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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**FORM 8-K**

**CURRENT REPORT**

**PURSUANT TO SECTION 13 OR 15(d)**  
**OF THE SECURITIES EXCHANGE ACT OF 1934**

Date of Report (Date of earliest event reported)  
**April 26, 2018 (April 25, 2018)**

**Two Harbors Investment Corp.**  
(Exact Name of Registrant as Specified in its Charter)

**Maryland**  
(State or Other Jurisdiction  
Of Incorporation)

**001-34506**  
(Commission File Number)

**27-0312904**  
(IRS Employer  
Identification No.)

**575 Lexington Avenue, Suite 2930**  
**New York, NY**  
(Address of Principal Executive Offices)

**10022**  
(Zip Code)

Registrant's telephone number, including area code: **(612) 629-2500**

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging Growth Company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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**Item 7.01. Regulation FD Disclosure.**

On April 25, 2018, Two Harbors Investment Corp., a Maryland corporation ("Two Harbors"), CYS Investments, Inc., a Maryland corporation ("CYS"), and Eiger Merger Subsidiary LLC, a Maryland limited liability company and an indirect, wholly owned subsidiary of Two Harbors ("Merger Sub"), entered into an Agreement and Plan of Merger (the "Merger Agreement"), pursuant to which, subject to the terms and conditions therein, Merger Sub will be merged with and into CYS, with CYS continuing as the surviving corporation (the "Merger").

On April 26, 2018, Two Harbors and CYS issued a joint press release announcing the execution of the Merger Agreement. A copy of the press release is attached hereto as Exhibit 99.1.

On April 26, 2018, Two Harbors and CYS provided supplemental information regarding the Merger in connection with a presentation to investors. A copy of the investor presentation is attached hereto as Exhibit 99.2.

The information in this Item 7.01 of Form 8-K (including Exhibit 99.1 and Exhibit 99.2) shall not be deemed to be "filed" for the purposes of Section 18 of the Securities and Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liability of such section, nor shall such information be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, regardless of the general incorporation language of such filing, except as shall be expressly set forth by specific reference in such filing.

**Item 8.01 Other Events.**

Item 7.01 above is incorporated herein by reference in this Item 8.01.

## Forward-Looking Statements

This Form 8-K may contain “forward-looking statements,” including certain plans, expectations, goals, projections and statements about the benefits of the Merger, Two Harbors’ and CYS’ plans, objectives, expectations and intentions, the expected timing of completion of the Merger, and other statements that are not historical facts. Such statements are subject to numerous assumptions, risks, and uncertainties. Statements that do not describe historical or current facts, including statements about beliefs and expectations, are forward-looking statements. The forward-looking statements are intended to be subject to the safe harbor provided by Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, and the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical fact, included in this communication that address activities, events or developments that Two Harbors or CYS expects, believes or anticipates will or may occur in the future are forward-looking statements. Words such as “project,” “predict,” “believe,” “expect,” “anticipate,” “potential,” “create,” “estimate,” “plan,” “continue,” “intend,” “could,” “foresee,” “should,” “could,” “may,” “foresee,” “will,” “guidance,” “look,” “outlook,” “goal,” “future,” “assume,” “forecast,” “build,” “focus,” “work,” or the negative of such terms or other variations thereof and words and terms of similar substance used in connection with any discussion of future plans, actions, or events identify forward-looking statements. However, the absence of these words does not mean that the statements are not forward-looking. These forward-looking statements include, but are not limited to: statements regarding the Merger, pro forma descriptions of the combined company and its operations, integration and transition plans, synergies, opportunities and anticipated future performance. Pro forma, projected and estimated numbers are used for illustrative purposes only, are not forecasts and may not reflect actual results. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict. Two Harbors’ and CYS’ ability to predict results or the actual effect of future events, actions, plans or strategies is inherently uncertain. Although Two Harbors and CYS believe the expectations reflected in any forward-looking statements are based on reasonable assumptions, the companies can give no assurance that our expectations will be attained and therefore, actual outcomes and results may differ materially from what is expressed or forecasted in such forward looking statements.

There are a number of risks and uncertainties that could cause actual results to differ materially from the forward-looking statements included in this communication. These include: the expected timing and likelihood of completion of the Merger; the ability to successfully integrate the businesses; the occurrence of any event, change or other circumstances that could give rise to the termination of the Merger Agreement; the possibility that stockholders of Two Harbors may not approve the issuance of Two Harbors common stock in connection with the Merger or that stockholders of CYS may not approve the Merger Agreement; the risk that the parties may not be able to satisfy the conditions to the Merger in a timely manner or at all; fluctuations in the adjusted book value per share of both Two

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Harbors and CYS; risks related to disruption of management’s attention from ongoing business operations due to the Merger; the risk that any announcements relating to the Merger could have adverse effects on the market price of common stock of Two Harbors or CYS; the risk that the Merger and its announcement could have an adverse effect on the ability of Two Harbors and CYS to retain and hire key personnel and the effect on the operating results and businesses of Two Harbors and CYS generally; the outcome of any legal proceedings relating to the Merger; changes in future loan production; the availability of suitable investment opportunities; changes in interest rates; changes in the yield curve; changes in prepayment rates; the availability and terms of financing; general economic conditions; market conditions; conditions in the market for mortgage-related investments; legislative and regulatory changes that could adversely affect the business of Two Harbors or CYS. All such factors are difficult to predict and are beyond the control of Two Harbors and CYS, including those detailed in Two Harbors’ annual reports on Form 10-K, quarterly reports on Form 10-Q and periodic reports on Form 8-K that are available on Two Harbors’ website at <http://www.twoharborsinvestment.com> and on the SEC’s website at <http://www.sec.gov>, and those detailed in those detailed in CYS’ annual reports on Form 10-K, quarterly reports on Form 10-Q and periodic reports on Form 8-K that are available on its website at <http://www.cysinv.com> and on the SEC’s website at <http://www.sec.gov>.

