19th Annual Credit Suisse Financial Services Forum
Investor Presentation

February 13, 2018

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, 2016, 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 effectively execute and to realize the benefits of strategic transactions and initiatives we have pursued or may in the future pursue; 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 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; 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 REAL ESTATE INVESTMENT TRUST

MARKET PRESENCE
- $2.8 billion market cap
- $22.4 billion portfolio[2]
- Incorporated in 2009

✓ **LEADING HYBRID MREIT**

INVESTMENT STRATEGIES
- Rates: Agency RMBS and mortgage servicing rights (MSR)
- Credit: mortgage credit assets

✓ **VALUE APPROACH TO PORTFOLIO MANAGEMENT**

FINANCING & LIQUIDITY
- Low leverage
- Strong repo counterparties
- Diversified capital structure through convertible debt and preferred stock

✓ **DIVERSIFIED FINANCING PROFILE AND STRONG BALANCE SHEET**

RISK MANAGEMENT
- Sophisticated approach to hedging
- Overall low exposure to rates
- Superior asset selection

✓ **HIGH QUALITY RETURNS WITH LESS VOLATILITY**

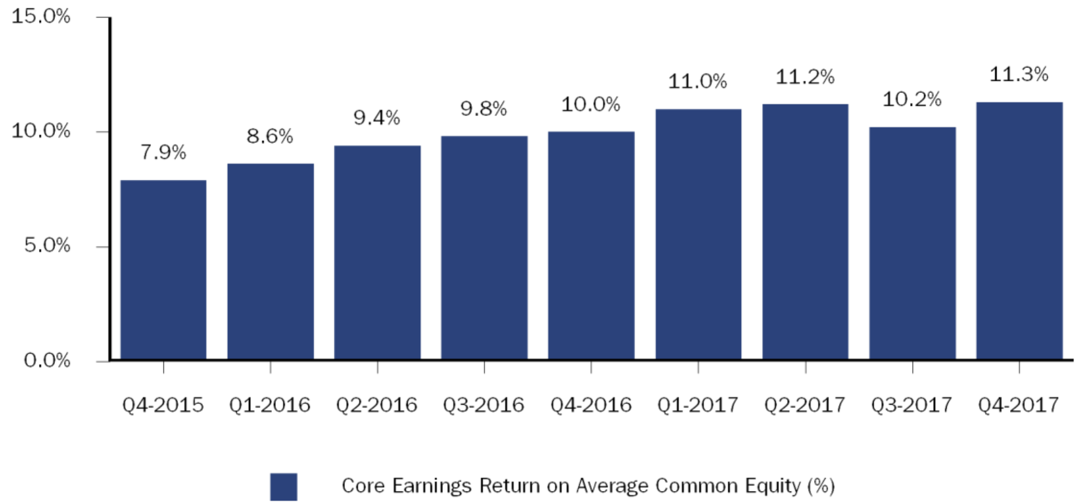
LEADING PERFORMANCE
- Total stockholder return since inception of 209%[3]
- Top performer during times of volatility

✓ **OUTPERFORMED PEER GROUP**

1) On November 1, 2017, the company distributed to its common stockholders the 33,071,000 shares of Granite Point common stock it had acquired in connection with the contribution of its commercial real estate portfolio to Granite Point. Due to the company's controlling ownership interest in Granite Point through November 1, 2017, Granite Point's results of operations and financial condition through such date are included in the company's financial statements in accordance with U.S. generally accepted accounting principles (GAAP). Because the company no longer has a controlling interest in Granite Point, it has reclassified all of Granite Point's current and prior period results of operations to discontinued operations. On November 1, 2017, the company also completed its previously announced one-for-two reverse stock split of its outstanding shares of common stock. In accordance with U.S. generally accepted accounting principles, all common share and per common share amounts presented herein have been adjusted on a retroactive basis to reflect the reverse stock split. Except as otherwise indicated in this presentation, reported data is as of or for the period ended December 31, 2017
2) Aggregate portfolio is principally comprised of Agency and non-Agency RMBS, inverse-interest only securities (Agency Derivatives) and MSR.
3) Two Harbors' total stockholder return calculated for the period October 29, 2009 through December 31, 2017. Total stockholder return is defined as stock price appreciation including dividends. Source: Bloomberg.

