TWO HARBORS INVESTMENT CORP.
Form 424B3
June 25, 2018

Use these links to rapidly review the document
TABLE OF CONTENTS
TABLE OF CONTENTS

Table of Contents

Filed Pursuant to Rule 424(b)(3)
Registration Statement No. 333-225242

JOINT PROXY STATEMENT/PROSPECTUS

MERGER PROPOSED YOUR VOTE IS VERY IMPORTANT

June 25, 2018

To the Stockholders of Two Harbors Investment Corp. and the Stockholders of CYS Investments, Inc.:

The board of directors (the "Two Harbors Board") of Two Harbors Investment Corp. ("Two Harbors") and the board of directors (the "CYS Board") of CYS Investments, Inc. ("CYS"), each a Maryland corporation, each have approved an Agreement and Plan of Merger, dated as of April 25, 2018 (the "Merger Agreement"), by and among Two Harbors, Eiger Merger Subsidiary LLC ("Merger Sub") and CYS, pursuant to which Merger Sub will merge with and into CYS, with CYS continuing as the surviving corporation (the "Merger"). As a result of the Merger, the surviving corporation will become an indirect, wholly owned subsidiary of Two Harbors. The closing of the Merger will occur as promptly as practicable following satisfaction of all closing conditions set forth in the Merger Agreement, and either Two Harbors or CYS may terminate the Merger Agreement if closing has not occurred by October 31, 2018. After the Merger, the combined company of Two Harbors and CYS will retain the name "Two Harbors Investment Corp." and its shares will continue to trade on the New York Stock Exchange under the symbol "TWO".

Pursuant to the terms and subject to the conditions set forth in the Merger Agreement, at the effective time of the Merger, each outstanding share of common stock, par value $0.01 per share, of CYS ("CYS Common Stock") will be converted into the right to receive from Two Harbors (a) a number of shares of common stock, par value $0.01 per share, of Two Harbors ("Two Harbors Common Stock") determined (to the nearest one-ten-thousandth) by dividing (i) CYS's adjusted book value per share, multiplied by 96.75%, by (ii) Two Harbors' adjusted book value per share, multiplied by 94.20%, each as calculated at a time and pursuant to certain calculation principles set forth in the Merger Agreement, and (b) $15,000,000 divided by the sum of the number of shares of CYS Common Stock issued and outstanding immediately prior to the effective time of the Merger (excluding any cancelled shares), including outstanding CYS restricted stock that will vest upon completion of the Merger pursuant to the Merger Agreement (less any shares surrendered for income tax purposes).

Based on the number of shares of CYS Common Stock outstanding on June 22, 2018, the record date for the Two Harbors special meeting, and an assumed exchange ratio of 0.4872 based on the adjusted book value per share of Two Harbors Common Stock and CYS Common Stock as of March 31, 2018, calculated in accordance with the Merger Agreement, we expect approximately 75.7 million shares of Two Harbors Common Stock will be issued in connection with the Merger. The actual Exchange Ratio will be publicly announced at least five business days before each of the special meetings of stockholders described below.

In addition, each share of 7.75% Series A Cumulative Redeemable Preferred Stock, par value $0.01 per share, of CYS (the "CYS Series A Preferred Stock") will be converted into the right to receive one share of newly classified 7.75% Series D Cumulative Redeemable Preferred Stock, par value $0.01 per share, of Two Harbors (the "Two Harbors Series D Preferred Stock"), and each share of 7.50% Series B Cumulative Redeemable Preferred Stock, par value $0.01 per share, of CYS (the "CYS Series B Preferred Stock") will be converted into the right to receive one share of newly classified 7.50% Series E Cumulative Redeemable Preferred Stock, par value $0.01 per share, of Two Harbors (the "Two Harbors Series E Preferred Stock").

In connection with the Merger, PRCM Advisers LLC ("PRCM Advisers"), Two Harbors' external manager and 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 Closing. PRCM Advisers will also make a one-time downward adjustment of $15,000,000 to the management fees payable by Two Harbors for the quarter in which the Merger closes as well as a downward adjustment to the management fees payable by Two Harbors of up to an additional $3.3 million to reimburse Two Harbors for certain transaction-related expenses.

Two Harbors and CYS will each hold a special meeting of their respective common stockholders. Two Harbors' special meeting will be held at 601 Carlson Parkway, 2nd Floor, Minnetonka, Minnesota 55305 on July 27, 2018, at 9:00 a.m., Central Time. CYS's special meeting will be held at 50 Rowes Wharf, Boston, Massachusetts 02110 on July 27, 2018, at 9:00 a.m., Eastern Time. The preferred stockholders of each of CYS and Two Harbors are not entitled to vote on any of the matters to be considered and voted upon at the CYS special meeting or the Two Harbors special meeting, as applicable.

At the Two Harbors special meeting, the Two Harbors common stockholders will be asked to (i) consider and vote on a proposal to approve the issuance of shares of Two Harbors Common Stock in the Merger and upon any conversion (upon certain future changes of control of Two Harbors, if any) of the Two Harbors Series D Preferred Stock and Two Harbors Series E Preferred Stock to be issued in the Merger (the "Two Harbors Common Stock Issuance Proposal") and (ii) approve the adjournment of the Two Harbors special meeting, if necessary or appropriate, for the purpose of soliciting additional votes for the approval of the Two Harbors Common Stock Issuance Proposal (the "Two Harbors Adjournment Proposal"). The Two Harbors Board has unanimously (i) determined that the Merger Agreement and the other transactions contemplated therein, including the Merger and the issuance of shares of Two Harbors Common Stock (the "Two Harbors Common Stock Issuance"), are in the best interests of Two Harbors and its stockholders, (ii) approved the Merger Agreement and the other transactions contemplated therein, including the Merger and the Two Harbors Common Stock Issuance, (iii) directed that the Two Harbors Common Stock Issuance Proposal be submitted to the holders of Two Harbors Common Stock for consideration at the Two Harbors special meeting and (iv) recommended that the holders of Two Harbors Common Stock approve the Two Harbors Common Stock Issuance Proposal. **The Two Harbors Board unanimously recommends that the Two Harbors common stockholders vote "FOR" the Two Harbors Common Stock Issuance Proposal and "FOR" the Two Harbors Adjournment Proposal**. Only those matters included in the Two Harbors Notice of Meeting may be considered and voted upon at the Two Harbors special meeting.

At the CYS special meeting, the CYS common stockholders will be asked to (i) consider and vote on a proposal to approve the Merger (the "Merger Proposal"), (ii) consider and vote on a non-binding advisory proposal to approve the compensation that may be paid or become payable to CYS's named executive officers that is based on or otherwise relates to the Merger (the "CYS Non-Binding Compensation Advisory Proposal"), and (iii) approve the adjournment of the CYS special meeting, if necessary or appropriate, for the purpose of soliciting additional votes for the approval of the Merger Proposal (the "CYS Adjournment Proposal"). The CYS Board, acting upon the unanimous recommendation of a special committee of independent directors of CYS formed for the purpose of, among other things, evaluating and making a recommendation to the CYS Board with respect to the Merger Agreement and the other transactions contemplated therein, has unanimously (i) determined that the Merger Agreement and the other transactions contemplated therein, including the merger of Merger Sub with and into CYS, are in the best interests of CYS and its stockholders, (ii) approved the Merger Agreement and declared that the transactions contemplated therein, including the Merger, are advisable, (iii) directed that the Merger and the other transactions contemplated by the Merger Agreement be submitted to the holders of CYS Common Stock for consideration at the CYS special meeting and (iv) recommended that the CYS common stockholders approve the Merger and the other transactions contemplated by the Merger Agreement.

The CYS Board unanimously recommends that the CYS common stockholders vote "FOR" the Merger Proposal, "FOR" the CYS Non-Binding Compensation Advisory Proposal and "FOR" the CYS Adjournment Proposal. Only those matters included in the CYS Notice of Meeting may be considered and voted upon at the CYS special meeting.

This joint proxy statement/prospectus provides detailed information about the special meetings of Two Harbors and CYS, the Merger Agreement, the Merger and other related matters. A copy of the Merger Agreement is included as Annex A to this joint proxy statement/prospectus. We encourage you to read this joint proxy statement/prospectus, the Merger Agreement and the other annexes to this joint proxy statement/prospectus carefully and in their entirety. **In particular, you should carefully consider the discussion in the section of this joint proxy statement/prospectus entitled "Risk Factors" beginning on page 43.** You may also obtain more information about each company from the documents they file with the Securities and Exchange Commission (the "SEC").

Whether or not you plan to attend the Two Harbors special meeting or the CYS special meeting, as applicable, please complete, date, sign and return, as promptly as possible, the enclosed proxy card in the accompanying reply envelope or authorize a proxy to vote your shares through the Internet or by telephone. You may also authorize a proxy to vote your shares over the Internet using the Internet address on the enclosed proxy card or by telephone using the toll-free number on the enclosed proxy card. If you authorize a proxy to vote your shares through the Internet or by telephone, you will be asked to provide the company number and control number from the enclosed proxy card. If you attend a special meeting and vote in person, your vote by ballot will revoke any proxy previously submitted.

Your vote is very important, regardless of the number of shares of stock you own. Whether or not you plan to attend the Two Harbors special meeting or the CYS special meeting, as applicable, please authorize a proxy to vote your shares of stock as promptly as possible to make sure that your shares of stock are represented at the applicable special meeting. Please note that the failure to vote, or authorize a proxy to vote, your shares of stock of CYS is the equivalent of a vote against the Merger Proposal.

Thank you in advance for your continued support.

Sincerely,

Thomas E. Siering Chief Executive Officer, President and Director Two Harbors Investment Corp.	Kevin E. Grant Chief Executive Officer, Chairman, President, Chief Investment Officer and Founder CYS Investments, Inc.

Neither the SEC nor any state securities regulatory agency has approved or disapproved of the securities to be issued in connection with the Merger or passed upon the adequacy or accuracy of this joint proxy statement/prospectus. Any representation to the contrary is a criminal offense.

This joint proxy statement/prospectus is dated June 25, 2018, and is first being mailed to the stockholders of Two Harbors and the stockholders of CYS on or about June 27, 2018.

Table of Contents

**575 Lexington Avenue
Suite 2930
New York, New York 10022**

NOTICE OF SPECIAL MEETING OF TWO HARBORS COMMON STOCKHOLDERS TO BE HELD ON JULY 27, 2018

NOTICE IS HEREBY GIVEN that a special meeting of stockholders of Two Harbors Investment Corp., a Maryland corporation ("Two Harbors"), will be held at 601 Carlson Parkway, 2nd Floor, Minnetonka, Minnesota 55305 on July 27, 2018 at 9:00 a.m., Central Time, for the following purposes:

1. to consider and vote on a proposal to approve the issuance of shares of common stock, par value $0.01 per share, of Two Harbors ("Two Harbors Common Stock") pursuant to the Agreement and Plan of Merger (the "Merger Agreement"), dated as of April 25, 2018, by and among Two Harbors, Eiger Merger Subsidiary LLC, a Maryland limited liability company, and CYS Investments, Inc., a Maryland corporation, as it may be amended from time to time, a copy of which is attached as Annex A to the joint proxy statement/prospectus accompanying this notice (the "Two Harbors Common Stock Issuance Proposal"); and

2. to consider and vote on a proposal to adjourn the special meeting, if necessary or appropriate, including to solicit additional proxies if there are not sufficient votes to approve the Two Harbors Common Stock Issuance Proposal (the "Two Harbors Adjournment Proposal").

Two Harbors will transact no other business at the Two Harbors special meeting or any adjournment or postponement thereof. Please refer to the attached joint proxy statement/prospectus for further information with respect to the business to be transacted at the Two Harbors special meeting. The board of directors of Two Harbors (the "Two Harbors Board") has fixed the close of business on June 22, 2018 as the record date for the determination of Two Harbors stockholders entitled to notice of, and to vote at, the Two Harbors special meeting or any adjournments or postponements thereof. Accordingly, only common stockholders at the close of business on that date are entitled to notice of, and to vote at, the Two Harbors special meeting and any adjournments or postponements thereof.

