Second Quarter 2017 Earnings Call

AUGUST 8, 2017

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; the state of commercial real estate markets; our anticipated distribution of Granite Point shares to the holders of our common stock; 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.

Quarterly Summary(1)

CAPITALIZED ON ATTRACTIVE MARKET OPPORTUNITIES

HIGHLIGHTS

- Comprehensive Income of $85.9 million, or $0.25 per common share
- Core Earnings(3) of $97.5 million, or $0.28 per common share
- Formed Granite Point Mortgage Trust Inc. ("Granite Point") and contributed portfolio of commercial real estate assets to Granite Point, concurrent with the closing of their initial public offering in June
  - In exchange, Two Harbors received approximately 33.1 million shares of Granite Point common stock, which it intends to distribute through a special dividend to common stockholders
- Total return on book value of 2.2%(2)
  - Book value of $9.87 per common share and cash dividend of $0.26 per common share
- Subsequent to quarter end, issued 11,500,000 shares of 7.625% Series B fixed-to-floating rate cumulative redeemable preferred stock for proceeds, net of offering costs, of $278.1 million

(1) Except as otherwise indicated in this presentation, reported data is as of or for the period ended June 30, 2017.
(2) See Appendix slide 15 for calculation of Q2-2017 return on book value.
(3) Core Earnings is a non-GAAP measure. Please see Appendix slide 18 of this presentation for a definition of Core Earnings and a reconciliation of GAAP to non-GAAP financial information.

Strategic Overview

COMMITTED TO MAXIMIZING STOCKHOLDER RETURN

- More efficient business model
- Attractive investment opportunities in target assets
- Sophisticated approach to risk management
- Opportunistic use of capital structure

✓ POSITIONED TO DELIVER STRONG RETURNS AND STABLE BOOK VALUE THROUGH A VARIETY OF RATE ENVIRONMENTS

Book Value

(Dollars in millions, except per share data)	Q2-2017 Book Value	Q2-2017 Book Value per share	YTD-2017 Book Value	YTD-2017 Book Value per share
Beginning common stockholders' equity	**$3,458.8**	**$9.91**	**$3,401.1**	**$9.78**
GAAP Net Income:				
Core Earnings, net of tax	101.8		196.8	
Dividend declaration - preferred	(4.3)		(4.3)	
Core Earnings attributable to common stockholders, net of tax[1]	97.5		192.5	
Realized gains and losses, net of tax	(50.3)		(7.9)	
Unrealized mark-to-market gains and losses, net of tax	(42.9)		(108.2)	
Other comprehensive income	81.6		155.4	
Dividend declaration - common	(90.7)		(178.0)	
Contribution of TH Commercial Holdings LLC to Granite Point[2]	(13.8)		(13.8)	
Other	4.2		8.2	
Balance before capital transactions	3,444.4		3,449.3	
Preferred stock issuance costs	—		(4.9)	
Issuance of common stock, net of offering costs	0.2		0.2	
Ending common stockholders' equity	**$3,444.6**	$9.87	**$3,444.6**	$9.87
Series A preferred stock liquidation preference	143.8		143.8	
Noncontrolling Interest	195.7		195.7	
Ending total equity	**$3,784.1**		**$3,784.1**	

Comprehensive Income (GAAP)

Q2-2017 Comprehensive Income of $85.9 million.

Declared Q2-2017 dividends of $0.26 per common share and $0.75043 per Series A preferred share.

Noncontrolling ownership in Granite Point; portion of equity and net income not attributable to Two Harbors.

(1) Please see Appendix slide 18 for a definition of Core Earnings and a reconciliation of GAAP to non-GAAP financial information.
(2) Impact of Granite Point's consolidated balance sheet subsequent to IPO.

Core Earnings Summary(1)

(Dollars in millions)	Q1-2017	Q2-2017	Variance ($)
Interest income	$191.6	$208.6	$17.0
Interest expense	75.4	90.8	(15.4)
Net interest income	116.2	117.8	1.6
Loss on swaps and swaptions	(7.9)	(2.6)	5.3
Gain on other derivatives	3.8	3.3	(0.5)
Servicing income, net of amortization on MSR	13.2	19.4	6.2
Other	1.5	1.4	(0.1)
Total other income	10.6	21.5	10.9
Expenses	32.0	36.9	(4.9)
Benefit from income taxes	(0.2)	0.5	(0.7)
Core Earnings attributable to noncontrolling interest	—	0.1	(0.10)
Core Earnings attributable to Two Harbors(1)	**$95.0**	**$101.8**	**$6.8**
Dividends on preferred stock	—	4.3	(4.3)
Core Earnings attributable to common stockholders(1)	**$95.0**	**$97.5**	**$2.5**
Basic and diluted weighted average Core EPS	**$0.27**	**$0.28**	**$0.01**

- Core earnings benefited from $1.6 million net carry due to higher average balances of RMBS, partially offset by higher average borrowing rates and balances
- Higher average debt-to-equity of 4.7x
- Realized favorable difference of $5.3 million in swap expenses due to increases in short-term LIBOR and decreased notional swap amounts
- Other operating expense ratio increased to 1.9%(2) from 1.8% due to recognition of $2.5 million in de-boarding and transfer fees as we repositioned MSR portfolio across subservicer network

(1) Core Earnings is a non-GAAP measure. Please see Appendix slide 18 for a definition of Core Earnings and a reconciliation of GAAP to non-GAAP financial information.
(2) Other operating expenses as a percentage of average equity of 1.9% excludes $2.2 million of transaction expenses related to the initial public offering of Granite Point stock.