Each of the forward-looking statements of Two Harbors or CYS are based on assumptions that Two Harbors or CYS, as applicable, believes to be reasonable but that may not prove to be accurate. Any forward-looking statement speaks only as of the date on which such statement is made, and neither Two Harbors nor CYS undertakes any obligation to correct or update any forward-looking statement, whether as a result of new information, future events or otherwise, except as required by applicable law. Readers are cautioned not to place undue reliance on these forward-looking statements that speak only as of the date hereof.

## Certain Information Regarding Participants in the Solicitation

Two Harbors, CYS and their respective directors, executive officers and certain other members of management and employees of Two Harbors and CYS may be deemed to be “participants” in the solicitation of proxies from the stockholders of Two Harbors and CYS in connection with the Merger. Stockholders can find information about Two Harbors and its directors and executive officers and their ownership of common stock of Two Harbors in Two Harbors’ annual report on Form 10-K for the fiscal year ended December 31, 2017 and in its definitive proxy statement relating to its 2018 annual meeting of stockholders filed with the SEC on March 29, 2018. Stockholders can find information about CYS and its directors and executive officers and their ownership of common stock of CYS in CYS’ annual report on Form 10-K for the fiscal year ended December 31, 2017 and in its definitive proxy statement relating to its 2018 annual meeting of stockholders filed with the SEC on March 29, 2018. Additional information regarding the interests of such individuals in the Merger will be included in the joint proxy statement / prospectus relating to the Merger when it is filed with the SEC. Free copies of these documents may be obtained as described in the preceding paragraph.

## Important Additional Information and Where to Find It

In connection with the Merger, Two Harbors will file with the SEC a registration statement on Form S-4 that will include a joint proxy statement of Two Harbors and CYS that also constitutes a prospectus (the “joint proxy statement / prospectus”). The Merger will be submitted to the stockholders of Two Harbors and CYS for their consideration. Two Harbors and CYS may also file other documents with the SEC regarding the Merger. The definitive joint proxy statement / prospectus will be sent to the stockholders of Two Harbors and CYS. This document is not a substitute for the registration statement and joint proxy statement / prospectus that will be filed with the SEC or any other documents that Two Harbors and CYS may file with the SEC or send to its stockholders in connection with the Merger. **INVESTORS AND STOCKHOLDERS OF TWO HARBORS AND CYS ARE ADVISED TO READ THE REGISTRATION STATEMENT AND THE JOINT PROXY STATEMENT / PROSPECTUS REGARDING THE MERGER WHEN IT BECOMES AVAILABLE (INCLUDING ALL OTHER RELEVANT DOCUMENTS THAT ARE FILED OR WILL BE FILED WITH THE SEC, AS WELL AS ANY AMENDMENTS AND SUPPLEMENTS TO THESE DOCUMENTS) CAREFULLY AND IN THEIR ENTIRETY BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT THE MERGER AND RELATED MATTERS.** Investors and stockholders may obtain a free copy of the registration statement and the joint proxy statement / prospectus (when available) and all other documents filed or that will be filed with the SEC by Two Harbors or CYS at the SEC’s web site at <http://www.sec.gov>. Copies of documents filed

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with the SEC by Two Harbors will be made available free of charge on Two Harbors’ website at <http://www.twoharborsinvestment.com> or by directing a request to: Two Harbors Investment Corp., 575 Lexington Avenue, Suite 2930, New York, NY 10022, Attention: Investor Relations.

Copies of documents filed with the SEC by CYS will be made available free of charge on CYS’ website at <http://www.cysinv.com> or by directing a request to: CYS Investments, Inc., 500 Totten Pond Road, 6th Floor, Waltham, MA 02451, Attention: Richard E. Cleary. This document is for informational purposes only and shall not constitute

an offer to sell or the solicitation of an offer to buy any securities, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to the registration or qualification under the securities laws of any such jurisdiction. No offering of securities shall be made, except by means of a prospectus meeting the requirements of Section 10 of the Securities Act of 1933, as amended.

#### No Offer of Solicitation

This document shall not constitute an offer to sell or the solicitation of an offer to buy any securities, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. No offering of securities shall be made except by means of a prospectus meeting the requirements of Section 10 of the U.S. Securities Act of 1933, as amended.

#### Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

<u>Exhibit Number</u>	<u>Description</u>
99.1	<a href="#">Joint Press Release, dated April 26, 2018.</a>
99.2	<a href="#">Investor Presentation, dated April 26, 2018.</a>

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#### SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

#### TWO HARBORS INVESTMENT CORP.

By: /s/ Rebecca B. Sandberg  
Name: Rebecca B. Sandberg  
Title: General Counsel and Secretary

Dated: April 26, 2018

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**Two Harbors Investment Corp. Announces Definitive Agreement to  
Acquire CYS Investments, Inc.**

**New York, April 26, 2018 — Two Harbors Investment Corp.** (NYSE: TWO) (“Two Harbors”), a leading hybrid mortgage real estate investment trust (“REIT”), and **CYS Investments, Inc.** (NYSE: CYS) (“CYS”), an Agency mortgage REIT, announced today that they have entered into a definitive merger agreement under which Two Harbors will acquire CYS.