The Two Harbors Board has unanimously (i) determined that the Merger Agreement and the other transactions contemplated therein, including the Merger and the issuance of shares of Two Harbors Common Stock (the "Two Harbors Common Stock Issuance"), are in the best interests of Two Harbors and its stockholders, (ii) approved the Merger Agreement and the other transactions contemplated therein, including the Merger and the Two Harbors Common Stock Issuance, (iii) directed that the Two Harbors Common Stock Issuance Proposal be submitted to the holders of Two Harbors Common Stock for consideration at the Two Harbors special meeting and (iv) recommended that the holders of Two Harbors Common Stock approve the Two Harbors Common Stock Issuance Proposal. **The Two Harbors Board unanimously recommends that the Two Harbors common stockholders vote "FOR" the Two Harbors Common Stock Issuance Proposal and "FOR" the Two Harbors Adjournment Proposal.**

Your vote is very important, regardless of the number of shares of Two Harbors Common Stock you own. Whether or not you plan to attend the Two Harbors special meeting, please authorize a proxy to vote your shares as promptly as possible to make sure that your shares are represented at the Two Harbors special meeting. Properly executed proxy cards with no instructions indicated on the proxy card will be voted "**FOR**" the Two Harbors Common Stock Issuance Proposal and "**FOR**" the Two

Table of Contents

Harbors Adjournment Proposal. Even if you plan to attend the Two Harbors special meeting in person, we urge you to authorize a proxy as promptly as possible by (1) accessing the Internet website specified on your proxy card, (2) calling the toll-free number specified on your proxy card or (3) completing, signing, dating and returning the enclosed proxy card in the accompanying postage-paid envelope prior to the Two Harbors special meeting to ensure that your shares will be represented and voted at the Two Harbors special meeting. If you hold your shares of Two Harbors Common Stock in "street name," which means through a bank, broker or other nominee, please follow the instructions on the voting instruction card furnished to you by such record holder.

Please note that if you hold shares of stock in different accounts, it is important that you vote or authorize a proxy to vote the shares of stock represented by each account. If you attend the Two Harbors special meeting, you may revoke your proxy and vote in person, even if you have previously returned your proxy card or authorized a proxy to vote your shares through the Internet or by telephone. If your shares of Two Harbors Common Stock are held by a bank, broker or other nominee, and you plan to attend the Two Harbors special meeting in person, please bring to the special meeting your statement evidencing your beneficial ownership of your shares of Two Harbors Common Stock. Please carefully review the instructions in the enclosed joint proxy statement/prospectus and the enclosed proxy card or the information forwarded by your bank, broker or other nominee regarding each of these options.

This notice and the enclosed proxy statement/prospectus are first being mailed to Two Harbors stockholders on or about June 27, 2018.

By Order of the Board of Directors,

Rebecca B. Sandberg
Vice President, General Counsel and Secretary

New York, New York
June 25, 2018

Table of Contents

500 Totten Pond Road, 6th Floor
Waltham, Massachusetts 02451

NOTICE OF SPECIAL MEETING OF CYS COMMON STOCKHOLDERS
TO BE HELD ON JULY 27, 2018

NOTICE IS HEREBY GIVEN that a special meeting of stockholders of CYS Investments, Inc., a Maryland corporation ("CYS") will be held at 50 Rowes Wharf, Boston, Massachusetts 02110 on July 27, 2018 at 9:00 a.m., Eastern Time, for the following purposes:

1. to consider and vote on a proposal (the "Merger Proposal") to approve the merger transaction in which CYS merges with and into Eiger Merger Subsidiary LLC, a Maryland limited liability company, ("Merger Sub") related to that certain Agreement and Plan of Merger (the "Merger Agreement"), dated as of April 25, 2018, among Two Harbors Investment Corp., a Maryland corporation, Merger Sub and CYS, as it may be amended from time to time, a copy of which is attached as Annex A to the joint proxy statement/prospectus accompanying this notice;

2. to consider and vote on a non-binding advisory proposal to approve the compensation that may be paid or become payable to CYS's named executive officers that is based on or otherwise relates to the Merger (the "CYS Non-Binding Compensation Advisory Proposal"); and

3. to consider and vote on a proposal to approve the adjournment of the CYS special meeting, if necessary or appropriate, for the purpose of soliciting additional votes for the approval of the Merger Proposal (the "CYS Adjournment Proposal").

CYS will transact no other business at the special meeting or any adjournment or postponement thereof. These items of business are described in the enclosed joint proxy statement/prospectus. The CYS board of directors (the "CYS Board") has designated the close of business on June 22, 2018 as the record date for the purpose of determining the stockholders who are entitled to receive notice of, and to vote at, the CYS special meeting and any adjournments or postponements of the special meeting, unless a new record date is fixed in connection with an adjournment or postponement of the special meeting. Accordingly, only CYS common stockholders at the close of business on the record date are entitled to notice of the CYS special meeting and only CYS common stockholders are entitled to vote at the CYS special meeting and at any adjournment or postponement of the special meeting.

The CYS Board, acting upon the unanimous recommendation of a special committee of independent directors of CYS formed for the purpose of, among other things, evaluating and making a recommendation to the CYS Board with respect to the Merger Agreement and the other transactions contemplated therein, has unanimously (i) determined that the Merger Agreement and the other transactions contemplated therein, including the merger of Merger Sub with and into CYS, are in the best interests of CYS and its stockholders, (ii) approved the Merger Agreement and declared that the transactions contemplated therein, including the Merger, are advisable, (iii) directed that the Merger and the other transactions contemplated by the Merger Agreement be submitted to the holders of CYS Common Stock for consideration at the CYS special meeting and (iv) recommended that the CYS common stockholders approve the Merger and the other transactions contemplated by the Merger Agreement. **The CYS Board unanimously recommends that the CYS common stockholders vote "FOR" the Merger Proposal, "FOR" the CYS Non-Binding Compensation Advisory Proposal and "FOR" the CYS Adjournment Proposal.**

Table of Contents

Your vote is very important, regardless of the number of shares of CYS you own. Whether or not you plan to attend the CYS special meeting, please authorize a proxy to vote your shares as promptly as possible to make sure that your shares are represented at the special meeting. Properly executed proxy cards with no instructions indicated on the proxy card will be voted "**FOR**" the Merger Proposal, "**FOR**" the CYS Non-Binding Compensation Advisory Proposal and "**FOR**" the CYS Adjournment Proposal. Even if you plan to attend the CYS special meeting in person, we request that you complete, sign, date and return the enclosed proxy card in the accompanying envelope prior to the special meeting to ensure that your shares will be represented and voted at the special meeting if you are unable to attend. If you hold your CYS shares in "street name," which means through a bank, broker or other nominee, you must obtain a legal proxy from this bank, broker or other nominee in order to vote in person at the CYS special meeting.

If you do not vote on the Merger Proposal, this will have the same effect as a vote by you against the approval of the Merger Proposal.

Please note that if you hold shares of stock in different accounts, it is important that you vote or authorize a proxy to vote the shares of stock represented by each account. If you attend the CYS special meeting, you may revoke your proxy and vote in person, even if you have previously returned your proxy card or authorized a proxy to vote your shares through the Internet or by telephone. If your CYS shares are held by a bank, broker or other nominee, and you plan to attend the CYS special meeting in person, please bring to the special meeting your statement evidencing your beneficial ownership of your CYS shares. Please carefully review the instructions in the enclosed joint proxy statement/prospectus and the enclosed proxy card or the information forwarded by your bank, broker or other nominee regarding each of these options.

By Order of the Board of Directors,

Thomas A. Rosenbloom
Executive Vice President of Business Development, General Counsel, and Secretary

Waltham, Massachusetts
June 25, 2018

ADDITIONAL INFORMATION

This joint proxy statement/prospectus incorporates important business and financial information about Two Harbors and CYS from other documents that are not included in or delivered with this joint proxy statement/prospectus. This information is available to you without charge upon your request. To obtain timely delivery, you must request the information no later than five business days before the date of the applicable special meeting. You can obtain the documents incorporated by reference into this joint proxy statement/prospectus by requesting them from Two Harbors' or CYS's investor relations departments:

If you are a Two Harbors stockholder:	If you are a CYS stockholder:
D.F. King & Co., Inc. 48 Wall Street, 22nd floor New York, New York 10005 (866) 530-8623 (toll free) two@dfking.com	Georgeson LLC 1290 Avenue of the Americas, 9th Floor New York, New York 10104 866-300-8594 (toll free)
or	or
575 Lexington Avenue Suite 2930 New York, New York 10022 (612) 629-2500 Attention: Investor Relations	500 Totten Pond Road 6th Floor Waltham, Massachusetts 02451 (617) 639-0440 Attention: Investor Relations

Investors may also consult Two Harbors' or CYS's website for more information concerning the Merger and other related transactions described in this joint proxy statement/prospectus. Two Harbors' website is www.twoharborsinvestment.com. CYS's website is www.cysinv.com. Each company's public filings are also available at www.sec.gov. The information contained on Two Harbors' and CYS's websites is not part of this joint proxy statement/prospectus and is not incorporated herein by reference. The references to Two Harbors' and CYS's websites are intended to be inactive textual references only.

If you would like to request any documents that are incorporated by reference into this joint proxy statement/prospectus, please do so by July 20, 2018 in order to receive them before the Two Harbors special meeting and by July 20, 2018 in order to receive them before the CYS special meeting.

For more information, see "Where You Can Find More Information and Incorporation by Reference" beginning on page 212.

ABOUT THIS DOCUMENT

This joint proxy statement/prospectus, which forms part of a registration statement on Form S-4 (Registration Statement No. 333-225242) filed by Two Harbors with the SEC, constitutes a prospectus of Two Harbors for purposes of the Securities Act of 1933, as amended (the "Securities Act"), with respect to (i) the shares of Two Harbors Common Stock to be issued to CYS common stockholders in exchange for shares of CYS Common Stock, (ii) the shares of Two Harbors Series D Preferred Stock to be issued to holders of CYS Series A Preferred Stock in exchange for shares of CYS Series A Preferred Stock and (iii) the shares of Two Harbors Series E Preferred Stock to be issued to holders of CYS Series B Preferred Stock in exchange for shares of CYS Series B Preferred Stock, in each case, pursuant to the Merger Agreement, as such agreement may be amended or modified from time to time. This joint proxy statement/prospectus also constitutes a proxy statement for each of Two Harbors and CYS for purposes of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). In addition, it constitutes a notice of special meeting with respect to the Two Harbors special meeting and a notice of special meeting with respect to the CYS special meeting.

Table of Contents

You should rely only on the information contained or incorporated by reference in this joint proxy statement/ prospectus. No one has been authorized to provide you with information that is different from that contained in, or incorporated by reference into, this joint proxy statement/prospectus. This joint proxy statement/prospectus is dated June 25, 2018, and you should not assume that the information contained in, or incorporated by reference into, this joint proxy statement/prospectus is accurate as of any date other than that date (or, in the case of documents incorporated by reference, their respective dates). Neither the mailing of this joint proxy statement/prospectus to Two Harbors stockholders or CYS stockholders nor the Two Harbors Common Stock Issuance to CYS common stockholders in the Merger pursuant to the Merger Agreement will create any implication to the contrary.

This joint proxy statement/prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, any securities, or the solicitation of a proxy, in any jurisdiction in which or to any person to whom it is unlawful to make any such offer or solicitation in such jurisdiction. Information contained in this joint proxy statement/prospectus regarding Two Harbors has been provided by Two Harbors and information contained in this joint proxy statement/prospectus regarding CYS has been provided by CYS.

