



TWO Fourth Quarter 2025 Financial Results Call

Tuesday, February 3, 2026

9:00am ET

Operator

Please stand by. Good morning. My name is Ruth and I will be your conference facilitator. At this time, I would like to welcome everyone to TWO's Fourth Quarter 2025 Financial Results Call. All participants are in a listen only mode. After the speakers remarks, there will be a question-and-answer period. I would now like to turn the call over to Maggie Karr.

Maggie Karr

Good morning everyone and welcome to our call to discuss TWO's fourth quarter 2025 financial results. With me on the call this morning are Bill Greenberg, our President and Chief Executive Officer, Nick Letica, our Chief Investment Officer, and William Dellal, our Chief Financial Officer.

The earnings press release and presentation associated with today's call have been filed with the SEC and are available on the SEC's website as well as the Investor Relations page of our website at twoinv.com. In our earnings release and presentation, we have provided reconciliations of GAAP to non-GAAP financial measures and we urge you to review this information in conjunction with today's call.

As a reminder, our comments today will include forward-looking statements which are subject to risks and uncertainties that may cause our results to differ materially from expectations. These are described on Page 2 of the presentation and in our Form 10-K and subsequent reports filed with the SEC. Except as may be required by law, TWO does not update forward-looking statements and disclaims any obligation to do so.

I will now turn the call over to Bill.



Bill Greenberg

Thank you, Maggie. Good morning everyone, and welcome to our fourth quarter earnings call.

I'm very excited to be able to speak to you all publicly for the first time about our recently announced merger with United Wholesale Mortgage. The rationale for this transaction should be familiar to most mortgage market participants and observers, and was especially fitting given our own history as a company. So, let me take a step back and describe why I say that. We were one of the first, if not the first, mortgage REIT to invest in MSR as part of our asset mix, obtaining our GSE approvals and state licenses to own and manage MSR, and then buying our first pool in 2013. We started out using third party subservicers to service the asset, but as our servicing portfolio grew to a certain scale, it became clear to us that we could extract even more value from the asset and increase returns by bringing the servicing in-house, which we did in 2023 through our acquisition of RoundPoint. The last several years, really post-COVID, have highlighted the need for investors to be able to protect their MSR portfolio by providing recapture capabilities. Hence, we spun up a direct-to-consumer lending platform in 2024. However, in 2025 the mortgage finance landscape shifted again, with scale becoming more important than ever. It became clear to us that in order to succeed and compete effectively, our origination effort needed to be much, much bigger. This merger brings us together with the number 1 mortgage originator in the country in UWM, and doubles the size of the MSR portfolio to a pro-forma \$400 billion. UWM, in turn, also benefits from our expertise in capital markets and asset management, and they can leverage RoundPoint's best-in-class – and low cost – servicing capabilities. In many ways, this transaction is the culmination of the business plan that we have been aiming at for some time, and it creates, I believe, a very powerful strategic alignment, and positions the combined company for accelerated growth and enhanced outcomes, and which should deliver meaningful upside to shareholders.

Now, please turn to slide 3. Our investment portfolio performed well as mortgage assets significantly outperformed their hedges and our low coupon MSR continued to behave as it was designed to do, earning its carry. For the fourth quarter we generated a total economic return of positive 3.9%. For the full calendar year 2025, we generated a total economic return on book value of negative 12.6%, though if you exclude the previously recorded litigation settlement expense of \$3.60 per share, we returned a positive 12.1%.

Mortgage assets have thus far continued to outperform into the first quarter, driven in part by increased GSE buying and announcements from the Administration committing to buying significant sizes of MBS. In situations like this, we take the Administration's clear desire for lower mortgage rates at face value and we recognize the possibility that they will ultimately succeed and create increased mortgage and origination activity in 2026.

One question that we've heard from investors is around our securities portfolio and if, following the merger, we intend to liquidate this portfolio. In the short term, the answer is that we intend to manage our business in the ordinary course. Looking further out, I would say that while no decisions have been made yet, we will be thoughtful about how we proceed. There are some paths that lead to selling some



or all of these assets over time and there are other paths where the combined company will need many -- or even more than -- our existing TBA and specified pool positions. These are still early days with respect to the merger, so when those details are more clear we will be sure to update you.