Strategic Overview

Plan for 2017	Accomplishments in 2017
More focused business model	- Reduced operating complexity and costs in 2017, following the discontinuation of the mortgage loan conduit business - Formed Granite Point to continue and expand on commercial real estate business; potential for higher valuation for both companies - On November 1 2017, distributed approximately 33.1 million shares of Granite Point common stock to Two Harbors' common stockholders
Attractive investment opportunities in target assets	Opportunistically added Agency and non-Agency RMBS; grew portfolio of high-quality new issue MSR through flow sale arrangements and bulk deals
Opportunistic use of capital structure	Enhanced balance sheet and capital structure through one convertible debt and three preferred stock offerings; effected one-for-two reverse stock split
Sophisticated approach to risk management	Book value and income stability through hedging with swaps, swaptions and MSR paired with Agency RMBS



Two Harbors Going Forward

KEY DIFFERENTIATING FACTORS

✓ Strategy of pairing MSR with Agency RMBS

✓ Utilize variety of instruments to hedge interest rate exposure

✓ Unique portfolio of legacy non-Agency securities

AREAS OF FOCUS IN 2018

- Acute focus on Rates(1) and Credit(2) strategies
  - Leverage competitive advantages in MSR and legacy non-Agency RMBS
- Manage balance sheet composition to optimize earnings and stockholder returns
- Emphasis on technology efficiencies to grow MSR platform
- Maintain sophisticated approach to risk management

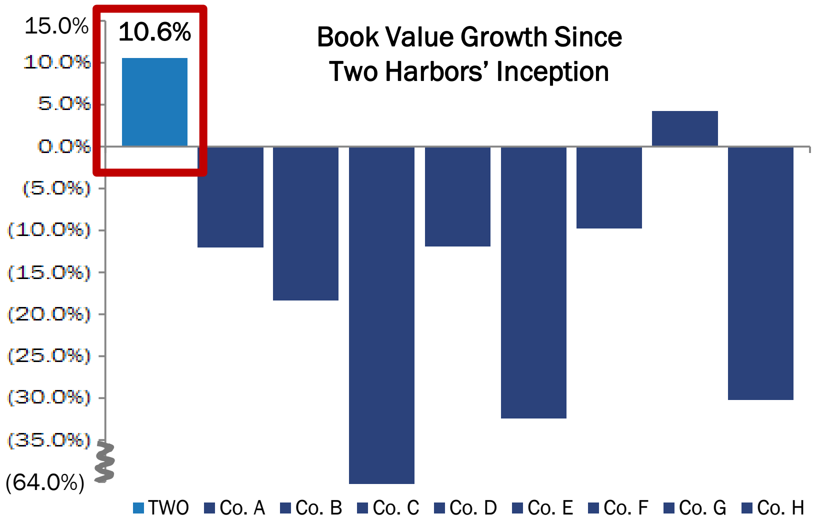
✓ **Deliver strong results and book value stability through a variety of rate environments**

(1) Assets in "Rates" include Agency RMBS, Agency Derivatives, MSR and Ginnie Mae buyout residential mortgage loans.
(2) Assets in "Credit" include non-Agency securities, prime jumbo residential mortgage loans and credit sensitive residential mortgage loans.

Book Value Stability Through Volatile Times

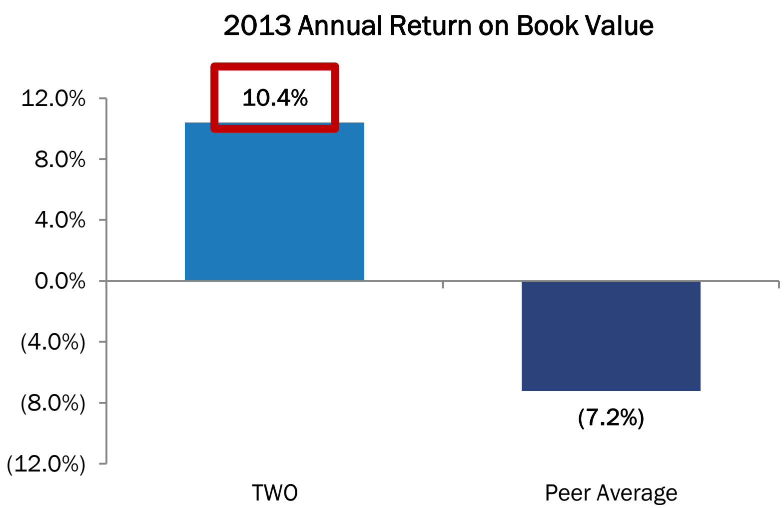
BOOK VALUE STABILITY AND GROWTH…

- Book value has grown by 10.6% since inception through 9/30/2017; peer median over same time period is (21.8%)[1]