TABLE OF CONTENTS

QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETINGS AND THE MERGER	1
SUMMARY	17
The Companies	17
The Merger	18
The Two Harbors Special Meeting	21
The CYS Special Meeting	22
Opinion of Two Harbors' Financial Advisor	23
Opinion of CYS's Financial Advisor, Barclays Capital Inc.	23
Opinion of CYS's Financial Advisor, Credit Suisse Securities (USA) LLC	23
Directors and Management of Two Harbors After the Merger	24
Interests of Two Harbors Directors and Executive Officers in the Merger	24
Interests of CYS's Directors and Executive Officers in the Merger	25
Treatment of CYS Restricted Stock	26
Fourth Amendment to the Management Agreement	26
Conditions to Complete the Merger	26
Regulatory Approvals Required for the Merger	27
Listing of Two Harbors Common Stock and Deregistration of CYS Common Stock	27
Accounting Treatment	27
Comparison of Rights of Two Harbors Common Stockholders and CYS Common Stockholders	27
Appraisal Rights	27
No Solicitation; Change in Recommendations	27
Termination of the Merger Agreement	28
Termination Fees and Expenses	29
Litigation Relating to the Merger	29
Material U.S. Federal Income Tax Consequences	31
Description of Two Harbors Common Stock	31
Selected Historical Financial Information of Two Harbors	32
Selected Historical Financial Information of CYS	34
Selected Unaudited Pro Forma Condensed Combined Financial Statements	39
Unaudited Comparative Per Share Information	41
RISK FACTORS	43
Risks Related to the Merger	43
Risks Related to the Combined Company Following the Merger	47
CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS	52
THE COMPANIES	54
THE TWO HARBORS SPECIAL MEETING	57
PROPOSALS SUBMITTED TO THE TWO HARBORS COMMON STOCKHOLDERS	60
Proposal 1: Two Harbors Common Stock Issuance Proposal	60
Proposal 2: Two Harbors Adjournment Proposal	60
THE CYS SPECIAL MEETING	62
PROPOSALS SUBMITTED TO THE CYS COMMON STOCKHOLDERS	65
Proposal 1: Merger Proposal	65
Proposal 2: CYS Non-Binding Compensation Advisory Proposal	65
Proposal 3: CYS Adjournment Proposal	66
THE MERGER	67
General	67
Background of the Merger	67
Recommendation of the Two Harbors Board and Its Reasons for the Merger	79
Recommendation of the CYS Board and Its Reasons for the Merger	82

Table of Contents

Opinion of Two Harbors' Financial Advisor	85
Opinion of CYS's Financial Advisor, Barclays Capital Inc.	93
Opinion of CYS's Financial Advisor, Credit Suisse Securities (USA) LLC	102
Certain Two Harbors Unaudited Prospective Financial Information	111
Certain CYS Unaudited Prospective Financial Information	113
Directors and Management of Two Harbors After the Merger	116
Interests of Two Harbors' Directors and Executive Officers in the Merger	116
Interests of CYS's Directors and Executive Officers in the Merger	117
Regulatory Approvals Required for the Merger	121
Accounting Treatment	121
Appraisal Rights	122
Exchange of Shares of Stock in the Merger	122
Dividends	123
Listing of Shares of Stock	123
Deregistration of CYS Common Stock and CYS Preferred Stock	123
Litigation Relating to the Merger	124
THE MERGER AGREEMENT	126
The Merger	126
Closing; Effective Time of the Merger	126
Organizational Documents	126
Consideration for the Merger	127
Tax Withholding	128
No Rights of Objection or Appraisal	129
Exchange Procedures	129
Representations and Warranties	130
Material Adverse Effect	133
Conduct of Business by CYS Pending the Merger	134
Conduct of Business by Two Harbors Pending the Merger	137
Agreement to Use Reasonable Best Efforts	139
Competing Proposals	140
Superior Proposals	141
Stockholder Meetings	142
Stockholder Votes	143
Directors' and Officers' Indemnification and Insurance	143
Conditions to Complete the Merger	143
Termination of the Merger Agreement	145
Termination Fees and Expenses	146
Amendment and Waiver	149
Specific Performance	149
FOURTH AMENDMENT TO THE MANAGEMENT AGREEMENT	150
MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES	151
COMPARATIVE SHARE PRICES AND DIVIDENDS	177
UNAUDITED COMPARATIVE PER SHARE INFORMATION	179
DESCRIPTION OF TWO HARBORS CAPITAL STOCK	180
COMPARISON OF RIGHTS OF TWO HARBORS COMMON STOCKHOLDERS AND CYS COMMON STOCKHOLDERS	197
DESCRIPTION OF POLICIES OF TWO HARBORS	201
PRINCIPAL AND MANAGEMENT STOCKHOLDERS OF TWO HARBORS	205
PRINCIPAL AND MANAGEMENT STOCKHOLDERS OF CYS	207
EXPERTS	209
LEGAL MATTERS	210

Table of Contents

STOCKHOLDER PROPOSALS	211
WHERE YOU CAN FIND MORE INFORMATION AND INCORPORATION BY REFERENCE	212
MULTIPLE STOCKHOLDERS SHARING ONE ADDRESS	213
UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS	214
ANNEX A: Agreement and Plan of Merger	A-1
ANNEX B: Opinion of Two Harbors' Financial Advisor, JMP Securities LLC	B-1
ANNEX C: Opinion of CYS's Financial Advisor, Barclays Capital Inc.	C-1
ANNEX D: Opinion of CYS's Financial Advisor, Credit Suisse Securities (USA) LLC	D-1

Table of Contents

QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETINGS AND THE MERGER

The following questions and answers are intended to address certain commonly asked questions regarding the Merger Agreement, the Merger and the Two Harbors and CYS special meetings. These questions and answers do not address all questions that may be important to you as a stockholder of Two Harbors or CYS. Please refer to the "Summary" beginning on page 17 and the more detailed information contained elsewhere in this joint proxy statement/prospectus and the annexes to this joint proxy statement/prospectus, which you should read carefully. Unless stated otherwise, all references in this joint proxy statement/prospectus to:

"Alternative Proposal" means any contract, proposal, offer or indication of interest relating to any transaction or series of related transactions involving any merger, amalgamation, share exchange, recapitalization, consolidation, acquisition, business combination of or involving Two Harbors and/or any of its subsidiaries, and any person, in which the consideration paid by Two Harbors or its subsidiaries was cash, voting stock of Two Harbors or other consideration valued at $500,000,000 or more.

"Barclays" refers to Barclays Capital Inc.

"Closing" refers to the closing of the Merger.

"Code" refers to the Internal Revenue Code of 1986, as amended.

"Combined Company" refers to Two Harbors and its subsidiaries after the closing of the Merger.

"Credit Suisse" refers to Credit Suisse Securities (USA) LLC.

"CYS" refers to CYS Investments, Inc., a Maryland corporation.

"CYS Adjournment Proposal" refers to the proposal to approve the adjournment of the CYS special meeting, if necessary or appropriate, for the purpose of soliciting additional votes for the approval of the Merger Proposal.

"CYS Board" refers to the board of directors of CYS.

"CYS Bylaws" refers to CYS's Amended and Restated Bylaws, as amended from time to time.

"CYS Charter" refers to CYS's Articles of Amendment and Restatement, as amended or supplemented from time to time.

"CYS Common Stock" refers to each outstanding share of common stock, par value $0.01, per share, of CYS.

"CYS Non-Binding Compensation Advisory Proposal" refers to the non-binding advisory proposal to approve the compensation that may be paid or become payable to CYS's named executive officers that is based on or otherwise relates to the Merger.

"CYS Preferred Stock" refers to each outstanding share of CYS Series A Preferred Stock and CYS Series B Preferred Stock.

"CYS Restricted Stock" means CYS Common Stock that is subject to vesting, repurchase or other lapse restriction.

"CYS Series A Preferred Stock" refers to each outstanding share of 7.75% Series A Cumulative Redeemable Preferred Stock, par value $0.01 per share, of CYS.

"CYS Series B Preferred Stock" refers to each outstanding share of 7.50% Series B Cumulative Redeemable Preferred Stock, par value $0.01 per share, of CYS.

Table of Contents

"CYS Stock" refers to the CYS Common Stock, CYS Series A Preferred Stock and CYS Series B Preferred Stock, collectively.

"CYS Stock Plan" refers to the CYS 2013 Equity Incentive Plan.

"Determination Date" means the last day of the month immediately preceding the month in which the conditions to Closing are reasonably expected to be satisfied (other than the obtainment of the Two Harbors common stockholder approval or the CYS common stockholder approval and those conditions that by their nature are to be satisfied or waived at the Closing), or such other date as may be mutually agreed by the parties in their respective sole discretions.

"Exchange Ratio" refers to a quotient (rounded to the nearest one ten-thousandth) determined by dividing (i) (a) CYS adjusted book value per share, multiplied by (b) 96.75% by (ii) (a) Two Harbors adjusted book value per share, multiplied by (b) 94.20%, in each case as determined in accordance with the Merger Agreement.

"Fourth Amendment to the Management Agreement" refers to the Fourth Amendment to the Management Agreement between Two Harbors, Two Harbors Operating Company LLC and PRCM Advisers dated April 25, 2018.

"GAAP" refers to the accounting principles generally accepted in the United States of America.

"Granite Point" means Granite Point Mortgage Trust Inc.

"JMP" means JMP Securities LLC.

"Management Agreement" refers to the Management Agreement between Two Harbors, Two Harbors Operating Company LLC and PRCM Advisers dated October 28, 2009, as amended.

"Merger" refers to the merger of Merger Sub with and into CYS, with CYS continuing as the surviving corporation.

"Merger Agreement" refers to the Agreement and Plan of Merger, dated as of April 25, 2018, by and among Two Harbors, Merger Sub, and CYS, as it may be amended or modified from time to time, a copy of which is attached as Annex A to this joint proxy statement/prospectus.

"Merger Proposal" refers to the proposal to approve the Merger.

"Merger Sub" refers to Eiger Merger Subsidiary LLC, a Maryland limited liability company and an indirect wholly owned subsidiary of Two Harbors.

"NYSE" refers to the New York Stock Exchange.

"Per Share Cash Consideration" means $15,000,000 divided by the sum of the number of shares of CYS Common Stock issued and outstanding immediately prior to the effective time of the Merger (excluding any cancelled shares), including outstanding CYS Restricted Stock that will vest upon completion of the Merger (less any shares surrendered for income tax purposes).

"Per Share Stock Consideration" means a number of shares of Two Harbors Common Stock equal to the Exchange Ratio.

"PRCM Advisers" refers to PRCM Advisers LLC, Two Harbors' external manager and a wholly owned subsidiary of Pine River.

"Pine River" refers to Pine River Capital Management L.P.

"REIT" refers to a real estate investment trust as defined in Section 856 of the Code.

"Two Harbors" refers to Two Harbors Investment Corp., a Maryland corporation.

Table of Contents

"Two Harbors Adjournment Proposal" refers to the proposal to approve the adjournment of the Two Harbors special meeting, if necessary or appropriate, for the purpose of soliciting additional votes for the approval of the Two Harbors Common Stock Issuance Proposal.

"Two Harbors Board" refers to the board of directors of Two Harbors.

"Two Harbors Bylaws" refers to Two Harbors' Amended and Restated Bylaws, as amended from time to time.

"Two Harbors Charter" refers to Two Harbors' Articles of Amendment and Restatement, as amended or supplemented from time to time.

"Two Harbors Common Stock" refers to the common stock, par value $0.01 per share, of Two Harbors.

"Two Harbors Common Stock Issuance" refers to the issuance of shares of Two Harbors Common Stock to holders of CYS Common Stock, as contemplated by the Merger Agreement, and upon any conversion (upon certain future changes of control of Two Harbors, if any) of the Two Harbors Series D Preferred Stock and Two Harbors Series E Preferred Stock to be issued in the Merger.

