



First Quarter 2016 Earnings Call

May 5, 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 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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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.



Financial Summary⁽¹⁾

QUARTERLY FINANCIAL RESULTS

- Core Earnings⁽²⁾ of \$71.8 million, or \$0.21 per share
- Comprehensive Loss of \$67.6 million, or \$0.19 per share
- Total return on book value of (1.8%)⁽³⁾
 - Cash dividend of \$0.23 per share
- Repurchased 8.0 million shares of common stock
 - Average purchase price of \$7.64 per share
 - 2.3% of common shares outstanding at December 31, 2015
 - Accretive to book value

(1) Except as otherwise indicated in this presentation, reported data is as of or for the period ended March 31, 2016.

(2) 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.

(3) See Appendix slide 14 for calculation of Q1-2016 return on book value.



Business Overview

COMMERCIAL REAL ESTATE

- Closed on three assets with an aggregate carrying value of \$98.3 million
- Opportunity attractive

MORTGAGE SERVICING RIGHTS

- Portfolio of \$55.3 billion in unpaid principal balance (UPB)
- Added four MSR flow sellers
- Closed bulk MSR acquisition

MORTGAGE LOAN CONDUIT

- Sponsored two securitizations totaling approximately \$628 million UPB



Market and Policy Update

MACRO CONSIDERATIONS

- Interest rates fell as Fed commentary expressed caution
- Home price appreciation continued
 - CoreLogic Home Price Index up 6.7% on rolling 12-month basis⁽¹⁾
- Stable employment data
 - Unemployment rate remained low; 5.0% in March 2016⁽²⁾
 - Labor force participation improving

POLICY MATTERS

- Remain actively engaged with a variety of parties in Washington, D.C.
 - FHFA ruling
 - Credit risk transfer
 - Private label securitization market
 - Role of private capital in mortgage market

(1) Source: CoreLogic Home Price Index rolling 12-month change as of March 2016.

(2) Source: U.S. Bureau of Labor Statistics.

Book Value



(Dollars in millions, except per share data)	Q4-2015 Book Value	Q4-2015 Book Value per share	Q1-2016 Book Value	Q1-2016 Book Value per share
Beginning stockholders' equity	\$3,772.7	\$10.30	\$3,576.6	\$10.11
GAAP Net Income:				
Core Earnings, net of tax	72.1		71.8	
Realized gains, net of tax	15.1		25.5	
Unrealized mark-to-market gains (losses), net of tax	123.5		(186.2)	
Other comprehensive income (loss)	(213.9)		21.3	
Dividend declaration	(92.0)		(79.9)	
Other	1.7		2.8	
Balance before capital transactions	3,679.2		3,431.9	
Repurchase of common stock	(102.7)		(61.3)	
Issuance of common stock, net of offering costs	0.1		0.1	
Ending stockholders' equity	\$3,576.6	\$10.11	\$3,370.7	\$9.70

Q1-2016
Comprehensive
Loss of \$67.6
million

Declared Q1-2016
dividend of \$0.23
per share

Share repurchases
accretive to book
value by \$0.06 per
share in Q4-2015;
\$0.05 per share in
Q1-2016



Core Earnings Summary⁽¹⁾

Q1-2016 FINANCIAL HIGHLIGHTS

(Dollars in millions)	Q4-2015	Q1-2016	Variance (\$)	Variance (%)
Interest income	\$133.6	\$130.8	(\$2.8)	(2.1%)
Interest expense	\$36.6	\$41.4	(\$4.8)	(13.1%)
Net interest income	\$97.0	\$89.4	(\$7.6)	(7.9%)
Loss on swaps and swaptions	(\$12.6)	(\$6.2)	\$6.4	50.7%
Gain on other derivatives	\$6.0	\$5.4	(\$0.6)	(10.9%)
Servicing income, net of amortization on MSR	\$16.8	\$17.9	\$1.1	(6.8%)
Other	\$1.4	\$1.3	(\$0.1)	(4.2%)
Total other income	\$11.6	\$18.4	\$6.8	n/a
Expenses	\$35.8	\$34.3	\$1.5	4.6%
Income taxes	\$0.7	\$1.7	(\$1.0)	n/a
Core Earnings⁽¹⁾	\$72.1	\$71.8	(\$0.3)	(0.4%)
Basic and diluted weighted average Core EPS	\$0.20	\$0.21	\$0.01	5.0%

- Net interest income down modestly quarter-over-quarter
 - Increased leverage on Agency RMBS
 - Growth in commercial real estate assets, partially offset by increased financing
- Lower swap costs driven by increases in LIBOR and reduction in average notional swaps
- Servicing income increased \$1.1 million quarter-over-quarter
 - Growth in MSR portfolio due to flow and bulk purchases
 - Amortization (runoff) consistent with prior quarter
- Other operating expenses decreased \$1.2 million quarter-over-quarter
 - Percentage of average equity consistent with prior quarter