…ESPECIALLY DURING TIMES OF VOLATILITY

- Proven stability of book value through times of volatility: in the 2013 "taper tantrum" we outperformed our peers by over 1700 bps[1]



✓ Importantly, these results were achieved with less book value volatility than Agency mREITs and Hybrid mREITs:

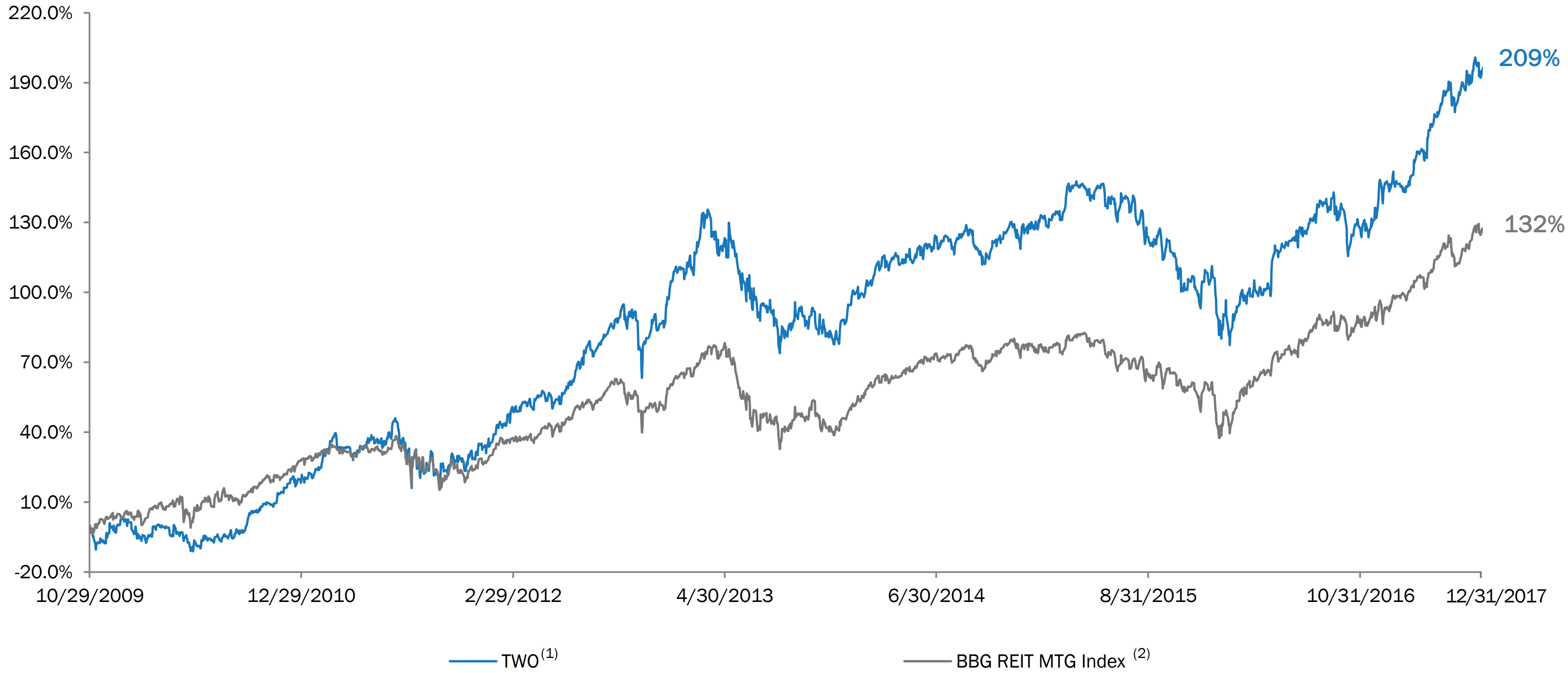
	Agency mREIT Average	Hybrid mREIT Average	TWO
Book value volatility since inception[2]	13.2%	14.8%	7.5%
Book value volatility in 2013[2]	9.4%	7.2%	3.6%

1) Book value growth since inception is measured from December 31, 2009 through September 30, 2017. Book value growth for 2013 measured from December 31, 2012 to December 31, 2013. Companies A-H rand peer average represent comparable mortgage REIT peers.

