

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.

Mini Webinar Series
March 2013

Mortgage REIT Primer

Welcoming Remarks



July Hugen
Director of Investor Relations



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 impact of new or modified government mortgage refinance or principal reduction programs, and unanticipated changes in overall market and economic conditions.

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Real Estate Investment Trust (“REIT”)

A Real Estate Investment Trust (REIT) is a company that owns, and in many cases operates, income-producing real estate. Some REITs also engage in financing real estate.¹

Mortgage REITs

A mortgage REIT makes or owns loans and other obligations that are secured by real estate collateral.¹

Equity REITs

An equity REIT owns, or has equity interest in, rental real estate such as shopping centers, apartments, single-family homes and industrial buildings.¹

To maintain REIT status, the company must adhere to the following criteria:²

- 75% gross income test
- 95% gross income test
- 75% asset test
- Non-investment activities
- Must be held by a minimum of 100 stockholders
- Must pay out at least 90% of taxable income

To be exempt from regulation under the Investment Company Act of 1940, a REIT must pass:²

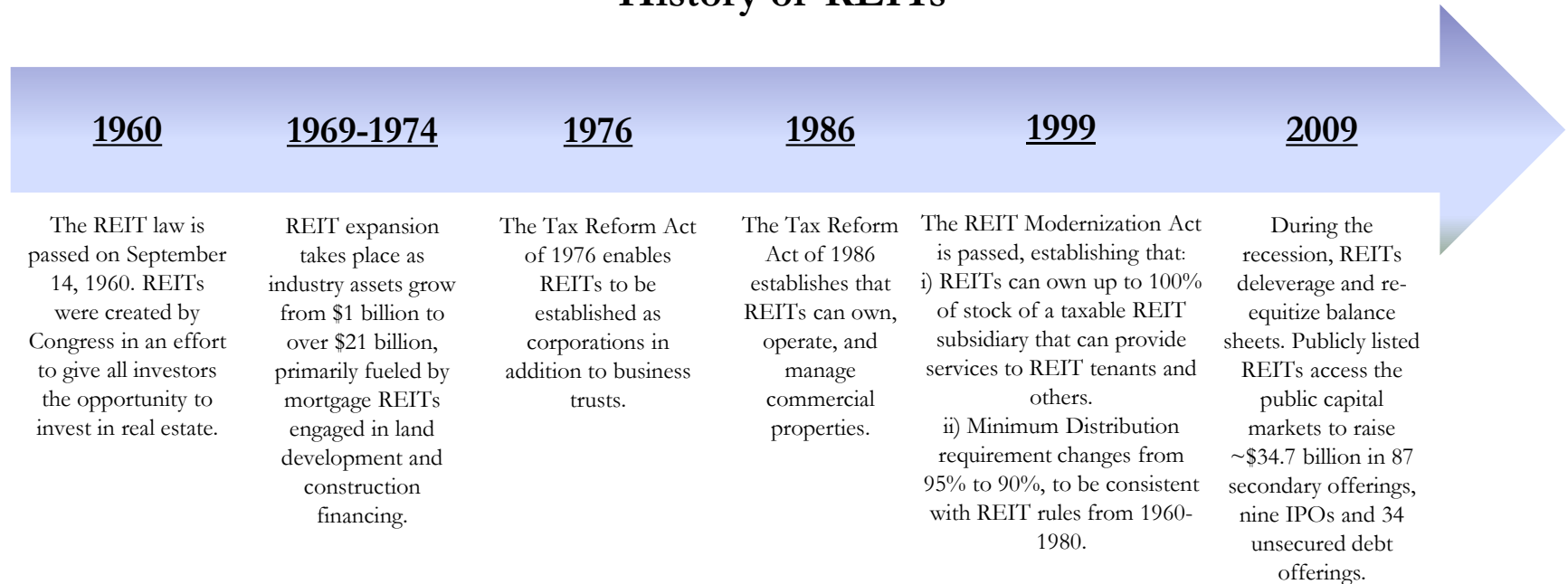
- 80% qualifying real estate assets test
- 55% whole pool test

(1) Source: NAREIT. <http://www.reit.com>

(2) Source: KBW Mortgage REIT Primer, June 2012.

