Two Harbors Investment Corp.

May 3, 2012

2012 First Quarter Earnings Call

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. Factors that could cause actual results to differ include, but are not limited to, higher than expected operating costs, changes in prepayment speeds of mortgages underlying our RMBS, the rates of default or decreased recovery on the mortgages underlying our non-Agency securities, failure to recover certain losses that are expected to be temporary, changes in interest rates or the availability of financing, the impact of new legislation or regulatory changes on our operations, the impact of any deficiencies in the servicing or foreclosure practices of third parties and related delays in the foreclosure process, the inability to acquire mortgage loans or securitize the mortgage loans we acquire, the inability to acquire residential real properties at attractive prices or lease such properties on a profitable basis, the impact of new or modified government mortgage refinance or principal reduction programs, and unanticipated changes in overall market and economic conditions.

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. 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.

Executive Summary

Delivered Exceptional Results, Raised Capital and Advanced Strategic Initiatives

- Total return on book value of 11.5%[1] for the quarter
- Comprehensive income of $1.05 per share
- Total stockholder return of 57.0%[2] since we commenced operations in October 2009
- Book value increased to $9.67 per share due primarily to appreciation in non-Agency portfolio
- Core Earnings[3] of $0.34 were impacted by recent capital raises and timing of capital deployment
- Raised nearly $700 million in capital through two public offerings

(1) See Appendix, page 12 for calculation of Q1-2012 return on book value.
(2) Source: Bloomberg. Data as of May 1, 2012.
(3) Core Earnings is a non-GAAP measure that the company defines as GAAP net income, excluding impairment losses, gains or losses on sales of securities and termination of interest rate swaps, unrealized gains or losses on trading securities, interest rate swaps and swaptions and certain gains or losses on derivative instruments. As defined, Core Earnings includes interest income associated with the company's inverse interest-only securities ("Agency Derivatives") and premium income on credit default swaps.

Macro Environment Creates Opportunity

Key Macroeconomic Factors that Impact our Business

- Employment
  - Employment trends are positive but erratic
  - Meaningful determinant of probability of default on a mortgage loan
- Interest rates
  - Influence funding costs as well as Agency prepayment speeds
  - Low federal funds target rate should benefit funding costs for the next few years
- Home prices
  - High LTVs limit refinancing ability despite low rates and government policy programs

Business Diversification Opportunity

Optimizing Stockholder Value Through Business Diversification

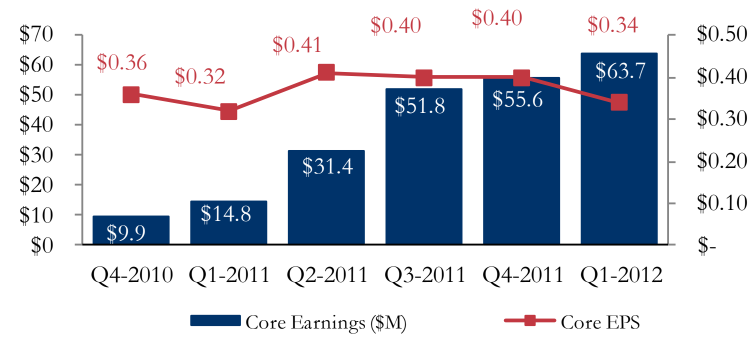
- Leverages Two Harbors' strength in credit and data analysis
- Residential Properties
  - Infrastructure in place
  - Purchased $6.1 million in the first quarter
  - Quadrupled holdings, subject to closing, since first quarter end
- Asset Securitization
  - Maintaining opportunistic approach

Financial Summary

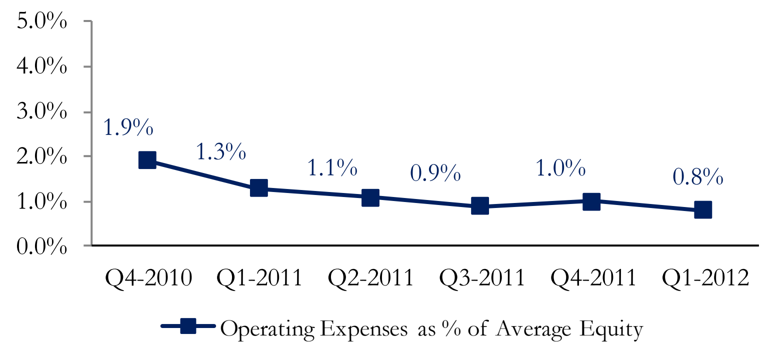
Financial Highlights

- Core Earnings[1] increased to $63.7 million, or $0.34 per weighted average share
- Drivers of Core Earnings
  - Portfolio size
  - Investment spread
  - Expense management
  - Impacted by capital deployment from two accretive public offerings during the quarter

