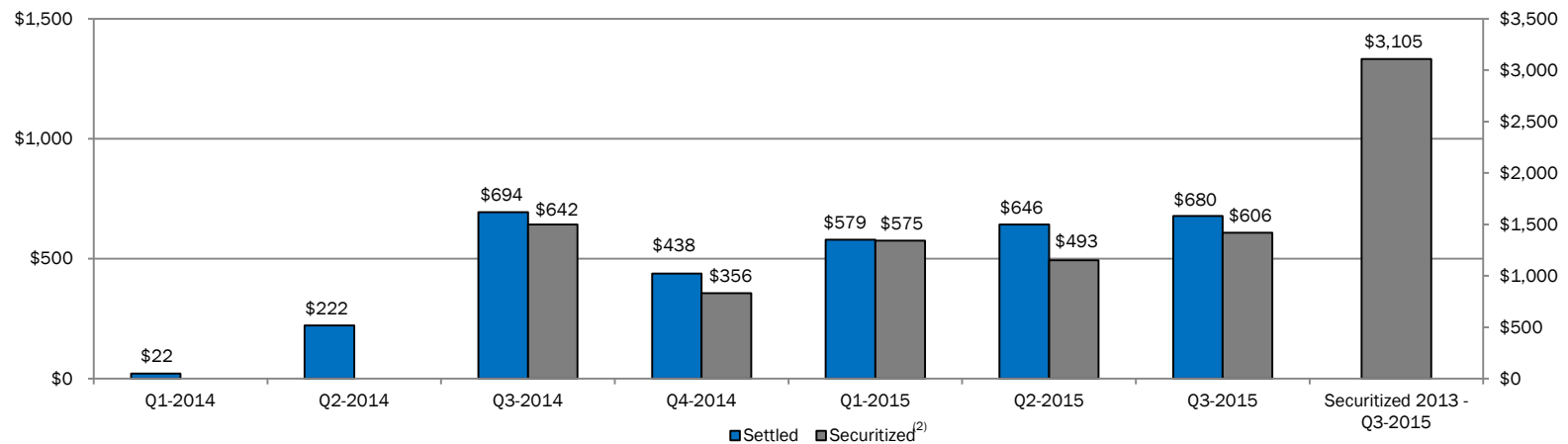
(6) The capital allocation strategies are intended to be illustrative of allocation trends and reflect the company's current expectations based on a variety of market, economic and regulatory factors. Actual portfolio composition and allocation strategies may differ materially.



Conduit and MSR Update

- Sponsored two securitizations, totaling approximately \$606 million unpaid principal balance (UPB)
 - Retained approximately \$250 million in AAAs; subordinates and IOs of approximately \$32 million
 - Sponsored seven securitizations year-to-date⁽¹⁾
- Pipeline (interest rate locks and prime jumbo residential mortgage loan holdings) healthy at September 30, 2015
 - Prime jumbo residential mortgage loan holdings of \$715 million; interest rate lock commitments of \$501 million

SETTLED AND SECURITIZED LOANS



- Added three flow-sale MSR relationships; closed on two bulk purchases, investing approximately \$67 million
 - Subsequent to quarter-end, added two additional flow-sellers for a total of six relationships

(1) As of October 31, 2015.

(2) Includes only securitizations sponsored under Agate Bay Mortgage Trust issuer program.



Commercial Real Estate Update

- Capital allocation increased to 4%; total loan carrying value of \$291 million
- Added eight loans during the quarter
 - Four senior and four mezzanine
 - Diverse group of properties throughout the United States
- One investment financed at September 30, 2015; securing additional financing for senior and mezzanine structures subsequent to quarter-end
 - Subsequent to quarter-end successfully financed senior loans through the FHLB
- Pipeline continuing to grow
- Plan to deploy additional capital during the fourth quarter of 2015 and into 2016