Industry History

History of REITs¹



(1) Source: NAREIT. <http://www.reit.com>



Large Market Sector

The total equity market capitalization of the REIT industry is just over \$600 billion, of which mortgage REITs represent approximately \$59 billion.¹

Top 10 Largest Equity REITs

Company	Market Cap ² (\$b)
Simon Property Group Inc.	49.2
American Tower Corp.	30.4
Public Storage, Inc.	26.2
HCP, Inc.	22.6
Ventas Inc.	21.4
Equity Residential	19.9
General Growth Properties	18.7
Prologis	18.5
Health Care REIT, Inc.	17.7
Weyerhaeuser	17.1

Top 10 Largest Mortgage REITs

Company	Market Cap ² (\$b)
Annaly Capital Management	15.1
American Capital Agency Corp.	13.0
Two Harbors Investment Corp.	4.5
MFA Financial Inc.	3.3
Chimera Investment Corp.	3.3
Invesco Mortgage Capital Inc.	2.9
Hatteras Financial Corp.	2.7
Armour Residential REIT	2.4
CYS Investments	2.1
American Capital Mortgage Investments	1.5

(1) Source: NAREIT. <http://www.reit.com>. Market cap as of 12/31/2012

(2) Source: Bloomberg. Market cap as of 3/28/2013

Mortgage REITs

There are two types of mortgage REITs: residential REITs and commercial REITs.

Residential Mortgage REITs

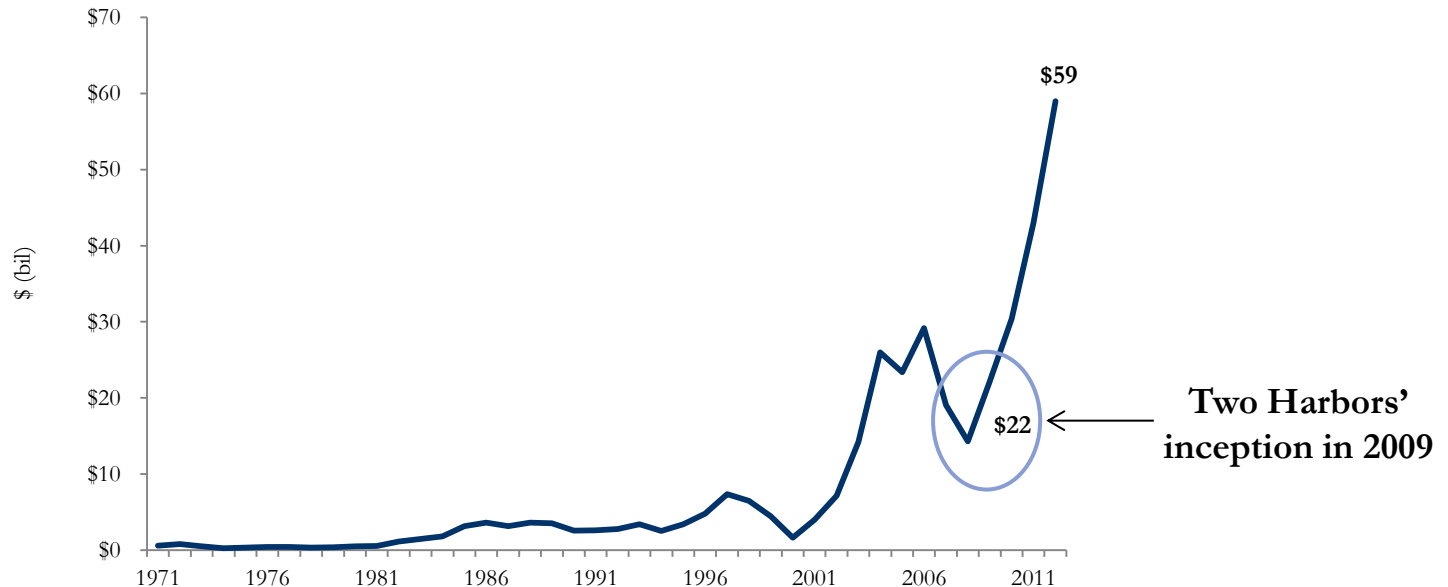
Three types: Agency REITs, non-Agency REITs and Hybrid REITs.