Core Earnings[1]



Expense Ratio



(1) Core Earnings is a non-GAAP measure that the company defines as GAAP net income, excluding impairment losses, gains or losses on sales of securities and termination of interest rate swaps, unrealized gains or losses on trading securities, interest rate swaps and swaptions and certain gains or losses on derivative instruments. As defined, Core Earnings includes interest income associated with the company's inverse interest-only securities ("Agency Derivatives") and premium income on credit default swaps.

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Book Value Rollforward

Change in Stockholders' Equity (In millions, except for per share amounts)	**Q4-2011 Book Value**	**Q4-2011 Book Value per Share (diluted basis)[1]**	**Q1-2012 Book Value**	**Q1-2012 Book Value per Share (diluted basis)[1]**
Beginning stockholders' equity	$ 1,307.1	$ 9.30	$ 1,270.1	$ 9.03
Net proceeds from common stock issuance	0.1	-	692.0	0.13
GAAP Net Income:				
Core Earnings, net of tax	55.6	0.40	63.7	0.30
Realized gains and (losses), net of tax	10.8	0.08	(1.9)	(0.01)
Unrealized mark-to-market gains and losses, net of tax	(15.0)	(0.11)	(10.0)	(0.05)
Other Comprehensive Income (Loss), net of tax	(32.4)	(0.24)	143.9	0.67
Dividend declaration	(56.2)	(0.40)	(85.7)	(0.40)
Other	0.1	-	0.1	-
Ending stockholders' equity	**$ 1,270.1**	**$ 9.03**	**$ 2,072.2**	**$ 9.67**

(1) Diluted shares outstanding at end of period are used as the denominator for the change in book value per share calculation.

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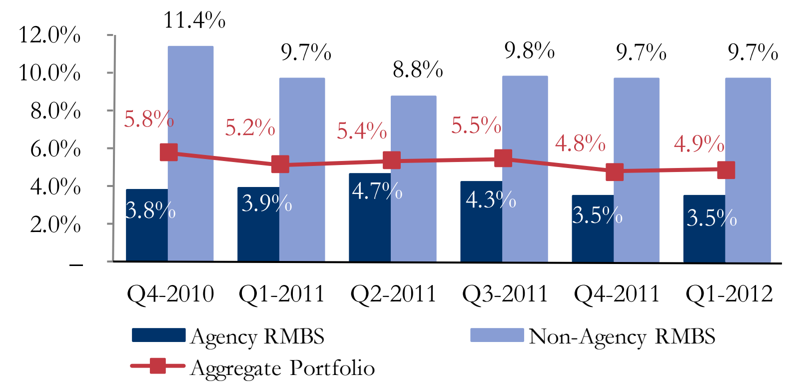
Portfolio Performance Summary

Portfolio Highlights

- Achieved total return on book value of 11.5%[1] for Q1-2012.
- Strong underlying Agency and non-Agency yields. Net interest spread increased 10 bps on a quarterly basis.
- January and February 2012 capital raises fully deployed by late April, resulting in an increase in non-Agency capital allocation.

Annualized Yields by Portfolio[2]



Net Interest Spread[3]

Three Months Ended	December 31, 2011			March 31, 2012		
	Agency	Non-Agency	Aggregate Portfolio	Agency	Non-Agency	Aggregate Portfolio
Annualized Yield	3.5%	9.7%	4.8%	3.5%	9.7%	4.9%
Cost of repurchase agreements	(0.4%)	(2.2%)	(0.6%)	(0.4%)	(2.3%)	(0.7%)
Cost of interest rate swaps & swaptions	(0.5%)	-	(0.4%)	(0.3%)	-	(0.3%)
Cost of financing	(0.9%)	(2.2%)	(1.0%)	(0.7%)	(2.3%)	(1.0%)
Net interest spread	2.6%	7.5%	**3.8%**	2.8%	7.4%	**3.9%**

Benchmark Indices[4]

Sector	**Q1-2012**
Agency Strategy: Barclays US MBS Fixed Rate Index vs. duration-matched swap at 6:1 leverage	0.5%
Credit: ABX 06-2 AAA	10.8%
Proxy for 50% Agency and 50% Non-Agency Strategy	5.6%
Two Harbors' Return on Book Value	**11.5%**

(1) See Appendix, page 12 for calculation of Q1-2012 return on book value.
(2) Respective yields include Agency Derivatives.
(3) Net interest spread includes Agency Derivatives, cost of financing RMBS and swap interest rate spread.
(4) Source for benchmark indices: Bloomberg.