Appendix



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Return on Book Value

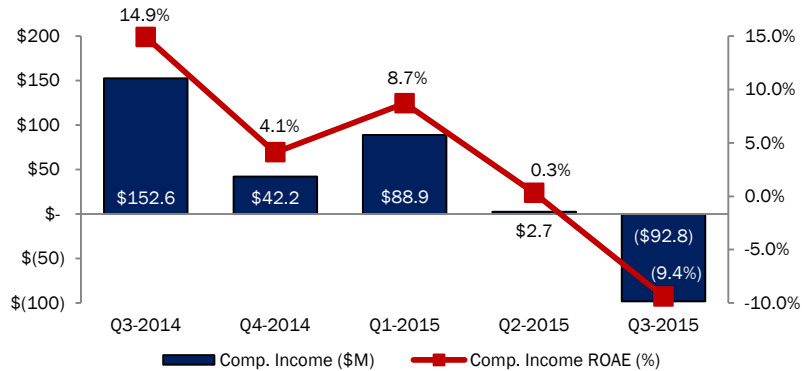
Return on book value YTD-2015 (Per share amounts, except for percentage)	
Book value at December 31, 2014	\$11.10
Book value at September 30, 2015	\$10.30
Decrease in book value	(\$0.80)
Dividends declared in 2015-YTD	\$0.78
Return on book value 2015-YTD	(\$0.02)
Return on book value 2015-YTD ⁽¹⁾	(0.2%)

(1) Return on book value for nine-month period ended September 30, 2015 is defined as the decrease in book value from December 31, 2014 to September 30, 2015 of \$0.80 per share, plus dividends declared of \$0.78 per share, divided by December 31, 2014 book value of \$11.10 per share.

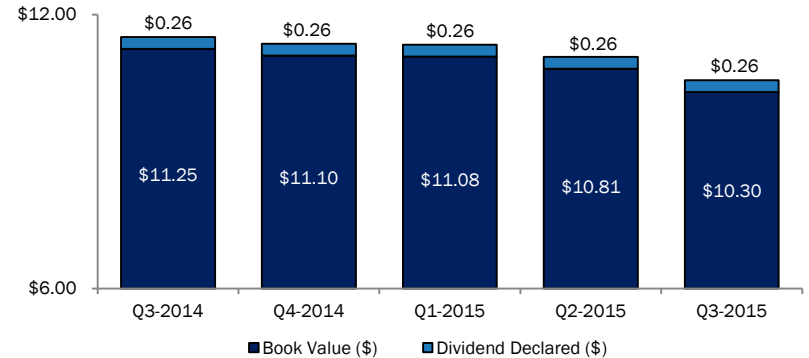


Financial Performance

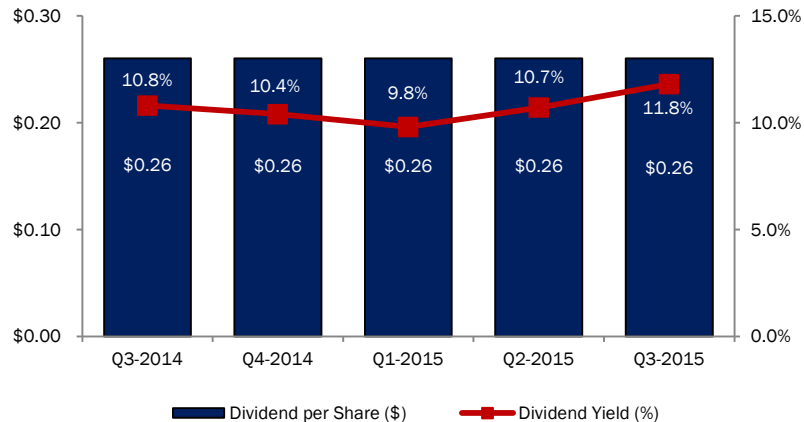
COMPREHENSIVE INCOME



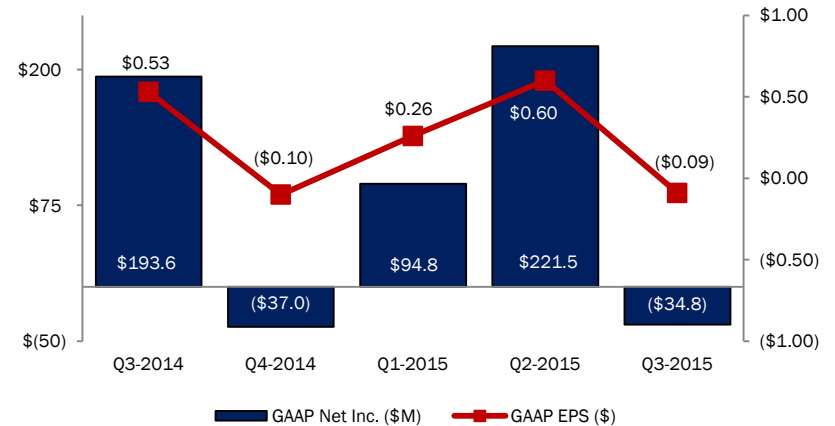
BOOK VALUE AND DIVIDEND PER SHARE ⁽¹⁾



DIVIDENDS ⁽¹⁾



GAAP NET INCOME (LOSS)



(1) Historical dividends may not be indicative of future dividend distributions. The company ultimately distributes dividends based on its taxable income per common share, not GAAP earnings. The annualized dividend yield on the company's common stock is calculated based on the closing price of the last trading day of the relevant quarter.