2) Book value volatility since inception is measured from December 31, 2009 or the company's inception, whichever is later, through September 30, 2017. Book value volatility for 2013 is measured from December 31, 2012 to December 31, 2013 .Book value volatility calculated by dividing the standard deviation of book values in the measured period by the average book value from the measured period. Agency mREITs include NLY, AGNC, CYS and CMO. Hybrid mREITs include ANH, ARR, CIM, MFA, IVR, MTGE, NYMT, MITT and WMC.

Delivering Results

- Outperformed peer group by over 75% since inception
- Delivered total stockholder return of 209% during that time[(1)]
  - Bloomberg REIT Mortgage Index total stockholder return of 132% over the same period of time[(2)]
- Maintained comparable dividend yield with lower leverage and less interest rate exposure than peer average



1) Two Harbors' total stockholder return is calculated for the period October 29, 2009 through December 31 2017. 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 December 31, 2017. 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.

Optimizing Financing Profile and Capital Structure

DEBT-TO-EQUITY

- 5.9x at December 31, 2017; excluding the consolidation of Granite Point, the company's debt-to-equity ratio would have been 5.8x at September 30, 2017
- Maintain substantial liquidity to opportunistically take advantage of market opportunities

PREFERRED STOCK ISSUANCES

- $726 million issued with weighted average dividend rate of 7.6%
- Accounts for approximately 20% of capital base

RATES – AGENCY RMBS

- Outstanding repurchase agreements of $17.4 billion with 23 active counterparties
- Outstanding secured FHLB advances of $1.2 billion with weighted average borrowing rate of 1.79%
- Repo markets functioning efficiently for RMBS; new counterparties entering market and larger counterparties favoring pool spreads versus treasuries

CREDIT – NON-AGENCY SECURITIES

- Outstanding borrowings of $1.9 billion with 15 active counterparties
- Market for non-Agency securities has seen improvement in both advance rates and spreads in 2017

RATES – MSR

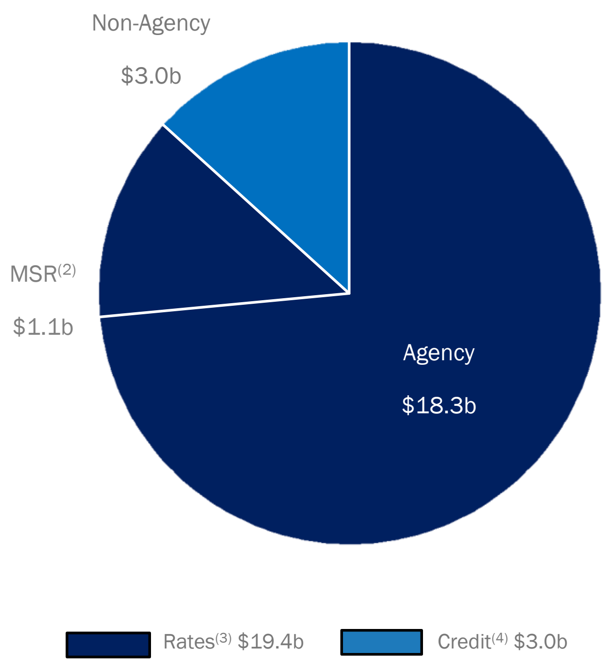
- Closed a 2-year, $300 million financing facility with a large banking counterparty to finance Fannie Mae MSR collateral
  - Financial terms are 48.75% advance rate at LIBOR +225 basis points(1)
- Outstanding borrowings of $20.0 million under revolving credit facilities; additional available capacity of $70.0 million
- Continue to advance other MSR financing discussions

(1) Excludes non-usage, commitment and other fees associated with facility.

Portfolio Composition

PORTFOLIO COMPOSITION[1]

$22.4 BILLION PORTFOLIO AS OF DECEMBER 31, 2017



HISTORICAL CAPITAL ALLOCATION

	December 31, 2016	September 30, 2017	December 31, 2017
Rates[3]	58%	55%	68%
Credit[4]	27%	29%	32%
Commercial[5]	15%	16%	—%

(1) For additional detail on the portfolio, see Appendix slides 15-19.
(2) MSR includes Ginnie Mae buyout residential mortgage loans.
(3) Assets in "Rates" include Agency RMBS, Agency Derivatives, MSR and Ginnie Mae buyout residential mortgage loans.
(4) Assets in "Credit" include non-Agency securities, net economic interests in securitization trusts, prime jumbo residential mortgage loans and credit sensitive residential mortgage loans.
(5) Commercial consists of the consolidated financial results of Granite Point and its subsidiaries, which is now reflected in discontinued operations.

