Second Quarter 2016 Investor Presentation

Barclays Global Financial Services Conference

September 12, 2016

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, 2015, 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 successfully securitize or sell mortgage loans; 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.

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.

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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.

Two Harbors Investment Corp. Overview(1)

LEADING HYBRID MORTGAGE REIT PROVIDING STRONG RISK-ADJUSTED RETURNS

OVERVIEW

- Equity market capitalization of approximately $3.0 billion
- Portfolio of $16.1 billion
- Target assets include Agency and non-Agency RMBS, mortgage servicing rights (MSR) and commercial real estate assets
- Experienced management team with deep expertise and experience in managing mortgage credit, interest rate and prepayment risk

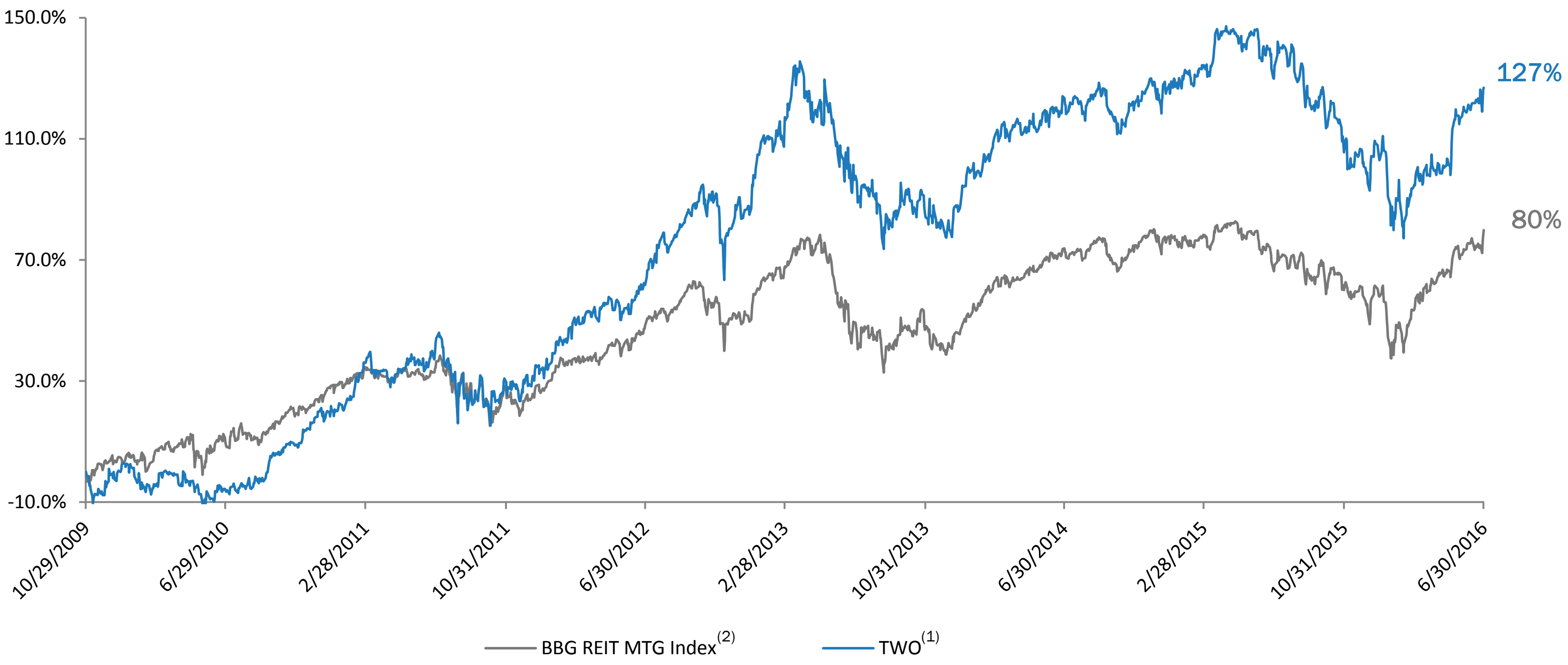
PROVEN STRATEGY

- Diversified business model takes advantage of evolving mortgage finance landscape
- Opportunistically allocate capital to drive long-term stockholder value
- Disciplined risk management drives high quality returns with lower volatility

(1) Data as of June 30, 2016.