Operating Performance



(In millions, except for per share data)	Core Earnings	Realized Gains	Unrealized MTM	Q2-2015 Financials	Core Earnings	Realized Gains	Unrealized MTM	Q3-2015 Financials
Interest income	\$152.5	\$ -	\$ -	\$152.5	\$152.8	\$ -	\$ -	\$152.8
Interest expense	35.0	-	-	35.0	37.0	-	-	37.0
Net interest income	\$117.5	-	-	\$117.5	\$115.8	-	-	\$115.8
Net other-than-temporary impairment losses	-	-	(0.2)	(0.2)	-	-	(0.2)	(0.2)
Gain (loss) on investment securities	-	83.3	(13.3)	70.0	-	66.4	(2.3)	64.1
(Loss) gain on interest rate swaps and swaptions	(26.2)	(74.9)	146.0	44.9	(19.4)	(61.9)	(90.4)	(171.7)
Gain (loss) on other derivative instruments	6.4	(9.1)	(2.8)	(5.5)	5.6	(20.0)	13.9	(0.5)
Gain (loss) on residential mortgage loans held-for-sale	-	7.6	(14.4)	(6.8)	-	5.6	10.4	16.0
Servicing income	30.5	-	-	30.5	32.0	-	-	32.0
(Loss) gain on servicing asset	(13.3)	-	30.9	17.6	(21.2)	-	(40.3)	(61.5)
Other income (loss)	1.0	(3.8)	(13.8)	(16.6)	1.1	(1.5)	2.6	2.2
Total other (loss) income	(1.6)	3.1	132.6	134.1	(1.9)	(11.4)	(106.1)	(119.4)
Management fees & other operating expenses	35.3	1.6	-	36.9	35.6	3.1	-	38.7
Net income (loss) before income taxes	80.6	1.5	132.4	214.5	78.3	(14.5)	(106.3)	(42.5)
Income tax expense (benefit)	0.4	(2.5)	(4.9)	(7.0)	(1.1)	(11.4)	4.8	(7.7)
Net income (loss)	\$80.2	\$4.0	\$137.3	\$221.5	\$79.4	(\$3.1)	(\$111.1)	(\$34.8)
Weighted average EPS	\$0.22	\$0.01	\$0.37	\$0.60	\$0.22	(\$0.01)	(\$0.30)	(\$0.09)



GAAP to Core Earnings Reconciliation⁽¹⁾

Reconciliation of GAAP to non-GAAP Information (In thousands, except for per share data)	Three Months Ended June 30, 2015	Three Months Ended September 30, 2015
Reconciliation of net income (loss) to Core Earnings:		
Net income (loss)	\$221,501	(\$34,790)
Adjustments for non-core earnings:		
Gain on sale of securities and residential mortgage loans, net of tax	(85,633)	(62,372)
Unrealized loss (gain) on securities and residential mortgage loans held-for-sale, net of tax	18,032	(4,444)
Other-than-temporary impairment loss	170	238
Unrealized (gain) loss on interest rate swaps and swaptions economically hedging investment portfolio, repurchase agreements and FHLB advances, net of tax	(144,223)	89,062
Realized loss on termination or expiration of swaps and swaptions, net of tax	70,877	48,972
Loss on other derivative instruments, net of tax	8,396	2,656
Realized and unrealized loss (gain) on financing securitizations, net of tax	17,593	(1,108)
Realized and unrealized (gain) loss on mortgage servicing rights, net of tax	(27,578)	39,209
Securitization deal costs, net of tax	1,614	1,740
Change in representation and warranty reserve, net of tax	(592)	253
Core Earnings	\$80,157	\$79,416
Weighted average shares outstanding	367,074,131	367,365,973
Core Earnings per weighted average share outstanding	\$0.22	\$0.22

(1) Core Earnings is a non-GAAP measure that we define as GAAP net income, excluding impairment losses, realized and unrealized gains or losses on the aggregate portfolio, amortization of business combination intangible assets, reserve expense for representation and warranty obligations on MSR and certain upfront costs related to securitization transactions. As defined, Core Earnings includes interest income or expense and premium income or loss on derivative instruments and servicing income, net of estimated amortization on MSR. Core Earnings is provided for purposes of comparability to other peer issuers.



