Fourth Quarter 2015 Earnings Call

February 4, 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, 2014, 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

FULL YEAR 2015

- Total return on book value of 0.5%[1]
  - Cash dividends totaling $1.04 per share
- Comprehensive Loss of $4.5 million, or $0.01 per share
- Core Earnings[2] of $325.8 million, or $0.89 per share
- Repurchased 13.7 million shares of common stock
  - Average purchase price of $8.43 per share; aggregate cost of $115.2 million
  - Accretive to book value by $0.07 per share

FOURTH QUARTER 2015

- Total return on book value of 0.7%[1]
  - Cash dividend of $0.26 per share
- Comprehensive Loss of $3.2 million, or $0.01 per share
- Core Earnings[2] of $72.1 million, or $0.20 per share
- Repurchased 12.3 million shares of common stock
  - Average purchase price of $8.37 per share; aggregate cost of $102.7 million
  - Accretive to book value by $0.06 per share

(1) See Appendix slide 16 for calculation of Q4-2015 and FY-2015 return on book value.
(2) Core Earnings is a non-GAAP measure. Please see Appendix slide 19 of this presentation for a definition of Core Earnings and a reconciliation of GAAP to non-GAAP financial information.

Business Overview[1]

MORTGAGE LOAN CONDUIT

- Sponsored seven securitizations totaling $2.0 billion in unpaid principal balance (UPB)
  - Attained goal of sponsoring six to ten securitizations during 2015
- Expanded originator partner network

MORTGAGE SERVICING RIGHTS

- Added six MSR flow sellers
  - Achieved goal of adding five to ten flow sellers in 2015
- Closed on four bulk MSR acquisitions; total UPB of $8.5 billion

COMMERCIAL REAL ESTATE

- Completed build out of team and resources to manage and support investments
- Deployed significant equity capital
- Closed on 18 assets; aggregate carrying value of $661.0 million at December 31, 2015

(1) Data for the year ended December 31, 2015.

Market and Policy Update

MACRO CONSIDERATIONS

- Volatile market and interest rate environment
  - Wider Agency and credit asset spreads
  - Federal Reserve raised interest rates in December 2015
- Continued home price appreciation
  - CoreLogic Home Price Index up 6.3% on rolling 12-month basis(1)
- Mixed employment data
  - Improvement in unemployment rate; 5.0% in December 2015 versus 5.6% in December 2014(2)
  - Tepid labor force participation

POLICY MATTERS

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

(1) Source: CoreLogic Home Price Index rolling 12-month change as of December 31, 2015.
(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	FY-2015 Book Value	FY-2015 Book Value per share
Beginning stockholders' equity	**$3,772.7**	**$10.30**	**$4,068.0**	**$11.10**
Cumulative effect of adoption of new accounting principle (ASU 2014-13)	n/a		(3.0)	
Beginning stockholders' equity - adjusted	**$3,772.7**	**$10.30**	**$4,065.0**	**$11.09**
GAAP Net Income:				
Core Earnings, net of tax	72.1		325.8	
Realized gains, net of tax	15.1		134.6	
Unrealized mark-to-market gains, net of tax	123.5		31.8	
Other comprehensive loss	(213.9)		(496.7)	
Dividend declaration	(92.0)		(378.3)	
Other	1.7		9.0	
Balance before capital transactions	3,679.2		3,691.2	
Repurchase of common stock	(102.7)		(115.2)	
Issuance of common stock, net of offering costs	0.1		0.6	
Ending stockholders' equity	**$3,576.6**	**$10.11**	**$3,576.6**	**$10.11**

Q4-2015 Comprehensive Loss of $3.2 million; $4.5 million loss in 2015

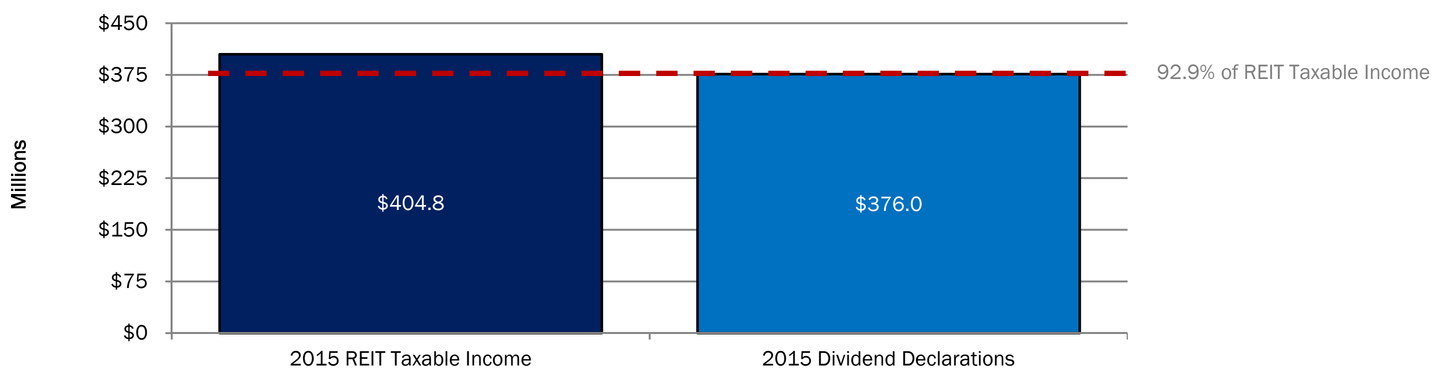
Declared Q4-2015 dividend of $0.26 per share; $1.04 per share total in 2015