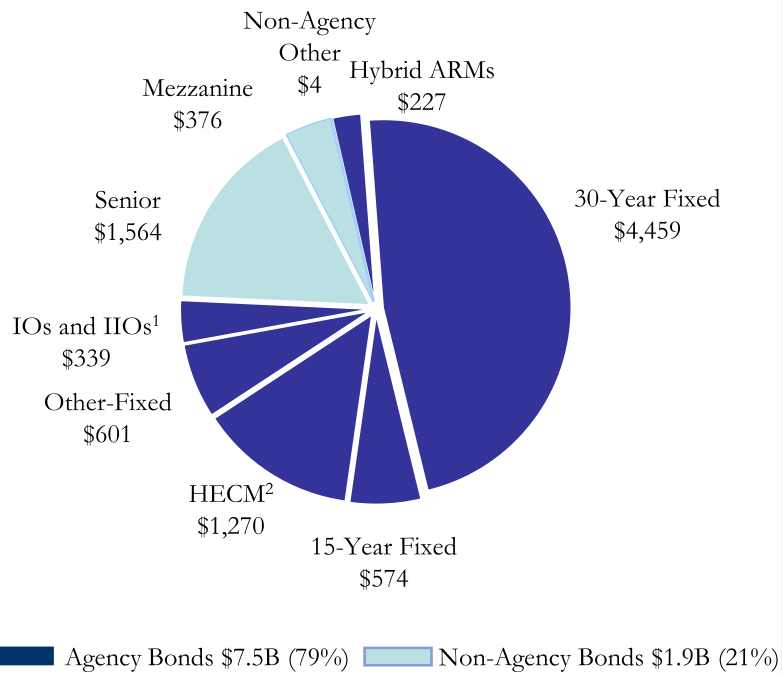
RMBS Portfolio Composition

Portfolio Composition

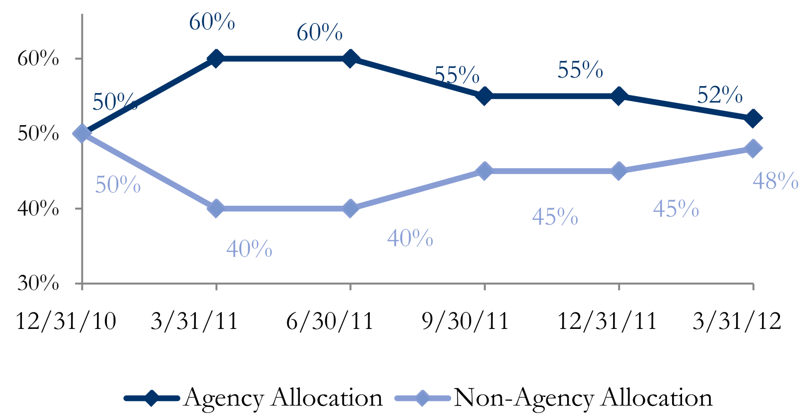
As of March 31, 2012

$9.4B RMBS Portfolio

$ Millions



Targeted Capital Allocation



Highlights

- 97% of Agency securities with implicit or explicit prepayment protection
- Increased exposure to sub-prime bonds to 84% from 76% of non-Agency portfolio

(1) Includes Agency Derivatives ("IIOs") of $243 million as of March 31, 2012.

(2) Home Equity Conversion Mortgage loans (or "HECM") are loans that allow the homeowner to convert home equity into cash collateralized by the value of their home.