(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

FINANCING FOR COMMERCIAL REAL ESTATE ASSETS

- Increased financing capabilities and flexibility
- Two \$250 million financing facilities currently in place; one facility added in the first quarter
- Debt-to-equity of 1.3x⁽¹⁾

FEDERAL HOME LOAN BANK OF DES MOINES

- Outstanding secured advances of \$4.0 billion
- Average borrowing rate of 0.59%

REPURCHASE AGREEMENTS

- Focused on diversification and financial stability across repo counterparties
- Outstanding borrowings of \$6.2 billion with 20 active counterparties; 30 total counterparties
- Repo markets functioning normally; continue to ladder repo maturities
- Subsequent to quarter-end, added a direct lending counterparty

(1) Defined as total borrowings to fund commercial real estate assets divided by total equity in investments.



Portfolio Performance and Hedging

Q1-2016 PERFORMANCE HIGHLIGHTS

NET INTEREST MARGIN BENEFIT FROM HIGHER YIELDING ASSETS

RATES

- Increased Agency exposure due to wider spreads
- Strong Interest-Only and MSR performance

CREDIT

- Continued to sell lower yielding Legacy non-Agency bonds

COMMERCIAL

- Initial holdings performed well; opportunity remains attractive

HEDGING

- Increased leverage while maintaining low interest rate exposure
- Debt-to-equity of 3.0x at March 31, 2016, up from 2.5x at December 31, 2015⁽³⁾

Q1-2016 PORTFOLIO METRICS

Three Months Ended	Dec. 31, 2015	Mar. 31, 2016
Annualized portfolio yield during the quarter	4.56%	4.58%
Rates		
Agency RMBS, Agency Derivatives and MSR	3.8%	3.7%
Credit		
Non-Agency RMBS, Legacy ⁽¹⁾	8.4%	8.6%
Non-Agency RMBS, New issue ⁽¹⁾	4.0%	4.3%
Net economic interest in securitization trusts	4.6%	4.8%
Prime jumbo residential mortgage loans	4.0%	4.1%
Commercial	6.0%	6.4%
Annualized cost of funds on average repurchase and advance balance during the quarter⁽²⁾	1.30%	1.21%
Annualized interest rate spread for aggregate portfolio during the quarter	3.26%	3.37%

(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.

(3) Defined as total borrowings to fund RMBS, residential mortgage loans held-for-sale, commercial real estate assets and Agency Derivatives, divided by total equity.

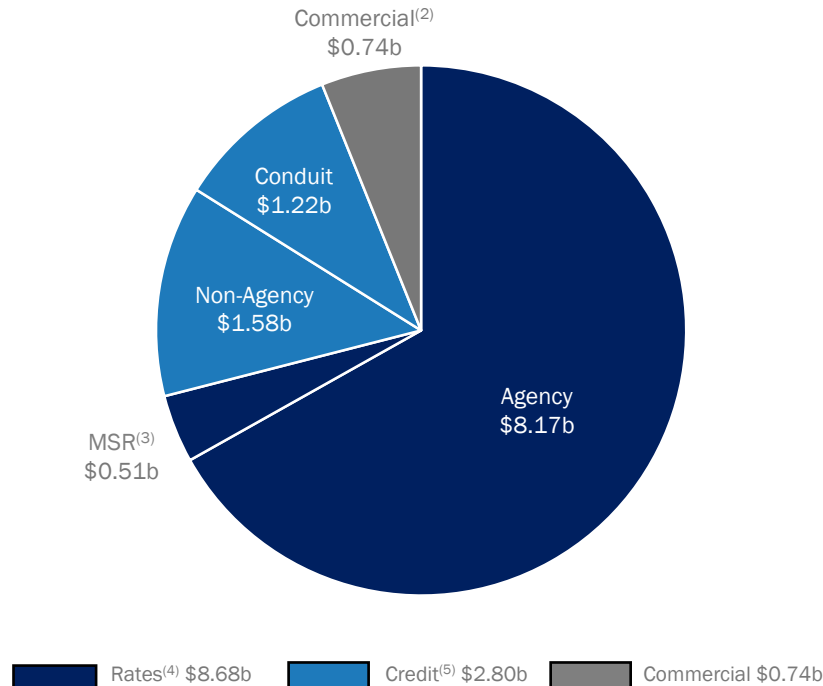


Portfolio Composition

INCREASED CAPITAL ALLOCATION TO AGENCY RMBS AND COMMERCIAL ASSETS

PORTFOLIO COMPOSITION⁽¹⁾

\$12.2 BILLION PORTFOLIO AS OF MARCH 31, 2016



HISTORICAL CAPITAL ALLOCATION

	Sept 30, 2015	Dec 31, 2015	Mar 31, 2016
Rates⁽⁴⁾			
Agency	41%	35%	43%
MSR	12%	14%	13%
Credit⁽⁵⁾			
Non-Agency	30%	27%	22%
Conduit	13%	16%	11%
Commercial	4%	8%	11%

(1) For additional detail on the portfolio, see Appendix slides 18-24.