Delivering Results

- Outperformed peer group by almost 50% since inception
- Delivered total stockholder return of 127%[1]
  - Bloomberg REIT Mortgage Index total stockholder return of 80% over the same period of time[2]
- Maintained comparable dividend yield with lower leverage and less interest rate exposure than peers



(1) Two Harbors' total stockholder return is calculated for the period October 29, 2009 through June 30, 2016. Total stockholder return is defined as stock price appreciation including dividends. Source: Bloomberg.
(2) Bloomberg REIT Mortgage Index total stockholder return for the period October 29, 2009 through June 30, 2016. The Bloomberg REIT Mortgage Index tracks publicly traded REITs whose principal business consists of originating, servicing or investing in residential mortgage interests. The index uses a modified market capitalization weighted methodology, and components are reviewed quarterly for eligibility. Source: Bloomberg.

Positioned to Drive Future Returns

RATES STRATEGY

- MSR complements Agency RMBS
  - MSR exhibits positive yield, negative duration and hedges mortgage basis risk
- Agency RMBS sized to drive returns
- Expect near-term flow MSR volume of over $2.0 billion UPB per month

CREDIT STRATEGY

- Strong tailwinds for legacy non-Agency RMBS
- Announced plan to discontinue the mortgage loan conduit and securitization business

COMMERCIAL REAL ESTATE STRATEGY

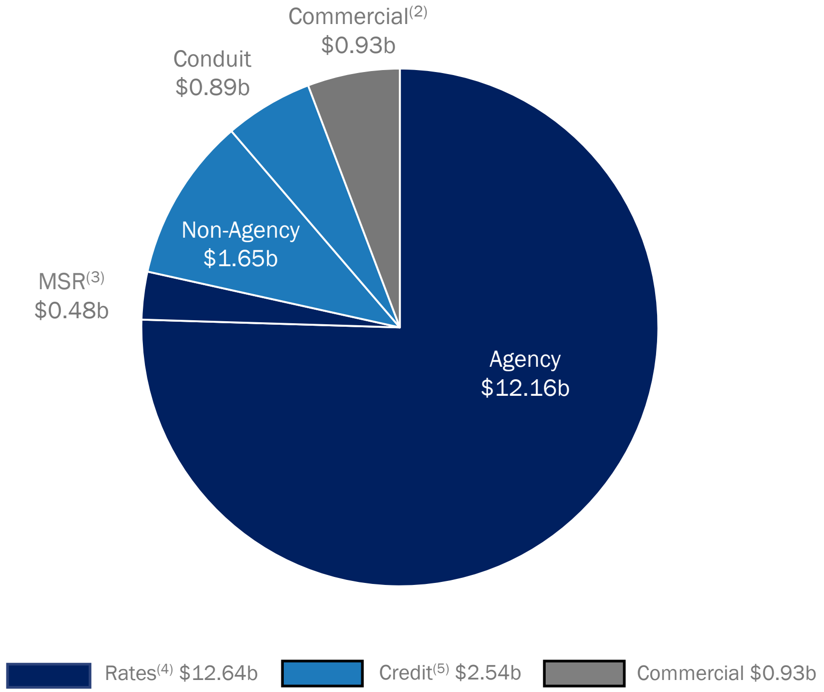
- Strengthening underlying fundamentals
  - Selective portfolio construction
  - Improvement in rents and occupancies
  - Investments cushioned by borrowers' equity

Portfolio Composition

OPPORTUNISTIC CAPITAL ALLOCATION DRIVES STOCKHOLDER RETURNS

PORTFOLIO COMPOSITION[1]

$16.1 BILLION PORTFOLIO AS OF JUNE 30, 2016



HISTORICAL CAPITAL ALLOCATION

	Dec 31, 2015	Mar 31, 2016	June 30, 2016
Rates[4]			
Agency	35%	43%	43%
MSR	14%	13%	13%
Credit[5]			
Non-Agency	27%	22%	21%
Conduit	16%	11%	10%
Commercial	8%	11%	13%

(1) For additional detail on the portfolio, see Appendix slides 13-19.
(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 credit sensitive residential mortgage loans.