Commercial Mortgage REITs

Assets secured by mortgage loans on commercial properties.

Mortgage REIT Market Capitalization¹

Market Capitalization as of December 31, 2012



(1) Source: KBW research

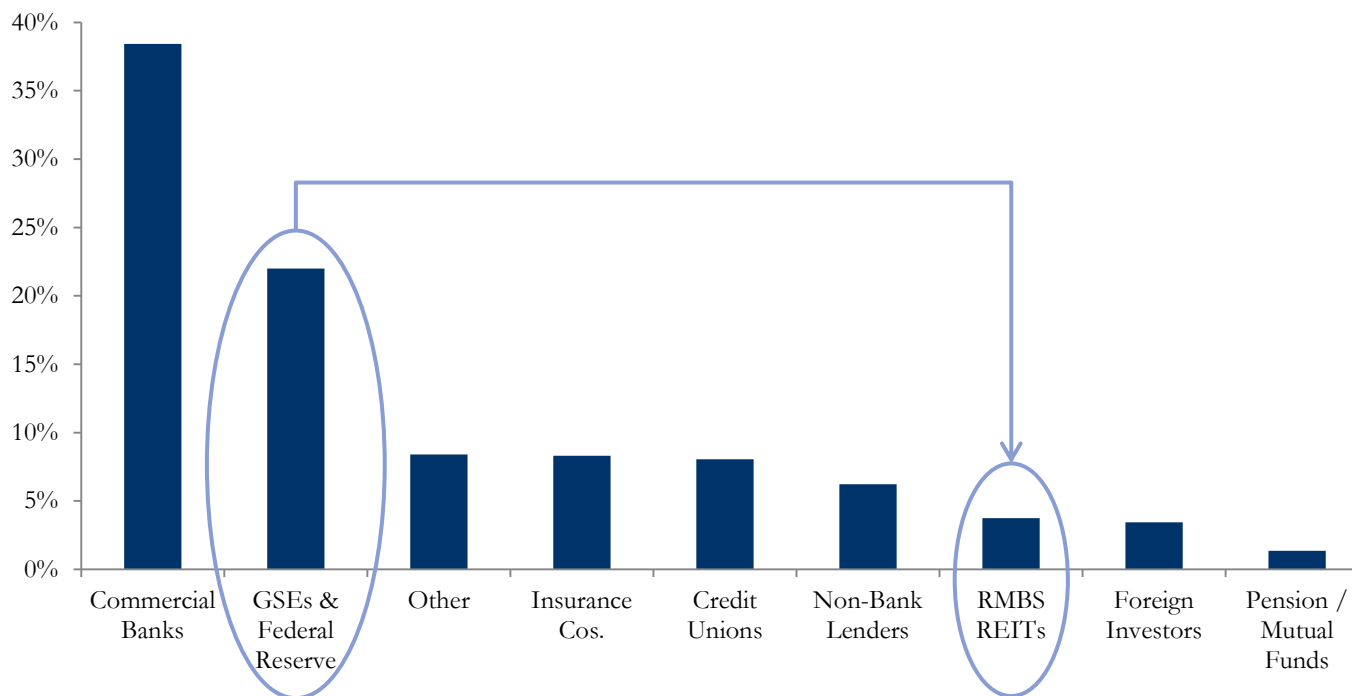


Long-Term Opportunity

Government involvement in the mortgage industry is currently high. As the government reduces its role, we believe mortgage REITs have an opportunity to provide capital to the industry.

Holders of Mortgage Debt Outstanding¹

As of Third Quarter 2012



(1) Source: Federal Reserve, Fannie Mae, Freddie Mac, *Inside Mortgage Finance*, and KBW Research



Two Harbors Investment Corp.

Two Harbors is a hybrid mortgage REIT that invests in the residential mortgage and housing sectors.