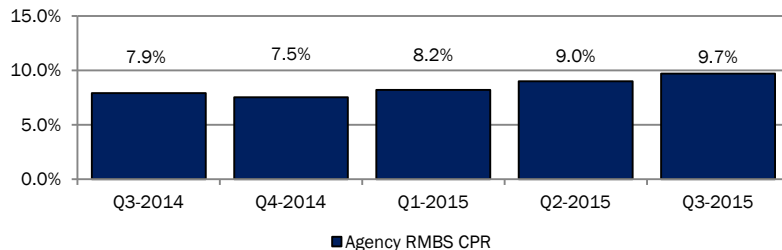
Rates: Agency RMBS Metrics

AGENCY PORTFOLIO YIELDS AND METRICS

Portfolio Yield	Realized Q2-2015	At June 30, 2015	Realized Q3-2015	At Sept. 30, 2015
Agency yield	3.1%	3.2%	3.3%	3.2%
Repo and FHLB costs	0.4%	0.4%	0.5%	0.5%
Swap costs	1.2%	1.0%	0.9%	0.8%
Net interest spread	1.5%	1.8%	1.9%	1.9%

Portfolio Metrics	Q2-2015	Q3-2015
Weighted average 3-month CPR ⁽¹⁾	9.0%	9.7%
Weighted average cost basis ⁽²⁾	\$108.0	\$108.0

AGENCY RMBS CPR⁽¹⁾



AGENCY PORTFOLIO COMPOSITION

Agency: Vintage & Prepayment Protection	Q2-2015	Q3-2015
Other Low Loan Balance Pools ⁽³⁾	37%	38%
\$85K Max Pools ⁽⁴⁾	17%	17%
HECM	16%	14%
2006 & subsequent vintages – Premium and IOs	10%	10%
High LTV (predominately MHA) ⁽⁵⁾	4%	5%
Prepay protected	5%	4%
Seasoned (2005 and prior vintages)	4%	4%
2006 & subsequent vintages – Discount	4%	4%
Low FICO ⁽⁶⁾	3%	4%

(1) Agency weighted average 3-month Constant Prepayment Rate (CPR) includes IIOs (or Agency Derivatives).

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

(3) Securities collateralized by loans of less than or equal to \$175K, but more than \$85K.

(4) Securities collateralized by loans of less than or equal to \$85K.

(5) Securities collateralized by loans with greater than or equal to 80% loan-to-value ratio (LTV). High LTV pools are predominately Making Homeownership Affordable (MHA) pools, consisting of borrowers who have refinanced through HARP.

(6) Securities collateralized by loans held by lower credit borrowers as defined by Fair Isaac Corporation (FICO).



Rates: Agency RMBS

As of Sept. 30, 2015	Par Value (\$M)	Market Value (\$M)	% of Agency Portfolio	Amortized Cost Basis (\$M)	Weighted Average Coupon	Weighted Average Age (Months)
30-Year fixed						
3.0-3.5%	647	677	7.4%	684	3.5%	9
4.0-4.5%	4,850	5,272	57.3%	5,213	4.2%	25
≥ 5.0%	595	673	7.3%	643	5.5%	81
	6,092	6,622	72.0%	6,540	4.2%	31
15-Year fixed						
3.0-3.5%	50	52	0.6%	50	3.0%	58
4.0-4.5%	2	2	0.0%	2	4.0%	63
≥ 5.0%	1	1	0.0%	1	6.6%	115
	53	55	0.6%	53	3.1%	59
HECM	1,239	1,330	14.5%	1,293	4.7%	46
Hybrid ARMs	107	115	1.2%	112	3.5%	138
Other-fixed	632	663	7.2%	635	4.5%	90
IOs and IIOs	3,984	412 ⁽¹⁾	4.5%	386	3.8%	73
Total	\$12,107	\$9,197	100.0%	\$9,019	4.3%	38

(1) Represents the market value of \$241.5 million of IOs and \$170.9 million of Agency Derivatives.