Rates Strategy

COMBINATION OF AGENCY AND MSR DRIVES BETTER RETURNS WITH LESS RISK

- MSR is an attractive asset class and natural hedge for Agency RMBS
  - Exhibits positive yield compared to paying fixed rates on swaps
  - MSR values move with mortgage rates, hedging both interest rate and RMBS spread risk

ILLUSTRATIVE RETURN PROFILES OF HEDGED AGENCY RMBS[1]

	Expected Gross Return on Equity[2]	Debt-to-equity	Impact of 20 basis point Rate Increase	Impact of 20 basis point MBS Spread Widening
RMBS/Swap	9-10%	7	0%	-7%
RMBS/MSR	13-14%	5	0%	0%

(1) Note: The above scenarios are intended to illustrate the potential benefits of hedging Agency RMBS with MSR. The numbers used in the scenarios above are hypothetical amounts and are not based on our financial results, nor are they projections of our results. The above scenarios are provided for illustration purposes only and may not represent all assumptions used. Actual results of a portfolio may differ.

(2) Illustrative returns reflective of neutral duration position.

Credit Strategy

LONG-TERM OPPORTUNITY IN LEGACY NON-AGENCY RMBS

- Favorable tailwinds
  - Low interest rates and continued economic growth are positive for residential credit
  - Positive home price appreciation (HPA) expected; CoreLogic HPI forecasts that prices will rise 5.4% year-over-year[(1)]
- Portfolio positioned to benefit
  - Low weighted average market price of $74.34[(2)]
  - Long weighted average life of approximately 8.2 years[(3)]
  - Significant upside from faster than expected prepays, improving HPA and better borrower performance

MORTGAGE LOAN CONDUIT

- Anticipate disposition of conduit loans through completing one or more securitizations or through whole loan sales
  - Completed ABMT 2016-3 in August; $376.6 million securitization
  - Approximately $800 million in loans remaining in pipeline (includes interest rate locks and prime jumbo residential mortgage loan holdings)[(4)]
- Intend to retain attractive yielding credit assets from Agate Bay securitizations
- Expect to deploy roughly half of conduit capital into our other strategies over the next six months
- Estimate cost savings and incremental investment income on redeployed capital will total approximately $20 million in 2017

(1) CoreLogic Home Price Index Forecast as of July 31, 2016.
(2) Weighted average market price for total P&I non-Agency MBS as of June 30, 2016 utilized current face for weighting purposes.
(3) Weighted average life for total Legacy non-Agency MBS as of June 30, 2016 utilized carrying value for weighting purposes.
(4) As of August 31, 2016.

Commercial Real Estate Market Overview

SIGNIFICANT OPPORTUNITY

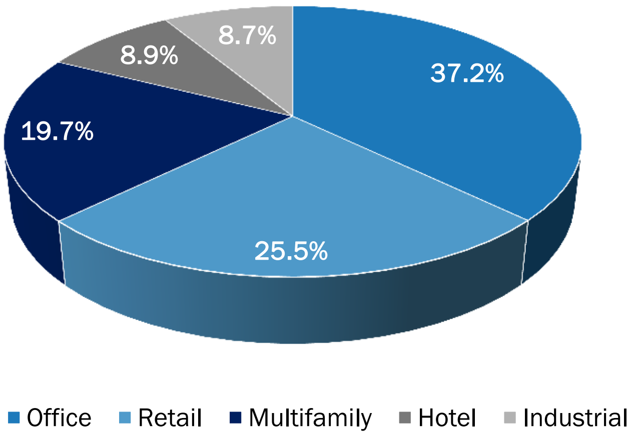
- Commercial real estate loan market exceeds $3.0 trillion, with over $1.5 trillion maturing in the next several years[(1)]
  - Additional borrowing needs are being driven by increased sale transaction volumes
- Strong fundamentals
  - Long-term real estate valuations compare favorably
  - Spread between CRE capitalization rates and Treasuries remains above historical average
  - Significantly limited new supply of properties
  - Continued improvement in rent and occupancies
  - Lending relies significantly on cash flow from rent rather than property appreciation
- Risk-adjusted returns are attractive
  - Low-to-mid double digit return on equity (ROE)
  - Floating rate assets provide upside to higher rates

(1) Source: Goldman Sachs; Trepp, LLC. Based on Federal Reserve Flow of Funds Data.