Illustrative Pro Forma Balance Sheet as of June 30, 2017

(unaudited, in thousands)	*Consolidated* Two Harbors Investment Corp.		Granite Point Mortgage Trust Inc.		*Standalone* Two Harbors Investment Corp.
ASSETS					
Available-for-sale securities, at fair value	$ 16,427,710		$ 12,782		$ 16,414,928
Commercial real estate assets	1,782,749		1,782,749		—
Mortgage servicing rights, at fair value	898,025		—		898,025
Residential mortgage loans held-for-investment in securitization trusts, at fair value	3,120,410		—		3,120,410
Residential mortgage loans held-for-sale, at fair	31,946		—		31,946
Cash and cash equivalents	651,707		249,119		402,588
Restricted cash	249,728		2,357		247,371
Other assets	618,758		24,983		1,186,055
Total Assets	$ 23,781,033		$ 2,071,990		$ 22,301,323
LIABILITIES AND EQUITY					
Liabilities					
Repurchase agreements	$ 13,316,881		$ 640,124		$ 12,676,757
Collateralized borrowings in securitization trusts, at fair value	2,880,301		—		2,880,301
Federal Home Loan Bank advances	3,238,762		—		3,238,762
Revolving credit facilities	40,000		—		40,000
Convertible senior notes	282,290		—		282,290
Other liabilities	238,690		599,468		231,502
Total liabilities	19,996,924		1,239,592		19,349,612
Total Stockholders' Equity	3,588,421		832,398		2,951,711
Noncontrolling interest	195,688		—		—
Total equity	3,784,109		832,398		2,951,711
Total Liabilities and Equity	23,781,033		2,071,990		22,301,323
Common shares outstanding	348,977,215				348,977,215
Preferred stock liquidation preference	143,750				143,750
Book Value	9.87				8.05
Debt-to-equity	4.5	(1)	1.5		5.5

PRO-FORMA BOOK VALUE OF $8.05 AT JUNE 30, 2017

- Debt-to-equity nominally increases with removal of lower levered CRE portfolio of Granite Point; don't expect further material changes to overall leverage
- Expect Core Earnings on a relative basis will be flat to accretive compared to the past few quarters

Note: This unaudited pro forma balance sheet has been prepared for illustrative purposes only, and is not necessarily indicative of Two Harbors' financial condition and operating results that would have occurred if the distribution of Granite Point shares has been consummated as of June 30, 2017, nor is it necessarily indicative of hte financial condition or results of operations that may be expected for any future period or date.

(1) The company's June 30, 2017 debt-to-equity ratio includes the consolidation of Granite Point's assets and liabilities. Excluding the noncontrolling interest from the Granite Point IPO, the company's debt-to-equity ratio as of June 30, 2017 would have been 4.7x.

Tax Considerations for Distribution of Granite Point Shares

INTEND TO DISTRIBUTE GRANITE POINT STOCK VIA A SPECIAL DIVIDEND

- Goal is to distribute cash dividends that equal Two Harbors' earnings and profit in 2017; may result in special cash dividend later in the year, but expect amount to be relatively insignificant
- Effect a return of capital that will be approximately equal to the fair market value of the Granite Point common stock distributed to stockholders
- Granite Point shares are currently subject to 120-day lockup period; dividend remains subject to approval from the Board of Directors

DISTRIBUTION RATIO

- Based on June 30, 2017 shares outstanding of approximately 349 million, the distribution ratio would be approximately 1 share of Granite Point for every 10 common shares of Two Harbors
- Final distribution ratio will be based on the number of shares outstanding as of the dividend record date

DIVIDEND VALUATION

- Valuation of distribution will be subject to Granite Point market price changes until the distribution date of Granite Point shares to Two Harbors' common shareholders
- As of June 30, 2017, approximately 33.1 million shares of Granite Point would have been valued at $625.7 million, or $1.82 per common share of Two Harbors, based on Granite Point's June 30, 2017 closing price of $18.92 per share

Diversified Financing Profile

OPTIMIZING FINANCING STRUCTURE

REPURCHASE AGREEMENTS

- Outstanding borrowings of $13.3 billion with 25 active counterparties; 32 total counterparties
- Repo markets functioning efficiently for RMBS
- Repo balance includes the consolidation of Granite Point financing facilities

FEDERAL HOME LOAN BANK OF DES MOINES

- Outstanding secured advances of $3.2 billion
- Weighted average borrowing rate of 1.52%
- Anticipate secured advances to decline in future quarters

FINANCING FOR MSR

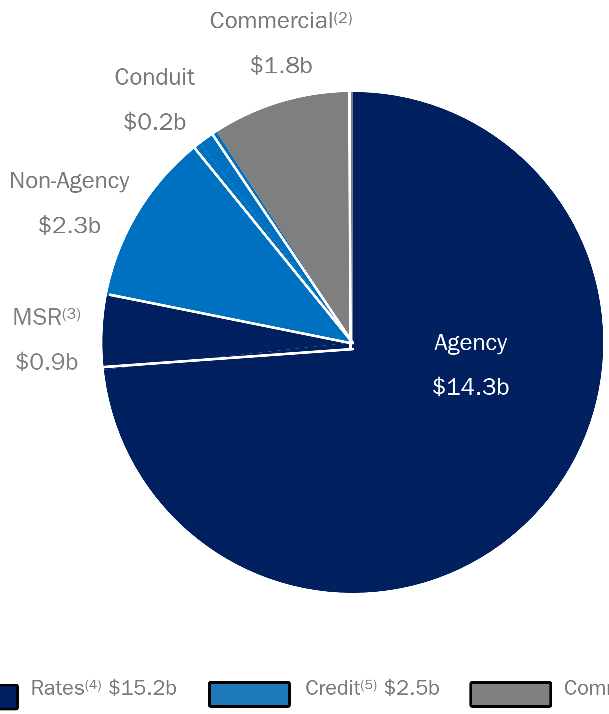
- Outstanding borrowings of $40.0 million under revolving credit facilities
- Additional available capacity of $50.0 million as of June 30, 2017

Portfolio Composition

OPPORTUNISTIC CAPITAL ALLOCATION

PORTFOLIO COMPOSITION[1]

$19.5 BILLION PORTFOLIO AS OF JUNE 30, 2017



HISTORICAL CAPITAL ALLOCATION

	June 30, 2016	March 31, 2017	June 30, 2017
Rates[4]	56%	58%	54%
Credit[5]	31%	27%	28%
Commercial[2]	13%	15%	18%

If Granite Point shares had been distributed on June 30, 2017, capital allocation to the Rates and Credit strategies would have been 65% and 35%, respectively.