Share repurchases accretive to book value by $0.06 per share in Q4-2015; $0.07 per share in 2015

Tax Characterization of Dividend

FULL YEAR 2015 DIVIDEND SUMMARY

- Generated REIT taxable income of $404.8 million in 2015
  - Includes net capital gains of approximately $261.1 million
- 2015 dividend declarations totaled $376.0 million
  - Fulfilled REIT dividend distribution requirements
  - Distributed 92.9% of REIT taxable income
  - Carrying approximately $28.8 million of ordinary income into 2016
- Distributions fully taxable when characterized on Form 1099-DIV(1)
  - 61.7% deemed long-term taxable gains



(1) The U.S. federal income tax treatment of holding Two Harbors common stock to any particular stockholder will depend on the stockholder's particular tax circumstances. You are urged to consult your tax advisor regarding the U.S. federal, state, local and foreign income and other tax consequences to you, in light of your particular investment or tax circumstances, of acquiring, holding and disposing of Two Harbors common stock. Two Harbors does not provide tax, accounting or legal advice. Any tax statements contained herein were not intended or written to be used, and cannot be used for the purpose of avoiding U.S., federal, state or local tax penalties. Please consult your advisor as to any tax, accounting or legal statements made herein.

Core Earnings Summary[1]

Q4-2015 FINANCIAL HIGHLIGHTS

(Dollars in millions)	Q3-2015	Q4-2015	Variance ($)	Variance (%)
Interest income	$152.8	$133.6	($19.2)	(12.6%)
Interest expense	$37.0	$36.6	$0.4	1.4%
Net interest income	$115.8	$97.0	($18.8)	(16.2%)
Loss on swaps and swaptions	($19.4)	($12.6)	$6.8	35.3%
Gain on other derivatives	$5.6	$6.0	$0.4	6.8%
Servicing income, net of amortization on MSR	$10.8	$16.8	$6.0	54.9%
Other	$1.1	$1.4	$0.3	29.7%
Total other income	($1.9)	$11.6	$13.5	n/a
Expenses	$35.6	$35.8	($0.2)	(0.8%)
Income taxes	($1.1)	$0.7	($1.8)	n/a
Core Earnings[1]	**$79.4**	**$72.1**	**($7.3)**	**(9.2%)**

- Interest income down 12.6% quarter-over-quarter
  - Earnings drag due primarily to reallocation of capital
  - Sold approximately $2.7 billion Agency securities
  - Offset by an increase in mortgage loans held-for-investment in securitization trusts and commercial real estate loans
- Swap costs decreased by 35.3%
  - Lower average notional balance
  - Average interest spread on swaps decreased
- Other operating expenses
  - 1.7% of average equity in Q4-2015; up from 1.6% in Q3-2015
    - Expenses are consistent but stockholders' equity declined due to share repurchase activity
  - Added resources to create operational capabilities within the conduit, MSR and commercial real estate, expanded vendor relationships and fortified information technology infrastructure
    - Combined with variable expenses, could result in a higher expense ratio in 2016

(1) Core Earnings is a non-GAAP measure. Please see Appendix slide 19 for a definition of Core Earnings and a reconciliation of GAAP to non-GAAP financial information.

Financing Profile

REPURCHASE AGREEMENTS

- Focused on diversification and financial stability across repo counterparties
- Outstanding borrowings of $5.0 billion with 21 active counterparties; 30 total counterparties
- Continued to ladder repo maturities

FEDERAL HOME LOAN BANK OF DES MOINES

- Outstanding secured advances of $3.8 billion
- Average borrowing rate 0.58%
- FHFA rulemaking

SECURED $250 MILLION FINANCING FACILITY FOR COMMERCIAL REAL ESTATE LOANS

Portfolio Performance and Hedging

Q4-2015 PERFORMANCE HIGHLIGHTS

NET INTEREST MARGIN BEGINNING TO BENEFIT FROM REALLOCATION OF CAPITAL TO HIGHER YIELDING ASSETS

RATES

- Solid Interest-Only and MSR performance

CREDIT

- Credit yields were stable

COMMERCIAL

- Initial holdings performed as expected

HEDGING

- Maintained low interest rate exposure and leverage
- Debt-to-equity of 2.5x at December 31, 2015, down from 3.1x at September 30, 2015(3)

Q4-2015 PORTFOLIO METRICS

Three Months Ended	Sept. 30, 2015	Dec. 31, 2015
Annualized portfolio yield during the quarter	4.14%	4.56%
Rates		
Agency RMBS, Agency Derivatives and MSR	3.3%	3.8%
Credit		
Non-Agency RMBS, Legacy(1)	8.6%	8.4%
Non-Agency RMBS, New issue(1)	4.1%	4.0%
Net economic interest in securitization trusts	4.9%	4.6%
Prime jumbo residential mortgage loans	3.9%	4.0%
Commercial	7.9%	6.0%
Annualized cost of funds on average repurchase and advance balance during the quarter(2)	1.31%	1.30%
Annualized interest rate spread for aggregate portfolio during the quarter	2.83%	3.26%

(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.