Please turn to slide 4. Performance across fixed income was positive in the fourth quarter. The release of major conventional economic indicators was severely interrupted by the Federal government shutdown, leaving the Fed and market participants without key data often used to assess the economy. Despite this, and in line with market expectations seen in figure 1, the Fed still delivered two 25 basis point cuts in October and December. As a result, and as you can see in figure 2, the yield curve steepened, with 2-year Treasury yields down 14 basis points to 3.47%, while 10-year Treasury yields rose by 2 basis points to 4.17%, returning the yield curve to its steepest level since January 2022. Equity markets continued to react positively to the Fed cuts, with the S&P 500 up by 2.3% at quarter-end after setting all-time record highs earlier in the quarter.

Please turn to slide 5. We settled on the sale of an additional \$10 billion UPB of MSR out of our portfolio, increasing our total third-party subservicing to \$40 billion at year end, compared to \$30 billion at the end of the third quarter, while reducing our total owned servicing to approximately \$162 billion from \$176 billion the prior quarter.

Despite its small size, our DTC platform is punching above its weight, and had a record quarter, funding \$94 million in first and second liens, a 90% increase from the third quarter. At quarter-end, we had an additional \$38 million in our pipeline. We also brokered \$58.5 million in second liens in the quarter, which was nearly unchanged quarter-over-quarter.

Looking ahead, we are confident that the partnership with UWM will bring the benefits we have envisioned from the increased scale, and we believe this merger is extraordinarily positive for our company and our shareholders.

Now, I'd like to hand the call over to William to discuss our financial results.



William Dellal

Thank you, Bill.

Please turn to slide 6. Our book value increased to \$11.13 per share at December 31st, compared to \$11.04 per share at September 30th. Including the 0.34 cent common stock dividend, this resulted in a positive 3.9% quarterly economic return.

Please turn to slide 7. The company generated Comprehensive Income of \$50.4 million, or \$0.48 per share.

Net interest and servicing income, which is the sum of GAAP net interest expense and net servicing income before operating costs, decreased as a result of MSR sales and lower float income. Float income decreased largely as a result of lower interest rates and end-of-year seasonals that lowered balances. The net overall decline in portfolio asset yields was offset by lower financing costs.

Mark-to-market gains and losses were lower in the fourth quarter by \$15.5 million due to MSR portfolio runoff and a bull-steepening in rates.

You can see the individual components of Net Interest and Servicing Income, and Mark-to-Market Gains and Losses, on Appendix slide 20.

Please turn to slide 8. On the left-hand side of this slide, you can see a breakdown of our balance sheet at quarter-end. We ended the quarter with over \$800 million of cash on the balance sheet, and in accordance with our previously disclosed plan, we repaid our convertible senior notes of \$261.9 million in full on their January 15, 2026 maturity date.

RMBS funding markets remained stable and available throughout the quarter, with repurchase spreads at around SOFR plus 23 basis points. At quarter-end, our weighted average days to maturity for our Agency RMBS repo was 54 days. As a reminder, our days to maturity are typically lower at December 31st, as we intentionally roll repos in the third quarter past year-end to avoid any disruption in funding that can sometimes occur.

We finance our MSR, including the MSR asset and related servicing advance obligations, across 5 lenders with \$1.6 billion of outstanding borrowings under bilateral facilities. We ended the quarter with a total of \$1.1 billion in unused MSR asset financing capacity. We have \$71.5 million drawn on our servicing advances facility with an additional \$78.5 million of available capacity. I will now turn the call over to Nick.



Nick Letica

Thank you, William.

Please turn to slide 9. Our portfolio performed well in the fourth quarter, as both MSR and RMBS returns benefited from the decline of interest rate volatility, together with strong demand for spread assets. At December 31st, the portfolio was \$13.2 billion, including \$9.0 billion in settled positions and \$4.2 billion in TBAs.

Our primary risk metrics quarter-over-quarter were not materially different. Our economic debt to equity was slightly lower at 7.0 times, and our portfolio's sensitivity to spread changes marginally increased from 2.3% to 3.7% if spreads were to tighten by 25 basis points. We kept interest rate risks low in aggregate and across the yield curve. You can see more details on our risk exposures on Appendix slide 17.