(1) For additional detail on the portfolio, see Appendix slides 19-24.
(2) Commercial consists of the consolidated financial results of Granite Point and its subsidiaries, which assets include senior, mezzanine and B-note 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 MBS, net economic interests in securitization trusts, prime jumbo residential mortgage loans and credit sensitive residential mortgage loans.

Portfolio Performance

DRIVING SUPERIOR PORTFOLIO PERFORMANCE

Q2-2017 PERFORMANCE SUMMARY

RATES

- Interest rates did not move substantially, while curve flattened
- Agency RMBS prices mixed; lower coupon Agency RMBS performed well while higher coupons underperformed

CREDIT

- Mortgage credit spreads tightened
- Underlying residential credit environment continued to improve
- Newer assets purchased at yields lower than our existing portfolio

PORTFOLIO METRICS

Three Months Ended	March 31, 2017	June 30, 2017
Annualized portfolio yield during the quarter	**3.99%**	**3.96%**
Rates		
Agency RMBS, Agency Derivatives and MSR	3.1%	3.2%
Credit		
Non-Agency RMBS, Legacy[1]	9.2%	8.5%
Non-Agency MBS, New issue[1]	7.1%	7.2%
Net economic interest in securitization trusts	11.4%	11.0%
Residential mortgage loans held-for-sale	4.3%	5.1%
Commercial[3]	6.2%	6.2%
Annualized cost of funds on average repurchase and advance balance during the quarter[2]	**1.52%**	**1.60%**
Annualized interest rate spread for aggregate portfolio during the quarter	**2.47%**	**2.36%**

(1) "Legacy" non-Agency RMBS includes non-Agency bonds issued up to and including 2009. "New issue" non-Agency MBS includes bonds issued after 2009.
(2) Cost of funds includes interest spread expense associated with the portfolio's interest rate swaps.
(3) Commercial consists of the consolidated financial results of Granite Point and its subsidiaries, which assets include senior, mezzanine and B-note commercial real estate debt and related instruments.

Rates Update

DELIVERING RESULTS THROUGH VARIETY OF RATE ENVIRONMENTS

- Pairing MSR with Agency RMBS results in a portfolio that has higher return potential with lower mortgage spread risk and lower overall leverage
  - Mitigates impact to book value in spread widening scenario
- Utilize combination of hedging tools to maintain low interest rate exposure

PORTFOLIO SUMMARY

- Agency RMBS holdings of $14.3 billion
  - 83% of Agency pools have some form of prepayment protection, compared to 72% in Q1-2017[(1)]
- MSR portfolio of approximately $900 million in fair market value
  - Added $18.9 billion UPB on new issue, high quality MSR
    - $13.1 billion UPB from two bulk MSR purchases
    - $5.8 billion UPB from flow-sale arrangements
  - Expect near-term flow MSR volume of approximately $2.0 billion UPB per month

(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.

Credit Update

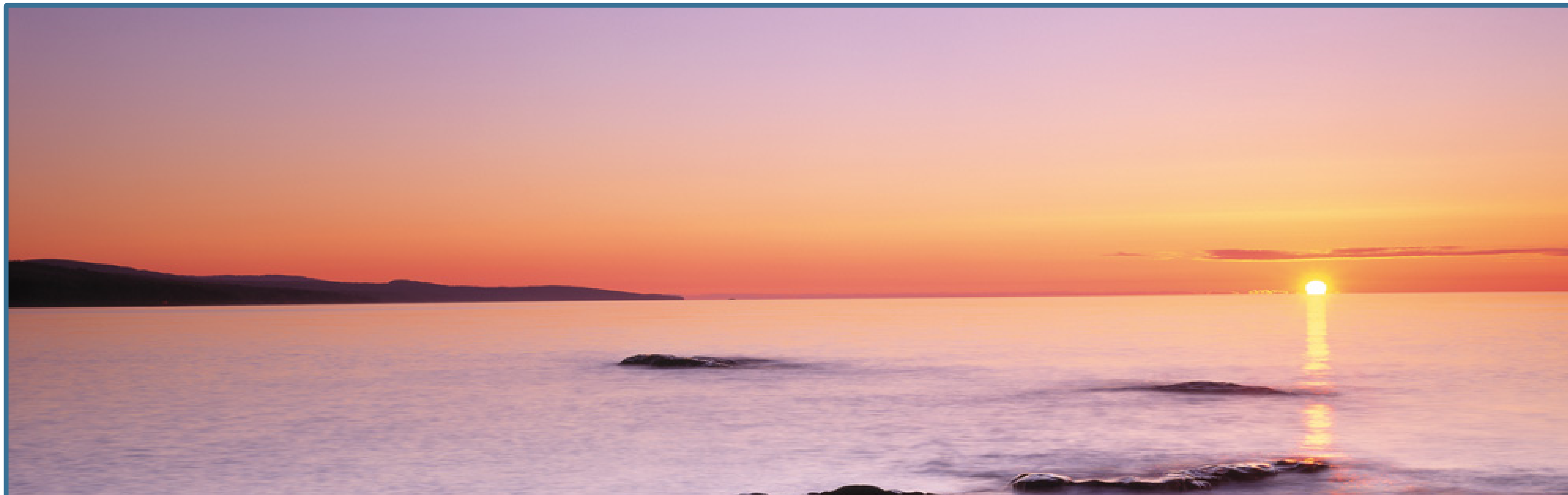
RESIDENTIAL CREDIT TAILWINDS

- Home prices continue to improve; CoreLogic Home Price Index up 6.7% on a rolling 12-month basis[(1)]
  - Supported by affordability, low housing supply and strong demand
- Believe future performance will continue to be strong, driven by increasing prepayments, lower delinquencies, defaults and severities