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

(3) MSR includes Ginnie Mae buyout mortgage loans.

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

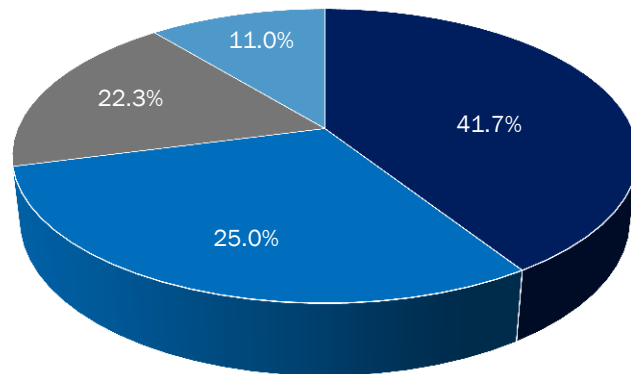
(5) Assets in "Credit" include non-Agency RMBS, prime jumbo residential mortgage loans, net economic interest in securitization trusts and credit sensitive residential mortgage loans.



Commercial Real Estate Update

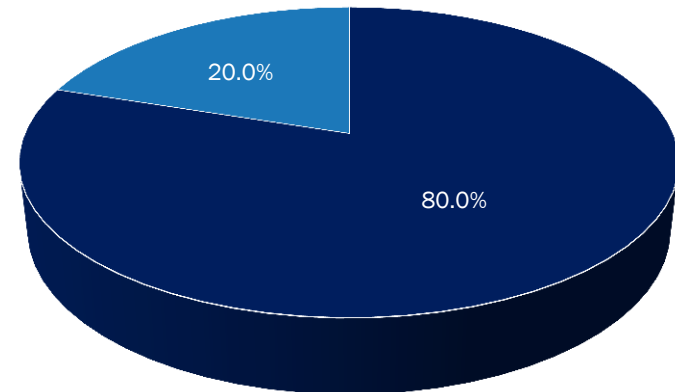
- Aggregate portfolio carrying value of \$744.3 million at March 31, 2016
 - Fourteen senior and six mezzanine assets
- Weighted average initial loan-to-value (LTV) of 72.9%; weighted average spread of LIBOR plus 496 basis points
- Anticipate capital allocation in 2016 to exceed initial target of \$500 million
- Closed on additional two assets subsequent to quarter-end totaling approximately \$125 million

PORTFOLIO BY PROPERTY TYPE



■ Office ■ Retail ■ Multifamily ■ Hotel

PORTFOLIO BY LOAN TYPE



■ Senior ■ Mezzanine



MSR and Conduit Update⁽¹⁾

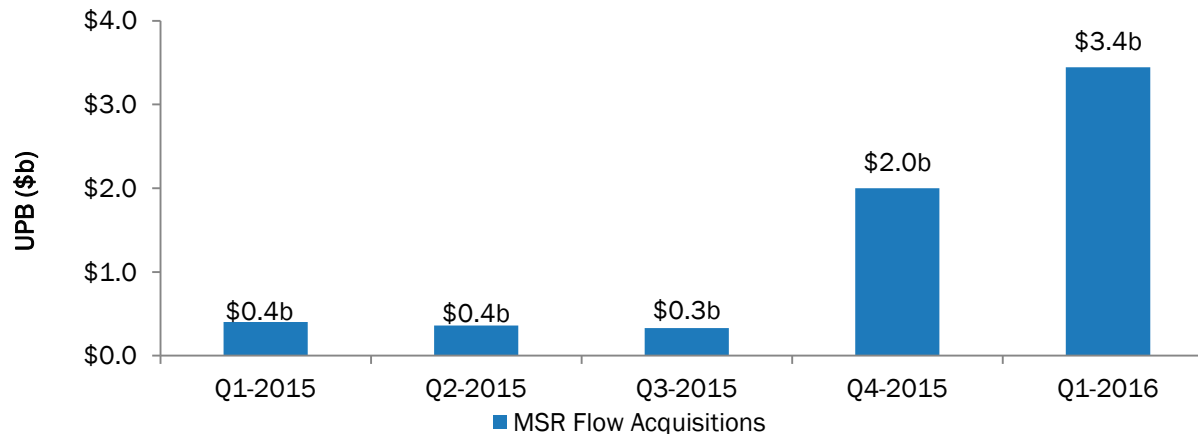
MORTGAGE SERVICING RIGHTS

- 10 active flow sale relationships
- Flow MSR volume has increased significantly; anticipate near-term volumes of \$1.5-2.0 billion/month
- Added \$3.4 billion from flow sale arrangements and \$1.6 billion from bulk acquisition
- Gross yields strong at 8.1%⁽²⁾