Please turn to slide 10. The trend of lower interest rate volatility continued throughout the fourth quarter, resulting in the 1-month realized volatility of 10-year swap rates falling into the bottom 5th percentile over the past decade, dragging implied volatility down as well. As you can see in figure 1, 2-year options on 10-year swap rates, shown by the green line, closed the quarter at 79 basis points, 4 bps below its average level over the past 10 years.

RMBS spreads responded very positively to the decline in volatility, the steepening of the yield curve, and the prospect of strong demand in 2026 primarily from banks, REITs and the GSEs. The nominal spread for current coupon RMBS tightened by 30 basis points to 114 basis points to the swap curve, while option-adjusted spreads relative to SOFR finished 23 basis points tighter at 45 basis points as shown by the purple and blue lines, respectively. This decline in current coupon nominal spreads brought mortgages to their tightest level since the second quarter of 2022. Figure 1 includes data up to January 22nd, and as you can see spreads have continued to tighten further into the new quarter.

It wasn't just current coupon mortgages that outperformed. Spreads across the entire coupon stack, both on a static and option adjusted basis, shifted lower, as you can see in figure 2.

Please turn to slide 11 to review our Agency RMBS portfolio. Figure 1 shows the performance of TBAs and specified pools we owned throughout this quarter. Hedged RMBS performance was positive across the 30-year coupon stack, with the best performance in 4.5 and 5 percent coupons where we have our largest pool exposures%. Notably, the hedged performance of RMBS was aided by the widening of swap spreads, which have made up over 75% of our interest rate hedges. To give a sense of magnitude, 10-year swap spreads widened by 13 basis points to an 18-month high. Our passthrough position was largely stable quarter-over-quarter, However, although we continue to like the sector and the carefully selected prepayment protected collateral behind our bonds, we reduced our inverse IO position by almost 50% to reduce our exposure to higher coupons.



Primary mortgage rates drifted a little lower over the quarter, stabilizing around 6.25%. The share of the universe of 30-year loans eligible for refinance returned to nearly 20% for the first time in years, and as we had anticipated, speeds for refinanceable mortgages continued to increase. The prepayment S-curve steepened back to a more regular shape associated with periods when a larger share of mortgages are refinanceable, such as in late 2019.

Figure 2 on the bottom right shows our specified pool prepayment speeds by coupon, which on aggregate increased only very slightly to 8.6% from 8.3% CPR, coming from increases in speeds from 5.5 coupons and higher. That said, the CPR increases on our pools were small and in line with our expectations, evidencing the value of careful pool selection.

Please turn to slide 12. You can see in figure 1 that the volume of MSR available in 2025 declined from prior years. The market continues to be well subscribed, with strong demand from originators, as well as bank and non-bank portfolios competing for greater scale in MSRs. Indeed, as Bill said, scale has become increasingly important for mortgage companies to compete in the MSR market. The merger of TWO and UWM will result in a combined company that is positioned for accelerated growth and has the ability to compete effectively in this market.

Figure 2 shows that with mortgage rates at their current level of around 6.25% only about 3% of our MSR portfolio is considered in the money. If mortgage rates were to drop to around 5%, the portion of our portfolio in the money would rise to about 9%. Given that the current Administration in Washington is focused on policies to stimulate the housing market and increase homeownership, we anticipate that home prices will continue to rise and housing turnover will trend higher from its current historically low levels.

Please turn to Slide 13, where we will discuss our MSR portfolio. Figure 1 is an overview of our portfolio at quarter-end, further details of which can be found on Appendix slide 23. In the fourth quarter, we settled about \$400 million in UPB of MSR from flow acquisitions and recapture, and we sold \$9.6 billion UPB on a subservicing-retained basis.

The price multiple of our MSR was consistent quarter-over-quarter to 5.8 times and 60+ day delinquencies remained low at under 1%. Figure 2 compares CPRs across those implied security coupons in our portfolio of MSR versus TBAs. Quarter-over-quarter, our MSR portfolio experienced a minor 0.4-percentage point pickup in prepayment rates to 6.4%. Importantly, prepays have remained below our projections for the majority of our portfolio, which has been a positive tailwind for returns.

Finally, please turn to slide 14, our Return Potential and Outlook slide. This is a forward-looking projection of our expected portfolio returns, which takes into account the repayment of the \$262 million of convertible notes that occurred in January.