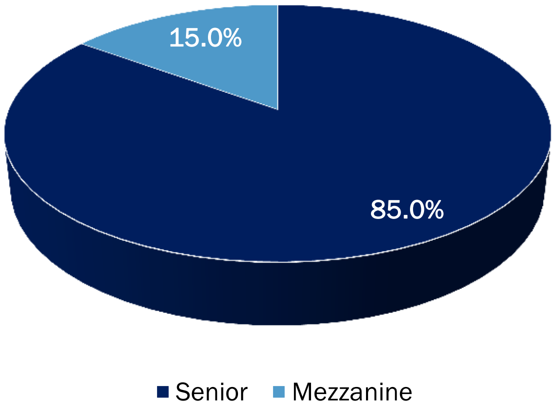
Commercial Real Estate Strategy[1]

- Aggregate portfolio carrying value of $926.4 million at June 30, 2016, up from $744.3 million at March 31, 2016
  - Eighteen senior and six mezzanine assets
  - Closed an additional $172.4 million in four senior loans since quarter-end
- High quality loan portfolio
  - Weighted average stabilized loan-to-value (LTV) of 65.5%[2]
  - Weighted average spread of LIBOR plus 486 basis points; weighted average yield of 6.27%[3]
- Geographically diversified
- Strong and attractive pipeline of loans

PORTFOLIO BY PROPERTY TYPE



PORTFOLIO BY LOAN TYPE

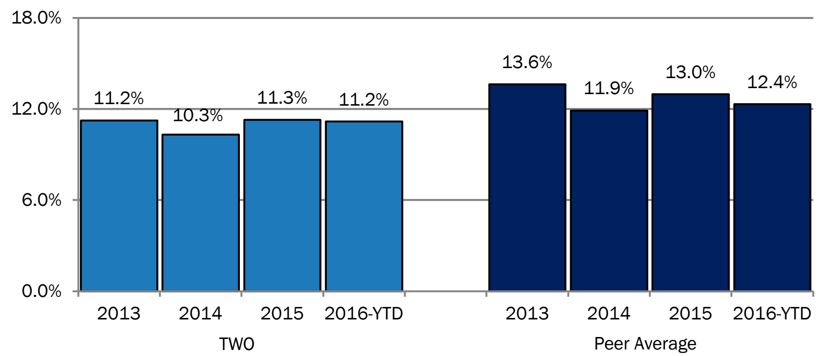


(1) Data as of June 30, 2016, except as otherwise noted.
(2) Stabilized LTV considers the prospective market value "as stabilized" which reflects the property's market value as of the time the property is projected to achieve stabilized occupancy. Stabilized occupancy is the occupancy level that a property is expected to achieve after the property is exposed to the market for lease over a reasonable period of time and at comparable terms and conditions to other similar properties.
(3) Yield includes net origination fees and exit fees, but does not include future fundings.

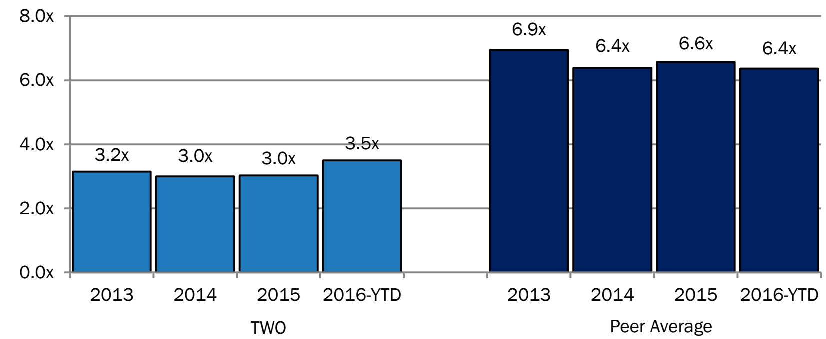
Attractive Returns With Lower Risk

SUPERIOR ASSET SELECTION AND RISK MANAGEMENT DRIVE RETURNS WITH LESS RISK

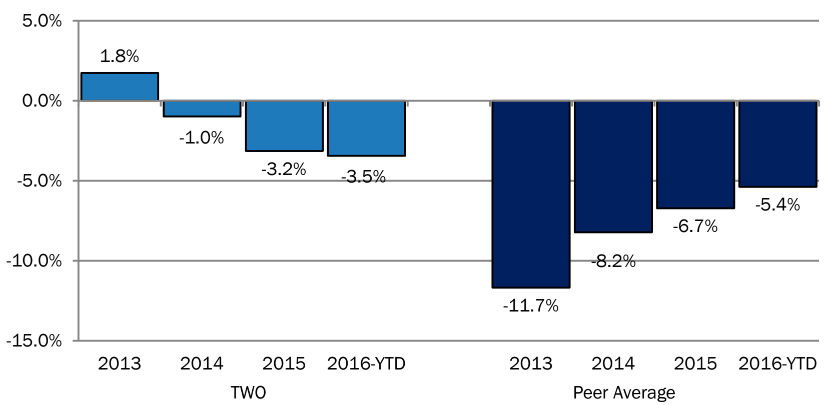
ATTRACTIVE & COMPARABLE DIVIDEND YIELD(1)