In connection with the merger, CYS stockholders will exchange their shares of CYS common stock for newly issued shares of Two Harbors common stock as well as aggregate cash consideration of \$15,000,000. The number of Two Harbors shares issued will be based on an exchange ratio to be determined by dividing 96.75% of CYS’ adjusted book value per share by 94.20% of Two Harbors’ adjusted book value per share. For illustrative purposes, assuming the merger occurs and the exchange ratio was based on March 31, 2018 adjusted book value per share, CYS stockholders would receive \$7.79 of combined cash and stock consideration per share of CYS common stock owned, which represents a premium of approximately 17.7% over the CYS closing price per share on April 25, 2018. The actual exchange ratio for the merger will be publicly announced at least five business days prior to the required stockholder votes on the merger.

Two Harbors and CYS will hold a joint conference call at 9:00 A.M. Eastern Time on April 26, 2018 to discuss the merger. To participate in the teleconference, please call toll-free (877) 868-1835, Conference Code 7197703, (or (914) 495-8581 for international callers) approximately 10 minutes prior to the above start time. You may also listen to the teleconference live via the Internet and review related materials at [www.twoharborsinvestment.com](http://www.twoharborsinvestment.com) in the Investor Relations section under the Events and Presentations link.

**Anticipated Benefits to Two Harbors Stockholders from the Merger**

- ✓ **Additional capital supports continued growth in target assets:** A larger capital base will support the continued growth across Two Harbors’ target assets, and positions Two Harbors to take advantage of market opportunities as they arise.
- ✓ **Improved cost structure:** Expect that the combination of Two Harbors and CYS will create cost efficiencies and decrease Two Harbors’ other operating expense ratio by 30 to 40 basis points. Additionally PRCM Advisers’ agreement to reduce its base management fee on the new CYS equity will further enhance operating cost efficiencies in the year following the close of the transaction.
- ✓ **Expect to maintain \$0.47 per share quarterly dividend:** Following the close of the transaction, Two Harbors anticipates that its current quarterly dividend of \$0.47 will be sustainable through 2018, subject to market conditions and the discretion and approval of Two Harbors’ Board of Directors.
- ✓ **Enhanced scale and liquidity with potential for premium valuation:** With a pro forma equity base of nearly \$5.0 billion, Two Harbors stockholders will benefit from the scale, liquidity and capital alternatives of a larger combined company. Additionally, larger capitalized mortgage REITs have historically carried premium valuations.
- ✓ **Anticipate improved Agency spreads in 2018:** If so, Two Harbors believes this deal will be accretive to earnings and endorses the capital raising attendant to this transaction.

**Anticipated Benefits to CYS Stockholders from the Merger**

- ✓ **Enhanced scale and liquidity:** CYS stockholders will benefit from increased operating scale, liquidity and capital alternatives available to a larger combined company.
- ✓ **Meaningful premium to CYS stockholders:** Based on March 31, 2018 adjusted book values per share, CYS stockholders would receive \$7.79 of combined cash and stock consideration per share of CYS common stock, which represents a premium of approximately 17.7% over the CYS closing price per share on April 25, 2018.
- ✓ **Benefit from a more diversified business model:** Two Harbors’ hybrid business model is positioned to withstand periods of market volatility and is comprised of a mix of asset classes and a platform that is challenging to replicate. Two Harbors’ portfolio includes a Rates strategy comprised of Agency RMBS paired with mortgage servicing rights (“MSR”), and a Credit strategy, comprised primarily of deeply discounted, legacy non-Agency RMBS.
- ✓ **Strong stewards of capital:** Two Harbors has a history of being strong stewards of its stockholders’ capital. Since 2009, Two Harbors has outperformed its peer group and has grown its book value with less volatility. Additionally, Two Harbors has a stock repurchase program in place to support its stock.

**About the Merger**

Upon the closing of the merger, CYS stockholders will exchange their shares of CYS common stock for newly issued shares of Two Harbors common stock as well as aggregate cash consideration of \$15,000,000, payable to CYS stockholders on a pro rata basis.

The number of Two Harbors shares to be received by CYS stockholders will be based on an exchange ratio to be determined by dividing 96.75% of the CYS adjusted book value per share by 94.20% of the Two Harbors adjusted book value per share. As defined in the Merger Agreement, adjusted book value per share for each company means (i) such company’s total consolidated common stockholders’ equity after giving pro forma effect to any dividends or other distributions for which the record date is after the exchange ratio determination date but prior to the closing of the merger and as modified for potential transaction-related adjustments, divided by (ii) each respective company’s number of shares of common stock issued and outstanding, including shares issuable upon the vesting of restricted stock.

As of March 31, 2018, the adjusted book value per share for Two Harbors and CYS, on a pro forma basis, would have been \$15.63 and \$7.41, respectively, representing an exchange ratio of 0.4872x, with each share of CYS being exchanged for 0.4872 shares of Two Harbors. For illustrative purposes, under a pro forma exchange ratio, assuming the merger occurs and the exchange ratio was calculated as of March 31, 2018, CYS stockholders would receive approximately 75.7 million Two Harbors shares (representing approximately 30% of the Two Harbors’ total outstanding shares immediately following the merger), which, in combination with the cash consideration of \$15,000,000, would value CYS at approximately \$7.79 per share of common stock. This valuation represents a premium of approximately 17.7% above the closing price per share of CYS common stock on the New York Stock Exchange on April 25, 2018.

The actual exchange ratio for the merger will be publicly announced at least five business days prior to the required stockholder votes on the merger.