Mission-Based Strategy

- Mission is to be recognized as the industry-leading hybrid mortgage REIT
- Objectives are to optimize shareholder value and provide attractive risk-adjusted returns

Two Harbors Today

- Largest hybrid mortgage REIT focused on investing in residential mortgage-backed securities
- Total RMBS portfolio of \$14 billion
- \$4.5 billion market capitalization¹
- Talented and deep bench in Minnesota and New York



(1) Source: Bloomberg. Market cap as of 3/28/2013

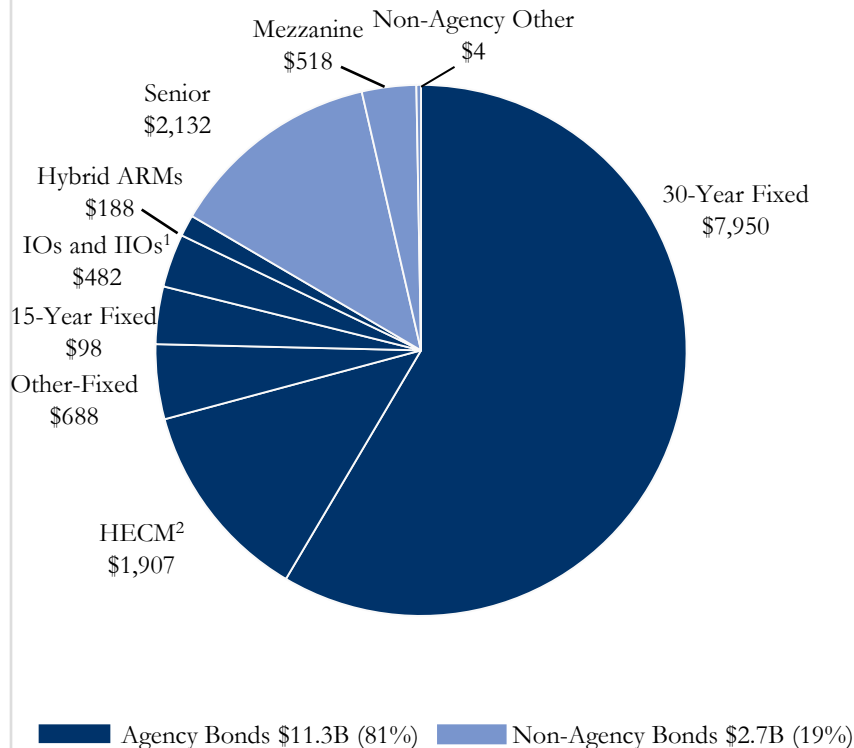
Portfolio Composition

Portfolio Composition

As of December 31, 2012

\$14.0B RMBS Portfolio

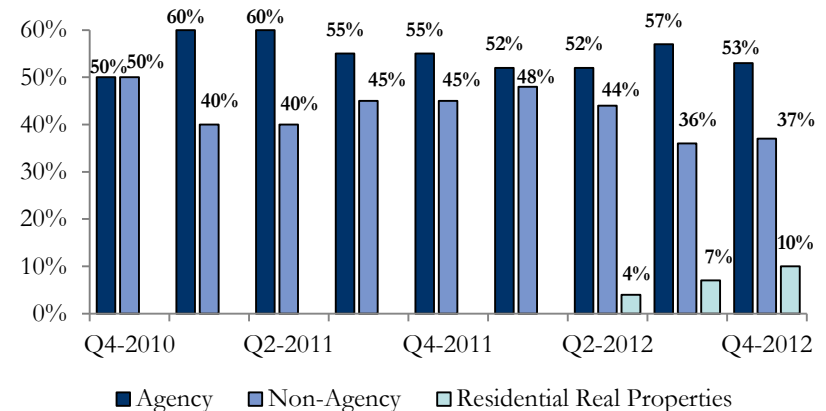
\$ Millions



Flexible Hybrid Model

- Flexibility as a hybrid REIT to take advantage of opportunities in both Agency and non-Agency sectors, including non-securitized assets
- Ability to diversify into areas that capitalize on our core competencies
- Leverage opportunities and optimize shareholder value