We estimate that about 65% of our capital is allocated to Servicing with a static return projection of 10 to 13%. The remaining capital is allocated to Securities with a static return estimate of 10 to 14%.

With our portfolio allocations shown in the top half of the table, and after expenses, the static return estimate for our portfolio would be between 6.9 to 10.2% before applying any capital structure leverage to the portfolio. After giving effect to our unsecured notes, and preferred stock, we believe that the potential static return on common equity falls in the range of 5.8% to 11.1%, or a prospective quarterly static return per share of 16 to 31 cents.

The reduction in return potential quarter-over-quarter is driven primarily by the large tightening of RMBS spreads and the sales of inverse IOs.

Since quarter-end, the announcement of explicit support for MBS spreads from the FHFA director has led to more spread tightening. Spreads for Agency RMBS have now fully retraced their widening over the past three plus years, leaving spreads historically rich on some measures, like Treasury based OAS, for example, to fair versus swaps in periods when the GSEs have been active. As RMBS spreads have normalized, the potential for more tightening and resulting book value benefit of holding RMBS has been significantly reduced. That said, continued GSE buying and/or other future policy actions aimed at supporting mortgage spreads could keep spreads tight and limit their widening in risk-off scenarios.

Given all that, we believe that this environment favors our paired portfolio construction of MSR and Agency RMBS, which has less exposure to fluctuations in mortgage spreads. We expect that demand for MSR will remain strong among the origination and investor communities. Though RMBS spreads have tightened, the paired construction of our low mortgage rate MSR with RMBS generates attractive risk adjusted returns with lower expected volatility than a portfolio of solely RMBS hedged with rates.

Thank you very much for joining us today, and now, we will be happy to take any questions you might have.



Question & Answer

Operator: Thank you. If you are dialed in via the telephone and would like to ask a question, please signal by pressing star one on your telephone keypad. If you're using a speakerphone, please make sure your mute function is turned off to allow your signal to reach our equipment. Again, please press star one to ask a question. We'll pause for just a moment. We'll go first to Rick Shane with J.P. Morgan.

Rick Shane: Thanks, guys, for taking my questions. And congratulations on the announcement. I am curious, as we sort of move through this period tactically, how you think about portfolio construction. I realize that you guys continue to and need to, from a governance perspective, operate as an independent company. But obviously, there are strategic reasons for the acquisition. Is that shifting your tactical allocation of capital in any way as you construct the portfolio into year end, and is that one of the other factors that's impacting your static return outlook?

Bill Greenberg: Yeah. Good morning, Rick. Thanks for the question. No, I think you put your finger on it. We're operating as an independent company. We're managing our portfolio as we normally would in the ordinary course. The changes you've seen in the portfolio have been in response to market assessments of risk and reward. And we're continuing to manage the portfolio as we, as we ordinarily would and do. And the investment decisions that we're making are in line with the way that we have always historically managed the portfolio.

Rick Shane: Got it. Okay. Thank you. And then I must have gotten up especially early today because I'm first in queue. I don't think I heard you talk about an update on book value, but I get to ask the question this time. If so, where is book value? Most recent mark.

Nicholas Letica: Hey, Rick, this is Nick. It's good. Good that you got the opportunity to ask that question this quarter. We are up about one and a half to 2% as of Friday, January 30th.

Rick Shane: Terrific. Thank you guys.

Bill Greenberg: Thanks, Rick.

Operator: We'll go next to Doug Harter with UBS.

Doug Harter: Thanks, and good morning. Hoping you could just talk about how you're thinking about leverage. Nick, given your comments around kind of the MBS market, and just how interested you would



be in continuing to kind of add at these spreads, kind of given the crosscurrents that you mentioned and just overall your view on risk reward.

Nicholas Letica: Hey, Doug. Sure. As you alluded to about from my comments, the administration has made it pretty clear that they want to do what they can to try to tighten spreads in this environment and potentially as well reduce mortgage rates. So we have become a little more defensive this quarter as a result of that. And just the general movement in spreads, if you look at where spreads are now, historically, I think you can say that they are at - I think you definitely say they're symmetric in terms of risks. You might even say they're asymmetric in terms of the amount of widening versus tightening in here.