PORTFOLIO SUMMARY

- Non-Agency RMBS holdings of $2.3 billion, $2.0 billion of which are legacy non-Agency RMBS
- Released $13.9 million in credit reserves against portfolio; released $38.2 million in credit reserves over the previous 12 months
- Average market price of ~$78 allows ability to capture upside opportunity[(2)]

(1) Source: CoreLogic Home Price Index rolling 12-month change as of June 2017.
(2) Weighted average market price utilized current face for weighting purposes. Please see slide 23 in the Appendix for more information on our non-Agency RMBS portfolio.



Appendix


TWO HARBORS
Investment Corp.
A Pine River Capital Managed Company

Return on Book Value

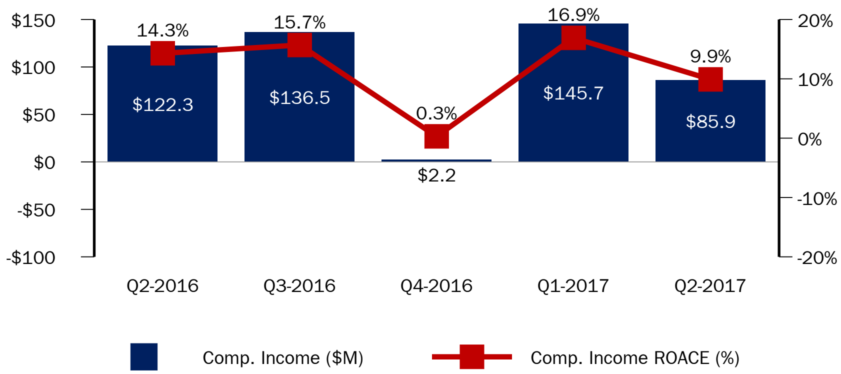
Return on common book value Q2-2017 (Per common share amounts, except for percentage)	
Book value at March 31, 2017	$9.91
Book value at June 30, 2017	9.87
Decrease in book value	(0.04)
Dividends declared in Q2-2017	0.26
Return on book value Q2-2017	$0.22
Percent return on book value Q2-2017[(1)]	2.2%

Return on common book value YTD-2017 (Per common share amounts, except for percentage)	
Book value at December 31, 2016	$9.78
Book value at June 30, 2017	9.87
Decrease in book value	0.09
Dividends declared in YTD-2017	0.51
Return on book value YTD-2017	$0.60
Percent return on book value YTD-2017[(2)]	6.1%

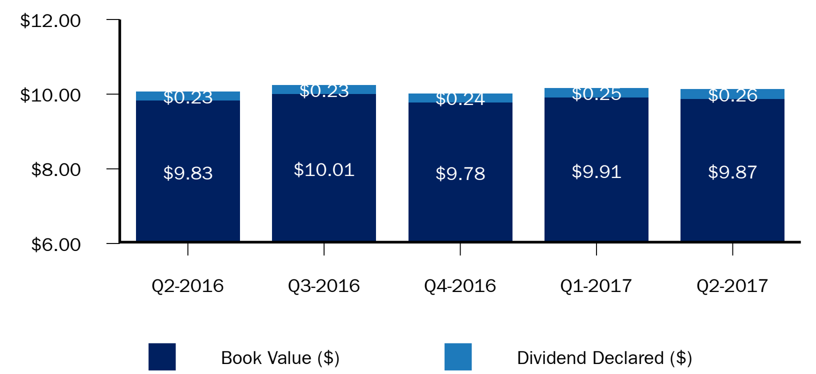
(1) Return on book value for the three-month period ended June 30, 2017 is defined as the decrease in book value per common share from March 31, 2017 to June 30, 2017 of $0.04 per common share, plus dividends declared of $0.26 per common share, divided by March 31, 2017 book value of $9.91 per common share.
(2) Return on book value for the six-month period ended June 30, 2017 is defined as the increase in book value per common share from December 31, 2016 to June 30, 2017 of $0.09 per common share, plus dividends declared of $0.51 per common share, divided by December 31, 2016 book value of $9.78 per common share.