Targeted Capital Allocation

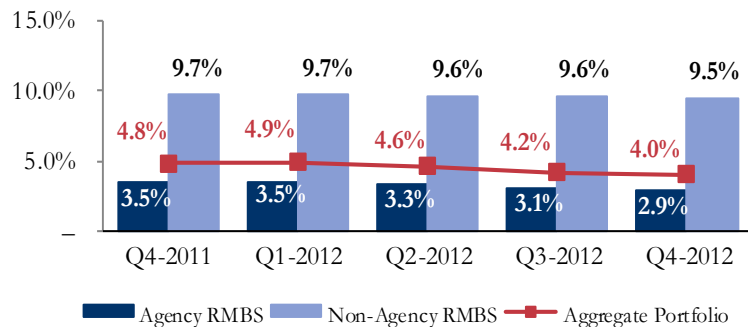


(1) "IO" is defined as Interest Only securities; includes Agency Derivatives ("IIOs") of \$301 million as of December 31, 2012.

(2) Home Equity Conversion Mortgage loans ("HECM") are loans that allow the homeowner to convert home equity into cash collateralized by the value of their home.

Portfolio Performance History

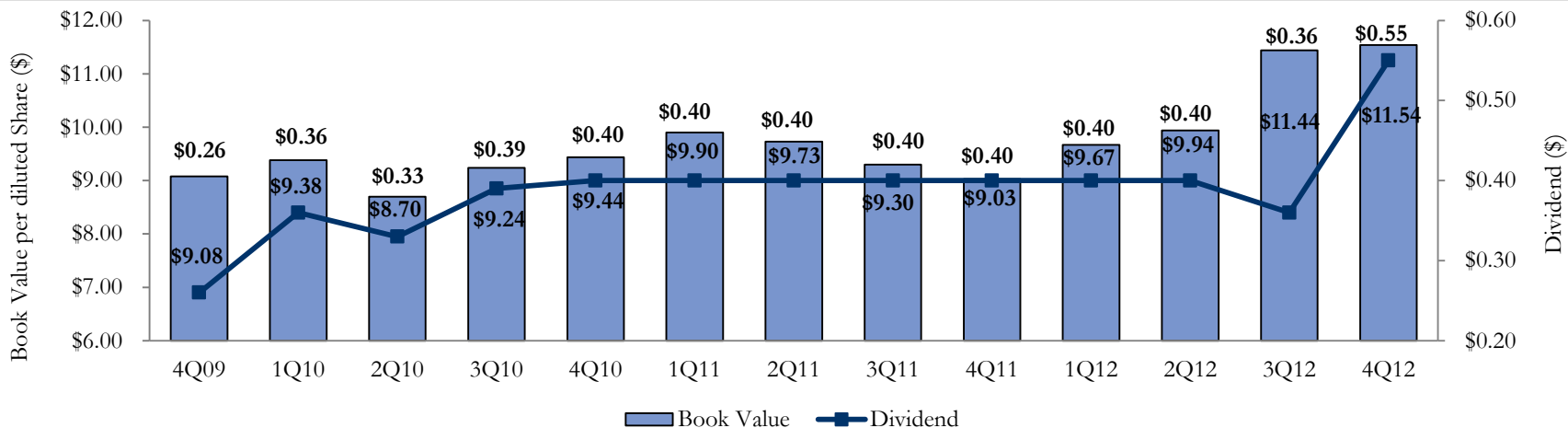
Annualized Yields by Portfolio¹



Net Interest Spread

	Three Months Ended December 31, 2012		
	Agency	Non-Agency	Aggregate Portfolio
Annualized Yield ²	2.9%	9.5%	4.0%
Cost of repurchase agreements	(0.6%)	(2.6%)	(0.7%)
Cost of interest rate swaps & swaptions	(0.5%)	-	(0.4%)
Cost of financing	(1.1%)	(2.6%)	(1.1%)
Net interest spread	1.8%	6.9%	2.9%