In connection with the merger, PRCM Advisers LLC, Two Harbors’ external manager, a subsidiary of Pine River Capital Management L.P., has agreed to reduce the base management fee it charges Two Harbors with respect to the additional equity under management resulting from the merger from 1.5% of Stockholders’ Equity on an annualized

basis to 0.75% through the first anniversary of the closing of the merger. PRCM Advisers LLC will also make a one-time downward adjustment of \$15,000,000 to the

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management fees payable by Two Harbors for the quarter in which the merger closes. PRCM Advisers has also agreed to a post-closing downward adjustment of up to \$3.3 million to reimburse Two Harbors for certain transaction related expenses.

In addition to the above consideration, Two Harbors would assume the existing notional \$75 million in CYS 7.75% Series A cumulative redeemable preferred stock and \$200 million in CYS 7.50% Series B cumulative redeemable preferred stock.

Following the closing of the transaction, all senior management positions will continue to be led by Two Harbors' personnel and Two Harbors Board of Directors will be expanded to include two additional independent directors from CYS Investments' current board, James Stern and Karen Hammond.

The completion of the merger is subject to the satisfaction of certain customary conditions, and is subject to the approval of the stockholders of both Two Harbors and CYS. The companies expect the transaction to close in the third quarter of 2018.

"We are pleased to announce the acquisition of CYS Investments, which we believe represents a unique opportunity to create value for our stockholders," stated Thomas Siering, Two Harbors' President and Chief Executive Officer. "This transaction offers Two Harbors stockholders the opportunity to benefit from additional capital, supporting continued growth in our target assets, as well as an improved cost structure. The combination of the two companies also supports the potential for the premium valuation of a pro forma Two Harbors."

"We are excited about the opportunity to merge with Two Harbors and believe that our stockholders will benefit from the increased scale, diversification and liquidity of the combined companies," stated Kevin Grant, CYS Investments' Chairman, Chief Executive Officer, President and Chief Investment Officer. "Two Harbors has a long history of being strong stewards of capital and we believe this transaction should enhance value for our stockholders over the long-term."

JMP Securities LLC is serving as financial advisor, and Sidley Austin LLP is serving as legal advisor to Two Harbors. Barclays Capital Inc. and Credit Suisse Securities (USA) LLC are serving as financial advisors, and Vinson & Elkins LLP is serving as legal advisor to CYS.

#### **Additional Information about the Merger**

This communication relates to the proposed transaction pursuant to the terms of the Agreement and Plan of Merger, dated as of April 25, 2018, by and among Two Harbors, Eiger Merger Subsidiary LLC and CYS. In connection with the proposed merger, Two Harbors expects to file with the Securities and Exchange Commission ("SEC") a registration statement on Form S-4 that will include a joint proxy statement of Two Harbors and CYS that also constitutes a prospectus of Two Harbors (the "joint proxy statement/prospectus") which joint proxy statement/prospectus will be mailed or otherwise disseminated to Two Harbors stockholders and CYS stockholders when it becomes available. Two Harbors and CYS also plan to file other relevant documents with the SEC regarding the proposed transaction. **INVESTORS ARE URGED TO READ THE JOINT PROXY STATEMENT/PROSPECTUS AND OTHER RELEVANT DOCUMENTS FILED WITH THE SEC IF AND WHEN THEY BECOME AVAILABLE BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT THE MERGER.** You may obtain a free copy of the joint proxy statement/prospectus and other relevant documents (if and when they become available) filed by Two Harbors and CYS with the SEC at the SEC's website at [www.sec.gov](http://www.sec.gov). Copies of the documents filed by Two Harbors with the SEC will be available free of charge on Two Harbors' website at [www.twoharborsinvestment.com](http://www.twoharborsinvestment.com) or by emailing Two Harbors' Investor Relations at [investors@twoharborsinvestment.com](mailto:investors@twoharborsinvestment.com) or at (612) 629-2500. Copies of the documents filed by CYS with the SEC will be available free of charge on CYS's website at [www.cysinv.com](http://www.cysinv.com) or by contacting CYS Investor Relations at [ir@cysinv.com](mailto:ir@cysinv.com) or at (617) 639-0440.

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#### **Participants in Solicitation Relating to the Merger**

Two Harbors, CYS and their respective directors, executive officers and other members of management and employees may be deemed to be participants in the solicitation of proxies from Two Harbors and CYS stockholders in respect of the proposed merger. Information regarding the Two Harbors directors and executive officers can be found in Two Harbors definitive proxy statement filed with the SEC on March 29, 2018 and the Two Harbors' most recent Annual Report filed on Form 10-K on February 27, 2018.

Information regarding the CYS directors and executive officers can be found in CYS definitive proxy statement filed with the SEC on March 29, 2018 and CYS's most recent Annual Report filed on Form 10-K on February 15, 2018.

Additional information regarding the interests of such potential participants will be included in the joint proxy statement/prospectus and other relevant documents filed with the SEC in connection with the proposed merger if and when they become available. These documents are available free of charge on the SEC's website and from Two Harbors or CYS, as applicable, using the sources indicated above.