Rates Strategy Update

QUARTERLY ACTIVITY

- Deployed capital from Series C preferred stock offering into RMBS and MSR
- Added MSR $6.8 billion UPB through flow-sale arrangements and $9.0 billion UPB bulk purchase
  - Post quarter-end, closed on additional bulk purchase of $8.7 billion UPB
- Addition of financing for MSR is beneficial to growing portfolio and enhancing returns

STRATEGY OF PAIRING MSR WITH AGENCY RMBS IS DISTINGUISHING FACTOR

- Pairing MSR with Agency RMBS results in a portfolio that has higher return potential with lower mortgage spread risk
  - Mitigates adverse impact to book value in spread widening scenario
- Opportunity to capitalize on Fed's tapering of RMBS
- Expect attractive investment opportunities in wider spread environment

Protecting Book Value and Income

- Combination of hedging strategy and floating-rate non-Agency holdings leads to minimal income and book value exposure to rate changes

HEDGING ACROSS THE CURVE

Curve Exposures				
Short end of the curve - income effect			**Long end of the curve - book value effect**	
	Income change to increasing rates			**Market value change to increasing rates**
Repo	↓		**Fixed rate Agency RMBS**	↓
LIBOR received on swaps	↑		**MSR**	↑
Non-Agency floating-rate MBS	↑		**Swaps**	↑
Float income from MSR	↑		**Swaptions/mortgage options**	↑
Net income exposure to changes in rates(1)			**Book value exposure to changes in rates(2)**	
+25 basis points	2.4%		**+25 basis points**	(0.7%)
+50 basis points	4.4%		**+50 basis points**	(3.2%)

Note: The above scenario is provided for illustration purposes only and is not necessarily indicative of Two Harbors' financial condition and operating results, nor is it necessarily indicative of the financial condition or results of operations that may be expected for any future period or date.
(1) Represents estimated percentage change in net interest income for theoretical parallel shifts in interest rates.
(2) Represents estimated change in equity value for theoretical parallel shift in interest rates. Change in equity market capitalization is adjusted for leverage.

Credit Strategy Update

RESIDENTIAL CREDIT TAILWINDS

- Home prices continue to improve; CoreLogic Home Price Index up 6.6% on a rolling 12-month basis[(1)]
  - Home prices expected to increase 4-6% in 2018[(2)]
  - Supported by affordability, low housing supply and strong demand
- Continued re-equification has potential to result in strong performance for deeply discounted holdings
  - Drives increased prepayments, and lower LTVs, delinquencies, defaults and severities

UNIQUE NON-AGENCY PORTFOLIO DRIVES ATTRACTIVE TOTAL RETURNS

- Non-Agency securities holdings of $3.0 billion; primarily positioned in deeply discounted legacy subprime non-Agency RMBS
- Better underlying performance drives:
  - Attractive yields
  - Strong total return opportunities from price appreciation
- Average legacy market price of ~$76 creates opportunity to capture additional upside[(3)]

(1) Source: CoreLogic Home Price Index rolling 12-month change as of December 2017.
(2) Source: J.P. Morgan, Nomura, Citi and CoreLogic research.
(3) Weighted average market price utilized current face for weighting purposes. Please see slide 19 in the Appendix for more information on our legacy non-Agency securities portfolio.

Appendix


TWO HARBORS
Investment Corp.
A Pine River Capital Managed Company

GAAP to Core Earnings Reconciliation[1]

Reconciliation of GAAP to non-GAAP Information (In thousands, except for per common share data)	Three Months Ended September 30, 2017		Three Months Ended December 31, 2017
Reconciliation of Comprehensive income to Core Earnings:			
Comprehensive income	**$161,601**		**$65,728**
Adjustment for other comprehensive (income) loss attributable to common stockholders:			
Unrealized (gain) loss on available-for-sale securities attributable to common stockholders	(68,425)		88,227
Net income attributable to common stockholders	**$93,176**		**$153,955**
Adjustments for non-core earnings:			
Realized loss on securities and residential mortgage loans, net of tax	2,168		9,374
Unrealized (gain) loss on securities and residential mortgage loans held-for-sale, net of tax	(9,752)		8,030
Other-than-temporary impairment loss	—		360
Unrealized loss (gain) on interest rate swaps and swaptions hedging interest rate exposure (or duration), net of tax	11,340		(70,909)
Realized (gain) loss on termination or expiration of swaps and swaptions, net of tax	(14,563)		5,402
Losses on other derivative instruments, net of tax	14,578		6,157
Realized and unrealized gains on financing securitizations, net of tax	(6,835)		(7,778)
Realized and unrealized gains on mortgage servicing rights, net of tax	(5,864)		(34,929)
Change in servicing reserves, net of tax	(315)		(75)
Non-cash equity compensation expense (income)[2]	3,917		(372)
Change in tax valuation allowance	(57)		(1,543)
Tax expense related to a decrease in the future federal statutory tax rate due to recent tax reform	—		17,547
Income from discontinued operations, net of tax	(9,273)		(3,877)
Two Harbors' share of GPMT dividends declared during the three months ended September 30, 2017	10,658		—
Core Earnings attributable to common stockholders	**$89,178**	(3)	**$81,342**
Weighted average basic common shares outstanding	174,488,296		174,490,106
Core Earnings per weighted average basic common share outstanding	$0.51		$0.47