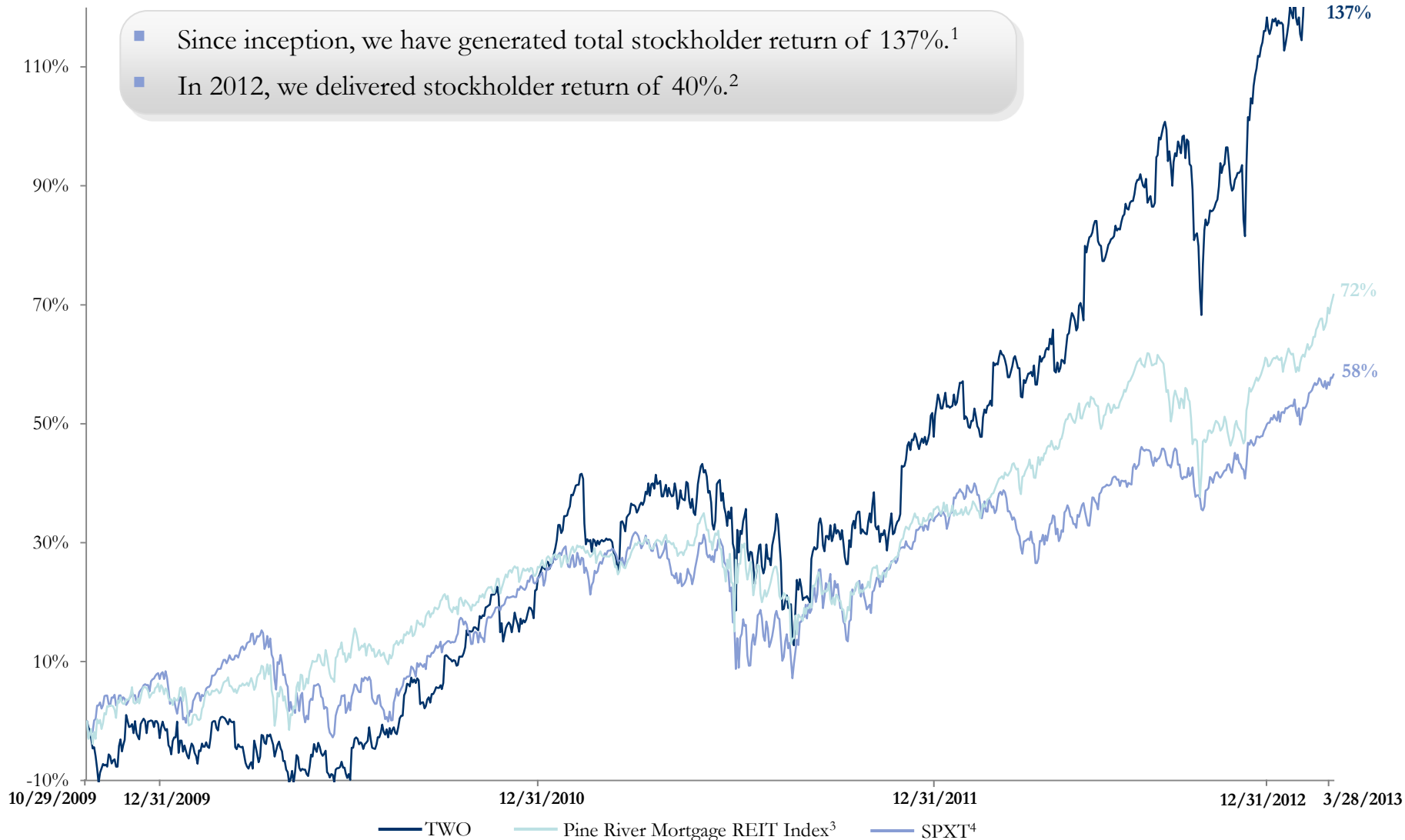
Dividends and Book Value per Share²



(1) Agency yield includes impact of Agency Derivatives. Interest income on Agency Derivatives was \$7.7 million and \$4.0 million for the third and fourth quarter of 2012, respectively, contributing an additional 0.2% and 0.1% to aggregate annualized yields in the third and fourth quarter of 2012.