Financial Performance

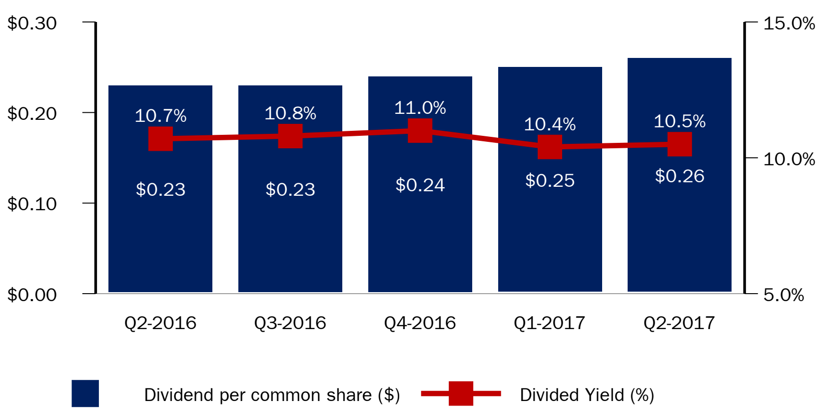
COMPREHENSIVE INCOME



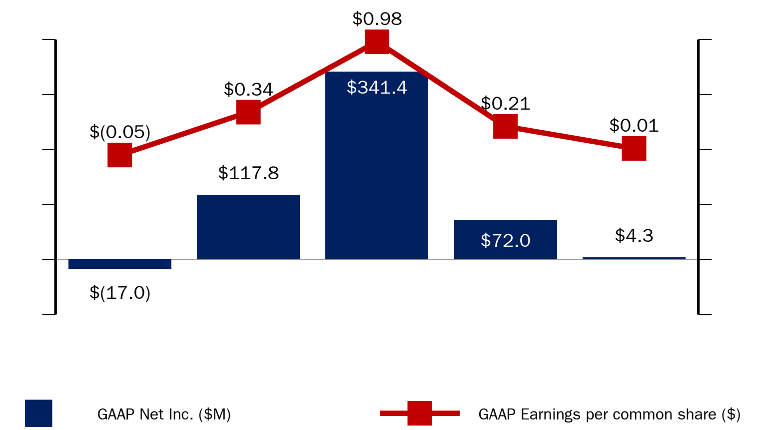
BOOK VALUE AND DIVIDEND PER COMMON SHARE(1)



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 common share data)	Q1-2017 Core Earnings[1]	Q1-2017 Realized Gains (Losses)	Q1-2017 Unrealized MTM	Q1-2017 Total	Q2-2017 Core Earnings[1]	Q2-2017 Realized Gains (Losses)	Q2-2017 Unrealized MTM	Q2-2017 Total
Interest income	$191.6	$—	$—	$191.6	$208.6	$—	$—	$208.6
Interest expense	75.4	—	—	75.4	90.8	—	—	90.8
Net interest income	116.2	—	—	116.2	117.8	—	—	117.8
Net other-than-temporary impairment losses	—	—	—	—	—	—	(0.4)	(0.4)
Gain (loss) on investment securities	—	(50.4)	(1.9)	(52.3)	—	33.3	(2.1)	31.2
(Loss) gain on interest rate swaps and swaptions	(7.9)	66.0	(48.2)	9.9	(2.6)	(30.1)	(44.1)	(76.8)
Gain (loss) on other derivative instruments	3.8	28.1	(59.8)	(27.9)	3.3	(47.6)	24.7	(19.6)
Servicing income	39.8	—	—	39.8	51.3	—	—	51.3
(Loss) gain on servicing asset	(26.6)	0.3	11.7	(14.6)	(31.9)	(0.6)	(14.1)	(46.6)
Gain (loss) on residential mortgage loans held-for-sale	—	1.4	0.1	(1.5)	—	0.2	0.1	0.3
Other income (loss)	1.5	(2.0)	8.5	8.0	1.4	(1.0)	2.5	2.9
Total other income (loss)	10.6	43.4	(89.6)	(35.6)	21.5	(45.8)	(33.4)	(57.7)
Management fees & other operating expenses	32.0	1.1	—	33.1	36.9	5.8	—	42.7
Net income (loss) before income taxes	94.8	42.3	(89.6)	47.5	102.4	(51.6)	(33.4)	17.4
Income tax (benefit) expense	(0.2)	(0.1)	(24.2)	(24.5)	0.5	(1.3)	9.5	8.7
Net income (loss)	**$95.0**	**$42.4**	**($65.4)**	**$72.0**	**$101.9**	**($50.3)**	**($42.9)**	**8.7**
Net income attributable to noncontrolling interest	—	—	—	—	0.1	—	—	**0.1**
Net income (loss) attributable to Two Harbors	95.0	42.4	(65.4)	72.0	**101.8**	**(50.3)**	**(42.9)**	**8.6**
Dividends on preferred stock	—	—	—	—	4.3	—	—	**4.3**
Net income (loss) attributable to common stockholders	**$95.0**	**$42.4**	**($65.4)**	$ 72.0	**$ 97.5**	**$ (50.3)**	**$ (42.9)**	**$ 4.3**
Weighted average earnings per common share	$0.27	$0.12	($0.18)	$0.21	$0.28	($0.15)	($0.12)	$ 0.01

(1) Core Earnings is a non-GAAP measure. Please see Appendix slide 18 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 common share data)	Three Months Ended March 31, 2017	Three Months Ended June 30, 2017
Reconciliation of Comprehensive income to Core Earnings:		
Comprehensive income	**$145,747**	**$85.959**
Adjustment for other comprehensive (income) loss:		
Unrealized gains loss on available-for-sale securities	(73,762)	(81,626)
Net income	**$71,985**	**$4,333**
Adjustments for non-core earnings:		
Loss (gain) on sale of securities and residential mortgage loans, net of tax	28,018	(23,258)
Unrealized losses on securities and residential mortgage loans held-for-sale, net of tax	1,879	2,008
Other-than-temporary impairment loss	—	429
Unrealized losses on interest rate swaps and swaptions hedging interest rate exposure (or duration), net of tax	37,642	43,121
Realized (gain) loss on termination or expiration of swaps and swaptions, net of tax	(56,001)	35,358
Losses on other derivative instruments, net of tax	23,081	14,497
Realized and unrealized gains on financing securitizations, net of tax	(6,614)	(1,408)
Realized and unrealized (gain) loss on mortgage servicing rights, net of tax	(11,503)	16,600
Change in servicing reserves, net of tax	(1,835)	(16)
Non-cash equity compensation expense[2]	3,955	3,682
Tax valuation allowance	4,351	(11)
Transaction expenses associated with the IPO of Granite Point	—	2,193
Core Earnings attributable to common stockholders	**$94,958**	**$97,528**
Weighted average common shares outstanding	348,563,930	348,946,335
Core Earnings (revised) per weighted average common share outstanding	$0.27	$0.28

(1) Core Earnings is a non-U.S. GAAP measure that we define as comprehensive income attributable to common stockholders, excluding “realized gains and losses” (impairment losses, realized 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 nonrecurring transaction costs related to Granite Point’s initial public offering) and “unrealized mark-to-market gains and losses” (unrealized gains and losses on the aggregate portfolio). 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.