#### **Forward-Looking Statements**

This press release 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, which generally are not historical in nature. Such forward-looking statements involve significant risks and uncertainties that could cause actual results to differ materially from expected results, and may include, but are not limited to, statements about the anticipated benefits of the proposed merger between Two Harbors and CYS, including future financial and operating results, the attractiveness of the value to be received by CYS stockholders, the attractiveness of the value to be received by Two Harbors, the combined company's plans, objectives, expectations and intentions, the timing of future events, anticipated administrative and operating synergies, the anticipated impact of the merger on net debt ratios, cost of capital, future dividend payment rates, forecasts of earnings or performance measures, expected sources of financing, and descriptions relating to these expectations. All statements that address operating performance, events or developments that we expect or anticipate will occur in the future—including statements relating to expected synergies, improved liquidity and balance sheet strength—are forward-looking statements. Pro forma, projected and estimated numbers are used for illustrative purposes only, are not forecasts and may not reflect actual results. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict. Two Harbors and CYS's ability to predict results or the actual effect of future events, actions, plans or strategies is inherently uncertain. Although Two Harbors and CYS believe the expectations reflected in any forward-looking statements are based on reasonable assumptions, the companies can give no assurance that their expectations will be attained and therefore, actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking statements.

Readers are cautioned not to place undue reliance upon any forward-looking statements, which speak only as of the date made. Neither Two Harbors nor CYS undertakes or accepts 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 discussed in reports filed with the SEC by Two Harbors and CYS from time to time, including those discussed under the heading “Risk Factors”

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in their respective most recently filed reports on Forms 10-K and 10-Q. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. All subsequent written and oral forward-looking statements concerning Two Harbors or CYS or matters attributable to Two Harbors or CYS or any person acting on their behalf are expressly qualified in their entirety by the cautionary statements above. Neither Two Harbors nor CYS assumes any obligation to update forward-looking statements to reflect circumstances or events that occur after the date the forward-looking statements were made or to reflect the occurrence of unanticipated events except as required by federal securities laws.

**About Two Harbors Investment Corp.**

Two Harbors Investment Corp., a Maryland corporation, is a real estate investment trust that invests in residential mortgage-backed securities, mortgage servicing rights and other financial assets. Two Harbors is headquartered in New York, New York, and is externally managed and advised by PRCM Advisers LLC, a wholly owned subsidiary of Pine River Capital Management L.P. Additional information is available at [www.twoharborsinvestment.com](http://www.twoharborsinvestment.com).

**About CYS Investments, Inc.**

CYS Investments, Inc. is a specialty finance company that invests on a leveraged basis primarily in residential mortgage pass-through certificates for which the principal and interest payments are guaranteed by Fannie Mae, Freddie Mac or Ginnie Mae. The Company refers to these securities as Agency RMBS. The Company has elected to be taxed as a real estate investment trust for federal income tax purposes.

**Contacts**

**For Two Harbors:**

Margaret Field, Investor Relations, Two Harbors Investment Corp., 212-364-3663, [margaret.field@twoharborsinvestment.com](mailto:margaret.field@twoharborsinvestment.com).

**For CYS Investments:**

Richard E. Cleary, Chief Operating Officer, CYS Investments, Inc., 617-639-0440, [ir@cysin.com](mailto:ir@cysin.com).

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# Two Harbors Investment Corp. Investor Call

April 26, 2018



**TWO HARBORS**  
Investment Corp.  
A Pine River Capital Managed Company

# Safe Harbor Statement



## FORWARD-LOOKING STATEMENTS

This presentation includes "forward-looking statements" within the meaning of the safe harbor provisions of the United States Private Securities Litigation Reform Act of 1995. Actual results may differ from expectations, estimates and projections and, consequently, readers should not rely on these forward-looking statements as predictions of future events. Words such as "expect," "target," "assume," "estimate," "project," "budget," "forecast," "anticipate," "intend," "plan," "may," "will," "could," "should," "believe," "predicts," "potential," "continue," and similar expressions are intended to identify such forward-looking statements, which generally are not historical in nature. Such forward-looking statements involve significant risks and uncertainties that could cause actual results to differ materially from expected results, and may include, but are not limited to, statements about the anticipated benefits of the proposed merger between Two Harbors Investment Corp. ("Two Harbors") and CYS Investments, Inc. ("CYS"), including future financial and operating results, the attractiveness of the value to be received by CYS stockholders, the attractiveness of the value to be received by Two Harbors, the combined company's plans, objectives, expectations and intentions, the timing of future events, anticipated administrative and operating synergies, the anticipated impact of the merger on net debt ratios, cost of capital, future dividend payment rates, forecasts of earnings or performance measures, expected sources of financing, and descriptions relating to these expectations. All statements that address operating performance, events or developments that we expect or anticipate will occur in the future—including statements relating to expected synergies, improved liquidity and balance sheet strength—are forward-looking statements. Pro forma, projected and estimated numbers are used for illustrative purposes only, are not forecasts and may not reflect actual results. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict. The ability of Two Harbors and CYS to predict results or the actual effect of future events, actions, plans or strategies is inherently uncertain. Although Two Harbors and CYS believe the expectations reflected in any forward-looking statements are based on reasonable assumptions, the companies can give no assurance that their expectations will be attained and therefore, actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking statements.

Readers are cautioned not to place undue reliance upon any forward-looking statements, which speak only as of the date made. Neither Two Harbors nor CYS undertakes or accepts 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 discussed in reports filed with the Securities and Exchange Commission by Two Harbors and CYS from time to time, including those discussed under the heading "Risk Factors" in their respective most recently filed reports on Forms 10-K and 10-Q. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. All subsequent written and oral forward-looking statements concerning Two Harbors or CYS or matters attributable to Two Harbors or CYS or any person acting on their 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.