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Key Portfolio Metrics

Portfolio Metrics

- Continued to realize low and stable CPRs
- Less than 1% impact to equity for 100bps rise in interest rates
- Targeted debt-to-equity ratios:
  - Agency: 6-7x
  - Non-Agency: 1.0-1.5x

Portfolio Metrics		Q4-2011	Q1-2012
Agency	Weighted average 3-month CPR	5.6%	5.2%
	Weighted average cost basis[3]	$106.5	$107.5
Non-Agency	Weighted average 3-month CPR	2.4%	1.9%
	Weighted average cost basis[3]	$55.7	$51.9
Change in equity value for +100bps change in interest rates[1]		2.3%	0.9%
Debt-to-Equity[2]		4.5x	3.7x

Hedging

- Maintained low interest rate exposure
- Average pay rate on swaps of only 0.852%
- Increased protection against higher rates, particularly using longer dated swaptions

Financing

- Weighted average days to maturity for RMBS repo borrowings of 80 days
- 38% of non-Agency repo maturities with over 90 day terms
- Maintained a $1.0 billion in interest rate swap – U.S. Treasuries position as funding cost hedge

(1) Represents range of the percentage change in equity value for +100bps change in interest rates. Change in equity value is portfolio value change adjusted for leverage.
(2) Debt-to-equity is defined as total borrowings to fund RMBS securities, residential mortgage loans and Agency Derivatives divided by total equity. If the open trade positions had settled as of March 31, 2012, the debt-to-equity ratio, as defined, would have increased from 3.7:1.0 to approximately 3.9:1.0.
(3) Weighted average cost basis includes RMBS principal and interest securities only.

Appendix

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Q1-2012 Return on Book Value of 11.5%

Return on book value

(Per diluted share amounts, except for percentage)

Book value at March 31, 2012	$ 9.67
Book value at December 31, 2011	9.03
Increase in book value	0.64
Dividend declared in Q1-2012	0.40
Return on book value ($)	$ 1.04
Return on book value (%)	11.5%

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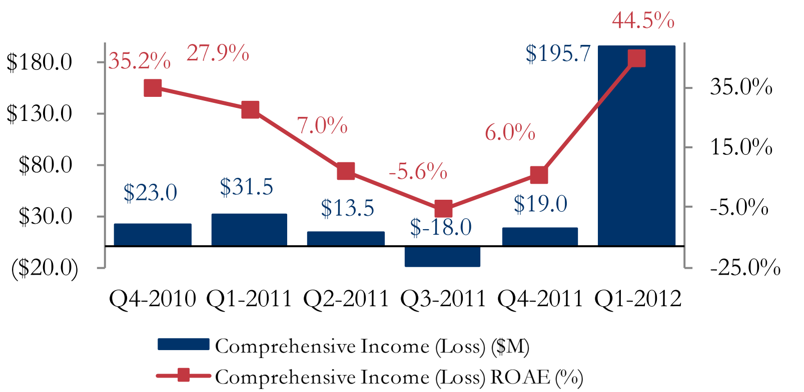
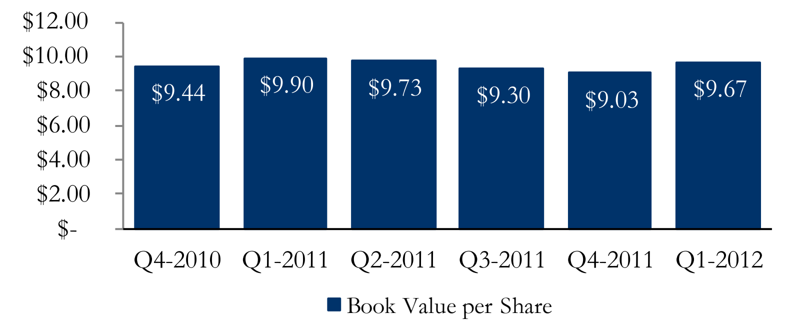
Operating Performance

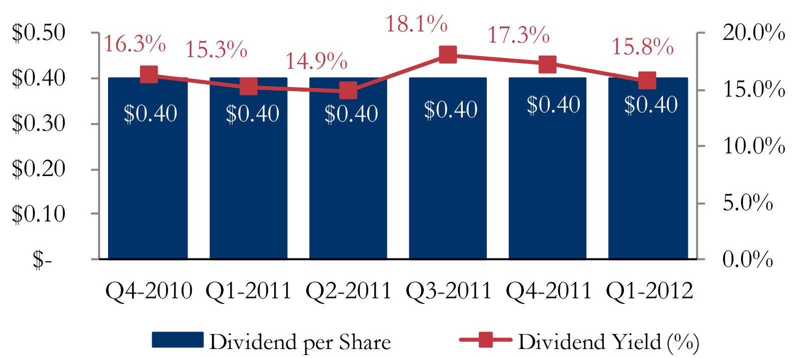
Comprehensive Income (Loss)