"Two Harbors Common Stock Issuance Proposal" refers to the proposal to approve the Two Harbors Common Stock Issuance.

"Two Harbors Series A Preferred Stock" refers to each outstanding share of 8.125% Series A Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock, $0.01 par value per share, of Two Harbors.

"Two Harbors Series B Preferred Stock" refers to each outstanding share of 7.625% Series B Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock, $0.01 par value per share, of Two Harbors.

"Two Harbors Series C Preferred Stock" refers to each outstanding share of 7.25% Series C Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock, $0.01 par value per share, of Two Harbors.

"Two Harbors Series D Preferred Stock" refers to the newly classified 7.75% Series D Cumulative Redeemable Preferred Stock, par value $0.01 per share, of Two Harbors.

"Two Harbors Series E Preferred Stock" refers to the newly classified 7.50% Series E Cumulative Redeemable Preferred Stock, par value $0.01 per share, of Two Harbors.

Q:

What is the proposed transaction for which I am being asked to vote?

A:

The CYS common stockholders are being asked to approve the Merger. The approval of the Merger by the CYS common stockholders is a condition to the effectiveness of the Merger.

The Two Harbors common stockholders are being asked to approve the Two Harbors Common Stock Issuance Proposal in connection with the Merger. The approval of the Two Harbors Common Stock Issuance Proposal by the Two Harbors common stockholders is a condition to the effectiveness of the Merger.

The CYS common stockholders are being asked to approve the CYS Non-Binding Compensation Advisory Proposal, and the CYS common stockholders and the Two Harbors common stockholders are also being asked to approve the CYS Adjournment Proposal and the Two Harbors Adjournment Proposal, respectively, if necessary. The approval of these proposals is not a condition to the effectiveness of the Merger.

Table of Contents

Q:

Why are Two Harbors and CYS proposing the Merger?

A:

The Two Harbors Board and the CYS Board have determined that the Merger will provide a number of significant strategic opportunities and benefits and will be in the best interests of their respective stockholders. At Closing, the Combined Company will have a larger capital base, which will support continued growth across Two Harbors' target assets and will position Two Harbors to take advantage of market opportunities as they arise. The Combined Company is expected to provide improved scale, liquidity and capital alternatives for Two Harbors stockholders as a result of the increased equity capitalization and the increased stockholder base of the Combined Company. The combination of Two Harbors and CYS is also expected to create cost efficiencies and decrease Two Harbors' other operating expense ratio by 30 to 40 basis points. To review the reasons for the Merger in greater detail, see "The Merger Recommendation of the Two Harbors Board and Its Reasons for the Merger" beginning on page 79 and "The Merger Recommendation of the CYS Board and Its Reasons for the Merger" beginning on page 82.

Q:

Were appraisals or valuations performed on the assets and liabilities of Two Harbors and CYS in connection with the Merger?

A:

Except for the valuation to be performed on an office property owned by CYS (representing less than 1% of CYS's total assets), no third-party appraisals or valuations on the assets and liabilities of Two Harbors and CYS were obtained in connection with the Merger.

Q:

What happens if the market price of Two Harbors Common Stock or CYS Common Stock changes before the Closing?

A:

Changes in the market price of Two Harbors Common Stock or the market price of CYS Common Stock at or prior to the effective time of the Merger will not change the number of shares of Two Harbors Common Stock that CYS common stockholders will receive because the Exchange Ratio is linked to Two Harbors' adjusted book value per share and CYS's adjusted book value per share as of the Determination Date, and not to the market price of either stock.

Q:

What happens if the adjusted book value per share of Two Harbors or the adjusted book value per share of CYS changes before the Determination Date?

A:

The value of the merger consideration received by CYS common stockholders will depend on the Exchange Ratio and the value of a share of Two Harbors Common Stock at the effective time of the Merger. The Exchange Ratio will be based on Two Harbors' adjusted book value per share and CYS's adjusted book value per share as of the Determination Date. These adjusted book value per share amounts may vary from their respective amounts as of March 31, 2018. As a result, the Exchange Ratio may also vary. As of March 31, 2018, the adjusted book values per share for Two Harbors and CYS, on a pro forma basis, would have been $15.63 and $7.41, respectively, representing an illustrative Exchange Ratio of 0.4872, with each share of CYS being exchanged for the right to receive 0.4872 shares of Two Harbors (plus the Per Share Cash Consideration). The actual Exchange Ratio for the Merger will be based on each of the parties' adjusted book values per share as of the Determination Date, and such Exchange Ratio will be publicly announced at least five business days prior to the special meetings.

Q:

Are there any conditions to completion of the Merger?

A:

Yes. In addition to the approvals of the Two Harbors common stockholders and the CYS common stockholders, as described herein, there are a number of conditions that must be satisfied or waived for the Merger to be consummated. For a description of all the conditions to the Merger, see "The Merger Agreement Conditions to Complete the Merger" beginning on page 143.

Table of Contents

The following questions and answers apply to Two Harbors stockholders only:

Q:

When and where is the Two Harbors special meeting?

A:

The special meeting of Two Harbors common stockholders will be held on July 27, 2018, at 601 Carlson Parkway, 2nd Floor, Minnetonka, Minnesota 55305, at 9:00 a.m., Central Time.

Q:

What matters will be voted on at the Two Harbors special meeting?

A:

Two Harbors common stockholders will be asked to consider and vote on the following proposals:

- the Two Harbors Common Stock Issuance Proposal; and
- the Two Harbors Adjournment Proposal.

Two Harbors will transact no other business at the Two Harbors special meeting or any adjournment or postponement thereof.

Q:

How does the Two Harbors Board recommend that I vote on the proposals?

A:

The Two Harbors Board has unanimously (i) determined that the Merger Agreement and the other transactions contemplated therein, including the Merger and the Two Harbors Common Stock Issuance, are in the best interests of Two Harbors and its stockholders, (ii) approved the Merger Agreement and the other transactions contemplated therein, including the Merger and the Two Harbors Common Stock Issuance, (iii) directed that the Two Harbors Common Stock Issuance Proposal be submitted to the holders of Two Harbors Common Stock for consideration at the Two Harbors special meeting and (iv) recommended that the holders of Two Harbors Common Stock approve the Two Harbors Common Stock Issuance Proposal. The Two Harbors Board unanimously recommends that the Two Harbors common stockholders vote "**FOR**" the Two Harbors Common Stock Issuance Proposal and "**FOR**" the Two Harbors Adjournment Proposal. For a more complete description of the recommendation of the Two Harbors Board, see "The Merger Recommendation of the Two Harbors Board and Its Reasons for the Merger" beginning on page 79.

Q:

What constitutes a quorum for the Two Harbors special meeting?

A:

The presence, in person or by proxy, of the holders of shares of Two Harbors Common Stock entitled to cast a majority of all the votes entitled to be cast at the Two Harbors special meeting will constitute a quorum at the Two Harbors special meeting. Two Harbors will include abstentions in the calculation of the number of shares considered to be present at the Two Harbors special meeting for purposes of determining the presence of a quorum at the Two Harbors special meeting. As of the close of business on June 22, 2018, the record date for the Two Harbors special meeting, there were 175,468,801 shares of Two Harbors Common Stock outstanding.

Q:

What vote is required for Two Harbors common stockholders to approve the Two Harbors Common Stock Issuance Proposal?

A:

Approval of the Two Harbors Common Stock Issuance Proposal will require that the number of votes cast for the Two Harbors Common Stock Issuance Proposal exceeds the number of votes cast against and abstaining from the Two Harbors Common Stock Issuance Proposal, provided a quorum is present.

Holders of Two Harbors preferred stock will not be entitled to vote on any matter at the Two Harbors special meeting.

Table of Contents

Q:

What vote is required for Two Harbors common stockholders to approve the Two Harbors Adjournment Proposal?

A:

Approval of the Two Harbors Adjournment Proposal will require that the number of votes cast for the Two Harbors Adjournment Proposal exceeds the number of votes cast against the Two Harbors Adjournment Proposal, provided a quorum is present.

Q:

How are votes counted?

A:

For the Two Harbors Common Stock Issuance Proposal, you may vote "**FOR**", "**AGAINST**" or "**ABSTAIN**". If you do not return your proxy card or otherwise authorize a proxy to vote your shares or attend the meeting in person, your shares will not be considered present for the purpose of determining the presence of a quorum and will have no effect on the Two Harbors Common Stock Issuance Proposal. Under NYSE rules, abstentions will be considered as votes cast and, accordingly, will have the same effect as votes "AGAINST" the Two Harbors Common Stock Issuance Proposal.

For the Two Harbors Adjournment Proposal, you may vote "**FOR**", "**AGAINST**" or "**ABSTAIN**". Abstentions and other shares not voted (whether by broker non-votes, if any, or otherwise) will not have an effect on the Two Harbors Adjournment Proposal, provided that a quorum is otherwise present.

Properly executed proxy cards with no instructions indicated on the proxy card will be voted "**FOR**" the Two Harbors Common Stock Issuance Proposal and "**FOR**" the Two Harbors Adjournment Proposal.

In addition, banks, brokers and other nominees that hold their customers' shares in street name may not vote their customers' shares on "non-routine" matters without instructions from their customers. As each of the proposals to be voted upon at the Two Harbors special meeting is considered "non-routine," such organizations do not have discretion to vote on any of the proposals. As a result, if you fail to provide your broker, bank or other nominee with any instructions regarding how to vote your shares of Two Harbors Common Stock, your shares of Two Harbors Common Stock will not be considered present at the Two Harbors special meeting and will not be voted on any of the proposals.

Q:

Who is entitled to vote at the Two Harbors special meeting?

A:

All holders of Two Harbors Common Stock as of the close of business on June 22, 2018, the record date for the Two Harbors special meeting, are entitled to vote at the Two Harbors special meeting, unless a new record date is fixed for any adjournment or postponement of the Two Harbors special meeting. As of the record date, there were 175,468,801 issued and outstanding shares of Two Harbors Common Stock. Each holder of Two Harbors Common Stock on the record date is entitled to one vote per share.

Holders of Two Harbors preferred stock will not be entitled to vote on any matter at the Two Harbors special meeting.

Q:

How will Two Harbors common stockholders be affected by the Merger and the Two Harbors Common Stock Issuance?

A:

After the Merger, each Two Harbors common stockholder will continue to own the shares of Two Harbors Common Stock that such stockholder held immediately prior to the Merger. As a result, each Two Harbors common stockholder will continue to own common stock in the Combined Company, which will be a larger company with more assets. However, because Two Harbors will be issuing new shares of Two Harbors Common Stock to CYS common stockholders in the Merger, each outstanding share of Two Harbors Common Stock immediately prior to the Merger will represent a smaller percentage of the aggregate number of shares of Two Harbors Common Stock outstanding after the Merger.

Table of Contents

Q:

Do the Two Harbors directors and executive officers and its external manager, PRCM Advisers, have any interests in the Merger?

A:

Yes. The Combined Company will continue to be managed by PRCM Advisers under the terms of the Management Agreement. Under the Management Agreement, PRCM Advisers provides the day-to-day management of Two Harbors' business, including providing Two Harbors with its executive officers and all other personnel necessary to support its operations. In exchange for its services, Two Harbors pays PRCM Advisers a management fee and reimburses it for certain expenses incurred by it and its affiliates in rendering management services to Two Harbors. Pine River is the parent of PRCM Advisers. Certain directors and executive officers of Two Harbors are partners and employees of Pine River.