# Transaction Summary



## OVERVIEW OF TRANSACTION

- Proposed acquisition of CYS Investments, Inc. (NYSE: CYS), a publicly traded mortgage REIT
- CYS stockholders will receive Two Harbors shares as well as an aggregate cash consideration of \$15 million
  - The number of Two Harbors shares will be based on an exchange ratio to be determined by dividing 96.75% of CYS' adjusted book value per share by 94.20% of Two Harbors' adjusted book value per share<sup>(1)</sup>
  - For illustrative purposes, assuming the merger occurs and the exchange ratio was based on March 31, 2018 adjusted book value per share<sup>(1)</sup>, CYS stockholders would receive \$7.79 of combined cash and stock consideration per share of CYS common stock owned, which represents a premium of approximately 17.7% over the CYS closing price per share on April 25, 2018
  - The actual exchange ratio for the merger will be publicly announced at least five business days prior to the required stockholder votes on the merger
- Following the closing all senior management positions will be held by Two Harbors personnel and Two Harbors' Board of Directors will be expanded to include two additional independent directors from CYS Investments' current board, James Stern and Karen Hammond
- Two Harbors intends to maintain a quarterly dividend of \$0.47 per share through 2018 (after transaction closes), subject to market conditions and the approval and discretion of Two Harbors' Board of Directors
- Anticipate a reduction in Two Harbors' other operating expense ratio
- Expect modest near-term dilution to Two Harbors' book value of less than 2%

## STRONG STOCKHOLDER COMMITMENT

- Approximately \$28 million stockholder contribution from external manager
  - For the first year after the closing of the merger, PRCM Advisers LLC, a subsidiary of Pine River Capital Management L.P. and Two Harbors' external manager, will reduce its base management fee with respect to the additional equity under management resulting from the merger from 1.5% of stockholders' equity per annum to 0.75% through the first anniversary of the closing of the merger
  - PRCM Advisers has agreed to a one-time post-closing \$15 million downward adjustment in management fees payable to PRCM Advisers by Two Harbors for the quarter in which the merger closes; this adjustment will offset the \$15 million cash merger consideration Two Harbors is paying CYS stockholders
  - PRCM Advisers has also agreed to a post-closing downward adjustment of up to \$3.3 million to reimburse Two Harbors for certain transaction related expenses

1) Adjusted Book Value Per Share equals each respective company's total consolidated common stockholders' equity reflecting deduction of preferred stock liquidation preference, after giving pro forma effect for any dividends or other distributions for which the record date is after the exchange ratio determination date but prior to the closing of the merger and as modified for potential transaction-related adjustments, divided by each respective company's number of shares of common stock issued and outstanding, including shares issuable upon the vesting of restricted stock.

## Anticipated Benefits for Two Harbors Stockholders From the Merger



- ✓ **Additional capital supports continued growth in target assets:** A larger capital base will support the continued growth across Two Harbors' target assets and positions Two Harbors to take advantage of market opportunities as they arise.
- ✓ **Improved cost structure:** Expect that the combination of Two Harbors and CYS will create cost efficiencies and decrease Two Harbors' other operating expense ratio by 30 to 40 basis points. Additionally, PRCM Advisers' agreement to reduce its base management fee on the new CYS equity will further enhance operating cost efficiencies in the first year following the close of the transaction.
- ✓ **Expect to maintain \$0.47 per share quarterly dividend:** Following the close of the transaction, Two Harbors anticipates that its current quarterly dividend of \$0.47 will be sustainable through 2018, subject to market conditions and the discretion and approval of the Board of Directors.
- ✓ **Enhanced scale and liquidity with potential for premium valuation:** With a pro forma equity base of nearly \$5.0 billion, Two Harbors stockholders will benefit from the scale, liquidity and capital alternatives of a larger combined company. Additionally, larger capitalized mortgage REITs have historically carried premium valuations.
- ✓ **Anticipate improved Agency spreads in 2018:** If so, Two Harbors believes this deal will be accretive to earnings and endorses the capital raising attendant to this transaction.

## Benefits for CYS Investments, Inc. Stockholders From the Merger



- ✓ **Enhanced scale and liquidity:** CYS stockholders will benefit from increased operating scale, liquidity and capital alternatives available to a larger combined company.
- ✓ **Meaningful premium to CYS stockholders:** Based on March 31, 2018 adjusted book values per share<sup>(1)</sup>, CYS stockholders would receive \$7.79 of combined cash and stock consideration per share of CYS common stock, which represents a premium of approximately 17.7% over the CYS closing price per share on April 25, 2018.
- ✓ **Benefit from a more diversified business model:** Two Harbors' hybrid business model is positioned to withstand periods of market volatility and is comprised of a mix of asset classes and a platform that is challenging to replicate. Two Harbors' portfolio includes a Rates strategy, comprised of Agency RMBS paired with mortgage servicing rights ("MSR"), and a Credit strategy, comprised primarily of deeply discounted, legacy non-Agency RMBS.
- ✓ **Strong stewards of capital:** Two Harbors has a history of being strong stewards of its stockholders capital. Since 2009, Two Harbors has outperformed its peer group by over 75% on a total stockholder return basis<sup>(2)</sup> and has grown book value by 20.1% with less volatility.<sup>(3)</sup> Additionally, Two Harbors has a stock repurchase program in place to support its stock.

1) Adjusted Book Value Per Share equals each respective company's total consolidated common stockholders' equity reflecting deduction of preferred stock liquidation preference, after giving pro forma effect for any dividends or other distributions for which the record date is after the exchange ratio determination date but prior to the closing of the merger and as modified for potential transaction-related adjustments, divided by each respective company's number of shares of common stock issued and outstanding, including shares issuable upon the vesting of restricted stock.