MORTGAGE LOAN CONDUIT

- Sponsored ABMT 2016-1 and ABMT 2016-2, totaling \$628 million UPB
- Significant issuer in private label securities market
 - Broad investor interest and participation; over 55 different investors in program since inception⁽³⁾
- Retained interests in securitization trusts declining due to sales of previously retained AAA bonds

FLOW MSR SUMMARY



(1) Data for the three months ended March 31, 2016, except where noted.

(2) Gross yield includes servicing income, net of sub-servicing expense and amortization.

(3) Total investors considers only new issue buyers.



Appendix



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Return on Book Value

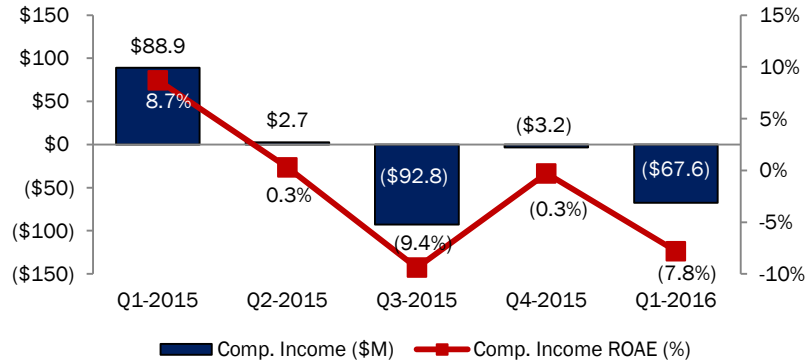
Return on book value Q1-2016 (Per share amounts, except for percentage)	
Book value at December 31, 2015	\$10.11
Book value at March 31, 2016	9.70
Decrease in book value	(0.41)
Dividends declared in Q1-2016	0.23
Return on book value Q1-2016	(\$0.18)
Percent return on book value Q1-2016 ⁽¹⁾	(1.8%)

(1) Return on book value for three-month period ended March 31, 2016 is defined as the decrease in book value from December 31, 2015 to March 31, 2016 of \$0.41 per share, plus dividends declared of \$0.23 per share, divided by December 31, 2015 book value of \$10.11 per share.

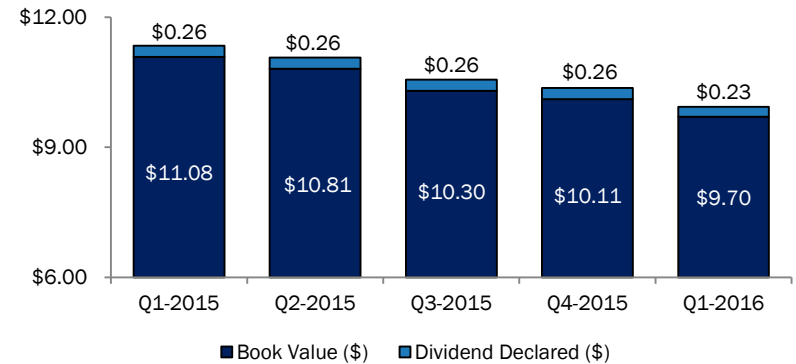


Financial Performance

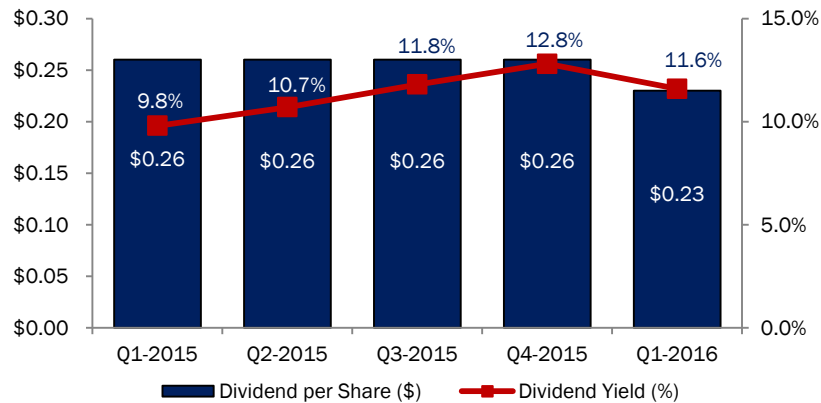
COMPREHENSIVE INCOME (LOSS)