Rates: Mortgage Servicing Rights

	As of Dec. 31, 2014	As of Mar. 31, 2015	As of June 30, 2015	As of Sept. 30, 2015
Fair value (\$M)	\$452.0	\$410.2	\$437.6	\$447.3
Unpaid principal balance (\$M)	\$44,949.1	\$43,974.9	\$42,811.3	\$48,117.3
Weighted average coupon	3.9%	3.9%	3.9%	3.9%
Original FICO score	748	748	749	751
Original LTV	74%	74%	74%	74%
60+ day delinquencies	1.5%	1.3%	1.4%	1.1%
Net servicing spread	25 basis points	25 basis points	25 basis points	25 basis points
Vintage:				
Pre-2009	3.5%	3.4%	3.4%	2.9%
2009-2012	61.2%	60.4%	59.1%	52.8%
Post 2012	35.3%	36.2%	37.5%	44.3%
Percent of MSR portfolio:				
Conventional	72.9%	73.6%	74.4%	78.3%
Government FHA	20.3%	19.7%	19.1%	16.2%
Government VA/USDA	6.8%	6.7%	6.5%	5.5%

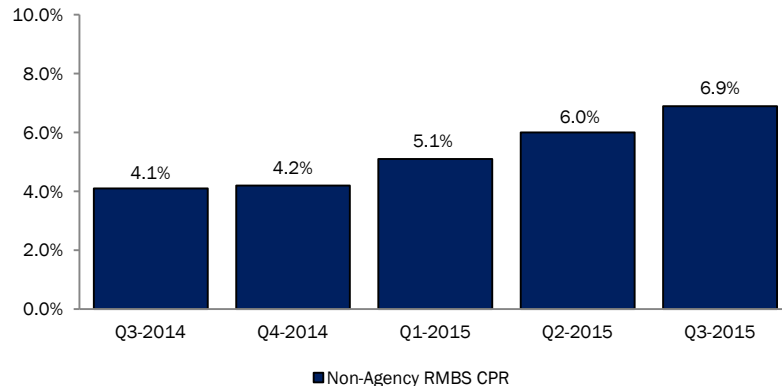


Credit: Non-Agency RMBS Metrics

NON-AGENCY PORTFOLIO YIELDS AND METRICS

Portfolio Yield	Realized Q2-2015	At June 30, 2015	Realized Q3-2015	At Sept. 30, 2015
Non-Agency yield	7.9%	7.8%	7.8%	7.5%
Repo and FHLB costs	1.9%	1.9%	1.9%	1.9%
Swap costs	0.0%	0.0%	0.0%	0.0%
Net interest spread	6.0%	5.9%	5.9%	5.6%

NON-AGENCY RMBS CPR



NON-AGENCY PORTFOLIO COMPOSITION

Non-Agency: Loan Type	Q2-2015	Q3-2015
Sub-prime	65%	63%
Prime	12%	13%
Option-ARM	7%	7%
Alt-A	3%	3%
Other	13%	14%
Portfolio Metrics	Q2-2015	Q3-2015
Weighted average 3-month CPR	6.0%	6.9%
Weighted average cost basis ⁽¹⁾	\$63.0	\$63.7

(1) Weighted average cost basis includes RMBS principal and interest securities only. Average purchase price utilized carrying value for weighting purposes. If current face were utilized for weighting purposes, total non-Agency RMBS excluding the company's non-Agency interest-only portfolio would have been \$58.98 at September 30, 2015.



Credit: Non-Agency RMBS

As of September 30, 2015	Senior Bonds	Mezzanine Bonds	Total P&I
Portfolio characteristics:			
Carrying value (\$M)	\$1,655.8	\$744.8	\$2,400.6
% of non-agency portfolio	69%	31%	100%
Average purchase price ⁽¹⁾	\$57.93	\$76.41	\$63.66
Average coupon	2.8%	2.7%	2.8%
Weighted average market price ⁽²⁾	\$75.47	\$87.54	\$78.84
Collateral attributes:			
Average loan age (months)	99	82	95
Average loan size (\$K)	\$398	\$294	\$369
Average original Loan-to-Value	70.6%	73.3%	71.4%
Average original FICO ⁽³⁾	650	686	660
Current performance:			
60+ day delinquencies	25.2%	14.3%	22.1%
Average credit enhancement ⁽⁴⁾	9.1%	15.0%	10.8%
3-Month CPR ⁽⁵⁾	4.7%	11.8%	6.9%

(1) Average purchase price utilized carrying value for weighting purposes. If current face were utilized for weighting purposes, the average purchase price for senior, mezzanine and total non-Agency RMBS, excluding our non-Agency interest-only portfolio, would have been \$53.33, \$73.57 and \$58.98, respectively.