(1) Core Earnings is a non-U.S. GAAP measure that we define as comprehensive income (loss) attributable to common stockholders, excluding "realized and unrealized gains and losses" (impairment losses, realized and unrealized gains or losses on the aggregate portfolio, reserve expense for representation and warranty obligations on MSR, certain upfront costs related to securitization transactions, non-cash compensation expense related to restricted common stock, restructuring charges and transaction costs related to the the contribution of TH Commercial Holdings LLC to Granite Point). 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. We believe the presentation of Core Earnings provides investors greater transparency into our period-over-period financial performance and facilitates comparisons to peer REITs.
(2) This non-cash equity compensation expense was included in Core Earnings for periods ending prior to March 31, 2017.
(3) For the six months ended December 31, 2017, Core Earnings excludes our controlling interest in Granite Point's Core Earnings and, for the three months ended September 30, 2017, includes our share of Granite Point's declared dividend. We believe this presentation is the most accurate reflection of our incoming cash associated with holding shares of Granite Point common stock and assists with the understanding of the forward-looking financial presentation of the company.

Rates: Agency RMBS Metrics

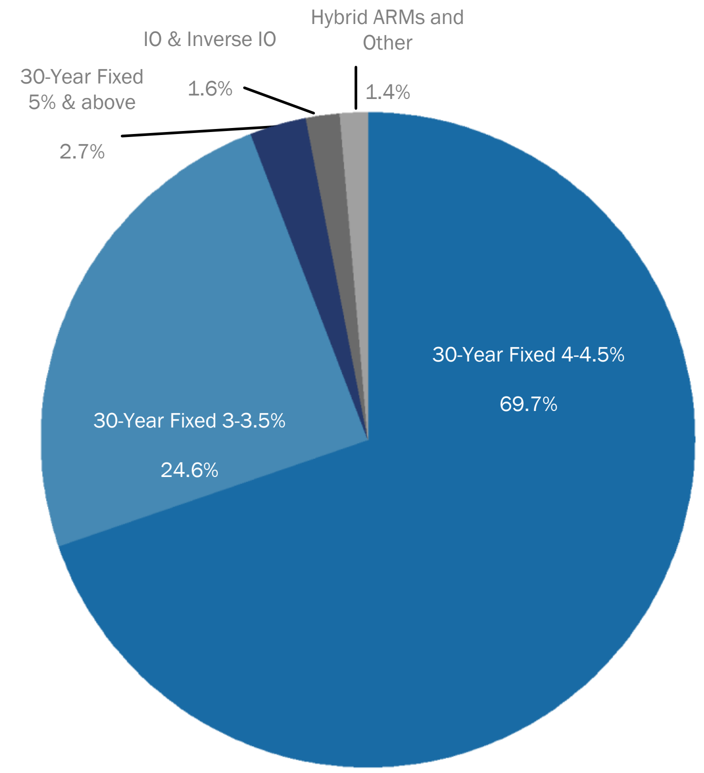
AGENCY PORTFOLIO YIELDS AND METRICS

Portfolio Yield	Realized Q3-2017	At September 30, 2017	Realized Q4-2017	At December 31, 2017
Agency yield	3.0%	3.0%	3.1%	3.1%
Repo and FHLB costs	1.4%	1.5%	1.5%	1.6%
Swap costs	0.1%	(0.1%)	—%	0.1%
Net interest spread	1.5%	1.6%	1.6%	1.4%