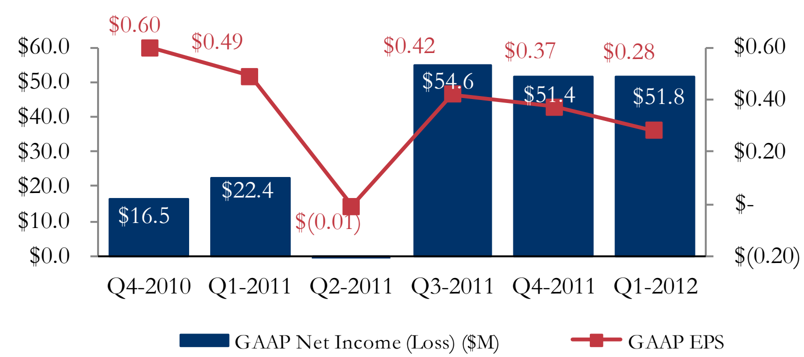
Book Value



Dividends[1]



GAAP Net Income (Loss)



(1) The first quarter 2012 dividend 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 quarter.

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Operating Performance

Operating Performance (In millions, except for per share amounts)	Core Earnings	Realized Gains	Unrealized MTM	Q4-2011 Financials	Core Earnings	Realized Gains	Unrealized MTM	Q1-2012 Financials
Interest income	$ 73.2	$ -	$ -	$ 73.2	$ 85.5	$ -	$ -	$ 85.5
Interest expense	9.1	-	-	9.1	11.5	-	-	11.5
Net interest income	64.1	-	-	64.1	74.0	-	-	74.0
Net other-than-temporary impairment losses	-	-	(1.4)	(1.4)	-	-	(4.3)	(4.3)
Gain (loss) on sale of investment securities, net	-	2.8	(2.5)	0.3	-	11.1	(1.2)	9.9
Gain (loss) on interest rate swap and swaptions[1]	(6.3)	1.1	6.6	1.4	(4.7)	(11.3)	(0.2)	(16.2)
Gain (loss) on other derivative instruments	6.0	10.9	(27.7)	(10.8)	4.0	(4.8)	(8.0)	(8.8)
Total other income (expense)	(0.3)	14.8	(23.6)	(9.1)	(0.7)	(5.0)	(9.4)	(15.1)
Management fees & other operating expenses	8.4	-	-	8.4	10.3	-	-	10.3
Net income (loss) before income taxes	55.4	14.8	(25.0)	45.2	63.0	(5.0)	(13.7)	44.3
Income tax (expense) benefit	0.2	(4.0)	10.0	6.2	0.7	3.1	3.7	7.5
Net income (loss)	**$ 55.6**	**$ 10.8**	**$ (15.0)**	**$ 51.4**	**$ 63.7**	**$ (1.9)**	**$ (10.0)**	**$ 51.8**
Basic and diluted weighted average EPS	$ 0.40	$ 0.08	$ (0.11)	$ 0.37	$ 0.34	$ (0.01)	$ (0.05)	$ 0.28
Supplemental data:								
Unrealized gains/(losses) on interest rate swaps and swaptions economically hedging repurchase agreements and available-for-sale securities				$ 5.5				$ 7.3
Income benefit (expense)				0.5				(3.0)
Total				$ 6.0				$ 4.3

(1) First quarter 2012 loss on interest rate swap agreements of $4.7 million includes $28,698 in interest costs for swaps associated with U.S. Treasuries and TBA contracts.