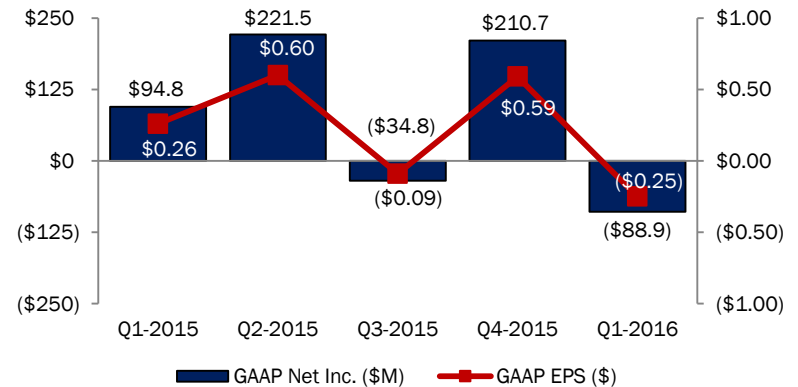
BOOK VALUE AND DIVIDEND PER SHARE⁽¹⁾



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 ⁽¹⁾	Realized Gains	Unrealized MTM	Q4-2015 Financials	Core Earnings ⁽¹⁾	Realized Gains	Unrealized MTM	Q1-2016 Financials
Interest income	\$133.6	\$ -	\$ -	\$133.6	\$130.8	\$-	\$-	\$130.8
Interest expense	36.6	-	-	36.6	41.4	-	-	41.4
Net interest income	97.0	-	-	97.0	89.4	-	-	89.4
Net other-than-temporary impairment losses	-	-	-	-	-	-	(0.7)	(0.7)
Gain (loss) on investment securities	-	109.6	(9.7)	99.9	-	21.7	7.8	29.5
(Loss) gain on interest rate swaps and swaptions	(12.6)	(101.1)	156.2	42.5	(6.2)	30.6	(149.9)	(125.5)
Gain (loss) on other derivative instruments	6.0	(6.8)	(1.3)	(2.1)	5.4	6.3	4.4	16.1
Gain (loss) on residential mortgage loans held-for-sale	-	3.6	(7.7)	(4.1)	-	1.1	9.7	10.8
Servicing income	32.8	-	-	32.8	34.1	-	-	34.1
(Loss) gain on servicing asset	(16.0)	-	12.8	(3.2)	(16.2)	-	(85.2)	(101.4)
Other income (loss)	1.4	(2.0)	(4.9)	(5.5)	1.3	(2.2)	3.7	2.8
Total other (loss) income	11.6	3.3	145.4	160.3	18.4	57.5	(209.5)	(133.6)
Management fees & other operating expenses	35.8	2.0	-	37.8	34.3	4.2	-	38.5
Net income (loss) before income taxes	72.8	1.3	145.4	219.5	73.5	53.3	(210.2)	(83.4)
Income tax (benefit) expense	0.7	(13.8)	21.9	8.8	1.7	27.8	(24.0)	5.5
Net income (loss)	\$72.1	\$15.1	\$123.5	\$210.7	\$71.8	\$25.5	(\$186.2)	(\$88.9)
Weighted average EPS	\$0.20	\$0.04	\$0.34	\$0.59	\$0.21	\$0.07	(\$0.53)	(\$0.25)

(1) 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.



GAAP to Core Earnings Reconciliation⁽¹⁾

Reconciliation of GAAP to non-GAAP Information (In thousands, except for per share data)	Three Months Ended December 31, 2015	Three Months Ended March 31, 2016
Reconciliation of net income (loss) to Core Earnings:		
Net income (loss)	\$210,706	(\$88,930)
Adjustments for non-core earnings:		
Gain on sale of securities and residential mortgage loans, net of tax	(100,548)	(16,749)
Unrealized loss (gain) on securities and residential mortgage loans held-for-sale, net of tax	14,668	(14,103)
Other-than-temporary impairment loss	-	717
Unrealized (gain) loss on interest rate swaps and swaptions economically hedging investment portfolio, repurchase agreements and FHLB advances, net of tax	(134,182)	134,942
Realized loss (gain) on termination or expiration of swaps and swaptions, net of tax	77,672	(9,586)
Loss (gain) on other derivative instruments, net of tax	6,880	(9,393)
Realized and unrealized loss (gain) on financing securitizations, net of tax	6,997	(1,478)
Realized and unrealized (gain) loss on mortgage servicing rights, net of tax	(11,342)	73,661
Securitization deal costs, net of tax	780	2,426
Change in representation and warranty reserve, net of tax	502	337
Core Earnings	\$72,133	\$71,844
Weighted average shares outstanding	360,090,432	349,436,015
Core Earnings per weighted average share outstanding	\$0.20	\$0.21

(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.