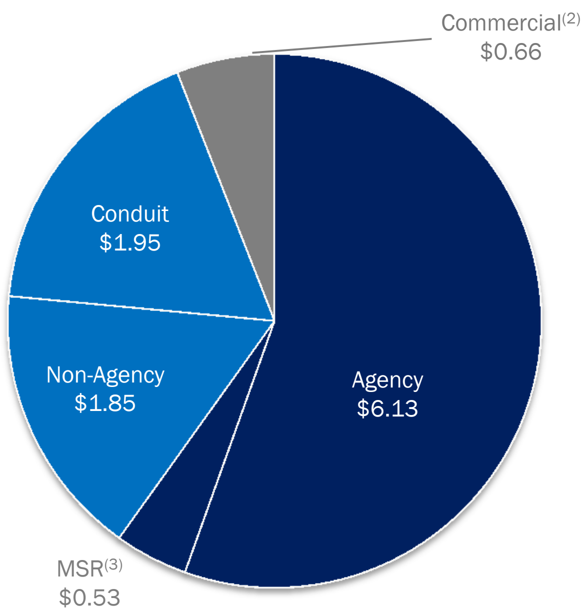
Portfolio Composition

INCREASED CAPITAL ALLOCATION TO MSR, CONDUIT AND COMMERCIAL REAL ESTATE

PORTFOLIO COMPOSITION[1]

$11.1 BILLION PORTFOLIO AS OF DECEMBER 31, 2015

($ billions)



Rates[4] $6.66B | Credit[5] $3.80B | Commercial $0.66B

HISTORICAL CAPITAL ALLOCATION

	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2015	Long-Term Trend[6]
Rates[4]				
Agency	44%	44%	35%	↓
MSR	13%	12%	14%	↑
Credit[5]				
Non-Agency	38%	34%	27%	↓
Conduit	5%	10%	16%	↑
Commercial	n/a	n/a	8%	↑

(1) For additional detail on the portfolio, see Appendix slides 20-25.
(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 CSL.
(6) The capital allocation strategies are intended to be illustrative of allocation trends and reflect the company’s current expectations based on a variety of market, economic and regulatory factors. Actual portfolio composition and allocation strategies may differ materially.

Conduit and MSR Update(1)

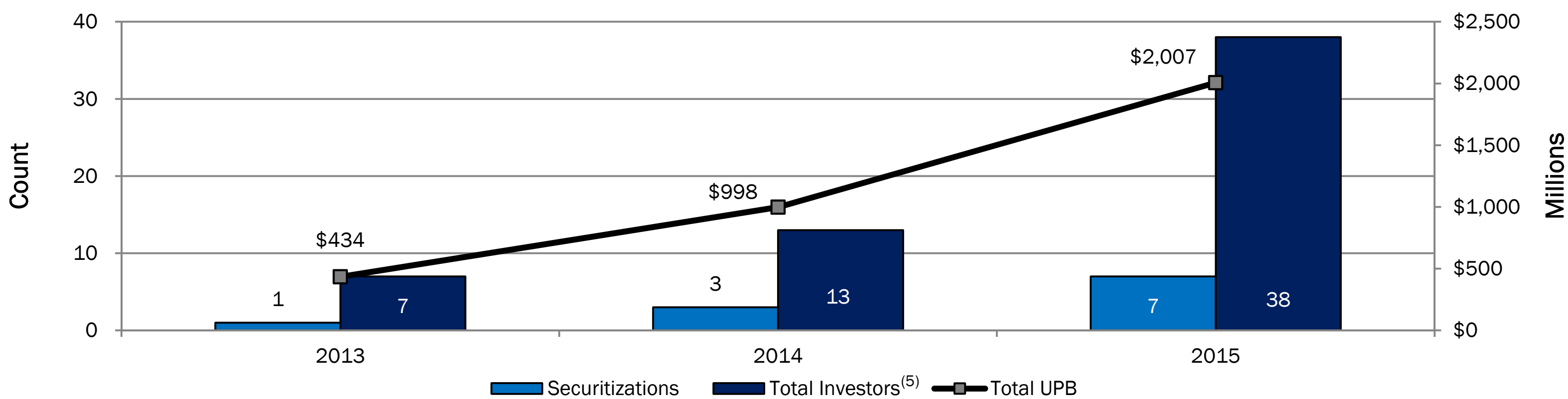
MORTGAGE LOAN CONDUIT

- Sponsored ABMT 2015-7; $332.8 million securitization
- Significant issuer in private label securities market
  - Approximately 16% market share of new prime jumbo issuance in 2015(2)
  - Broad investor interest and participation; over 50 different investors in program since inception(4)
  - Agate Bay pricing improved throughout 2015
  - Sponsored ABMT 2016-1 in January 2016; $299.3 million securitization
- Retained interest in securitization trusts of $1.2 billion at December 31, 2015

MORTGAGE SERVICING RIGHTS

- Added four MSR flow seller relationships
- Closed on two bulk MSR acquisitions; total UPB of $2.4 billion
- Gross yields remain healthy; 7.2% in Q4-2015(3)
- Invested $124 million in 2015
- Fair value of $493.7 million at December 31, 2015