That being said, there are things that the administration can do that have been widely discussed, for example, raising the caps that the GSEs have on their portfolio, which they can do without congressional input and other, other measures to continue to drive the mortgage spread tighter or just limit it from a risk perspective of widening. So it is very much of a double-edged sword. We have decided - and our portfolio construction being what it is, we do like the paired construction overall, as you know, and it depends less on betting on which way spreads are going to go and more about just putting together a hedged portfolio that extracts the spread of the combined assets. So that's what we're really focused on. But we have reduced our leverage a little bit this quarter and as well as our mortgage risk.

Doug Harter: Appreciate it. Thank you.

Operator: We'll go next to Bose George with KBW.

Bose George: Hey, guys. Good morning. Actually, what do you think are the chances of an LPA guarantee for production at the GSEs? And how is the agency market kind of viewing that possibility?

Nicholas Letica: Hey, Bose. I think there's a reasonable reduction. There'll be some reasonable chance that there will be some changes on the LPA grid. And I think it's somewhat priced into the market, but not entirely. They're just - there are a lot of optionality. I think now, in terms of the policy actions that can be done, and it's a lot for the market to digest. So it's hard consequently to fully understand whether just an LPA change is being baked in or not, but I think there has been some amount of discounting of that.



Bose George: Okay, great. And then actually, in terms of the MSR market, have you seen any changes in sort of bank interest or activity just given it looks like the capital rules there might make it a little more favorable for them to hold on to MSRs?

Nicholas Letica: I can't say that we've seen anything notable about that overall. All I can say is that the interest in the MSR market continues to be rock solid and strong. So from our perspective, we haven't seen anything particularly new that we have not seen in the past year or two.

Bose George: Okay. Great. Thanks.

Operator: We'll go next to Trevor Cranston with Citizens JMP.

Trevor Cranston: Hey, thanks. A question on the prospective return outlook. Could you maybe give us an update on kind of where you would see those levels today subsequent to the additional spread tightening that we've seen in January? And maybe comment on if there's any kind of near-term read through from kind of where you're seeing prospective returns to sort of how you're thinking about the appropriate dividend level in the near term. Thanks.

Nicholas Letica: Hey, Trevor, thank you for the question. I will talk about your first part, and I'll let William discuss the dividend part of it. The - yeah, so spreads are tighter since we published this at the end of December. So, it would be reasonable to expect that our dividend levels would be in a little marginally from where they are - they were back then on the 31st of December. We see spreads overall as being on our whole portfolio of being in maybe about five basis points or so. So that will have an effect of lowering our dividend marginally.

William Dellal: Good morning, Trevor. On the dividend, obviously, we'll go through the normal routine of deciding that later in the quarter together with the board. I will say still young in the quarter. So it's too early to say what the trend will be on the dividend.

Nicholas Letica: And sorry, I realize I just misspoke at the end of my - I said, lower the dividend. That's not what I meant to say. Lower the return potential marginally.

Trevor Cranston: Yeah, I assumed, but thank you for the clarification. And then I guess the second question, since the news came out about the GSE buying, it seems to have had kind of a varied impact on the various coupons. Can you say if you guys have had any kind of material changes with your coupon exposures so far in January and sort of how you're thinking about the coupon stack in light of the initial



announcement and the potential for additional announcements aimed at targeting mortgage rates?
Thanks.

Nicholas Letica: We haven't changed it materially. We have lowered our mortgage exposure overall to some degree. I think there are two effects that are going on. I think the GSEs, if I were implementing this and you wanted the effect of lowering the mortgage rate, lowering current coupon spreads, you would buy current coupons. So I think that there is a natural - that's where I would imagine that the GSE buying is focused. Commensurate with that, I think we've seen a fair amount of down and coupon trades coming out of various entities, including money managers that haven't materially lowered their allocation yet to mortgages, but do seem to have gone down in coupons. So thus far on the year, we've seen the biggest positive effect on the lower coupons followed by current coupons. And then the higher coupons have actually widened a little bit. We've seen quite a bit of expansion of the coupon - sorry, contraction of the coupon stack. As you go up, some of the higher coupons are actually now wider on the year.

Trevor Cranston: Okay. Appreciate the comments. Thank you.

Operator: Our next question comes from the line of Harsh Hemnani with Green Street.