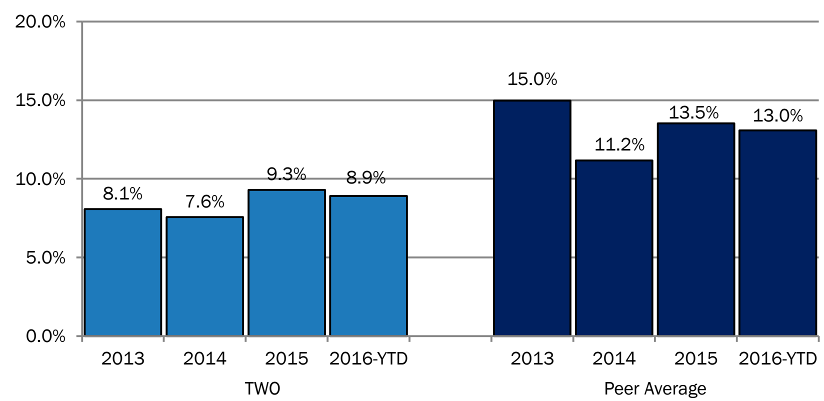
...WITH LOWER LEVERAGE(2)...



...LESS INTEREST RATE EXPOSURE(3)...



...AND LESS PREPAYMENT RISK(4)



Note: Two Harbors and peer financial data for Dividend Yield, Leverage, Prepayment Risk and Interest Rate Exposure on this slide is based on available financial information as of June 30, 2016 as filed with the SEC. Peers include AGNC, ANH, ARR, CMO, CYS, IVR, MFA , NLY and HTS (financial information for HTS is included in peer financial data only for the periods ending prior to the second quarter of 2016).

(1) Represents average of annualized yields on all quarterly cash dividends per respective fiscal year. Two Harbors' first quarter 2013 dividend yield used in annual average calculation was based on cash dividend of $0.32 per share and does not include Silver Bay Realty Trust common stock distribution of $1.01 per share. Annualized yields for each quarter are calculated by dividing annualized quarterly dividends by closing share price as of respective quarter-ends. Peer dividend data based on peer company press releases. Historical dividends may not be indicative of future dividend distributions. Our company ultimately distributes dividends based on its taxable income per share of common stock.

(2) Represents average of debt-to-equity ratios for all reportable quarters per respective fiscal year. Debt-to-equity is defined as total borrowings to fund RMBS, mortgage loans held-for-sale, commercial real estate assets and Agency Derivatives divided by total equity.

(3) Represents average of estimated change in equity value for theoretical +100bps parallel shift in interest rates for all reportable quarters per respective fiscal year. Change in equity market capitalization is adjusted for leverage.

(4) Represents average of the constant prepayment rate (CPR) on Agency RMBS, including Agency Derivatives, for all reportable quarters per respective fiscal year.