AGATE BAY MORTGAGE TRUST (ABMT) SUMMARY

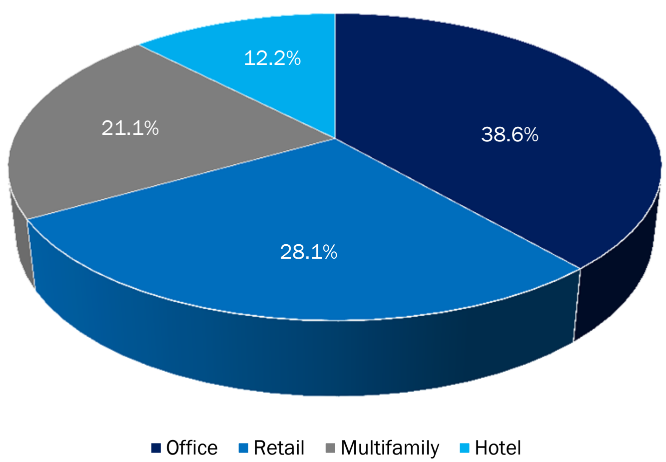


(1) Data for the three months ended December 31, 2015, except where noted.
(2) Source: Two Harbors Investment Corp. research.
(3) Gross yield includes servicing income, sub-servicing expense and amortization.
(4) As of January 31, 2016.
(5) Total investors considers only new issue buyers.

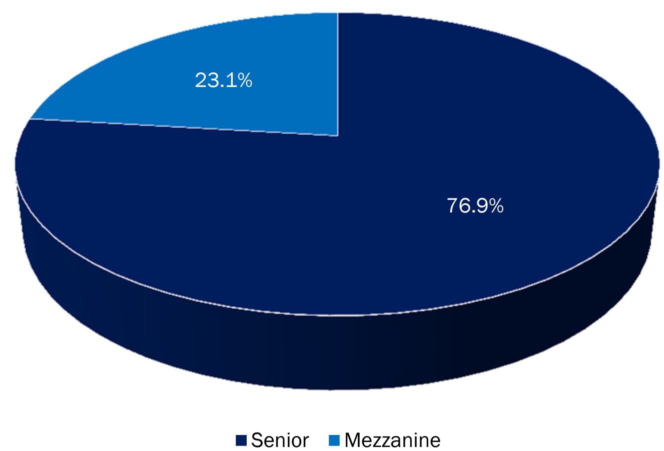
Commercial Real Estate Update

- Added nine commercial real estate assets during the fourth quarter
- Twelve senior and six mezzanine assets at December 31, 2015
  - Secured by a diverse group of properties throughout the United States
  - Weighted average initial loan-to-value of 72.3%; weighted average spread of LIBOR plus 507 basis points
- Working to secure additional financing options
- Opportunities in the commercial real estate market remain attractive

PORTFOLIO BY PROPERTY TYPE



PORTFOLIO BY LOAN TYPE



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

2016 Outlook

OPPORTUNISTICALLY DEPLOY CAPITAL TO MAXIMIZE STOCKHOLDER VALUE OVER THE LONG-TERM

- Diversify asset base to deliver high-quality returns with dampened volatility
- Allocate capital to sectors with more attractive returns, including:
  - Mortgage loan conduit
  - MSR
  - Commercial real estate assets
- Pursue Agency and non-Agency opportunities when attractive

INCREASE OPTIONALITY AND FLEXIBILITY IN BUSINESS MODEL

- Broaden financing capabilities
- Maintain a low risk profile
- Leverage operational capabilities

STOCK REPURCHASES

- Expect to continue to repurchase stock, subject to stock price and market conditions
- Additional 50 million shares available pursuant to the stock repurchase program

DIVIDEND SUSTAINABILITY

- Anticipate issuing a quarterly dividend of $0.23 per share in March
- Expect quarterly dividend of $0.23 per share to be sustainable in 2016
- Remains subject to board approval

Appendix


TWO HARBORS
Investment Corp.
A Pine River Capital Managed Company

Return on Book Value

Return on book value FY-2015 (Per share amounts, except for percentage)	
Book value at December 31, 2014	$11.10
Book value at December 31, 2015	10.11
Decrease in book value	(0.99)
Dividends declared in 2015	1.04
Return on book value 2015	$0.05
Percent return on book value 2015(1)	0.5%

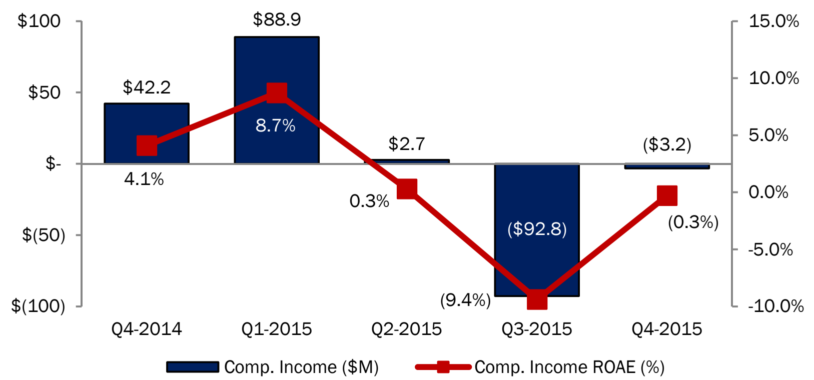
Return on book value Q4-2015 (Per share amounts, except for percentage)	
Book value at September 30, 2015	$10.30
Book value at December 31, 2015	10.11
Decrease in book value	(0.19)
Dividends declared in Q4-2015	0.26
Return on book value Q4-2015	$0.07
Percent return on book value Q4-2015(2)	0.7%

(1) Return on book value for twelve-month period ended December 31, 2015 is defined as the decrease in book value from December 31, 2014 to December 31, 2015 of $0.99 per share, plus dividends declared of $1.04 per share, divided by December 31, 2014 book value of $11.10 per share.