Pursuant to the Management Agreement, Two Harbors pays PRCM Advisers a base management fee equal to 1.5% per annum of its stockholders' equity, which is calculated and payable quarterly in arrears. Following the Merger, Two Harbors stockholders' equity will include the additional equity attributable to the acquisition of CYS, thus the amount of the management fees payable to PRCM Advisers will also increase, which gives PRCM Advisers and its parent, Pine River (and therefore, Two Harbors' management), an incentive, not shared by Two Harbors stockholders, to negotiate and effect the Merger, possibly on terms less favorable to Two Harbors than would otherwise have been achieved. However, in connection with the Merger, PRCM Advisers has agreed to amend the Management Agreement to provide for: (i) a reduction in the base management fee PRCM Advisers 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; (ii) a one-time downward adjustment of $15,000,000 to the management fees payable by Two Harbors for the quarter in which the Merger closes; and (iii) a one-time downward adjustment of up to $3.3 million in the management fees payable by Two Harbors for the quarter in which the Merger occurs in order to reimburse Two Harbors for certain expenses it incurs in connection with the Merger. In the event the total amount of the management fee payable for the quarter referenced in clauses (ii) and (iii) above is less than the aggregate amount of the referenced downward adjustments (collectively, the "Adjustments"), PRCM Advisers will pay to Two Harbors in immediately available funds the difference between (i) such Adjustments and (ii) the base management fee payable to PRCM Advisers with respect to such quarter.

The Fourth Amendment to the Management Agreement between Two Harbors and PRCM Advisers was negotiated between related parties, and the terms, including fees and other amounts payable, may not be as favorable to Two Harbors as if it had been negotiated with an unaffiliated third party.

The following questions and answers apply to CYS common stockholders only:

Q:

What will I receive for my CYS Stock in the Merger?

A:

Under the terms of the Merger Agreement, each share of CYS Common Stock will be converted into the right to receive (i) the Per Share Cash Consideration and (ii) a number of shares of Two Harbors Common Stock based on the Exchange Ratio, which will be publicly announced at least five business days prior to the earlier of the CYS special meeting and the Two Harbors special meeting. Each share of CYS Series A Preferred Stock will be converted into the right to receive one share of newly classified Two Harbors Series D Preferred Stock. Each share of CYS Series B Preferred Stock will be converted into the right to receive one share of newly classified Two Harbors Series E Preferred Stock.

Table of Contents

Q:

How will I receive the merger consideration if the Merger is completed?

A:

For CYS stockholders, if you hold physical share certificates of CYS Common Stock or CYS Preferred Stock, you will be sent a letter of transmittal promptly after the Closing describing how you may exchange your shares for the merger consideration, and the exchange agent will forward to you the merger consideration to which you are entitled after receiving the proper documentation from you. If you hold your shares of CYS Common Stock or CYS Preferred Stock in uncertificated book-entry form, you are not required to take any specific actions to exchange your shares. After the consummation of the Merger, uncertificated shares of CYS Common Stock and CYS Preferred Stock will be automatically exchanged for the applicable merger consideration. For more information, see the section entitled "The Merger Agreement Exchange Procedures" beginning on page 129.

Q:

When and where is the CYS special meeting?

A:

The special meeting of CYS common stockholders will be held on July 27, 2018, at 50 Rowes Wharf, Boston, Massachusetts 02110, starting at 9:00 a.m., Eastern Time.

Q:

What matters will be voted on at the CYS special meeting?

A:

You will be asked to consider and vote on the following proposals:

- the Merger Proposal;
- the CYS Non-Binding Compensation Advisory Proposal; and
- the CYS Adjournment Proposal.

CYS will transact no other business at the CYS special meeting or any adjournment or postponement thereof. Holders of CYS Preferred Stock will not be entitled to vote on any matter at the CYS special meeting.

Q:

How does the CYS Board recommend that I vote on the proposals?

A:

The CYS Board, acting upon the unanimous recommendation of a special committee of independent directors of CYS formed for the purpose of, among other things, evaluating and making a recommendation to the CYS Board with respect to the Merger Agreement and the other transactions contemplated therein, has unanimously (i) determined that the Merger Agreement and the other transactions contemplated therein, including the merger of Merger Sub with and into CYS, are in the best interests of CYS and its stockholders, (ii) approved the Merger Agreement and declared that the transactions contemplated therein, including the Merger, are advisable, (iii) directed that the Merger and the other transactions contemplated by the Merger Agreement be submitted to the holders of CYS Common Stock for consideration at the CYS special meeting and (iv) recommended that the CYS common stockholders approve the Merger and the other transactions contemplated by the Merger Agreement.

The CYS Board unanimously recommends that the CYS common stockholders vote "**FOR**" the Merger Proposal, "**FOR**" the CYS Non-Binding Compensation Advisory Proposal and "**FOR**" the CYS Adjournment Proposal. For a more complete description of the recommendation of the CYS Board, see "The Merger Recommendation of the CYS Board and Its Reasons for the Merger" beginning on page 82.

Q:

Do the CYS directors and executive officers have any interests in the Merger?

A:

Yes. In considering the CYS Board's recommendation for CYS stockholders to approve the Merger Proposal and the CYS Non-Binding Compensation Advisory Proposal, CYS stockholders should be aware that directors and executive officers of CYS have interests in the Merger that may be different from, or in addition to, the interests of CYS stockholders generally and that may present actual or potential conflicts of interests. These interests include:

- immediately prior to the effective time of the Merger, each outstanding award of CYS Restricted Stock granted pursuant to the CYS Stock Plan will automatically vest in full and any forfeiture restrictions applicable to such shares of CYS Restricted Stock shall immediately lapse. As a result, each share of CYS Restricted Stock (less any shares surrendered for income tax purposes) will be treated as a share of CYS Common Stock for all purposes of the Merger, including the right to receive the merger consideration; and

- continued indemnification and insurance coverage for the directors and executive officers of CYS in accordance with the Merger Agreement.

In addition, CYS maintains employment agreements with each of Messrs. Grant, DeCicco, Cleary, and Rosenbloom (the "Employment Agreements"), which provide for payments and other benefits if the individual's employment terminates for a qualifying event or circumstance, such as being terminated without "cause" or leaving employment for "good reason," as these terms are defined in the Employment Agreements. Upon the termination of such individual's employment by CYS or Two Harbors other than for cause, retirement or disability, or by such individual for good reason, the individual would be eligible to receive, among other benefits, (i) a lump sum severance payment equal to 2.5 in the case of Mr. Grant and 1.0 in the case of Messrs. DeCicco, Cleary and Rosenbloom, multiplied by the average of the sum of such individual's base salary and bonus earned during the shorter of (a) the three (3) fiscal years immediately preceding the year in which the termination of employment occurs or (b) the period of time beginning on the date of the individual's employment agreement and ending on the termination date of such individual's employment, (ii) a pro rata bonus for the year of termination, and (iii) certain benefit continuation rights for up to 24 months for Mr. Grant and up to 12 months for Messrs. DeCicco, Cleary, and Rosenbloom, following termination.

In connection with the approval of the execution of the Merger Agreement, the CYS Board approved an amendment to the Employment Agreements to clarify payment mechanics and timing of severance amounts that may become payable pursuant to the Employment Agreements following a qualifying termination of employment with CYS.

Upon Closing, each of James A. Stern and Karen Hammond, independent directors currently sitting on the CYS Board, will be appointed to the Two Harbors Board and each will be entitled to compensation pursuant to Two Harbors' independent director compensation program.

The CYS Board was aware of these interests and considered them, among other matters, when approving the Merger Agreement and the transactions contemplated thereby, including the Merger. For additional information, see "The Merger Interests of CYS's Directors and Executive Officers in the Merger" beginning on page 117.

Q:
What constitutes a quorum for the CYS special meeting?

A:
The CYS Bylaws provide that the presence in person or by proxy of CYS stockholders entitled to cast a majority of all the votes entitled to be cast at the meeting constitutes a quorum at each meeting of CYS stockholders. Abstentions will be counted for the purpose of determining a quorum.

Q:
What vote is required for CYS common stockholders to approve the Merger Proposal?

A:
Approval of the Merger Proposal will require the affirmative vote of the holders of at least a majority of all outstanding shares of CYS Common Stock entitled to vote on the Merger Proposal,

which is the only vote of the holders of any class or series of shares of capital stock of CYS required for such approval, provided a quorum is present.

Holders of CYS Preferred Stock will not be entitled to vote on any matter at the CYS special meeting.

Q:

What vote is required for CYS common stockholders to approve the CYS Non-Binding Compensation Advisory Proposal?

A:

Approval of the CYS Non-Binding Compensation Advisory Proposal will require the affirmative vote of a majority of the votes cast on the matter by holders of CYS Common Stock, provided a quorum is present, which is the only vote of the holders of any class or series of shares of capital stock of CYS required for such approval.

Q:

What vote is required for CYS common stockholders to approve the CYS Adjournment Proposal?

A:

Approval of the CYS Adjournment Proposal will require the affirmative vote of a majority of the votes cast on the matter by holders of shares of CYS Common Stock, provided a quorum is present, which is the only vote of the holders of any class or series of shares of capital stock of CYS required for such approval.

Q:

How are votes counted?

A:

For the Merger Proposal, you may vote "**FOR**", "**AGAINST**" or "**ABSTAIN**". If you abstain or fail to return your proxy card, it will have the same effect as a vote "**AGAINST**" the Merger Proposal.

For the CYS Non-Binding Compensation Advisory Proposal, you may vote "**FOR**", "**AGAINST**" or "**ABSTAIN**". Abstentions and other shares not voted (whether by broker non-votes, if any, or otherwise) will not have an effect on the CYS Non-Binding Compensation Advisory Proposal, provided that a quorum is otherwise present.

For the CYS Adjournment Proposal, you may vote "**FOR**", "**AGAINST**" or "**ABSTAIN**". Abstentions and other shares not voted (whether by broker non-votes, if any, or otherwise) will not have an effect on the CYS Adjournment Proposal, provided that a quorum is otherwise present.

Properly executed proxy cards with no instructions indicated on the proxy card will be voted "**FOR**" the Merger Proposal, "**FOR**" the CYS Non-Binding Compensation Advisory Proposal and "**FOR**" the CYS Adjournment Proposal.

In addition, if your shares are held in the name of a bank, broker or other nominee, your bank, broker or other nominee will not vote your shares in the absence of specific instructions from you on how to vote your shares. These "broker non-votes" (if any) and abstentions will have the same effect as a vote against the Merger Proposal.

Q:

Who is entitled to vote at the CYS special meeting?

A:

All holders of CYS Common Stock as of the close of business on June 22, 2018, the record date for the CYS special meeting, are entitled to vote at the CYS special meeting, unless a new record date is fixed for any adjournment or postponement of the CYS special meeting. As of the record date, there were 155,439,713 issued and outstanding shares of CYS Common Stock. Each holder of CYS Common Stock on the record date is entitled to one vote per share. Holders of CYS Preferred Stock will not be entitled to vote on any matter at the CYS special meeting.

Table of Contents

Q:

How will CYS stockholders be affected by the Merger?

A:

Under the terms of the Merger Agreement, holders of CYS Common Stock will receive (i) the Per Share Cash Consideration and (ii) a number of shares of Two Harbors Common Stock for each share of CYS Common Stock owned by them immediately prior to the completion of the Merger based on the Exchange Ratio, which will be publicly announced at least five business days prior to the special meeting of CYS stockholders. As such, after the Merger is completed, CYS Common Stock will no longer be listed on the NYSE and will be deregistered under the Exchange Act, and former CYS common stockholders are expected to own in the aggregate approximately 30% of the Combined Company's fully diluted equity. Also as a result of the Merger, each share of CYS Series A Preferred Stock will be converted into the right to receive one share of newly classified Two Harbors Series D Preferred Stock, and each share of CYS Series B Preferred Stock will be converted into the right to receive one share of newly classified Two Harbors Series E Preferred Stock.

The following questions and answers apply to Two Harbors stockholders and CYS stockholders:

Q:

Have any Two Harbors common stockholders or CYS common stockholders already agreed to vote in favor of the proposals?