Harsh Hemnani: Thank you. So, we've obviously discussed the GSE buying and its impact on spreads, but one of the other things that's justifying spreads today is how low-rate volatility is. Maybe there's a few events upcoming on the calendar, particularly with a new Federal Reserve in the middle of this year. How would you expect any, I guess, uncertainty or changes in policy on that front to impact rate volatility and then also funding markets for agency RMBS?

Nicholas Letica: Hey, Harsh. A very good question. I can't say I really have a firm answer. I mean, volatility has drifted back to being a historically low side that we have had periods where it's been lower than it is right now. As you mentioned, we have a new nominee for the fed chair. And it'll take a little bit of time to fully assess what he wants to do at the fed and also will take him some time likely to develop the consensus to make that happen. So I mean, I would expect that we might see a mild amount of increase in volatility as a result of that. And we're still in an environment where, from a macro perspective, the economy seems to be humming along. But inflation is still running a little hotter than I think the fed would like. And it's not clear where those paths are going to settle out here.



So it would make sense to that volatility would pick up a little bit. And that's a little bit of our overall thesis of being a little more defensive here on mortgage spreads that vol has kind of drifted historically low in there. There could be some things that kick it off. It's always hard to say ahead of time what's going to be the catalyst to make that happen. But it's reasonable to think that we could be in for a little bit of a higher level of volatility. What was the second part of your question? I'm sorry.

Harsh Hemnani: Oh. Funding markets, any impacts on agency funding markets?

Nicholas Letica: We haven't really seen much of an impact on funding markets. I mean, there's been a few people have postulated that that could be one of the things that the administration does or the fed does to try to lower funding rates for mortgages and other spread assets to drive that tighter. That's possible, but funding markets have been stable. We don't really see any disturbance on the horizon on that front.

Harsh Hemnani: Got it. Thank you. And then maybe on the hedge portfolio front, it feels like you moved a little bit heavier into the shorter duration hedges. Any thoughts on what's driving that and how that could evolve going forward?

Nicholas Letica: No, I mean, I would say that we've continued to have a little bit of a curve steepening bias in the portfolio. It has not been big. I think there's still reasons to believe that the curve could steepen further here. So no, I don't - we can talk about it more specifically offline. But I don't see us as having shifted our hedges very much in that way.

Harsh Hemnani: Thank you.

Operator: Our next question comes from the line of Eric Hagen with BTIG.

Eric Hagen: Hey, thanks. Good morning. Do you guys have a rough breakdown of the channel mix for your current MSR portfolio? Like what percentage were originated in the broker channel versus the retail channel? And how do you guys feel like the origination channel impacts the prepayment behavior of your portfolio?

Bill Greenberg: Good morning, Eric. Thanks for the question. I don't have those at my fingertips here. We've been, over the years, active buyers both across flow and bulk channels. And they do have different prepayment characteristics, and we attribute different prices to those loans and those characteristics. And so, whatever differences there are in prepayment behaviors are generally reflected



in the prices at which we acquire them at. Right. And so, all of that is incorporated into the way that we manage the portfolio. But I don't have the specific numbers of what's broker versus retail versus correspondent handy with me right now.

Eric Hagen: Gotcha. Okay. Some recent commentary from other originators noted that the GSE cash window has been more active as a delivery execution channel for community banks and small retail originators. Are you guys seeing the same thing, and how do you guys feel like the cash window impacts volatility and MSR valuations in the market?

Bill Greenberg: I think that the MSR market is reasonably diversified in terms of the products that are coming to market and so forth. And those are affected in the prices. We continue to see robust MSR demand volumes in the MSR market are lower than what they have been in recent years. We have a chart in the deck on that. And so, I think this is just, a normal MSR environment as we're changing regimes to lower supply than what we've seen in the past.

Eric Hagen: Got it. But does the GSEs being active with the cash window, is that a reflection of MSR valuations in any way?

Bill Greenberg: No, I don't think so.

Eric Hagen: Okay. All right. Thank you, guys, for the comments.

Bill Greenberg: Thanks, Eric.

Operator: This concludes today's question and answer session. I would like to turn the call over to Bill for any additional or closing comments.

Bill Greenberg: I'd just like to thank you all for joining our call today. As we said in the prepared remarks, we view the merger with UWM to be extremely exciting, and we expect that it's going to deliver meaningful upside for our shareholders. Have a great day, and we look forward to speaking with you all again soon.

Operator: This concludes today's call. Thank you for your participation. You may now disconnect.