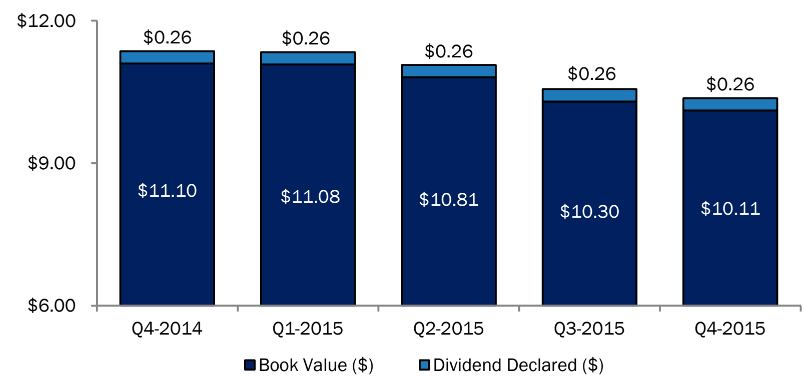
(2) Return on book value for three-month period ended December 31, 2015 is defined as the decrease in book value from September 30, 2015 to December 31, 2015 of $0.19 per share, plus dividends declared of $0.26 per share, divided by September 30, 2015 book value of $10.30 per share.

Financial Performance

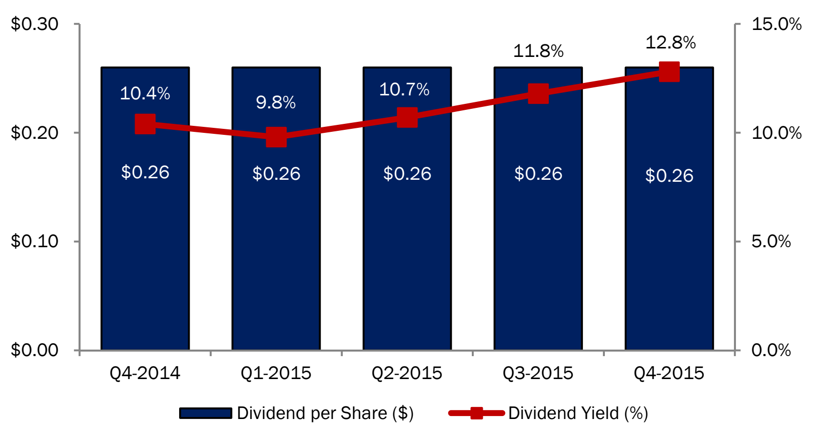
COMPREHENSIVE INCOME (LOSS)



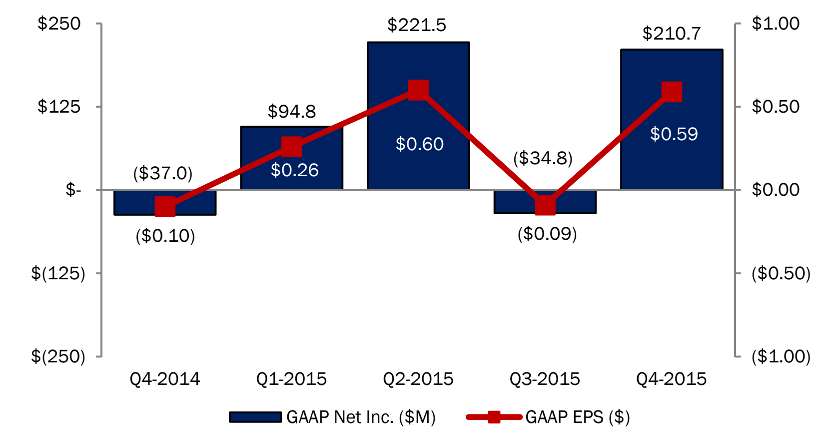
BOOK VALUE AND DIVIDEND PER SHARE(1)



DIVIDENDS(1)