A:

To either Two Harbors' or CYS's knowledge, no Two Harbors common stockholder has entered into any agreement to vote any of their shares of Two Harbors Common Stock either in favor or against any proposal at the Two Harbors special meeting, and no CYS common stockholder has entered into any agreement to vote any of their shares of CYS Common Stock either in favor or against any proposal at the CYS special meeting.

Q:

What happens if I sell my stock before the special meetings?

A:

The record date for each company's special meeting is earlier than the date of each company's special meeting and the date that the Merger is expected to be completed. If you sell your stock after your company's record date but before the date of your company's special meeting, you will retain any right to vote at your company's special meeting, but, for CYS stockholders, you will have transferred your right to receive the merger consideration. For CYS stockholders, in order to receive the merger consideration, you must hold your stock through completion of the Merger.

Q:

What is the difference between a stockholder of record and a beneficial owner?

A:

If your shares of Two Harbors Common Stock or CYS Common Stock are registered directly in your name with Two Harbors' or CYS's transfer agent, respectively, you are considered the stockholder of record with respect to those shares.

If your shares of Two Harbors Common Stock or CYS Common Stock are held in a stock brokerage account, or by a bank, trustee or other nominee, you are considered the beneficial owner of shares held in "street name." As the beneficial owner, you have the right to direct your broker, bank, trustee or nominee on how to vote the shares that you beneficially own and you are also invited to attend the applicable special meeting. However, beneficial owners generally cannot vote their shares directly because they are not the stockholder of record; instead, beneficial owners must instruct the broker, bank, trustee or other nominee how to vote their shares.

Table of Contents

Q:

How do I vote?

A:

Stockholders of Record. If you are a stockholder of record of Two Harbors or CYS, you may have your shares of Two Harbors Common Stock or CYS Common Stock voted on the matters to be presented at the applicable special meeting in any of the following ways:

To authorize a proxy through the Internet, visit the website set forth on the proxy card you received. You will be asked to provide the control number from the enclosed proxy card. Proxies authorized through the Internet must be received by 11:59 p.m., Eastern Time, on July 26, 2018.

To authorize a proxy by telephone, dial the toll free telephone number set forth on the proxy card you received using a touch tone phone and follow the recorded instructions. You will be asked to provide the control number from the enclosed proxy card. Proxies authorized by telephone or through the Internet must be received by 11:59 p.m., Eastern Time, on July 26, 2018.

To authorize a your proxy by mail, complete, date and sign each proxy card you receive and return it as promptly as practicable in the enclosed prepaid envelope. If you sign and return your proxy card, but do not mark the boxes showing how you wish to vote, your shares of common stock will be voted "**FOR**" the Two Harbors Common Stock Issuance Proposal, the Two Harbors Adjournment Proposal, the Merger Proposal, the CYS Non-Binding Compensation Advisory Proposal and the CYS Adjournment Proposal, as applicable.

If you intend to vote in person, please bring proper identification, together with proof that you are a record owner of shares of the applicable company.

Beneficial Owners. If your shares of Two Harbors or CYS are held in "street name," please refer to the instructions provided by your broker, bank, trustee or other nominee to see which of the above choices are available to you. Please note that if you are a holder in "street name" and wish to vote in person at the special meeting, you must obtain a legal proxy from broker, bank, trustee or other nominee. Please also see the question and answer referencing "street name" shares below.

Q:

What happens if I am both a Two Harbors common stockholder and a CYS common stockholder?

A:

If you are both a Two Harbors common stockholder and a CYS common stockholder, you are entitled to vote at the special meeting of each company. You will receive separate proxy cards for each company and must complete, sign and date each proxy card and return each proxy card in the appropriate preaddressed postage-paid envelope or, if available, by authorizing a proxy to vote your shares by one of the other methods specified in your proxy card or voting instruction card for each company.

Q:

If I am a beneficial owner of Two Harbors or CYS shares, will my broker, bank or other nominee vote my shares for me?

A:

No. If you hold your shares in a stock brokerage account or if your shares are held by a bank or other nominee (that is, in "street name"), you must provide your broker, bank or other nominee with instructions on how to vote your shares. Unless you instruct your broker, bank or other nominee to vote your shares held in street name, your shares will **NOT** be voted. You should follow the procedures provided by your bank, broker or nominee regarding the voting of your shares.

Table of Contents

Q:
How can I revoke or change my vote?

A:
You may revoke your proxy at any time before the vote is taken at the special meeting of the company of which you are a stockholder in any of the following ways:

- authorizing a later proxy by telephone or through the Internet prior to 11:59 p.m., Eastern Time, on July 26, 2018;
- filing with the Secretary of the applicable company, before the taking of the vote at the applicable company's special meeting, a written notice of revocation bearing a later date than the proxy card;
- duly executing a later dated proxy card relating to the same shares and delivering it to the Secretary of the applicable company before the taking of the vote at the applicable company's special meeting; or
- voting in person at the applicable company's special meeting.

Your attendance at the applicable company's special meeting does not automatically revoke your previously submitted proxy. If you have instructed your bank, broker or other nominee to vote your shares, the options described above for revoking your proxy do not apply. Instead, you must follow the directions provided by your bank, broker or other nominee to change your vote.

Q:
When is the Merger expected to be consummated?

A:
The Merger is expected to be consummated by the end of the third quarter of 2018, although Two Harbors and CYS cannot assure completion by any particular date, if at all. Because the Merger is subject to a number of conditions, including the approval of the Two Harbors Common Stock Issuance Proposal by the requisite vote of the Two Harbors common stockholders and the Merger Proposal by the requisite vote of the CYS common stockholders, the exact timing of the Merger cannot be determined at this time and Two Harbors and CYS cannot guarantee that the Merger will be completed at all.

Q:
Following the Merger, what percentage of Two Harbors Common Stock will current Two Harbors common stockholders and CYS common stockholders own?

A:
Following the completion of the Merger:

- the shares of Two Harbors Common Stock held by the current Two Harbors common stockholders are expected to represent in the aggregate approximately 70% of the Combined Company's fully diluted equity; and
- former CYS common stockholders are expected to own in the aggregate the remaining approximately 30% of the Combined Company's fully diluted equity.

Q:
What happens if the Merger is not completed?

A:
If the Two Harbors Common Stock Issuance Proposal or the Merger Proposal is not approved by Two Harbors common stockholders or CYS common stockholders, respectively, or if the Merger is not completed for any other reason, CYS common stockholders will not have their CYS Common Stock exchanged for Two Harbors Common Stock and cash in connection with the Merger. Instead, CYS and Two Harbors would remain separate companies. Under certain circumstances, Two Harbors may be required to pay CYS a termination fee or an expense amount, or CYS may be required to pay Two Harbors a termination fee or expense amount, as described

under "The Merger Agreement Termination Fees and Expenses" beginning on page 146.

Table of Contents

Q:

Am I entitled to exercise appraisal rights?

A:

No. Neither holders of Two Harbors Common Stock nor holders of CYS Common Stock will be entitled to appraisal rights.

Q:

Will Two Harbors have the same business strategy as CYS following the Merger?

A:

No. The Combined Company will follow Two Harbors' current business strategy of investing in, financing and managing Agency residential mortgage-backed securities, non-Agency securities, MSR and other financial assets. See "Description of Policies of Two Harbors" on page 201.

Q:

Will my dividend payments continue after the Merger?

A:

Following completion of the Merger, holders of Two Harbors Common Stock will be entitled to receive dividend or other distributions when, as and if declared by the Two Harbors Board out of funds legally available therefor.

Q:

Are there risks associated with the Merger that I should consider in deciding how to vote?

A:

Yes. There are a number of risks related to the Merger that are discussed in this joint proxy statement/ prospectus described in the section entitled "Risk Factors" beginning on page 43.

Q:

What are the material U.S. federal income tax consequences of the Merger to CYS common stockholders and Two Harbors common stockholders?

A:

Assuming that the Merger is completed as currently contemplated, Two Harbors and CYS expect that the receipt of (i) cash and Two Harbors Common Stock in exchange for CYS Common Stock, (ii) Two Harbors Series D Preferred Stock in exchange for CYS Series A Preferred Stock, or (iii) Two Harbors Series E Preferred Stock in exchange for CYS Series B Preferred Stock, as applicable, by U.S. stockholders pursuant to the Merger will be a taxable transaction for U.S. federal income tax purposes. Generally, for U.S. federal income tax purposes, U.S. stockholders of CYS Common Stock will recognize gain or loss as a result of the Merger measured by the difference, if any, between (i) the sum of the fair market value of the Two Harbors Common Stock received and the amount of any cash received, and (ii) the stockholder's adjusted tax basis in its CYS Common Stock. In addition, generally, for U.S. federal income tax purposes, U.S. stockholders of CYS Series A Preferred Stock or CYS Series B Preferred Stock will recognize gain or loss as a result of the Merger measured by the difference, if any, between (i) the fair market value of the Two Harbors Series D Preferred Stock or Two Harbors Series E Preferred Stock received, as applicable, and (ii) the stockholder's adjusted tax basis in its CYS Series A Preferred Stock or CYS Series B Preferred Stock, as applicable. Because the consideration to be given to stockholders of (i) CYS Common Stock consists primarily of Two Harbors Common Stock and (ii) CYS Series A Preferred Stock and CYS Series B Preferred Stock consists solely of Two Harbors Series D Preferred Stock and Two Harbors Series E Preferred Stock, respectively, U.S. stockholders of CYS Stock, may need to sell their Two Harbors stock received in the Merger, or raise cash from other sources, to pay any tax obligations resulting from the Merger. Generally, non-U.S. stockholders are not expected to be subject to U.S. federal income tax or U.S. federal withholding tax on any gain recognized from the Merger. See "Material U.S. Federal Income Tax Consequences Consequences of the Merger to Non-U.S. Stockholders of CYS Stock." Two Harbors and CYS anticipate that the Merger will have no material U.S. federal income tax consequences to Two Harbors stockholders who do not own any CYS Stock.

The tax consequences to you of the Merger will depend on your own situation. You should consult your tax advisor for a full understanding of the tax consequences to you of the Merger. For more information regarding the tax consequences of the Merger to CYS stockholders, please see "Material U.S. Federal Income Tax Consequences" beginning on page 151.

Q:

How can I obtain additional information about Two Harbors and CYS?

A:

Two Harbors and CYS each file annual, quarterly and current reports, proxy statements and other information with the SEC. Each company's filings with the SEC may be accessed on the Internet at 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 https://www.twoharborsinvestment.com/ or by contacting Two Harbors Investor Relations at 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 http://www.cysinv.com/home or by contacting CYS Investor Relations at ir@cysinv.com or at 617-639-0440. The information provided on each company's website is not part of this joint proxy statement/ prospectus and is not incorporated by reference into this joint proxy statement/prospectus. For a more detailed description of the information available and information incorporated by reference, please see "Where You Can Find More Information and Incorporation by Reference" on page 212.

Q:

What else do I need to do now?

A:

You are urged to read this joint proxy statement/prospectus carefully and in its entirety, including its annexes and the information incorporated by reference herein, and to consider how the Merger affects you. Even if you plan to attend your company's special meeting, please authorize a proxy to vote your shares by voting via the Internet, telephone or by completing, signing, dating and returning the enclosed proxy card. You can also attend your company's special meeting and vote, or change your prior proxy authorization, in person. If you hold your shares in "street name" through a bank, broker or other nominee, then you should have received this joint proxy statement/prospectus from that nominee, along with that nominee's proxy card which includes voting instructions and instructions on how to change your vote. Please see the question "How do I vote?" on page 12.

Q:

Will a proxy solicitor be used?

