

TWO HARBORS INVESTMENT CORP.
SUMMARY OF QUARTERLY CORE EARNINGS

(dollars in millions, except per share data)

Certain prior period amounts have been reclassified to conform to the current period presentation

	Three Months Ended				
	March 31, 2016	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015
	(unaudited)				
Net Interest Income:					
Interest income	\$ 130.8	\$ 133.6	\$ 152.8	\$ 152.5	\$ 163.0
Interest expense	41.4	36.6	37.0	35.0	33.5
Net interest income	89.4	97.0	115.8	117.5	129.5
Other income:					
Interest spread on interest rate swaps	(6.2)	(12.6)	(19.4)	(26.2)	(27.5)
Interest spread on other derivative instruments	5.4	6.0	5.6	6.4	7.7
Servicing income, net of amortization ⁽¹⁾	17.9	16.8	10.8	17.2	19.1
Other income	1.3	1.4	1.1	1.0	1.0
Total other (loss) income	18.4	11.6	(1.9)	(1.6)	0.3
Expenses	34.3	35.8	35.6	35.3	35.4
Core Earnings before income taxes	73.5	72.8	78.3	80.6	94.4
Income tax (benefit) expense	1.7	0.7	(1.1)	0.4	0.3
Core Earnings	\$ 71.8	\$ 72.1	\$ 79.4	\$ 80.2	\$ 94.1
Basic and diluted weighted average Core EPS	\$ 0.21	\$ 0.20	\$ 0.22	\$ 0.22	\$ 0.26

(1) 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. This amortization has been deducted from Core Earnings. Amortization of MSR is deemed a non-GAAP measure due to the company's decision to account for MSR at fair value.