(2) Historical dividends may not be indicative of future dividend distributions. The company ultimately distributes dividends based on its taxable income per common share. The \$0.55 dividend declared in 4Q12 is not representative of ongoing earnings power.

Delivering Total Return



(1) Two Harbors' total stockholder return is calculated for the period October 29, 2009 through March 28, 2013. Total stockholder return is defined as capital gains on stock price including dividends. Source: Bloomberg.

(2) Two Harbors' total annual stockholder return is calculated for the period December 31, 2011 through December 31, 2012. Source: Bloomberg.

(3) Pine River Mortgage REIT index includes: AGNC, NLY, ANH, ARR, CMO, CIM, CYS, HTS, IVR, MFA, PMT, RWT and TWO.

(4) "SPXT" represents S&P 500 Total Return Index (SPXT: IND) for the period October 29, 2009 through March 11, 2013. Source: Bloomberg.

Mortgage REIT Risks

	1 Interest Rate Risk	2 Prepayment Risk	3 Mortgage Credit Risk	4 Liquidity Risk
Definition	Exposure to change in rates	Uncertain cash flows	Borrower defaults cause losses	REITs commonly use leverage to enhance returns
Two Harbors' Objective	Low interest rate exposure	Portfolio focused on prepayment stability and upside	Attractive loss-adjusted yields	Attractive returns with prudent leverage
Two Harbors' Result	Interest Rate Risk Low	Prepayment Risk Balance	Conservative Stance on Mortgage Credit	Moderate Use of Leverage

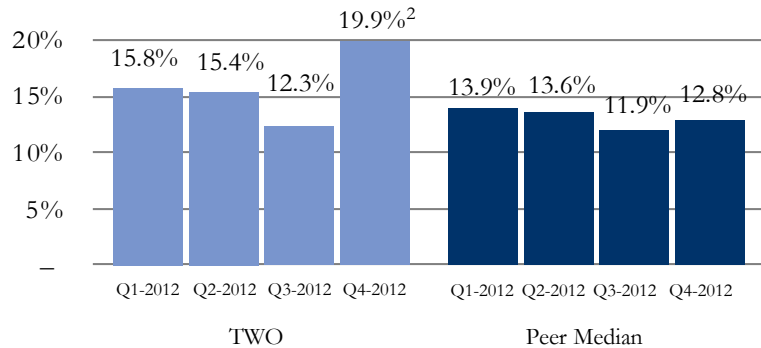
Note: The risks identified on this slide represent only some of the risks that are relevant to Two Harbors' business. Additional information concerning these and other risks applicable to Two Harbors is contained in Two Harbor's most recent filings with the Securities and Exchange Commission.



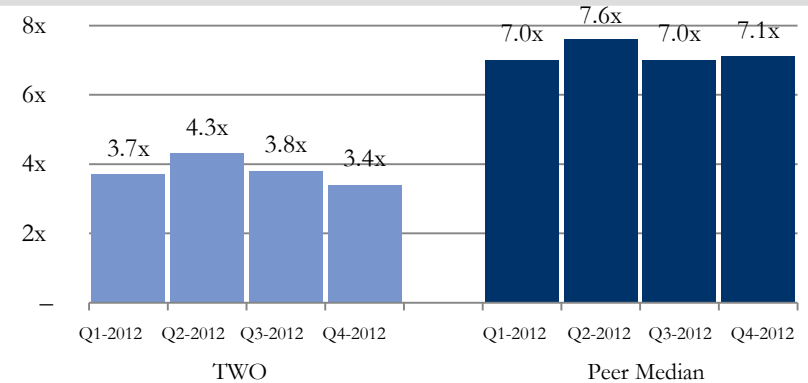
Attractive Returns With Lower Risk

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

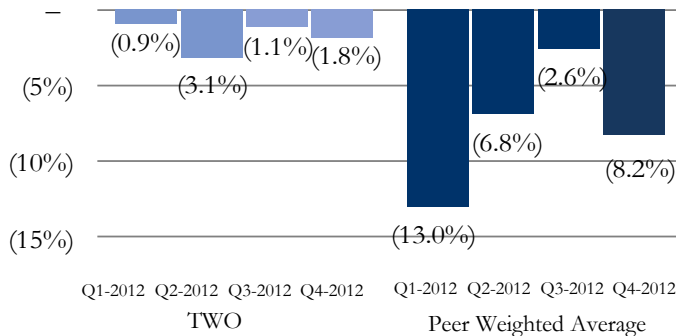
Attractive & Comparable Dividend Yield¹...



