

Two Harbors Investment Corp.
Form 10-Q
August 04, 2011

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

FORM 10-Q

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

For the Quarterly Period Ended: June 30, 2011
Commission File Number 001-34506

TWO HARBORS INVESTMENT CORP.
(Exact Name of Registrant as Specified in Its Charter)

Maryland 27-0312904
(State or Other Jurisdiction of (I.R.S. Employer
Incorporation or Organization) Identification No.)

601 Carlson Parkway, Suite 150 55305
Minnetonka, Minnesota (Zip Code)
(Address of Principal Executive Offices)
(612) 629-2500
(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No
Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

As of August 4, 2011 there were 140,583,363 shares of outstanding common stock, par value \$.01 per share, issued and outstanding.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

TWO HARBORS INVESTMENT CORP.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)

	June 30, 2011 (unaudited)	December 31, 2010
ASSETS		
Available-for-sale securities, at fair value	\$4,500,825	\$1,354,405
Trading securities, at fair value	1,022,394	199,523
Cash and cash equivalents	181,909	163,900
Total earning assets	5,705,128	1,717,828
Restricted cash	89,243	22,548
Accrued interest receivable	17,717	5,383
Due from counterparties	—	12,304
Derivative assets, at fair value	190,416	38,109
Other assets	5,433	1,260
Total Assets	\$6,007,937	\$1,797,432
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Repurchase agreements	\$4,827,202	\$1,169,803
Derivative liabilities, at fair value	38,892	158
Accrued interest payable	2,870	785
Due to counterparties	199,554	231,724
Accrued expenses and other liabilities	4,921	2,063
Dividends payable	36,911	10,450
Income taxes payable	6	1
Total liabilities	5,110,356	1,414,984
Stockholders' Equity		
Preferred stock, par value \$0.01per share; 50,000,000 shares authorized; no shares issued and outstanding	—	—
Common stock, par value \$0.01per share; 450,000,000 shares authorized and 92,277,991 and 40,501,212 shares issued and outstanding, respectively	923	405
Additional paid-in capital	889,679	366,974
Accumulated other comprehensive income	46,248	22,619
Cumulative earnings	51,413	30,020
Cumulative distributions to stockholders	(90,682) (37,570
Total stockholders' equity	897,581	382,448
Total Liabilities and Stockholders' Equity	\$6,007,937	\$1,797,432

The accompanying notes are an integral part of these consolidated financial statements.

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CONDENSED CONSOLIDATED STATEMENTS OF INCOME (LOSS)

(in thousands, except share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
	(unaudited)		(unaudited)	
Interest income:				
Available-for-sale securities	\$39,959	\$9,088	\$59,494	\$15,241
Trading securities	805	—	1,077	—
Cash and cash equivalents	64	37	127	43
Total interest income	40,828	9,125	60,698	15,284
Interest expense	3,863	863	6,362	1,381
Net interest income	36,965	8,262	54,336	13,903
Other-than-temporary impairments:				
Total other-than-temporary impairment losses	(294) —	(294) —
Non-credit portion of loss recognized in other comprehensive income (loss)	—	—	—	—
Net other-than-temporary credit impairment losses	(294) —	(294) —