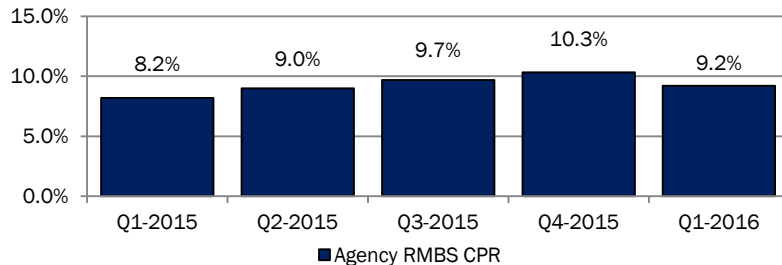
Rates: Agency RMBS Metrics

AGENCY PORTFOLIO YIELDS AND METRICS

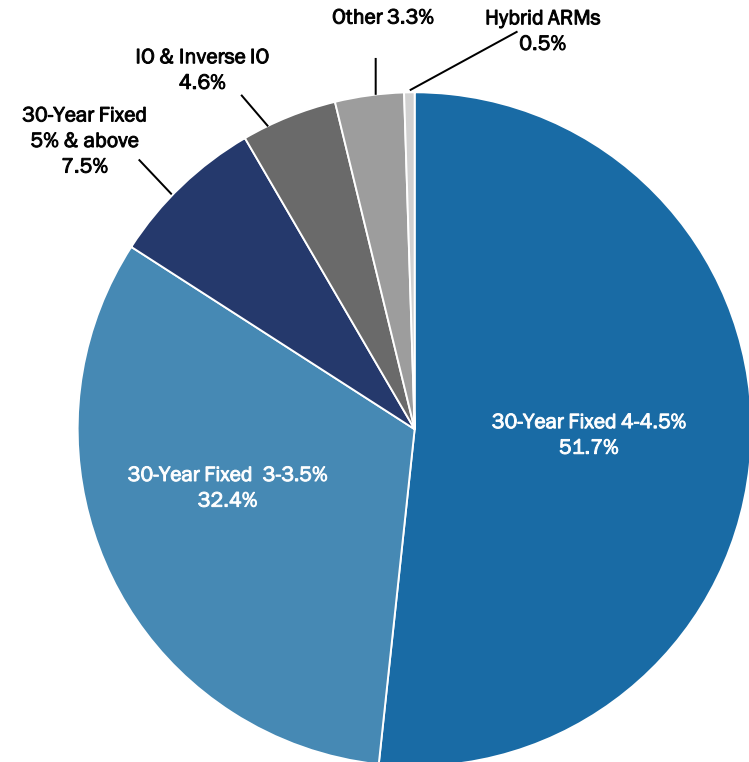
Portfolio Yield	Realized Q4-2015	At Dec. 31, 2015	Realized Q1-2016	At Mar. 31, 2016
Agency yield	3.5%	3.4%	3.3%	3.1%
Repo and FHLB costs	0.5%	0.6%	0.6%	0.7%
Swap costs	0.8%	0.7%	0.4%	0.4%
Net interest spread	2.2%	2.1%	2.3%	2.0%

Portfolio Metrics	Q4-2015	Q1-2016
Weighted average 3-month CPR ⁽¹⁾	10.3%	9.2%
Weighted average cost basis ⁽²⁾	\$108.1	\$106.6

AGENCY RMBS CPR⁽¹⁾



AGENCY PORTFOLIO COMPOSITION



(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 Mar. 31, 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%	\$2,529	\$2,650	-%	\$2,639	3.5%	2
4.0-4.5%	3,863	4,220	81.2%	4,157	4.2%	32
≥ 5.0%	538	610	73.7%	581	5.5%	86
	6,930	7,480	51.8%	7,377	4.0%	26
Hybrid ARMs	34	37	-%	36	5.1%	145
Other	278	272	58.3%	256	4.1%	104
IOs and IIOs	3,721	378 ⁽²⁾	0.3%	356	3.7%	76
Total	\$10,963	\$8,167	49.4%	\$8,025	4.0%	31

(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 HARP securities (pools that consist of borrowers who have refinanced through HARP, typically collateralized by loans with greater than greater than or equal to 80% LTV).

(2) Represents market value of \$220.6 million of IOs and \$157.2 million of Agency Derivatives.