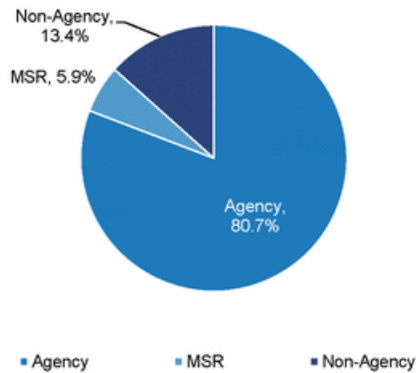
2) Two Harbors' total stockholder return is calculated for the period October 29, 2009 through December 31 2017. Total stockholder return is defined as stock price appreciation including dividends. Source: Bloomberg.

3) Book value growth and volatility since our inception is measured from December 31, 2009 or the peer company's inception, whichever is later, through December 31, 2017. Two Harbors quarterly book values have been adjusted for each quarter from Q1 2013 forward to include \$1.88 of stock distributions associated with the special dividend of Silver Bay Realty Trust and, beginning in Q4 2017, \$3.67 of stock distributions associated with the special dividend of Granite Point Mortgage Trust Inc. common stock. Peer mortgage REITs include AGNC, ANH, ARR, CIM, CMO, CYS, IVR, MFA, MITT, MTGE and NLY. Peer book value figures are based on publicly reported data and have not been adjusted for the return of capital from dividends, if any, to peer stockholders during the same period.

# Overview of Investment Portfolios

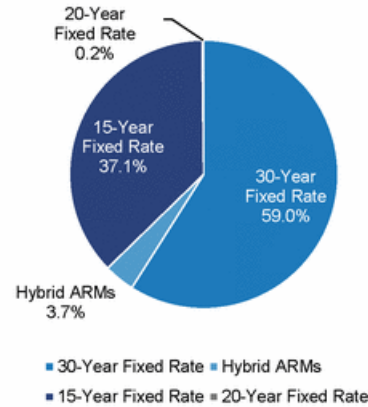


**TWO PORTFOLIO AS OF MARCH 31, 2018**



Capital Allocation	March 31, 2018
Rates <sup>(1)</sup>	69%
Credit <sup>(2)</sup>	31%

**CYS PORTFOLIO AS OF MARCH 31, 2018**



Capital Allocation	March 31, 2018
Agency	100%

✓ Expect to redeploy capital into target assets of Agency RMBS (primarily 30-year fixed and specified pools), MSR and residential credit

(1) Assets in "Rates" include Agency RMBS, MSR and other interest rate sensitive assets.  
 (2) Assets in "Credit" include non-Agency securities and other credit sensitive assets.

# Two Harbors' Projected Capital Allocation



## ADDITIONAL CAPITAL SUPPORTS CONTINUED GROWTH IN TARGET ASSETS

- The combination of the Rates<sup>(1)</sup> and Credit<sup>(2)</sup> strategies afford opportunity to drive strong returns with lower volatility
- Anticipate approximately 50% of capital will be allocated to MSR and residential credit

	Targeted ROEs	Expected Capital Allocation	Key Objectives	Market Dynamics and Potential Opportunities
<b>Rates<sup>(1)</sup></b>	10-15%	70%	<ul style="list-style-type: none"> <li>• Continue to focus on pairing new issue MSR with Agency RMBS</li> <li>• MSR is a significant component of Rates strategy to hedge interest rate and mortgage basis risk</li> </ul>	<ul style="list-style-type: none"> <li>• Agency RMBS are highly liquid and financeable</li> <li>• Fed balance sheet reduction could make spreads more attractive</li> <li>• Better financing options for MSR</li> </ul>
<b>Credit <sup>(2)</sup></b>	9-14%	30%	<ul style="list-style-type: none"> <li>• Portfolio positioned to benefit from strong underlying fundamentals</li> <li>• Take advantage of credit opportunities in legacy or newer markets</li> </ul>	<ul style="list-style-type: none"> <li>• Legacy market is approximately \$560 billion; significant upside still available</li> <li>• Other markets provide opportunity; NPL, SFR and CRT markets are \$130 billion and growing<sup>(3)</sup></li> </ul>

(1) Assets in "Rates" include Agency RMBS, MSR and other interest rate sensitive assets.

(2) Assets in "Credit" include non-Agency securities and other credit sensitive assets.

(3) "NPL" is non performing loans, "SFR" is single family rental, and "CRT" is GSE credit risk transfer securities.



**TWO HARBORS**  
Investment Corp.  
A Pine River Capital Managed Company

### **A LEADING HYBRID MORTGAGE REIT**

- ✓ **Residentially-focused mortgage REIT formed in 2009**
- ✓ **Substantial total stockholder return outperformance since its inception relative to peers**
- ✓ **Proven stability in book value, especially during volatile periods**
- ✓ **Sophisticated and differentiated approach to risk management and hedging**
- ✓ **Strong stewards of stockholder capital; share repurchase program in place with capacity to repurchase 25.4 million shares**
- ✓ **Diversified financing profile and strong balance sheet**

## Two Harbors Snapshot



**\$2.8 billion**  
market capitalization

**\$3.6 billion**  
stockholders' equity

**\$22.4 billion**  
hybrid portfolio comprised of Rates  
and Credit strategies<sup>(1)</sup>

**209%**  
total stockholder return since  
inception<sup>(2)</sup>

**20.1%**  
substantial book value growth since  
inception<sup>(3)</sup>

**-1.8%**  
difference in book value volatility  
compared to mortgage REIT average  
since inception<sup>(3)</sup>

### KEY DIFFERENTIATING FACTORS

- ✓ Strategy of pairing MSR with Agency RMBS
- ✓ Utilize variety of instruments to hedge interest rate exposure
- ✓ Unique portfolio of legacy non-Agency securities

1) Assets in "Rates" include Agency RMBS, MSR and other interest rate sensitive assets. Assets in "Credit" include non-Agency securities and other credit sensitive assets.