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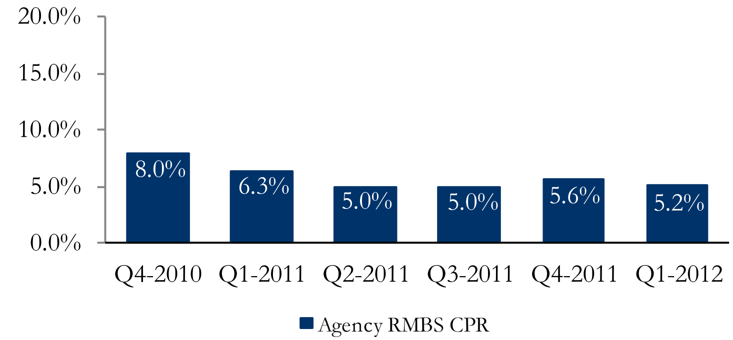
Portfolio Metrics

Portfolio Yields and Metrics

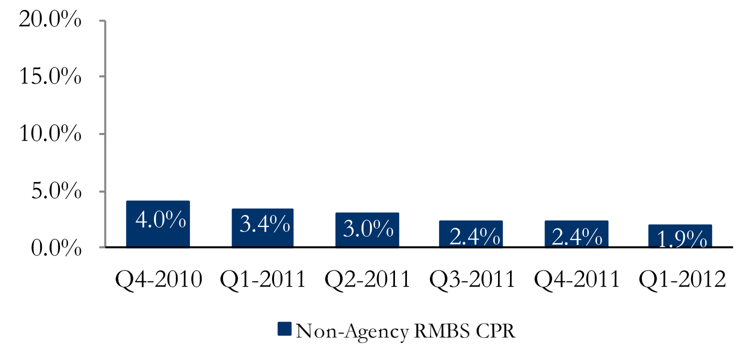
Portfolio Yield	Realized Q4-2011	At Dec. 31, 2011	Realized Q1-2012	At Mar. 31, 2012
Annualized yield[1]	4.8%	4.7%	4.9%	4.7%
Agency	3.5%	3.3%	3.5%	3.5%
Non-Agency	9.7%	9.7%	9.7%	9.7%
Cost of financing[2]	1.0%	1.0%	1.0%	1.0%
Net interest spread	3.8%	3.7%	3.9%	3.7%

Portfolio Metrics		Q4-2011	Q1-2012
Agency	Weighted average 3-month CPR	5.6%	5.2%
	Weighted average cost basis[3]	$106.5	$107.5
Non-Agency	Weighted average 3-month CPR	2.4%	1.9%
	Weighted average cost basis[3]	$55.7	$51.9
Change in equity value for +100bps change in interest rates[4]		2.3%	0.9%
Debt-to-Equity[5]		4.5x	3.7x

Agency RMBS CPR



Non-Agency RMBS CPR



(1) Annualized yield includes impact of Agency Derivatives. Interest income on Agency Derivatives was $6.8 million and $6.7 million for the fourth quarter of 2011 and first quarter of 2012, contributing an additional 0.3% and 0.2% in interest yield, respectively.
(2) Cost of financing RMBS includes interest spread expense associated with the portfolio's interest rate swaps of $6.0 million and $4.7 million for the fourth quarter of 2011 and first quarter of 2012, respectively. Interest spread expense increased cost of financing RMBS by 0.4% and 0.3% for the fourth quarter of 2011 and first quarter of 2012, respectively.
(3) Weighted average cost basis includes RMBS principal and interest securities only.
(4) Represents range of the percentage change in equity value for + 100bps change in interest rates. Change in equity value is portfolio value change adjusted for leverage.
(5) Debt-to-equity is defined as total borrowings to fund RMBS securities, residential mortgage loans and Agency Derivatives divided by total equity. If the open trade positions had settled as of March 31, 2012, the debt-to-equity ratio, as defined, would have increased from 3.7:1.0 to approximately 3.9:1.0.

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Financing and Hedging Strategy

Interest Rate Swaps[1]

Swaps Maturities	Notional Amounts ($M) March 31, 2012	Average Fixed Pay Rate	Average Receive Rate	Average Maturity (Years)
2012	$ 25	0.868%	0.563%	0.73
2013	2,275	0.713%	0.513%	1.31
2014	1,675	0.644%	0.553%	2.32
2015	1,670	1.136%	0.504%	3.09
2016 and after	390	1.342%	0.498%	4.46
	$ 6,035	0.852%	0.521%	2.28

Financing

Repurchase Agreements: RMBS and Agency Derivatives[2]	March 31, 2012 Amount ($M)	Percent (%)
Within 30 days	$2,081	27%
30 to 59 days	1,657	22%
60 to 89 days	831	11%
90 to 119 days	1,567	20%
120 to 364 days	1,471	19%
One year and over	80	1%
	$7,687	