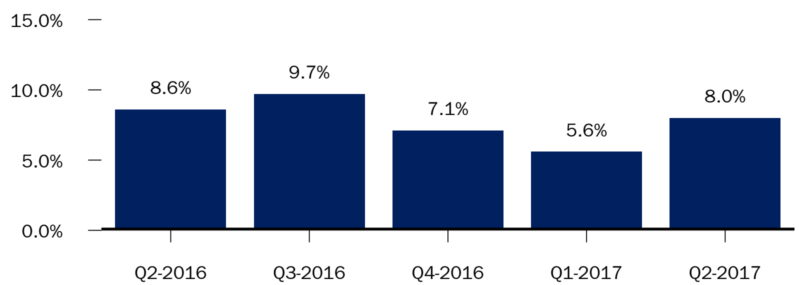
Rates: Agency RMBS Metrics

AGENCY PORTFOLIO YIELDS AND METRICS

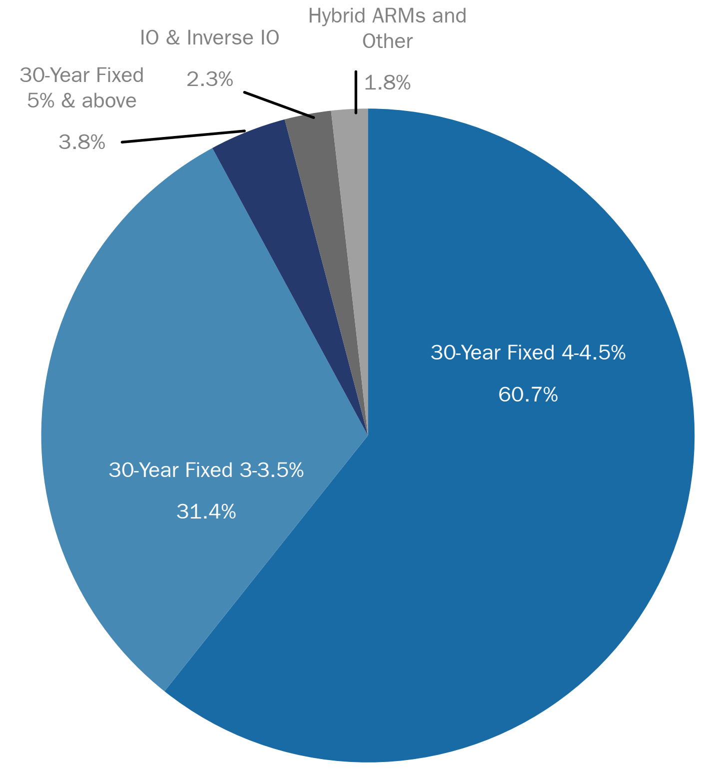
Portfolio Yield	Realized Q1-2017	At March 31, 2017	Realized Q2-2017	At June 30, 2017
Agency yield	3.1%	3.1%	3.1%	3.0%
Repo and FHLB costs	1.0%	1.1%	1.2%	1.3%
Swap costs	0.3%	0.2%	0.2%	—%
Net interest spread	1.8%	1.8%	1.7%	1.7%

Portfolio Metrics	Q1-2017	Q2-2017
Weighted average 3-month CPR[1]	5.6%	8.0%
Weighted average cost basis[2]	$105.9	$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 June 30, 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%	$4,343	$4,477	74.8%	$4,538	3.5%	10
4.0-4.5%	8,097	8,674	92.9%	8,670	4.2%	21
≥ 5.0%	491	548	84.2%	531	5.5%	86
	12,931	13,699	86.6%	13,739	4.0%	20
Hybrid ARMs	25	27	—%	26	4.8%	159
Other	232	231	0.7%	225	4.7%	146
IOs and IIOs	3,685	323 [2]	—%	334	3.2%	100
Total	**$16,873**	**$14,280**	**83.1%**	**$14,324**		

(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 $215.2 million of IOs and $108.3 million of Agency Derivatives.

Rates: Mortgage Servicing Rights(1)

	As of March 31, 2017	As of June 30, 2017
Fair value ($M)	$747.6	$898.0
Unpaid principal balance ($M)	$68,128.0	$84,814.2
Weighted average coupon	3.9%	3.9%
Original FICO score(2)	755	754
Original LTV	73%	73%
60+ day delinquencies	0.2%	0.2%
Net servicing spread	25.3 basis points	25.4 basis points
Vintage:		
Pre-2009	0.4%	0.4%
2009-2012	20.9%	16.8%
Post 2012	78.7%	82.8%
Percent of MSR portfolio:		
Conventional	99.9%	100.0%
Government	0.1%	—%