GAAP NET (LOSS) INCOME



(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	Q3-2015 Financials	Core Earnings[(1)]	Realized Gains	Unrealized MTM	Q4-2015 Financials
Interest income	$152.8	$ -	$ -	$152.8	$133.6	$ -	$ -	$133.6
Interest expense	37.0	-	-	37.0	36.6	-	-	36.6
Net interest income	115.8	-	-	115.8	97.0	-	-	97.0
Net other-than-temporary impairment losses	-	-	(0.2)	(0.2)	-	-	-	-
Gain (loss) on investment securities	-	66.4	(2.3)	64.1	-	109.6	(9.7)	99.9
(Loss) gain on interest rate swaps and swaptions	(19.4)	(61.9)	(90.4)	(171.7)	(12.6)	(101.1)	156.2	42.5
Gain (loss) on other derivative instruments	5.6	(20.0)	13.9	(0.5)	6.0	(6.8)	(1.3)	(2.1)
Gain (loss) on residential mortgage loans held-for-sale	-	5.6	10.4	16.0	-	3.6	(7.7)	(4.1)
Servicing income	32.0	-	-	32.0	32.8	-	-	32.8
(Loss) gain on servicing asset	(21.2)	-	(40.3)	(61.5)	(16.0)	-	12.8	(3.2)
Other income (loss)	1.1	(1.5)	2.6	2.2	1.4	(2.0)	(4.9)	(5.5)
Total other (loss) income	(1.9)	(11.4)	(106.1)	(119.4)	11.6	3.3	145.4	160.3
Management fees & other operating expenses	35.6	3.1	-	38.7	35.8	2.0	-	37.8
Net income (loss) before income taxes	78.3	(14.5)	(106.3)	(42.5)	72.8	1.3	145.4	219.5
Income tax (benefit) expense	(1.1)	(11.4)	4.8	(7.7)	0.7	(13.8)	21.9	8.8
Net income (loss)	**$79.4**	**($3.1)**	**($111.1)**	**($34.8)**	**$72.1**	**$15.1**	**$123.5**	**$210.7**
Weighted average EPS	$0.22	($0.01)	($0.30)	($0.09)	$0.20	$0.04	$0.34	$0.59

(1) Core Earnings is a non-GAAP measure. Please see Appendix slide 19 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 September 30, 2015	Three Months Ended December 31, 2015
Reconciliation of net (loss) income to Core Earnings:		
Net (loss) income	($34,790)	$210,706
Adjustments for non-core earnings:		
Gain on sale of securities and residential mortgage loans, net of tax	(62,372)	(100,548)
Unrealized (gain) loss on securities and residential mortgage loans held-for-sale, net of tax	(4,444)	14,668
Other-than-temporary impairment loss	238	-
Unrealized loss (gain) on interest rate swaps and swaptions economically hedging investment portfolio, repurchase agreements and FHLB advances, net of tax	89,062	(134,182)
Realized loss on termination or expiration of swaps and swaptions, net of tax	48,972	77,672
Loss on other derivative instruments, net of tax	2,656	6,880
Realized and unrealized (gain) loss on financing securitizations, net of tax	(1,108)	6,997
Realized and unrealized loss (gain) on mortgage servicing rights, net of tax	39,209	(11,342)
Securitization deal costs, net of tax	1,740	780
Change in representation and warranty reserve, net of tax	253	502
Core Earnings	$79,416	$72,133
Weighted average shares outstanding	367,365,973	360,090,432
Core Earnings per weighted average share outstanding	$0.22	$0.20

(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.

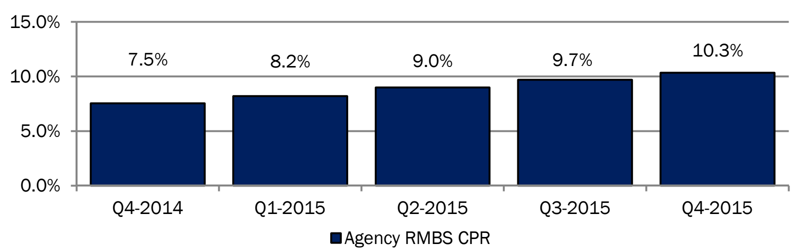
Rates: Agency RMBS Metrics

AGENCY PORTFOLIO YIELDS AND METRICS

Portfolio Yield	Realized Q3-2015	At Sept. 30, 2015	Realized Q4-2015	At Dec. 31, 2015
Agency yield	3.3%	3.2%	3.5%	3.4%
Repo and FHLB costs	0.5%	0.5%	0.5%	0.6%
Swap costs	0.9%	0.8%	0.8%	0.7%
Net interest spread	1.9%	1.9%	2.2%	2.1%

Portfolio Metrics	Q3-2015	Q4-2015
Weighted average 3-month CPR(1)	9.7%	10.3%
Weighted average cost basis(2)	$108.0	$108.1

AGENCY RMBS CPR(1)



AGENCY PORTFOLIO COMPOSITION

Agency: Vintage & Prepayment Protection	Q3-2015	Q4-2015
Other Low Loan Balance Pools(3)	38%	34%
$85K Max Pools(4)	17%	23%
2006 & subsequent vintages – Premium and IOs	10%	12%
High LTV (predominately MHA)(5)	5%	7%
HECM	14%	6%
Seasoned (2005 and prior vintages)	4%	6%
2006 & subsequent vintages – Discount	4%	6%
Low FICO(6)	4%	5%
Prepay protected	4%	1%

(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.
(3) Securities collateralized by loans of less than or equal to $175K, but more than $85K.
(4) Securities collateralized by loans of less than or equal to $85K.
(5) Securities collateralized by loans with greater than or equal to 80% loan-to-value ratio (LTV). High LTV pools are predominately Making Homeownership Affordable (MHA) pools, consisting of borrowers who have refinanced through HARP.
(6) Securities collateralized by loans held by lower credit borrowers as defined by Fair Isaac Corporation (FICO).