(2) Weighted average market price utilized current face for weighting purposes.

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

(4) Average credit enhancement remaining on our non-Agency RMBS portfolio, which is the average amount of protection available to absorb future credit losses due to defaults on the underlying collateral.

(5) 3-Month CPR is reflective of the prepayment speed on the underlying securitization; however, it does not necessarily indicate the proceeds received on our investment tranche. Proceeds received for each security are dependent on the position of the individual security within the structure of each deal.



Repo and FHLB Financing⁽¹⁾

Repo and FHLB Collateral ⁽²⁾	Repo	FHLB	Total (\$M)
Available-for-sale securities, at fair value	\$8,532.5	\$2,867.1	\$11,399.6
Derivative asset, at fair value	\$170.9	-	\$170.9
Residential mortgage loans held-for-sale, at fair value	\$9.7	\$693.3	\$703.0
Commercial real estate loans held-for-investment	\$45.7	-	\$45.7
Net economic interests in consolidated securitization trusts	\$399.0	\$556.5	\$955.5
	\$9,157.8	\$4,116.9	\$13,274.7

Repo Maturities	Amount (\$M)	Percent (%)
Within 30 days	\$3,340.1	41.8%
30 to 59 days	\$2,424.4	30.4%
60 to 89 days	\$15.6	0.2%
90 to 119 days	\$1,009.2	12.6%
120 to 364 days	\$1,193.6	15.0%
	\$7,982.9	100.0%

FHLB Maturities	Amount (\$M)	Percent (%)
> 1 and ≤ 3 years	\$651.2	17.5%
> 3 and ≤ 5 years	\$815.0	22.0%
> 10 years	\$2,243.8	60.5%
	\$3,710.0	100.0%

(1) As of September 30, 2015.

(2) Excludes FHLB membership and activity stock totaling \$153.7 million as of September 30, 2015.



Interest Rate Swaps⁽¹⁾

Maturities	Notional Amounts (\$B)	Average Fixed Pay Rate	Average Receive Rate	Average Maturity (Years)
Payers Hedging Repo and FHLB Advances				
2016	\$1.7	0.698%	0.324%	1.0
2017	\$2.4	0.864%	0.312%	1.8
2018	\$0.8	0.944%	0.318%	2.4
2019	\$0.3	1.730%	0.303%	3.7
2020 and after	\$2.8	1.845%	0.305%	7.4
	\$8.0	1.216%	0.312%	3.7
Other Payers				
2018	\$2.1	1.563%	0.332%	3.2
2020 and after	\$1.2	2.164%	0.321%	5.3
	\$3.3	1.787%	0.328%	4.0
Maturities	Notional Amounts (\$B)	Average Pay Rate	Average Fixed Receive Rate	Average Maturity (Years)
Other Receivers				
2019	\$0.6	0.333%	1.440%	3.1
2020 and after	\$2.2	0.323%	2.485%	7.7
	\$2.8	0.326%	2.268%	6.7

(1) As of September 30, 2015.



Interest Rate Swaptions⁽¹⁾

Option					Underlying Swap			
Swaption	Expiration	Cost (\$M)	Fair Value (\$M)	Average Months to Expiration	Notional Amount (\$M)	Average Pay Rate	Average Receive Rate	Average Term (Years)
Purchase Contracts:								
Payer	< 6 Months	\$14.6	\$0.1	1.7	\$3,600	2.63%	3M LIBOR	5.7
	≥ 6 Months	\$227.8	\$70.1	49.0	\$8,310	3.94%	3M LIBOR	6.5
Total Payer		\$242.4	\$70.2	49.0	\$11,910	3.55%	3M LIBOR	6.3
Sale Contracts:								
Payer	≥ 6 Months	(\$81.2)	(\$9.2)	21.0	(\$800)	3.44%	3M LIBOR	10.0
Total Payer		(\$81.2)	(\$9.2)	21.0	(\$800)	3.44%	3M LIBOR	10.0
Receiver	< 6 Months	(\$4.4)	(\$5.8)	1.8	(\$1,100)	3M LIBOR	1.49%	7.3
Total Receiver		(\$4.4)	(\$5.8)	1.8	(\$1,100)	3M LIBOR	1.49%	7.3

(1) As of September 30, 2015.



TWO HARBORS
Investment Corp.

A Pine River Capital Managed Company