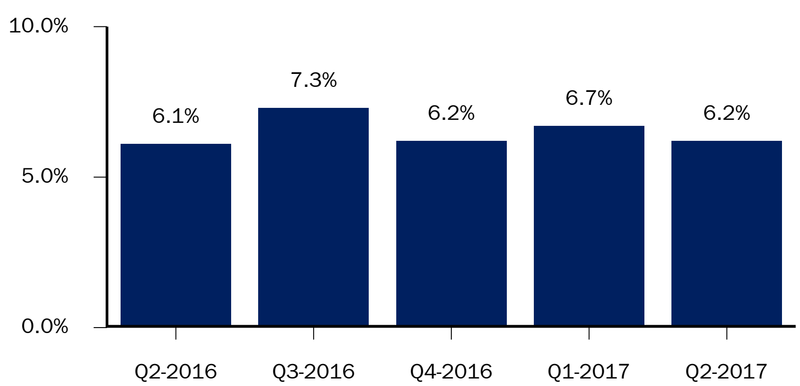
(1) Excludes residential mortgage loans held-for-investment in securitization trusts for which the company is the named servicing administrator.
(2) FICO represents a mortgage industry accepted credit score of a borrower.

Credit: Non-Agency MBS Metrics

NON-AGENCY PORTFOLIO YIELDS AND METRICS

Portfolio Yield	Realized Q1-2017	At March 31, 2017	Realized Q2-2017	At June 30, 2017
Non-Agency yield	9.0%	9.0%	8.4%	8.2%
Repo and FHLB costs	2.8%	2.8%	2.9%	2.9%
Swap costs	0.1%	0.1%	0.1%	—%
Net interest spread	6.1%	6.1%	5.4%	5.3%

NON-AGENCY MBS CPR



NON-AGENCY PORTFOLIO COMPOSITION

Non-Agency: Loan Type	March 31, 2017	June 30, 2017
Sub-prime	74%	73%
Option-ARM	8%	10%
Prime	2%	2%
Alt-A	8%	7%
Other	8%	8%
Portfolio Metrics	**Q1-2017**	**Q2-2017**
Weighted average 3-month CPR	6.7%	6.2%
Weighted average cost basis[(1)]	$59.5	$60.5

(1) Weighted average cost basis includes MBS principal and interest securities only. Average purchase price utilized carrying value for weighting purposes. If current face were utilized for weighting purposes, total non-Agency MBS excluding the company's non-Agency interest-only portfolio would have been $58.04 at June 30, 2017.

Credit: Non-Agency MBS

As of June 30, 2017	Senior Bonds	Mezzanine Bonds	Total P&I
Portfolio characteristics:			
Carrying value ($M)	$1,418.4	$832.2	$2,250.6
% of non-Agency portfolio	63.0%	37.0%	100.0%
Average purchase price[(1)]	$57.23	$66.12	$60.52
Average coupon	2.9%	2.2%	2.6%
Weighted average market price[(2)]	$77.97	$77.01	$77.61
Collateral attributes:			
Average loan age (months)	130	140	132
Average loan size ($K)	$362	$352	$359
Average original Loan-to-Value	70.5%	69.6%	70.2%
Average original FICO[(3)]	634	603	624
Current performance:			
60+ day delinquencies	22.5%	20.1%	21.7%
Average credit enhancement[(4)]	9.2%	16.8%	11.6%
3-Month CPR[(5)]	5.4%	7.7%	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 MBS, excluding our non-Agency interest-only portfolio, would have been $54.52, $63.98 and $58.04, respectively.
(2) Weighted average market price utilized current face for weighting purposes.
(3) FICO represents a mortgage industry accepted credit score of a borrower.
(4) Average credit enhancement remaining on our non-Agency MBS portfolio, which is the average amount of protection available to absorb future credit losses due to defaults on the underlying collateral.
(5) 3-Month CPR is reflective of the prepayment speed on the underlying securitization; however, it does not necessarily indicate the proceeds received on our investment tranche. Proceeds received for each security are dependent on the position of the individual security within the structure of each deal.

Granite Point's Commercial Real Estate Portfolio[1]

$ in millions	Type	Origination Date	Principal Balance	Book Value	Cash Coupon[2]	Yield[3]	Original Term (Years)	State	Property Type	Initial LTV[4]	Stabilized LTV[5]
Asset 1	Senior	12/15	$120.0	$120.0	L + 4.20%	L + 4.43%	4	LA	Mixed-Use	65.5%	60.0%
Asset 2	Senior	09/15	105.0	105.0	L + 3.42%	L + 3.79%	3	CA	Retail	70.9%	66.9%
Asset 3	Senior	07/16	97.8	96.7	L + 4.45%	L + 4.99%	4	Various	Office	62.8%	61.5%
Asset 4	Senior	04/16	82.0	81.5	L + 4.75%	L + 5.44%	3	NY	Industrial	75.9%	55.4%
Asset 5	Senior	11/15	78.0	78.0	L + 4.20%	L + 4.67%	3	NY	Office	66.4%	68.7%
Asset 6	Senior	10/16	75.6	74.9	L + 4.37%	L + 4.83%	4	NC	Office	72.4%	68.1%
Asset 7	Senior	05/17	68.0	67.0	L + 4.10%	L + 4.82%	4	MA	Office	71.3%	71.5%
Asset 8	Senior	12/16	62.3	60.7	L + 4.11%	L + 4.87%	4	FL	Office	73.3%	63.2%
Asset 9	Senior	06/16	51.3	51.0	L + 4.49%	L + 4.93%	4	HI	Retail	76.2%	57.4%
Asset 10	Senior	01/17	51.5	50.9	L + 4.75%	L + 5.24%	4	SC	Office	67.6%	67.1%
Asset 11	Senior	12/15	46.7	46.7	L + 4.65%	L + 4.87%	4	PA	Office	74.5%	67.5%
Asset 12	Mezzanine	03/15	45.9	45.9	L + 6.75%	L + 7.61%	5	Various	Hotel	70.3%	63.5%
Asset 13	Senior	06/17	45.0	44.4	L + 4.50%	L + 5.24%	3	CA	Hotel	54.7%	48.6%
Asset 14	Senior	12/15	43.5	43.5	L + 4.05%	L + 4.25%	3	TX	Multifamily	82.3%	76.8%
Asset 15	Mezzanine	11/15	43.5	43.5	L + 7.25%	L + 8.06%	3	Various	Office	77.6%	77.5%
Assets 16-40	Various	Various	780.0	773.2	L + 4.90%	L + 5.56%	4	Various	Various	69.6%	63.1%
Total/Weighted Average			**$ 1,796.2**	**$ 1,782.7**	**L + 4.67%**	**L + 5.24%**	**4**			**69.9%**	**63.8%**