Rates: Agency RMBS

As of Dec. 31, 2015	Par Value ($M)	Market Value ($M)	% of Agency Portfolio	Amortized Cost Basis ($M)	Weighted Average Coupon	Weighted Average Age (Months)
30-Year fixed						
4.0-4.5%	$3,979	$4,290	70.0%	$4,285	4.2%	30
≥ 5.0%	562	633	10.3%	607	5.5%	84
	4,541	4,923	80.3%	4,892	4.4%	37
15-Year fixed						
4.0-4.5%	1	2	0.1%	2	4.0%	66
≥ 5.0%	1	1	0.0%	1	6.6%	118
	2	3	0.1%	3	4.5%	76
HECM	366	386	6.3%	384	4.5%	43
Hybrid ARMs	102	108	1.7%	106	3.6%	142
Other-fixed	328	325	5.3%	313	4.6%	116
IOs and IIOs	3,850	386[1]	6.3%	372	3.7%	74
Total	$9,189	$6,131	100.0%	$6,070	4.3%	46

(1) Represents the market value of $227.9 million of IOs and $157.9 million of Agency Derivatives.

Rates: Mortgage Servicing Rights

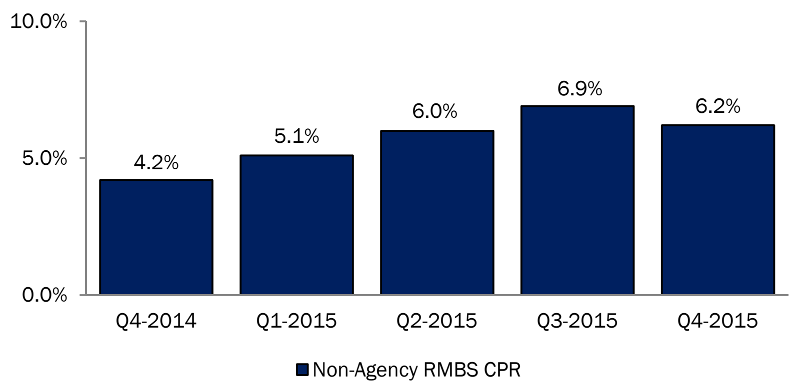
	As of Mar. 31, 2015	As of June 30, 2015	As of Sept. 30, 2015	As of Dec. 31, 2015
Fair value ($M)	$410.2	$437.6	$447.3	$493.7
Unpaid principal balance ($M)	$43,974.9	$42,811.3	$48,117.3	$51,386.1
Weighted average coupon	3.9%	3.9%	3.9%	3.9%
Original FICO score	748	749	751	751
Original LTV	74%	74%	74%	73%
60+ day delinquencies	1.3%	1.4%	1.1%	1.1%
Net servicing spread	28.2 basis points	28.2 basis points	27.8 basis points	27.4 basis points
Vintage:				
Pre-2009	3.4%	3.4%	2.9%	2.6%
2009-2012	60.4%	59.1%	52.8%	47.3%
Post 2012	36.2%	37.5%	44.3%	50.1%
Percent of MSR portfolio:				
Conventional	73.6%	74.4%	78.3%	80.5%
Government FHA	19.7%	19.1%	16.2%	14.5%
Government VA/USDA	6.7%	6.5%	5.5%	5.0%

Credit: Non-Agency RMBS Metrics

NON-AGENCY PORTFOLIO YIELDS AND METRICS

Portfolio Yield	Realized Q3-2015	At Sept. 30, 2015	Realized Q4-2015	At Dec. 31, 2015
Non-Agency yield	7.8%	7.5%	7.8%	8.1%
Repo and FHLB costs	1.9%	1.9%	2.0%	2.1%
Swap costs	0.0%	0.0%	0.1%	0.1%
Net interest spread	5.9%	5.6%	5.7%	5.9%

NON-AGENCY RMBS CPR



NON-AGENCY PORTFOLIO COMPOSITION

Non-Agency: Loan Type	Q3-2015	Q4-2015
Sub-prime	63%	68%
Option-ARM	7%	8%
Prime	13%	6%
Alt-A	3%	4%
Other	14%	14%

Portfolio Metrics	Q3-2015	Q4-2015
Weighted average 3-month CPR	6.9%	6.2%
Weighted average cost basis(1)	$63.7	$60.4

(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 $55.80 at December 31, 2015.

Credit: Non-Agency RMBS

As of December 31, 2015	Senior Bonds	Mezzanine Bonds	Total P&I
Portfolio characteristics:			
Carrying value ($M)	$1,313.7	$532.6	$1,846.3
% of non-agency portfolio	71.2%	28.8%	100%
Average purchase price(1)	$52.88	$79.01	$60.42
Average coupon	2.8%	3.0%	2.9%
Weighted average market price(2)	$72.93	$85.31	$76.12
Collateral attributes:			
Average loan age (months)	112	85	105
Average loan size ($K)	$361	$300	$346
Average original Loan-to-Value	71.3%	73.0%	71.8%
Average original FICO(3)	634	695	649
Current performance:			
60+ day delinquencies	28.1%	12.2%	24.0%
Average credit enhancement(4)	9.1%	12.9%	10.1%
3-Month CPR(5)	4.4%	10.7%	6.2%