Rates: Mortgage Servicing Rights

	As of Dec. 31, 2015	As of Mar. 31, 2016
Fair value (\$M)	\$493.7	\$446.2
Unpaid principal balance (\$M)	\$51,386.1	\$55,344.3
Weighted average coupon	3.9%	3.9%
Original FICO score	751	751
Original LTV	73%	70%
60+ day delinquencies	1.1%	0.9%
Net servicing spread	27.4 basis points	27.2 basis points
Vintage:		
Pre-2009	2.6%	2.3%
2009-2012	47.3%	42.1%
Post 2012	50.1%	55.6%
Percent of MSR portfolio:		
Conventional	80.5%	82.7%
Government FHA	14.5%	12.9%
Government VA/USDA	5.0%	4.4%

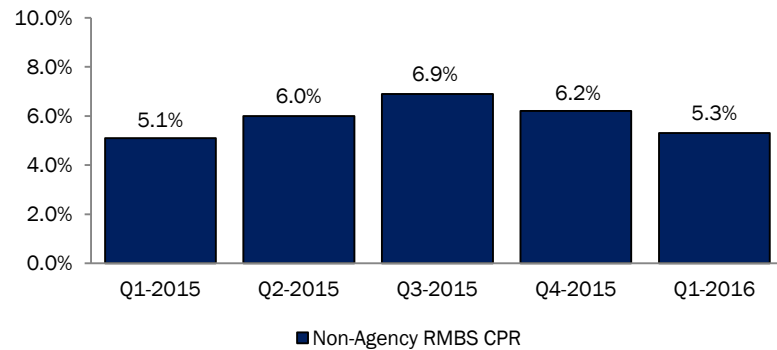


Credit: Non-Agency RMBS Metrics

NON-AGENCY PORTFOLIO YIELDS AND METRICS

Portfolio Yield	Realized Q4-2015	At Dec. 31, 2015	Realized Q1-2016	At Mar. 31, 2016
Non-Agency yield	7.8%	8.1%	8.3%	8.3%
Repo and FHLB costs	2.0%	2.1%	2.5%	2.3%
Swap costs	0.1%	0.1%	0.3%	0.3%
Net interest spread	5.7%	5.9%	5.5%	5.7%

NON-AGENCY RMBS CPR



NON-AGENCY PORTFOLIO COMPOSITION

Non-Agency: Loan Type	Q4-2015	Q1-2016
Sub-prime	68%	71%
Option-ARM	8%	9%
Prime	6%	6%
Alt-A	4%	5%
Other	14%	9%
Portfolio Metrics	Q4-2015	Q1-2016
Weighted average 3-month CPR	6.2%	5.3%
Weighted average cost basis ⁽¹⁾	\$60.4	\$58.2

(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 \$53.89 at March 31, 2016.



Credit: Non-Agency RMBS

As of March 31, 2016	Senior Bonds	Mezzanine Bonds	Total P&I
Portfolio characteristics:			
Carrying value (\$M)	\$1,172.3	\$397.5	\$1,569.8
% of non-agency portfolio	74.7%	25.3%	100.0%
Average purchase price ⁽¹⁾	\$54.21	\$69.98	\$58.20
Average coupon	3.1%	2.4%	2.9%
Weighted average market price ⁽²⁾	\$72.50	\$78.00	\$73.82
Collateral attributes:			
Average loan age (months)	114	118	115
Average loan size (\$K)	\$363	\$307	\$351
Average original Loan-to-Value	71.3%	69.6%	70.9%
Average original FICO ⁽³⁾	635	659	640
Current performance:			
60+ day delinquencies	27.8%	18.9%	26.0%
Average credit enhancement ⁽⁴⁾	8.1%	19.7%	10.5%
3-Month CPR ⁽⁵⁾	4.7%	9.4%	5.3%

(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 \$49.86, \$66.69 and \$53.89, 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.

Commercial Real Estate Assets



	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	118.9	L + 4.20%	5.91%	4	LA	Retail	65.5%	60.0%
Asset 2	Senior	09/15	105.0	104.4	L + 3.42%	4.76%	3	CA	Retail	70.9%	66.9%
Asset 3	Senior	11/15	76.6	76.0	L + 4.20%	5.80%	3	NY	Office	66.4%	68.7%
Asset 4	Mezzanine	11/15	59.4	59.4	L + 7.25%	7.81%	3	Multi-state	Office	77.6%	77.5%
Asset 5	Mezzanine	03/15	45.9	45.7	L + 6.75%	8.14%	2	Multi-state	Hotel	70.3%	63.5%
Asset 6	Senior	12/15	43.5	43.2	L + 4.05%	5.61%	3	TX	Multifamily	81.2%	76.8%
Asset 7	Senior	02/16	39.9	39.3	L + 4.30%	5.63%	3	TX	Office	72.9%	70.4%
Asset 8	Senior	12/15	39.2	38.9	L + 4.65%	6.43%	4	PA	Office	74.5%	67.5%
Asset 9	Senior	11/15	38.0	37.5	L + 4.55%	6.41%	4	MD	Office	80.0%	64.5%
Asset 10	Senior	03/16	33.8	33.6	5.11%	5.24%	10	NJ	Office	74.9%	74.9%
Asset 11	Senior	01/16	25.8	25.4	L + 4.80%	6.47%	3	IL	Multifamily	82.8%	66.7%
Asset 12	Senior	10/15	23.5	23.4	L + 3.60%	4.94%	4	NY	Multifamily	73.4%	58.6%
Asset 13	Senior	08/15	18.7	18.6	L + 4.05%	5.67%	3	FL	Multifamily	85.0%	68.4%
Asset 14	Mezzanine	08/15	17.0	17.0	L + 8.75%	10.06%	2	FL	Hotel	71.9%	67.9%
Asset 15	Senior	08/15	13.6	13.5	L + 5.25%	6.83%	3	FL	Multifamily	76.3%	75.3%