Interest Rate Swaptions

March 31, 2012

		Option			Underlying Swap			
Swaption	Expiration	Cost ($M)	Fair Value ($M)	Average Months to Expiration	Notional Amount ($M)	Average Fixed Pay Rate	Average Receive Rate	Average Term (Years)
Payer	< 6 Months	$ 14	$ 1	5.84	$ 1,800	3.06%	3M Libor	4.0
Payer	≥ 6 Months	31	29	16.40	2,500	3.73%	3M Libor	9.3
Total Payer		$ 45	$ 30	15.89	$ 4,300	3.45%	3M Libor	7.1

(1) Notional amounts do not include $1.0 billion of notional interest rate swaps economically hedging our trading securities.
(2) Does not include repurchase agreements collateralized by U.S. Treasuries of $1.0 billion and mortgage loans held-for-sale of $5.3 million as of March 31, 2012.

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Agency Securities as of March 31, 2012

	Par Value ($M)	Market Value ($M)	% of Agency Portfolio	Amortized Cost Basis ($M)	Weighted Average Coupon	Weighted Average Age (Months)
30-Year Fixed						
≤ 4.5%	$ 2,917	$ 3,130	41.9%	$ 3,118	4.2%	8
5.0-6.0%	1,084	1,201	16.1%	1,177	5.4%	33
≥ 6.5%	111	128	1.7%	126	7.3%	117
	$ 4,112	$ 4,459	59.7%	$ 4,421	4.6%	18
15-Year Fixed						
≤ 4.0%	$ 543	$ 570	7.6%	$ 539	3.3%	17
≥ 4.5%	3	4	0.1%	4	8.2%	176
	$ 546	$ 574	7.7%	$ 543	3.4%	18
HECM	$ 1,138	$ 1,270	17.0%	$ 1,229	4.8%	10
Hybrid ARMs	211	227	3.0%	223	4.3%	91
Other-Fixed	539	601	8.1%	584	4.8%	48
IOs and IIOs	2,843	339[1]	4.5%	349	5.5%	78
Total[1]	$ 9,389	$ 7,470	100.0%	$ 7,349	4.6%	24

(1) Market value of IOs of $96 million and Agency Derivatives of $243 million as of March 31, 2012.

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Non-Agency Securities as of March 31, 2012

	Senior Bonds	Mezzanine Bonds	Total P&I Bonds
Portfolio Characteristics			
Carrying Value ($M)	$1,564	$376	$1,940
% of Non-Agency Portfolio	80.6%	19.4%	100.0%
Average Purchase Price	$50.89	$56.34	$51.94
Average Coupon	1.9%	1.1%	1.8%
Collateral Attributes			
Average Loan Age (months)	68	86	71
Average Original Loan-to-Value	78.6%	77.4%	78.4%
Avg. Original FICO[1]	640	633	639
Current Performance			
60+ day Delinquencies	40.3%	32.9%	38.9%
Average Credit Enhancement[2]	18.8%	32.8%	21.5%
3-Month CPR[3]	1.7%	2.4%	1.9%

(1) FICO represents a mortgage industry accepted credit score of a borrower, which was developed by Fair Isaac Corporation.
(2) 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.
(3) 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.

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Portfolio Composition as of March 31, 2012

Agency: Vintage & Prepayment Protection	Q4-2011	Q1-2012
$85K Max Pools[1]	39%	38%
HECM[2]	19%	17%
High LTV[3]	4%	11%
Seasoned (2005 and prior vintages)	10%	10%
Other Low Loan Balance Pools[4]	16%	10%
Prepayment protected	6%	7%
Low FICO[5]	-%	4%
2006 & subsequent vintages - Discount	3%	-%
2006 & subsequent vintages – Premium and IOs	3%	3%

Implicit or Explicit Pre-payment Protection

Non-Agency: Loan Type	Q4-2011	Q1-2012
Sub-Prime	76%	84%
Option-ARM	17%	11%
Alt-A	6%	4%
Prime	1%	1%

(1) Securities collateralized by loans of less than or equal to $85K.
(2) Home Equity Conversion Mortgage loans (or "HECM") are loans that allow the homeowner to convert home equity into cash collateralized by the value of their home.
(3) Securities collateralized by loans with greater than or equal to 80% loan-to-value.
(4) Securities collateralized by loans of less than or equal to $175K, but more than $85K.
(5) Securities collateralized by loans held by lower credit borrowers as defined by Fair Isaac Corporation's, or FICO, scoring model.

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