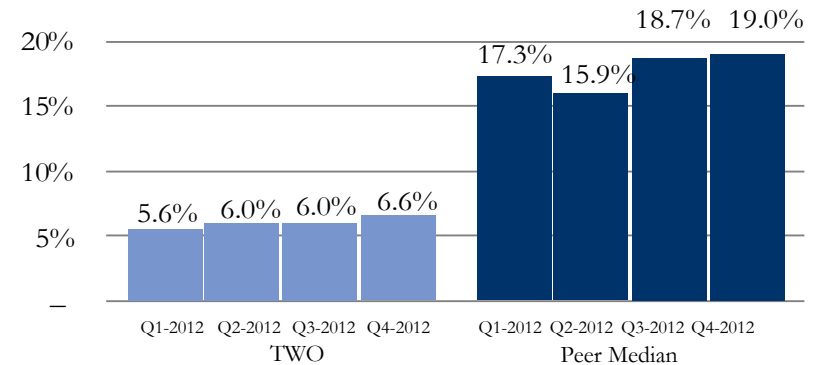
... With Lower Leverage³...



... Less Interest Rate Exposure⁴...



... And Less Prepayment Risk⁵



Note: All peer financial data on this slide based on available December 31, 2012 financial information as filed with the SEC. Peers include AGNC, ANH, ARR, CMO, CYS, HTS, IVR, MFA and NLY.

- (1) Reported fourth quarter 2012 dividend annualized, divided by closing share price as of December 31, 2012. Dividend data based on peer company press releases.
- (2) Historical dividends may not be indicative of future dividend distributions. The company ultimately distributes dividends based on its taxable income per common share. The \$0.55 dividend declared in 4Q12 is not representative of ongoing earnings power.
- (3) Debt-to-equity defined as total borrowings to fund RMBS securities and Agency derivatives divided by total equity.
- (4) 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 CMO and CYS.
- (5) Represents the CPR on the Agency RMBS portfolios, including Agency derivatives.

Summary

- A REIT is a company that owns, and in many cases operates, income-producing real estate.
- There are 2 types of REITs: Equity REITs and Mortgage REITs.
 - Mortgage REITs include commercial mortgage REITs and residential mortgage REITs.
 - Residential Mortgage REITs include Agency mortgage REITs, non-Agency mortgage REITs, and hybrid mortgage REITs, such as Two Harbors.
- The primary risks associated with mortgage REITs are: interest rate risk, prepayment risk, mortgage credit risk, and liquidity risk.
- Mortgage REITs provide an opportunity for a high dividend yield and the potential for long-term capital appreciation. Looking to the future, we believe mortgage REITs are well positioned to deliver attractive stockholder returns.
- Two Harbors' mission is to be recognized as an industry-leading mortgage REIT.
 - Our hybrid model allows for flexibility across the Agency and non-Agency markets, as well as the potential to invest in other mortgage assets.



Contact Information

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Appendix



Common REIT Acronyms

- **Residential Mortgage-Backed Security (“RMBS”)**: Securities that are secured by a mortgage or collection of mortgages.
- **Government Sponsored Enterprise (“GSE”)**: Refers to Freddie Mac and Fannie Mae. GSE’s are not guaranteed by the U.S. government but have implicit credit protection.



Other Resources

Two Harbors Investment Corp.

<http://www.twoharborsinvestment.com>

National Association of REITs (NAREIT) website:

<http://www.REIT.com>

U.S. Securities and Exchange Commission (SEC):

<http://www.investor.gov/investing-basics/investment-products/real-estate-investment-trusts-reits>

<http://www.investor.gov/news-alerts/investor-bulletins/real-estate-investment-trusts-reits>