Appendix


TWO HARBORS
Investment Corp.
A Pine River Capital Managed Company

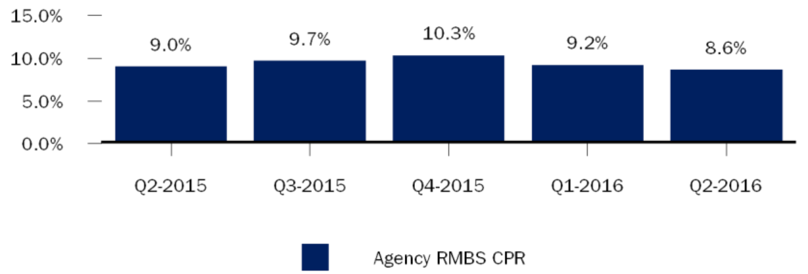
Rates: Agency RMBS Metrics

AGENCY PORTFOLIO YIELDS AND METRICS

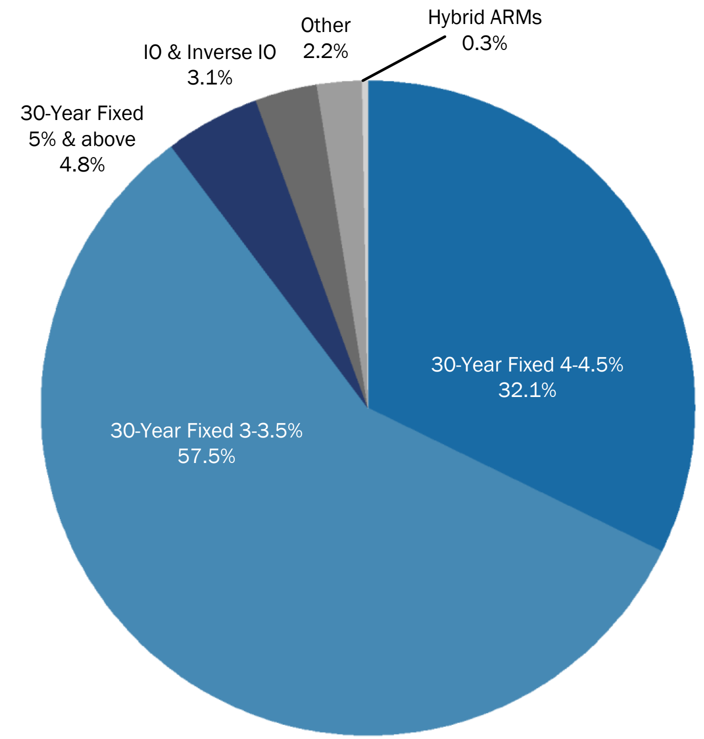
Portfolio Yield	Realized Q1-2016	At March 31, 2016	Realized Q2-2016	At June 30, 2016
Agency yield	3.3%	3.1%	3.0%	2.8%
Repo and FHLB costs	0.6%	0.7%	0.7%	0.7%
Swap costs	0.4%	0.4%	0.3%	0.2%
Net interest spread	2.3%	2.0%	2.0%	1.9%

Portfolio Metrics	Q1-2016	Q2-2016
Weighted average 3-month CPR(1)	9.2%	8.6%
Weighted average cost basis(2)	$106.6	$105.3

AGENCY RMBS CPR(1)



AGENCY PORTFOLIO COMPOSITION AT JUNE 30, 2016



(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.

Rates: Agency RMBS

As of June 30, 2016	Par Value ($M)	Market Value ($M)	% Lower Balance/HARP[1]	Amortized Cost Basis ($M)	Weighted Average Coupon	Weighted Average Age (Months)
30-Year fixed						
3.0-3.5%	$6,684	$6,991	—%	$6,928	3.2%	3
4.0-4.5%	3,536	3,901	85.4%	3,805	4.2%	36
≥ 5.0%	513	585	73.7%	553	5.5%	89
	10,733	11,477	32.8%	11,286	3.6%	19
Hybrid ARMs	33	35	—%	35	5.1%	148
Other	267	268	0.1%	244	3.9%	102
IOs and IIOs	3,722	381[2]	0.3%	360	3.7%	77
Total	$14,755	$12,161	30.9%	$11,925	3.7%	23

(1) Percent of securities with implicit or explicit prepayment protection, including lower loan balances (securities collateralized by loans less than or equal to $175K of initial principal balance) and higher LTVs (securities collateralized by loans with greater than or equal to 80% LTV).
(2) Represents market value of $229.3 million of IOs and $152.0 million of Agency Derivatives.

Rates: Mortgage Servicing Rights[1]

	As of March 31, 2016	As of June 30, 2016
Fair value ($M)	$446.2	$427.8
Unpaid principal balance ($M)	$52,070.4	$55,622.0
Weighted average coupon	3.9%	3.9%
Original FICO score[2]	750	750
Original LTV	75%	75%
60+ day delinquencies	1.0%	0.9%
Net servicing spread	27.2 basis points	27.0 basis points
Vintage:		
Pre-2009	2.4%	2.2%
2009-2012	44.8%	39.9%
Post 2012	52.8%	57.9%
Percent of MSR portfolio:		
Conventional	81.6%	83.8%
Government FHA	13.7%	12.1%
Government VA/USDA	4.7%	4.1%