(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 (Continued)

	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	10/15	11.9	11.7	L + 4.99%	6.55%	3	MO	Hotel	73.2%	57.8%
Asset 17	Senior	09/15	11.0	10.9	L + 4.03%	5.39%	3	FL	Multifamily	77.7%	76.9%
Asset 18	Mezzanine	07/15	9.9	9.9	L + 12.25%	14.03%	3	PA	Office	81.6%	79.6%
Asset 19	Mezzanine	08/15	9.9	9.9	L + 9.50%	11.59%	5	GA	Office	78.7%	66.4%
Asset 20	Mezzanine	11/15	7.7	7.1	13.00% ⁽⁵⁾	13.00%	10	NY	Hotel	68.3%	43.7%
Total/weighted Average			\$750.3	\$744.3	L + 4.96%	6.37%	3.6			72.9%	67.5%

(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.



Repo and FHLB Financing⁽¹⁾

Repo and FHLB Collateral ⁽²⁾	Repo	FHLB	Total (\$M)
Available-for-sale securities, at fair value	\$6,472.1	\$2,984.6	\$9,456.7
Derivative asset, at fair value	157.2	-	157.2
Residential mortgage loans held-for-sale, at fair value	31.7	291.5	323.2
Commercial real estate assets	245.5	421.3	666.8
Net economic interests in consolidated securitization trusts	274.7	780.2	1,054.9
	\$7,181.2	\$4,477.6	\$11,658.8

Repo Maturities ⁽³⁾	Amount (\$M)	Percent (%)
Within 30 days	\$2,379.5	39.1%
30 to 59 days	2,117.7	34.8%
60 to 89 days	632.0	10.4%
90 to 119 days	196.8	3.2%
120 to 364 days	761.4	12.5%
	\$6,087.4	100.0%

FHLB Maturities	Amount (\$M)	Percent (%)
≤ 1 year	\$428.2	10.7%
> 1 and ≤ 3 years	223.0	5.6%
> 3 and ≤ 5 years	815.0	20.4%
> 10 years ⁽⁴⁾	2,533.8	63.3%
	\$4,000.0	100.0%

(1) As of March 31, 2016.

(2) Excludes FHLB membership and activity stock totaling \$167.9 million.

(3) Weighted average of 35 days to maturity.

(4) Includes advances of \$2.5 billion with original maturities of 20 years.



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	0.462%	0.624%	0.5
2017	2.4	0.765%	0.620%	1.3
2018	0.3	0.984%	0.617%	1.8
2019	0.3	1.283%	0.623%	3.2
2020 and after	1.8	1.797%	0.622%	7.5
	\$6.5	1.013%	0.622%	3.0
Other Payers				
2018	\$4.2	1.298%	0.638%	2.3
2020 and after	1.2	2.164%	0.627%	4.8
	\$5.4	1.493%	0.635%	2.9
Maturities	Notional Amounts (\$B)	Average Pay Rate	Average Fixed Receive Rate	Average Maturity (Years)
Other Receivers				
2018	\$0.6	0.618%	1.440%	2.6
2019	0.5	0.621%	1.042%	2.8
2020 and after	2.4	0.624%	1.938%	6.1
	\$3.5	0.623%	1.728%	5.0

(1) As of March 31, 2016.



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	\$12.0	\$3.7	3.7	\$1,500	3.25%	3M LIBOR	10.0
	>6 Months	126.3	7.9	40.4	4,500	3.69%	3M LIBOR	5.8
Total Payer		\$138.3	\$11.6	27.5	\$6,000	3.58%	3M LIBOR	6.8
Sale Contracts:								
Payer	>6 Months	(\$81.2)	(\$1.6)	15.0	(\$800)	3M LIBOR	3.44%	10.0
Total Payer		(\$81.2)	(\$1.6)	15.0	(\$800)	3M LIBOR	3.44%	10.0

(1) As of March 31, 2016.



TWO HARBORS
Investment Corp.

A Pine River Capital Managed Company