A:

Yes. Two Harbors has engaged D.F. King & Co., Inc. ("D.F. King"), to assist in the solicitation of proxies for the Two Harbors special meeting, and Two Harbors estimates it will pay D.F. King a fee of approximately $12,500. Two Harbors has also agreed to reimburse D.F. King for reasonable out-of-pocket expenses and disbursements incurred in connection with the proxy solicitation and to indemnify D.F. King against certain losses, costs and expenses. In addition to mailing proxy solicitation materials, Two Harbors' directors, officers and employees may also solicit proxies in person, by telephone or by any other electronic means of communication deemed appropriate. No additional compensation will be paid to Two Harbors' directors, officers or employees for such services.

CYS has engaged Georgeson LLC ("Georgeson") to assist in the solicitation of proxies for the CYS special meeting, and CYS estimates it will pay Georgeson a fee of approximately $12,500. CYS has also agreed to reimburse Georgeson for reasonable out-of-pocket expenses and disbursements incurred in connection with the proxy solicitation and to indemnify Georgeson against certain losses, costs and expenses. In addition to mailing proxy solicitation material, CYS's directors, officers and employees may also solicit proxies in person, by telephone or by any other electronic means of communication deemed appropriate. No additional compensation will be paid to CYS's directors, officers or employees for such services.

Table of Contents

Q:

Who can answer my questions?

A:

If you have any questions about the Merger or the other matters to be voted on at the Two Harbors special meeting or the CYS special meeting, how to submit your proxy, or need additional copies of this joint proxy statement/prospectus, the enclosed proxy card or voting instructions, you should contact:

If you are a Two Harbors stockholder:	If you are a CYS stockholder:
D.F. King & Co., Inc. 48 Wall Street, 22nd floor New York, New York 10005 (866) 530-8623 (toll free) two@dfking.com	Georgeson LLC 1290 Avenue of the Americas, 9th Floor New York, New York 10104 866-300-8594 (toll free)

Table of Contents

SUMMARY

The following summary highlights selected information in this joint proxy statement/prospectus and may not contain all the information that may be important to you with respect to the Merger Agreement, the Merger or the special meetings. Accordingly, you are encouraged to read this joint proxy statement/prospectus, including its annexes and the information incorporated by reference herein, carefully and in its entirety. Each item in this summary includes a page reference directing you to a more complete description of that topic. See also "Where You Can Find More Information and Incorporation by Reference" on page 212.

The Companies

***Two Harbors Investment Corp.* (Page 54)**

Two Harbors Investment Corp.
575 Lexington Avenue
Suite 2930
New York, New York 10022
(612) 629-2500

Two Harbors is a Maryland corporation focused on investing in, financing and managing Agency residential mortgage-backed securities, or Agency RMBS, non-Agency securities, mortgage servicing rights, or MSR, and other financial assets, which Two Harbors collectively refers to as its target assets. Two Harbors operates as a REIT and is externally managed by PRCM Advisers.

Two Harbors Common Stock is listed on the NYSE, trading under the symbol "TWO".

Two Harbors' principal executive offices are located at 575 Lexington Avenue, Suite 2930, New York, New York 10022, and its telephone number is (612) 629-2500.

***Eiger Merger Subsidiary LLC* (Page 55)**

Eiger Merger Subsidiary LLC
575 Lexington Avenue
Suite 2930
New York, New York 10022
(612) 629-2500

Merger Sub is a Maryland limited liability company that was formed on April 24, 2018 solely for the purpose of effecting the Merger. Upon Closing, the Merger will be consummated whereby Merger Sub will be merged with and into CYS, with CYS continuing as the surviving corporation. Merger Sub has not conducted any activities to date, except for activities incidental to its formation and activities undertaken in connection with the transactions contemplated by the Merger Agreement.

CYS Investments, Inc. (Page 55)

CYS Investments, Inc.
500 Totten Pond Road, 6th Floor
Waltham, Massachusetts 02451
(617) 639-0440

CYS is a specialty finance company created with the objective of achieving consistent risk-adjusted investment income. CYS seeks to achieve this objective by investing, on a leveraged basis, in residential mortgage pass-through securities for which the principal and interest payments are guaranteed by the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation or the Government National Mortgage Association, and collateralized by single-family residential mortgage

Table of Contents

loans ("Agency RMBS"). In addition, CYS's investment guidelines permit investments in collateralized mortgage obligations issued by a government agency or a government-sponsored entity that are collateralized by Agency RMBS, or CMOs, debt securities issued by the U.S. Department of the Treasury or a government-sponsored entity that are not backed by collateral but, in the case of government agencies, are backed by the full faith and credit of the U.S. government, or U.S. Treasury Securities, and, in the case of government sponsored entities, are backed by the integrity and creditworthiness of the issuer, or U.S. Agency Debentures and credit risk transfer securities, such as Structured Agency Credit Risk ("STACR") debt securities issued by Freddie Mac, Connecticut Avenue Securities ("CAS") issued by Fannie Mae and similar securities issued by a GSE where their cash flows track the credit risk performance of a notional reference pool of mortage loans.

CYS was formed as a Maryland corporation on January 3, 2006. CYS has elected to be taxed as a REIT for U.S. federal income tax purposes. The CYS Common Stock, CYS Series A Preferred Stock and CYS Series B Preferred Stock trade on the NYSE under the symbols "CYS", "CYS PrA" and "CYS PrB", respectively.

***The Combined Company* (Page 55)**

The Combined Company will retain the name "Two Harbors Investment Corp." and will continue to be a Maryland corporation, which has elected to be taxed as a REIT under the Code. The Combined Company will be a publicly traded corporation, focused on investing in, financing and managing Agency RMBS, non-Agency securities, MSR, and other financial assets. The Combined Company is expected to have a pro forma equity market capitalization of approximately $4.0 billion and a total capitalization of approximately $4.9 billion based on the $15.76 per share closing price of Two Harbors Common Stock on June 13, 2018. Following the completion of the Merger, the Combined Company will continue to be externally managed by PRCM Advisers.

The business of the Combined Company will be operated through Two Harbors and its subsidiaries, which will include CYS and its subsidiaries. Upon completion of the Merger, the continuing Two Harbors common stockholders are expected to own in the aggregate approximately 70% of the Combined Company's fully diluted equity, and the former CYS common stockholders are expected to own in the aggregate the remaining approximately 30%. CYS preferred stockholders will continue to hold shares of preferred stock of Two Harbors with substantially similar terms following the Merger.

The common stock of the Combined Company will continue to be listed on the NYSE, trading under the symbol "TWO". The newly issued shares of Two Harbors Series D Preferred Stock will trade under the symbol "TWO PRD", and the newly issued shares of Two Harbors Series E Preferred Stock will trade under the symbol "TWO PRE".

The Combined Company's principal executive offices will be located at 575 Lexington Avenue, Suite 2930, New York, New York 10022, and its telephone number will be (612) 629-2500.

The Merger

***The Merger Agreement* (Page 126)**

Two Harbors, Merger Sub and CYS have entered into the Merger Agreement attached as Annex A to this joint proxy statement/prospectus, which is incorporated herein by reference. Two Harbors and CYS encourage you to carefully read the Merger Agreement in its entirety because it is the principal document governing the Merger and the other transactions contemplated by the Merger Agreement.

***The Merger* (Page 67)**

Subject to the terms and conditions of the Merger Agreement, the Merger will be consummated whereby Merger Sub will merge with and into CYS, with CYS continuing as the surviving corporation. As a result of the Merger, CYS will be an indirect, wholly owned subsidiary of Two Harbors.

Upon completion of the Merger, the continuing Two Harbors common stockholders are expected to own in the aggregate approximately 70% of the Combined Company's fully diluted equity, and the former CYS common stockholders are expected to own in the aggregate the remaining approximately 30%. Once the Merger is consummated, the Combined Company will retain the name "Two Harbors Investment Corp.", will continue to be listed on the NYSE, and its shares will trade under the symbol "TWO".

***Consideration for the Merger* (Page 127)**

Pursuant to the terms and subject to the conditions set forth in the Merger Agreement, at the effective time of the Merger, each outstanding share of CYS Common Stock will be converted into the right to receive from Two Harbors (a) a number of shares of Two Harbors Common Stock equal to the "Exchange Ratio," determined by dividing (i) (a) CYS adjusted book value per share, multiplied by (b) 96.75% by (ii) (a) Two Harbors adjusted book value per share, multiplied by (b) 94.20%, in each case as determined in accordance with the Merger Agreement (the "Per Share Stock Consideration") and (b) $15,000,000 divided by the sum of the number of shares of CYS Common Stock issued and outstanding immediately prior to the effective time of the Merger (excluding any cancelled shares), including outstanding CYS Restricted Stock that will vest upon completion of the Merger (less any shares surrendered for income tax purposes) (the "Per Share Cash Consideration") pursuant to the Merger Agreement.

Based on the number of shares of CYS Common Stock outstanding on March 31, 2018 and an assumed Exchange Ratio of 0.4872 based on the adjusted book value per share of Two Harbors Common Stock and CYS Common Stock as of March 31, 2018, calculated in accordance with the Merger Agreement, it is expected that approximately 75.7 million shares of Two Harbors Common Stock will be issued in connection with the Merger. The actual Exchange Ratio will be publicly announced at least five business days before the earlier of the special meetings of stockholders described below.

Also at the effective time of the Merger, each outstanding share of CYS Series A Preferred Stock will be converted into the right to receive one share of newly classified Two Harbors Series D Preferred Stock, and each outstanding share of CYS Series B Preferred Stock will be converted into the right to receive one share of newly classified Two Harbors Series E Preferred Stock.

No fractional shares of Two Harbors Common Stock will be issued in the Merger, and the value of any fractional interests to which a holder would otherwise be entitled will be paid in cash.

***Recommendation of the Two Harbors Board and Its Reasons for the Merger* (Page 79)**

On April 25, 2018, following careful consideration, the Two Harbors Board unanimously (i) determined that the Merger Agreement and the other transactions contemplated therein, including the Merger and the Two Harbors Common Stock Issuance, are in the best interests of Two Harbors and its stockholders, (ii) approved the Merger Agreement and the other transactions contemplated therein, including the Merger and the Two Harbors Common Stock Issuance, (iii) directed that the Two Harbors Common Stock Issuance Proposal be submitted to the holders of Two Harbors Common Stock for consideration at the Two Harbors special meeting and (iv) recommended that the holders of Two Harbors Common Stock approve the Two Harbors Common Stock Issuance Proposal. Certain factors considered by the Two Harbors Board in reaching its decision to authorize, approve and adopt the

Table of Contents

Merger Agreement, the Merger and the other transactions contemplated by the Merger Agreement can be found in the section entitled "The Merger Recommendation of the Two Harbors Board and Its Reasons for the Merger" beginning on page 79.

The Two Harbors Board unanimously recommends that Two Harbors common stockholders vote "**FOR**" the Two Harbors Common Stock Issuance Proposal and "**FOR**" the Two Harbors Adjournment Proposal.

Recommendation of the CYS Board and Its Reasons for the Merger **(Page 82)**

On April 25, 2018, after careful consideration, the CYS Board, acting upon the unanimous recommendation of a special committee of independent directors of CYS formed for the purpose of, among other things, evaluating and making a recommendation to the CYS Board with respect to the Merger Agreement and the other transactions contemplated therein, unanimously (i) determined that the Merger Agreement and the other transactions contemplated therein, including the merger of Merger Sub with and into CYS, are in the best interests of CYS and its stockholders, (ii) approved the Merger Agreement and declared that the transactions contemplated therein, including the Merger, are advisable, (iii) directed that the Merger and the other transactions contemplated by the Merger Agreement be submitted to the holders of CYS Common Stock for consideration at the CYS special meeting and (iv) recommended that the CYS common stockholders approve the Merger and the other transactions contemplated by the Merger Agreement. Certain factors considered by the CYS Board in reaching its decision to approve the Merger Agreement, the Merger and the other transactions contemplated by the Merger Agreement can be found in the section entitled "The Merger Recommendation of the CYS Board and Its Reasons for the Merger" beginning on page 82.