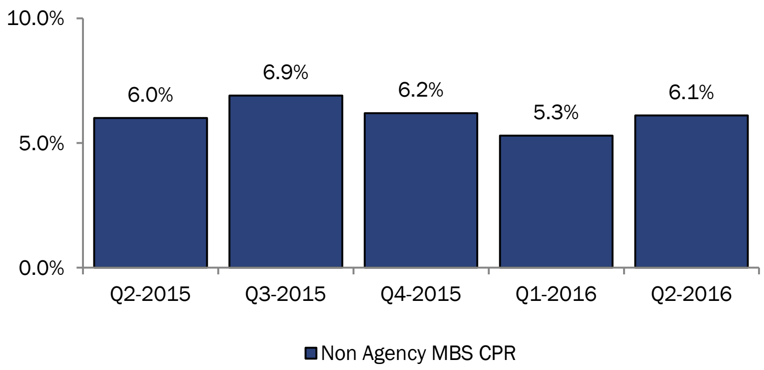
(1) Excludes residential mortgage loans held-for-investment in securitization trusts for which the company is the named servicing administrator.
(2) FICO represents a mortgage industry accepted credit score of a borrower.

Credit: Non-Agency MBS Metrics

NON-AGENCY PORTFOLIO YIELDS AND METRICS

Portfolio Yield	Realized Q1-2016	At March 31, 2016	Realized Q2-2016	At June 30, 2016
Non-Agency yield	8.3 %	8.3 %	8.1 %	8.3 %
Repo and FHLB costs	2.5 %	2.3 %	2.4 %	2.4 %
Swap costs	0.3 %	0.3 %	0.3 %	0.3 %
Net interest spread	5.5 %	5.7 %	5.4 %	5.6 %

NON-AGENCY MBS CPR



NON-AGENCY PORTFOLIO COMPOSITION

Non-Agency: Loan Type	March 31, 2016	June 30, 2016
Sub-prime	71%	68%
Option-ARM	9%	9%
Prime	6%	6%
Alt-A	5%	5%
Other	9%	12%

Portfolio Metrics	Q1-2016	Q2-2016
Weighted average 3-month CPR	5.3 %	6.1 %
Weighted average cost basis(1)	$58.2	$58.6

(1) Weighted average cost basis includes MBS 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 MBS excluding the company's non-Agency interest-only portfolio would have been $54.64 at June 30, 2016.

Credit: Non-Agency MBS

As of June 30, 2016	Senior Bonds	Mezzanine Bonds	Total P&I
Portfolio characteristics:			
Carrying value ($M)	$1,138.8	$503.2	$1,642.0
% of non-Agency portfolio	69.4%	30.6%	100.0%
Average purchase price(1)	$54.07	$68.89	$58.61
Average coupon	3.0%	2.3%	2.8%
Weighted average market price(2)	$73.57	$76.14	$74.34
Collateral attributes:			
Average loan age (months)	117	121	118
Average loan size ($K)	$363	$318	$352
Average original Loan-to-Value	71.0%	69.3%	70.6%
Average original FICO(3)	635	659	641
Current performance:			
60+ day delinquencies	26.4%	19.2%	24.7%
Average credit enhancement(4)	10.1%	19.7%	12.4%
3-Month CPR(5)	4.9%	9.7%	6.1%

(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 MBS, excluding our non-Agency interest-only portfolio, would have been $49.94, $65.66 and $54.64, 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 MBS 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.