(1) Due to the company's controlling ownership interest in Granite Point, the company consolidates Granite Point on its financial statements and reflects noncontrolling interest for the portion of equity and comprehensive income not attributable to the company.
(2) Cash coupon does not include origination or exit fees. Weighted average cash coupon excludes fixed rate loans.
(3) Yield includes net origination fees and exit fees, but does not include future fundings, and is expressed as a monthly equivalent yield. Weighted average yield excludes fixed rate loans.
(4) Initial LTV considers the original appraisal at the time of origination.
(5) Stabilized LTV considers the "as stabilized" value (as determined in conformance with USPAP) of the underlying property or properties, as set forth in the original appraisal. "As stabilized" value may be based on certain assumptions, such as future construction completion, projected re-tenanting, payment of tenant improvement or leasing commissions allowances or free or abated rent periods, or increased tenant occupancies.

Financing

$ in millions										
Outstanding Borrowings and Maturities[1]		Repurchase Agreements		FHLB Advances		Revolving Credit Facilities		Convertible Notes		Total Outstanding Borrowings	Percent (%)
Within 30 days	$	3,418.6	$	—	$	—	$	—	$	3,418.6	20.2%
30 to 59 days		3,267.0		—		—		—		3,267.0	19.4%
60 to 89 days		2,250.9		—		20.0		—		2,270.9	13.4%
90 to 119 days		2,354.5		—		—		—		2,354.5	13.9%
120 to 364 days		1,478.4		—		20.0		—		1,498.4	8.9%
One to three years		547.4		815.0		—		—		1,362.4	8.1%
Three to five years		—		—		—		282.3		282.3	1.7%
Ten years and over[2]		—		2,423.7		—		—		2,423.7	14.4%
	$	13,316.8	$	3,238.7	$	40.0	$	282.3	$	16,877.9	100.0%
Collateral Pledged for Borrowings[3]		Repurchase Agreements		FHLB Advances		Revolving Credit Facilities[4]		Convertible Notes		Total Collateral Pledged	Percent (%)
Available-for-sale securities, at fair value	$	13,639.1	$	2,749.7	$	—		n/a	$	16,388.8	88.6%
Derivative assets, at fair value		108.2		—		—		n/a		108.2	0.6%
Commercial real estate assets		883.0		720.3		—		n/a		1,603.3	8.7%
Mortgage servicing rights, at fair value		—		—		166.0		n/a		166.0	0.9%
Net economic interests in consolidated securitization trusts		219.4		2.0		—		n/a		221.4	1.2%
	$	14,849.7	$	3,472.0	$	166.0		n/a	$	18,487.7	100.0%

(1) Weighted average of 2.9 years to maturity.
(2) Includes FHLB advances of $2.4 billion with original maturities of 20 years.
(3) Excludes FHLB membership and activity stock totaling $134.8 million.
(4) 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				
2017	$1.5	0.771%	1.220%	0.3
2018	4.3	1.155%	1.223%	1.0
2019	0.4	1.283%	1.165%	1.9
2020	1.2	1.463%	1.209%	3.3
2021 and after	4.5	1.699%	1.235%	5.6
	$11.9	1.322%	1.224%	2.7

Maturities	Notional Amounts ($B)	Average Pay Rate	Average Fixed Receive Rate	Average Maturity (Years)
Receivers				
2020	0.2	1.171%	1.642%	3.1
2021 and after	2.7	1.193%	2.190%	6.4
	$2.9	1.192%	2.152%	6.2

(1) Notional amount includes $778.0 million in forward starting interest rate swaps as of June 30, 2017.
(2) Weighted averages exclude forward starting interest rate swaps. As of June 30, 2017, the weighted average fixed pay rate on interest rate swaps starting in 2017 was 2.4%.

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	$43.7	$7.7	2.9	$5,025	2.35%	3M LIBOR	6.2
Total Payer		$43.7	$7.7	2.9	$5,025	2.35%	3M LIBOR	6.2
Receiver	<6 Months	$2.7	$2.1	3.2	$2,000	3M LIBOR	1.78%	8.5
Receiver	≥6 Months	—	5.9	10.8	250	3M LIBOR	2.35%	10.0
Total Receiver		$2.7	$8.0	7.6	$2,250	3M LIBOR	1.84%	8.7
Sale Contracts:								
Payer	<6 Months	($35.5)	($0.9)	3.2	($2,300)	2.92%	3M LIBOR	8.7
Total Payer		($35.5)	($0.9)	3.2	($2,300)	2.92%	3M LIBOR	8.7
Receiver	<6 Months	($9.7)	($6.2)	2.4	($3,000)	3M LIBOR	2.02%	10.0
Receiver	≥6 Months	(1.4)	(6.5)	10.8	(625)	3M LIBOR	1.95%	10.0
Total Receiver		($11.1)	($12.7)	4.9	($3,625)	3M LIBOR	2.00%	10.0


TWO HARBORS
Investment Corp.
A Pine River Capital Managed Company