Portfolio Metrics	Q3-2017	Q4-2017
Weighted average 3-month CPR(1)	8.0%	7.6%
Weighted average cost basis(2)	$106.6	$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 December 31, 2017	Par Value ($M)	Market Value ($M)	% Prepay Protected[1]	Amortized Cost Basis ($M)	Weighted Average Coupon	Weighted Average Age (Months)
30-Year fixed						
3.0-3.5%	$4,371	$4,510	95.9%	$4,570	3.5%	13
4.0-4.5%	11,991	12,765	99.1%	12,812	4.2%	17
≥ 5.0%	453	501	100.0%	489	5.4%	90
	16,815	17,776	98.3%	17,871	4.1%	18
Hybrid ARMs	22	23	—%	23	5.0%	166
Other	245	245	0.6%	242	4.9%	153
IOs and IIOs	3,530	286 [2]	—%	310	3.1%	104
Total	**$20,612**	**$18,330**	**95.4%**	**$18,446**		

(1) Includes securities with implicit or explicit protection including lower loan balances (securities collateralized by loans less than or equal to $175K of initial principal balance), higher LTVs (securities collateralized by loans with greater than or equal to 80% LTV), certain geographic concentrations and lower FICO scores.

(2) Represents market value of $195.1 million of IOs and $91.0 million of Agency Derivatives.

Rates: Mortgage Servicing Rights[1]

	As of September 30, 2017	As of December 31, 2017
Fair value ($M)	$930.6	$1,086.7
Unpaid principal balance ($M)	$88,789.8	$101,344.1
Weighted average coupon	3.9%	3.9%
Original FICO score[2]	753	753
Original LTV	73%	74%
60+ day delinquencies	0.3%	0.5%
Net servicing spread	25.4 basis points	25.3 basis points
Vintage:		
Pre-2009	0.4%	0.3%
2009-2012	15.4%	13.1%
Post 2012	84.2%	86.6%

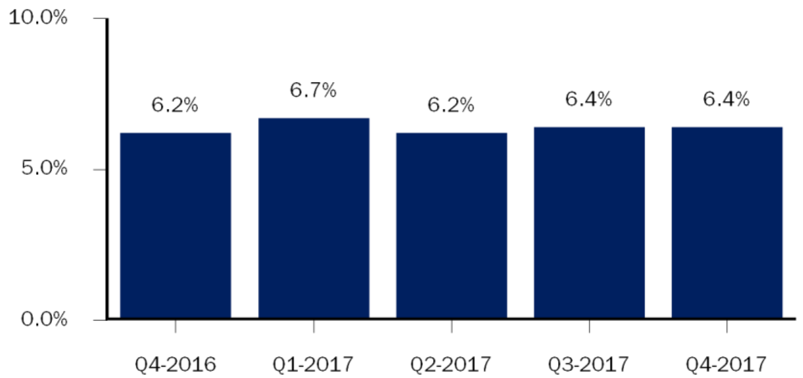
(1) Excludes residential mortgage loans for which the company is the named servicing administrator.
(2) FICO represents a mortgage industry accepted credit score of a borrower.

Credit: Non-Agency Securities Metrics

NON-AGENCY PORTFOLIO YIELDS AND METRICS

Portfolio Yield	Realized Q3-2017	At September 30, 2017	Realized Q4-2017	At December 31, 2017
Non-Agency yield	8.1 %	7.7 %	7.6 %	7.5 %
Repo and FHLB costs	3.0 %	3.0 %	3.0 %	3.0 %
Swap costs	— %	—%	— %	— %
Net interest spread	5.1 %	4.7 %	4.6 %	4.5 %

LEGACY NON-AGENCY CPR



LEGACY NON-AGENCY PORTFOLIO COMPOSITION

Non-Agency: Loan Type	September 30, 2017	December 31, 2017
Sub-prime	79%	81%
Option-ARM	10%	9%
Prime	2%	1%
Alt-A	9%	9%
Portfolio Metrics	**Q3-2017**	**Q4-2017**
Weighted average 3-month CPR	6.4 %	6.4 %
Weighted average cost basis[1]	$60.0	$59.9

(1) Weighted average cost basis includes legacy non-Agency principal and interest securities only. Average purchase price utilized carrying value for weighting purposes. If current face were utilized for weighting purposes, total legacy non-Agency securities excluding the company's non-Agency interest-only portfolio would have been $57.27 at December 31, 2017.