Commercial Real Estate Assets as of June 30, 2016

	Type	Origination Date	Principal Balance	Book Value	Cash Coupon(1)	Yield(2)	Original Term (Years)	State	Property Type	Initial LTV(3)	Stabilized LTV(4)
Asset 1	Senior	12/15	$120.0	$119.2	L + 4.20%	5.91 %	4	LA	Retail	65.5 %	60.0 %
Asset 2	Senior	09/15	105.0	104.6	L + 3.42%	4.76 %	3	CA	Retail	70.9 %	66.9 %
Asset 3	Senior	04/16	82.0	81.0	L + 4.75%	6.09 %	3	NY	Industrial	55.4 %	55.4 %
Asset 4	Senior	11/15	76.6	76.1	L + 4.20%	5.80 %	3	NY	Office	66.4 %	68.7 %
Asset 5	Mezzanine	11/15	49.8	49.8	L + 7.25%	7.82 %	3	Multi-state	Office	77.6 %	77.5 %
Asset 6	Senior	06/16	50.3	49.6	L + 4.49%	5.67 %	4	HI	Retail	76.2 %	56.5 %
Asset 7	Mezzanine	03/15	45.9	45.8	L + 6.75%	8.15 %	2	Multi-state	Hotel	70.3 %	63.5 %
Asset 8	Senior	12/15	43.5	43.3	L + 4.05%	5.61 %	3	TX	Multifamily	81.2 %	76.8 %
Asset 9	Senior	04/16	43.5	42.7	L + 4.40%	6.11 %	3	NY	Office	66.9 %	62.1 %
Asset 10	Senior	02/16	40.1	39.6	L + 4.30%	5.63 %	3	TX	Office	72.9 %	70.4 %
Asset 11	Senior	12/15	39.5	39.3	L + 4.65%	6.43 %	4	PA	Office	74.5 %	67.5 %
Asset 12	Senior	11/15	38.0	37.6	L + 4.55%	6.41 %	4	MD	Office	80.0 %	64.5 %
Asset 13	Senior	03/16	33.8	33.6	5.11%	5.24 %	10	NJ	Office	74.9 %	74.9 %
Asset 14	Senior	01/16	27.8	27.4	L + 4.80%	6.46 %	3	IL	Multifamily	82.8 %	66.7 %
Asset 15	Senior	10/15	23.5	23.4	L + 3.60%	4.94 %	4	NY	Multifamily	73.4 %	58.6 %

(1) Cash coupon does not include origination or exit fees.
(2) Yield includes net origination fees and exit fees, but does not include future fundings.
(3) Initial LTV considers the original appraisal at the time of origination.
(4) Stabilized LTV considers the prospective market value "as stabilized" which reflects the property's market value as of the time the property is projected to achieve stabilized occupancy. Stabilized occupancy is the occupancy level that a property is expected to achieve after the property is exposed to the market for lease over a reasonable period of time and at comparable terms and conditions to other similar properties.

Commercial Real Estate Assets as of June 30, 2016

	Type	Origination Date	Principal Balance	Book Value	Cash Coupon[1]	Yield[2]	Original Term (Years)	State	Property Type	Initial LTV[3]	Stabilized LTV[4]
Asset 16	Senior	08/15	$18.7	$18.6	L + 4.05%	5.67 %	3	FL	Multifamily	85.0 %	68.4 %
Asset 17	Mezzanine	08/15	17.0	17.0	L + 8.75%	10.06 %	2	FL	Hotel	71.9 %	67.9 %
Asset 18	Senior	08/15	14.3	14.3	L + 5.25%	6.82 %	3	FL	Multifamily	76.3 %	75.3 %
Asset 19	Senior	06/16	13.4	13.2	L + 4.62%	5.98 %	3	NY	Multifamily	69.5 %	64.7 %
Asset 20	Senior	10/15	12.6	12.5	L + 4.99%	6.53 %	3	MO	Hotel	73.2 %	57.8 %
Asset 21	Senior	09/15	11.0	11.0	L + 4.03%	5.39 %	3	FL	Multifamily	77.7 %	76.9 %
Asset 22	Mezzanine	07/15	9.9	9.9	L + 12.25%	14.03 %	3	PA	Office	81.6 %	79.6 %
Asset 23	Mezzanine	08/15	9.9	9.9	L + 9.50%	11.59 %	5	GA	Office	78.7 %	66.4 %
Asset 24	Mezzanine	11/15	7.4	6.9	13.00%[5]	13.00 %	10	NY	Hotel	68.3 %	43.7 %
Total/Weighted Average			**$933.6**	**$926.4**	**L + 4.86%**	**6.27 %**	**3.5**			**71.2 %**	**65.5 %**

(1) Cash coupon does not include origination or exit fees.
(2) Yield includes net origination fees and exit fees, but does not include future fundings.
(3) Initial LTV considers the original appraisal at the time of origination.
(4) Stabilized LTV considers the prospective market value "as stabilized" which reflects the property's market value as of the time the property is projected to achieve stabilized occupancy. Stabilized occupancy is the occupancy level that a property is expected to achieve after the property is exposed to the market for lease over a reasonable period of time and at comparable terms and conditions to other similar properties.
(5) A variable rate per annum generating not less than a 13% internal rate of return on the principal balance of the loan, inclusive of the exit fee.


(1) Data as of June 30, 2016, except where noted.
TWO HARBORS
Investment Corp.
A Pine River Capital Managed Company