2) Two Harbors' total stockholder return calculated for the period October 29, 2009 through December 31, 2017. Total stockholder return is defined as stock price appreciation including dividends. Source: Bloomberg.

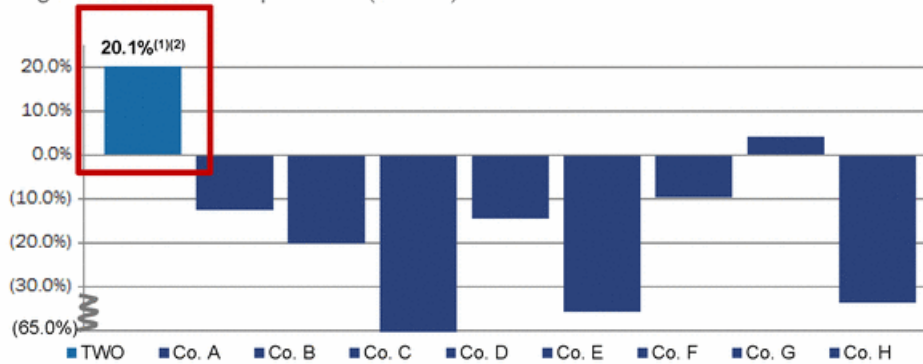
3) Book value growth and volatility since our inception is measured from December 31, 2009 or the peer company's inception, whichever is later, through December 31, 2017. Two Harbors quarterly book values have been adjusted for each quarter from Q1 2013 forward to include \$1.88 of stock distributions associated with the special dividend of Silver Bay Realty Trust ("Silver Bay") and, beginning in Q4 2017, \$3.67 of stock distributions associated with the special dividend of Granite Point common stock. Peer mortgage REITs include AGNC, ANH, ARR, CIM, CMO, CYS, IVR, MFA, MITT, MTGE and NLY. Peer book value figures are based on publicly reported data and have not been adjusted for the return of capital from dividends, if any, to peer stockholders during the same period. Book value volatility calculated by dividing the standard deviation of book values in the measured period by the average book value from the measured period. 9

# Proven Book Value Stability...



## BOOK VALUE STABILITY AND GROWTH

- Book value has grown by 20.1% since inception through December 31, 2017, when adjusted to include the value of the Granite Point and Silver Bay stock distributions to Two Harbors stockholders<sup>(1)(2)</sup>
- Peer average over same time period is (23.3%)<sup>(1)(3)</sup>



1) Book value growth since our inception is measured from December 31, 2009 through December 31, 2017.

2) Two Harbors quarterly book values have been adjusted for each quarter from Q1 2013 forward to include \$1.88 of stock distributions associated with the special dividend of Silver Bay common stock and, beginning in Q4 2017, \$3.67 of stock distributions associated with the special dividend of Granite Point common stock.

3) Companies A-H and peer average represent comparable mortgage REIT peers. Peer average book value figures are based on publicly reported data and have not been adjusted for the return of capital from dividends, if any, to peer stockholders during the same period.



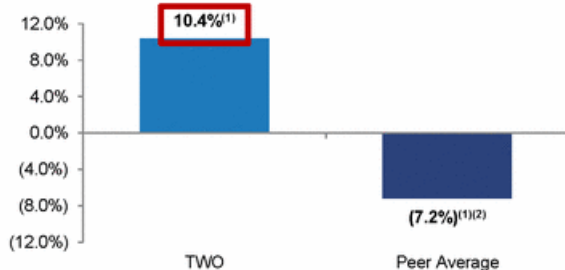
## ... Particularly Through Volatile Times



### REFLECTS SOPHISTICATED APPROACH TO RISK MANAGEMENT AND HEDGING

- Proven stability of book value through times of volatility: in the 2013 “taper tantrum” Two Harbors outperformed its peers by over 1,700 basis points<sup>(1)(2)</sup>
- Importantly, these results were achieved with less book value volatility than comparable mortgage REIT peers

**2013 Annual Return on Book Value**



	Mortgage REIT Average <sup>(4)</sup>	TWO <sup>(5)</sup>	Difference
Book value volatility since inception <sup>(3)</sup>	11.6%	9.8%	(1.8%)
Book value volatility in 2013 <sup>(3)</sup>	8.9%	2.9%	(6.0%)
Book value volatility in 2016 <sup>(3)</sup>	3.5%	1.5%	(2.0%)

1) Return on book value for 2013 measured from 12/31/2012 to 12/31/2013.

2) Peer average represents comparable mortgage REIT peers. Peer average book value figures are based on publicly reported data and have not been adjusted for the return of capital from dividends, if any, to peer stockholders during the same period.

3) Book value volatility since our inception is measured from 12/31/2009 or the company's inception, whichever is later, through 12/31/2017. Book value volatility for 2013 is measured from 12/31/2012 to 12/31/2013 and for 2016 is measured from 12/31/2015 through 12/31/2016. Book value volatility calculated by dividing the standard deviation of book values in the measured period by the average book value from the measured period.

4) Mortgage REITs include AGNC, ANH, ARR, CIM, CMO, CYS, IVR, MFA, MITT, MTGE and NLY.

5) Two Harbors quarterly book values have been adjusted for each quarter from Q1 2013 forward to include \$1.88 of stock distributions associated with the special dividend of Silver Bay common stock and, beginning in Q4 2017, \$3.67 of stock distributions associated with the special dividend of Granite Point common stock.



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