Credit: Legacy Non-Agency Securities

As of December 31, 2017	Senior Bonds	Mezzanine Bonds	Total P&I
Portfolio characteristics:			
Carrying value ($M)	$1,790.5	$762.3	$2,552.8
% of non-Agency portfolio	70.1%	29.9%	100.0%
Average purchase price[(1)]	$57.57	$65.36	$59.89
Average coupon	2.8%	2.3%	2.6%
Weighted average market price[(2)]	$75.06	$79.17	$76.24
Collateral attributes:			
Average loan age (months)	137	145	139
Average loan size ($K)	$370	$356	$366
Average original Loan-to-Value	69.3%	68.8%	69.1%
Average original FICO[(3)]	636	573	617
Current performance:			
60+ day delinquencies	22.9%	20.3%	22.1%
Average credit enhancement[(4)]	7.5%	16.1%	10.0%
3-Month CPR[(5)]	6.1%	7.1%	6.4%

(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 legacy non-Agency securities, excluding our non-Agency interest-only portfolio, would have been $55.07, $62.73 and $57.27, 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 legacy non-Agency 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.

Financing

$ in millions

Outstanding Borrowings and Maturities[1]	Repurchase Agreements	FHLB Advances	Revolving Credit Facilities	Convertible Notes	Total Outstanding Borrowings	Percent (%)
Within 30 days	$ 4,269.5	$ —	$ —	$ —	$ 4,269.5	20.4%
30 to 59 days	3,831.1	—	—	—	3,831.1	18.3%
60 to 89 days	3,458.9	—		—	3,458.9	16.5%
90 to 119 days	2,452.4	—	—	—	2,452.4	11.7%
120 to 364 days	5,326.8	—	20.0	—	5,346.8	25.5%
One to three years	112.5	815.0	—	—	927.5	4.4%
Three to five years	—	—	—	282.8	282.8	1.3%
Ten years and over[2]	—	400.0	—	—	400.0	1.9%
	$ 19,451.2	$ 1,215.0	$ 20.0	$ 282.8	$ 20,969.0	100.0%

Collateral Pledged for Borrowings[3]	Repurchase Agreements	FHLB Advances	Revolving Credit Facilities[5]	Convertible Notes	Total Collateral Pledged	Percent (%)
Available-for-sale securities, at fair value[4]	$ 20,489.4	$ 1,273.7	$ —	n/a	$ 21,763.1	97.0 %
Derivative assets, at fair value	90.9	—	—	n/a	90.9	0.4 %
Mortgage servicing rights, at fair value	424.7	—	159.5	n/a	584.2	2.6 %
	$ 21,005.0	$ 1,273.7	$ 159.5	n/a	$ 22,438.2	100.0 %

(1) Weighted average of 7.8 months to maturity.
(2) Includes FHLB advances of $0.4 billion with original maturities of 20 years.
(3) Excludes FHLB membership and activity stock totaling $53.8 million.
(4) Includes unsettled sales of available-for-sale securities included in due from counterparties on the consolidated balance sheet.
(5) Revolving credit facilities over-collateralized due to operational considerations.

Interest Rate Swaps

Maturities	Notional Amounts ($B)[1]	Average Fixed Pay Rate[2]	Average Receive Rate[2]	Average Maturity Years[2]
Payers				
2018	$4.3	1.155%	1.508%	0.5
2019	5.5	1.767%	1.386%	1.8
2020	5.5	1.945%	1.509%	2.9
2021	2.4	1.788%	1.628%	3.9
2022 and after	5.2	1.764%	1.516%	6.4
	$22.9	1.694%	1.493%	3.0

Maturities	Notional Amounts ($B)	Average Pay Rate	Average Fixed Receive Rate	Average Maturity (Years)
Receivers				
2020	0.2	1.391%	1.642%	2.6
2021	0.5	1.357%	1.327%	3.1
2022 and after	4.9	1.475%	2.325%	8.3
	$5.6	1.462%	2.211%	7.7

(1) Notional amount includes $570.0 million in forward starting interest rate swaps as of December 31, 2017.
(2) Weighted averages exclude forward starting interest rate swaps. As of December 31, 2017, the weighted average fixed pay rate on interest rate swaps starting in 2018 was 2.1%.

Interest Rate Swaptions

	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	$21.4	$17.7	4.0	$7,200	2.27%	3M LIBOR	3.8
Receiver	<6 Months	$4.7	$3.0	3.7	$2,300	3M LIBOR	2.10%	10.0
Sale Contracts:								
Payer	<6 Months	($8.0)	($5.6)	4.7	($1,693)	2.70%	3M LIBOR	10.0
Receiver	<6 Months	($16.3)	($4.7)	5.2	($5,141)	3M LIBOR	1.89%	5.6


TWO HARBORS
Investment Corp.
A Pine River Capital Managed Company