(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 $48.92, $75.63 and $55.80, 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	$118.6	L + 4.20%	5.20%	4	LA	Retail	65.5%	60.0%
Asset 2	Senior	09/15	105.0	104.2	L + 3.42%	4.38%	3	CA	Retail	70.9%	66.9%
Asset 3	Senior	11/15	76.4	75.5	L + 4.20%	5.39%	3	NY	Office	66.4%	68.7%
Asset 4	Mezzanine	11/15	63.3	63.3	L + 7.25%	7.70%	3	Multi-state	Office	77.6%	77.5%
Asset 5	Mezzanine	03/15	45.9	45.7	L + 6.75%	8.03%	2	Multi-state	Hotel	70.3%	63.5%
Asset 6	Senior	12/15	43.5	43.1	L + 4.05%	5.09%	3	TX	Multifamily	81.2%	76.8%
Asset 7	Senior	12/15	38.8	38.3	L + 4.90%	5.51%	4	PA	Office	74.5%	67.5%
Asset 8	Senior	11/15	38.0	37.4	L + 4.55%	5.84%	4	MD	Office	80.0%	64.5%
Asset 9	Senior	10/15	23.5	23.3	L + 3.60%	4.37%	4	NY	Multifamily	73.4%	58.6%
Asset 10	Senior	08/15	18.7	18.5	L + 4.05%	5.22%	3	FL	Multifamily	85.0%	68.4%
Asset 11	Mezzanine	08/15	17.0	17.0	L + 8.75%	9.52%	2	FL	Hotel	71.9%	67.9%
Asset 12	Senior	12/15	15.0	15.0	L + 6.91%	7.35%	3	Multi-state	Office	65.8%	65.8%
Asset 13	Senior	08/15	12.4	12.3	L + 5.25%	6.21%	3	FL	Multifamily	76.1%	74.2%
Asset 14	Senior	10/15	11.2	11.0	L + 4.99%	6.63%	3	MO	Hotel	73.2%	57.7%
Asset 15	Senior	09/15	11.0	10.9	L + 4.03%	4.95%	3	FL	Multifamily	77.7%	76.9%
Asset 16	Mezzanine	07/15	9.9	9.9	L + 12.25%	13.35%	3	PA	Office	81.7%	79.6%
Asset 17	Mezzanine	08/15	9.9	9.8	L + 9.50%	10.28%	5	GA	Office	78.7%	66.4%
Asset 18	Mezzanine	11/15	7.9	7.2	13.0%[5]	13.00%	10	NY	Hotel	68.3%	43.7%
Total/weighted Average			$667.4	$661.0	L + 5.07%	6.00%	3.3			72.3%	67.0%

(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	$5,354.1	$2,413.0	$7,767.1
Derivative asset, at fair value	157.9	-	157.9
Residential mortgage loans held-for-sale, at fair value	9.5	735.9	745.4
Commercial real estate assets	108.9	252.2	361.1
Net economic interests in consolidated securitization trusts	275.0	863.3	1,138.3
	$5,905.4	$4,264.4	$10,169.8

Repo Maturities[3]	Amount ($M)	Percent (%)
Within 30 days	$2,689.4	53.7%
30 to 59 days	1,739.2	34.7%
60 to 89 days	161.5	3.2%
90 to 119 days	175.5	3.5%
120 to 364 days	242.7	4.9%
	$5,008.3	100.0%

FHLB Maturities	Amount ($M)	Percent (%)
> 1 and ≤ 3 years	$651.2	17.2%
> 3 and ≤ 5 years	815.0	21.5%
> 10 years[4]	2,318.8	61.3%
	$3,785.0	100.0%

(1) As of December 31, 2015.
(2) Excludes FHLB membership and activity stock totaling $156.7 million.
(3) Weighted average of 35 days to maturity.
(4) Includes advances of $2.3 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%	0.481%	0.7
2017	2.4	0.765%	0.510%	1.6
2018	0.8	0.944%	0.384%	2.1
2019	0.4	1.283%	0.340%	3.4
2020 and after	2.6	1.821%	0.371%	8.0
	$7.9	1.094%	0.437%	3.7
Other Payers				
2018	$2.1	1.563%	0.487%	2.9
2020 and after	1.2	2.164%	0.531%	5.1
	$3.3	1.787%	0.503%	3.7
Maturities	**Notional Amounts ($B)**	**Average Pay Rate**	**Average Fixed Receive Rate**	**Average Maturity (Years)**
Other Receivers				
2018	$0.6	0.329%	1.440%	2.9
2020 and after	2.6	0.453%	2.301%	7.0
	$3.2	0.431%	2.145%	6.3

(1) As of December 31, 2015.

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	$0.38	$0.17	0.8	$2,000	2.23%	3M LIBOR	6.3
	>6 Months	126.27	19.15	39.2	4,500	3.69%	3M LIBOR	5.8
Total Payer		$126.65	$19.32	38.5	$6,500	3.24%	3M LIBOR	5.9
Sale Contracts:								
Payer	>6 Months	($81.25)	($6.74)	18.0	$(800)	3M LIBOR	3.44%	10.0
Total Payer		($81.25)	($6.74)	18.0	$(800)	3M LIBOR	3.44%	10.0
Receiver	<6 Months	($0.10)	($0.04)	0.7	$(500)	3M LIBOR	1.75%	10.0
Total Receiver		($0.10)	($0.04)	0.7	$(500)	3M LIBOR	1.75%	10.0

(1) As of December 31, 2015.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