The CYS Board unanimously recommends that CYS stockholders vote "**FOR**" the Merger Proposal, "**FOR**" the CYS Non-Binding Compensation Advisory Proposal and "**FOR**" the CYS Adjournment Proposal.

Summary of Risk Factors Related to the Merger **(Page 43)**

You should carefully consider the following important risks, together with all of the other information included in this joint proxy statement/prospectus and the risks related to the Merger and the related transactions described under the section "Risk Factors" beginning on page 43, before deciding how to vote:

- The Merger is subject to a number of conditions which, if not satisfied or waived in a timely manner, would delay the Merger or adversely impact Two Harbors' and CYS's ability to complete the transaction.

- Failure to consummate the Merger as currently contemplated or at all could adversely affect the price of Two Harbors Common Stock or CYS Common Stock and the future business and financial results of Two Harbors and CYS.

- The Merger Agreement contains provisions that could discourage a potential competing acquirer of either Two Harbors or CYS or could result in any competing acquisition proposal being at a lower price than it might otherwise be.

- The pendency of the Merger could adversely affect Two Harbors' and CYS's business and operations.

- Following the Merger, the Combined Company may be unable to integrate Two Harbors' business and CYS's business successfully and realize the anticipated synergies or other expected benefits of the Merger on the anticipated timeframe or at all.

Because the number of shares of Two Harbors Common Stock exchanged per share of CYS Common Stock is not fixed, any change in Two Harbors' adjusted book value per share or CYS's adjusted book value per share prior to setting the Exchange Ratio will affect the number of shares of Two Harbors Common Stock issued by Two Harbors and received by CYS common stockholders at the Closing.

The Merger and related transactions are subject to Two Harbors common stockholder approval and CYS common stockholder approval.

Two Harbors common stockholders and CYS common stockholders will be diluted by the Merger.

If the Merger is not consummated by October 31, 2018, either Two Harbors or CYS may terminate the Merger Agreement.

The market price of Two Harbors Common Stock may decline as a result of the Merger and the market price of Two Harbors Common Stock after the consummation of the Merger may be affected by factors different from those affecting the price of Two Harbors Common Stock or the price of CYS Common Stock before the Merger.

An adverse judgment in any litigation challenging the Merger may prevent the Merger from becoming effective or from becoming effective within the expected timeframe.

Following the Merger, the Combined Company may not pay dividends at or above the rate currently paid by Two Harbors or CYS.

The Combined Company will have a significant amount of indebtedness and may need to incur more in the future.

The Combined Company is expected to incur substantial expenses related and unrelated to the Merger.

The historical and unaudited pro forma condensed combined financial information included elsewhere in this joint proxy statement/prospectus may not be representative of the Combined Company's results after the Merger, and accordingly, you have limited financial information on which to evaluate the Combined Company following the Merger.

The Merger is expected to be taxable to U.S. stockholders of CYS Stock; however, the cash received by CYS stockholders in the Merger might not be sufficient to pay such tax.

Two Harbors would incur adverse tax consequences if it or CYS failed to qualify as a REIT for U.S. federal income tax purposes.

The Two Harbors Special Meeting (Page 57)

Date, Time and Place. The special meeting of Two Harbors common stockholders will be held at 601 Carlson Parkway, 2nd Floor, Minnetonka, Minnesota 55305 on July 27, at 9:00 a.m., Central Time.

Purpose. At the Two Harbors special meeting, Two Harbors common stockholders will be asked to consider and vote upon the Two Harbors Common Stock Issuance Proposal and the Two Harbors Adjournment Proposal.

Record Date; Voting Rights. Two Harbors common stockholders at the close of business on June 22, 2018 are entitled to vote at the Two Harbors special meeting and any adjournments or postponements thereof. Each holder of Two Harbors Common Stock on the record date is entitled to one vote per share.

Table of Contents

Quorum. The presence, in person or by proxy, of the holders of shares of Two Harbors Common Stock entitled to cast a majority of all votes entitled to be cast at the Two Harbors special meeting, will constitute a quorum at the Two Harbors special meeting. Abstentions will be counted for the purpose of determining a quorum.

Required Vote. Approval of the Two Harbors Common Stock Issuance Proposal requires that the number of votes cast for the Two Harbors Common Stock Issuance Proposal exceeds the number of votes cast against and abstaining from the Two Harbors Common Stock Issuance Proposal, assuming a quorum is present. Approval of the Two Harbors Adjournment Proposal also requires that the number of votes cast for the Two Harbors Adjournment Proposal exceeds the number of votes cast against the Two Harbors Adjournment Proposal. Holders of Two Harbors preferred stock will not be entitled to vote on any matter at the Two Harbors special meeting.

As of the close of business on the record date for the Two Harbors special meeting, the directors and executive officers of Two Harbors owned approximately 1.42% of the outstanding shares of Two Harbors Common Stock entitled to vote at the Two Harbors special meeting. Two Harbors currently expects that Two Harbors' directors and executive officers will vote their shares of Two Harbors Common Stock in favor of the Two Harbors Common Stock Issuance Proposal as well as the other proposals to be considered at the Two Harbors special meeting, although none of them are obligated to do so.

Your vote as a Two Harbors common stockholder is very important. Accordingly, please sign and return the enclosed proxy card whether or not you plan to attend the Two Harbors special meeting in person.

The CYS Special Meeting (Page 62)

Date, Time and Place. The special meeting of CYS stockholders will be held at 50 Rowes Wharf, Boston, Massachusetts 02110, on July 27, 2018 at 9:00 a.m., Eastern Time.

Purpose. At the CYS special meeting, the CYS common stockholders will be asked to approve the Merger Proposal, the CYS Non-Binding Compensation Advisory Proposal and the CYS Adjournment Proposal.

Record Date; Voting Rights. CYS stockholders at the close of business on June 22, 2018 are entitled to receive this notice and CYS common stockholders are entitled to vote at the CYS special meeting and any adjournments or postponements thereof. Each holder of record of CYS Common Stock on the record date is entitled to one vote per share.

Quorum. The presence, in person or by proxy of the holders of shares of CYS Common Stock entitled to cast a majority of all the votes entitled to be cast at the CYS special meeting, will constitute a quorum at the CYS special meeting. Abstentions will be counted for the purpose of determining a quorum.

Required Vote. Approval of the Merger Proposal requires the affirmative vote of the holders of a majority of the outstanding shares of CYS Common Stock entitled to vote on the Merger Proposal. Approval of the CYS Non-Binding Compensation Advisory Proposal requires, provided a quorum is present, the affirmative vote of a majority of the votes cast on the matter by holders of shares of CYS Common Stock at the CYS special meeting. Approval of the CYS Adjournment Proposal requires, provided a quorum is present, the affirmative vote of a majority of the votes cast on the matter by holders of shares of CYS Common Stock at the meeting.

As of the close of business on the record date for the CYS special meeting, the directors and executive officers of CYS owned approximately 1.04% of the outstanding CYS Common Stock entitled

Table of Contents

to vote at the CYS special meeting. CYS currently expects that the CYS directors and officers will vote their shares of CYS Common Stock in favor of the Merger Proposal, although none of them are obligated to do so.

Opinion of Two Harbors' Financial Advisor (Page 85)

In connection with the Merger, the Two Harbors Board received a written opinion, dated April 25, 2018, from JMP, as to the fairness, from a financial point of view and as of the date of the opinion, to Two Harbors of the Per Share Stock Consideration (as defined in the Merger Agreement) to be paid by Two Harbors as part of the merger consideration. The full text of JMP's written opinion, which is attached to this joint proxy statement/prospectus as Annex B sets forth the assumptions made, procedures followed, matters considered and limitations on the review undertaken. **JMP's opinion was directed and addressed to the Two Harbors Board (in its capacity as such) in connection with its consideration of the Merger. JMP's opinion did not address the underlying decision of the Two Harbors Board to proceed with or effect the Merger or the relative merits of the Merger as compared to any alternative strategy or transaction that might exist for Two Harbors. JMP's opinion does not constitute a recommendation as to how the Two Harbors Board or any Two Harbors common stockholder should act or vote with respect to the Merger or any other matter.**

Opinion of CYS's Financial Advisor, Barclays Capital Inc. (Page 93)

Barclays was engaged to act as a financial advisor to the CYS board in connection with a potential transaction involving CYS. At the CYS board meeting on April 25, 2018, Barclays rendered its oral opinion (which was subsequently confirmed in writing) to the CYS board that, as of such date and based upon and subject to the qualifications, limitations and assumptions set forth in the written opinion, the merger consideration to be offered to the holders of CYS common stock in the merger was fair, from a financial point of view, to such holders.

The full text of Barclays' written opinion, dated as of April 25, 2018, is attached to this joint proxy statement/prospectus as Annex C and incorporated by reference herein. Barclays' written opinion sets forth, among other things, the assumptions made, procedures followed, factors considered and limitations upon the review undertaken by Barclays in rendering its opinion. You are encouraged to read the opinion carefully in its entirety. The summary of Barclays' opinion set forth in this joint proxy statement/prospectus is qualified in its entirety by reference to the full text of the opinion. Barclays' opinion is addressed to the CYS board, addresses only the fairness, from a financial point of view, of the merger consideration to be offered to the holders of CYS common stock and does not constitute a recommendation to any stockholder of CYS as to how such stockholder should vote with respect to the merger or any other matter.

For more information, see "The Merger Opinion of CYS's Financial Advisor, Barclays Capital Inc." beginning on page 93 and Annex C.

Opinion of CYS's Financial Advisor, Credit Suisse Securities (USA) LLC (Page 102)

CYS has engaged Credit Suisse to act as a financial advisor to CYS in connection with the proposed merger. In connection with this engagement, Credit Suisse delivered an opinion, dated April 25, 2018, to the CYS board as to the fairness, from a financial point of view and as of the date of such opinion, of the merger consideration to be received by holders of CYS common stock (other than excluded holders (as defined below)) pursuant to the merger agreement. For purposes of Credit Suisse's analyses and opinion, the term "excluded holders" refers to, collectively, CYS, Two Harbors, Merger Sub and any of their respective wholly owned subsidiaries.

Table of Contents

The full text of Credit Suisse's written opinion, dated April 25, 2018, is attached to this joint proxy statement/prospectus as Annex D and sets forth, among other things, the assumptions made, procedures followed, matters considered and limitations and qualifications on the review undertaken by Credit Suisse in connection with such opinion. The description of Credit Suisse's opinion set forth in this joint proxy statement/prospectus is qualified in its entirety by reference to the full text of Credit Suisse's opinion. Credit Suisse's opinion was provided to the CYS board (in its capacity as such) for its information in connection with its evaluation of the merger consideration from a financial point of view and did not address any other terms, aspects or implications of the proposed merger, the relative merits of the proposed merger or related transactions as compared to alternative transactions or strategies that might be available to CYS or the underlying business decision of the CYS board or CYS to proceed with the proposed merger or related transactions. Credit Suisse's opinion does not constitute advice or a recommendation to any stockholder as to how such stockholder should vote or act on any matter relating to the proposed merger or otherwise.

For more information, see "The Merger Opinion of CYS's Financial Advisor, Credit Suisse Securities (USA) LLC" beginning on page 102 and Annex D.

Directors and Management of Two Harbors After the Merger (Page 116)

Following the consummation of the Merger, the number of directors on the Two Harbors Board will be increased to eleven, and will include all of the current nine directors of the Two Harbors Board and two additional independent directors from the CYS Board: James A. Stern and Karen Hammond. Each of the executive officers of Two Harbors immediately prior to the effective time of the Merger will continue as an executive officer of the Combined Company following the effective time of the Merger.

Interests of Two Harbors Directors and Executive Officers in the Merger (Page 116)

In considering the recommendation of the Two Harbors Board to approve the Two Harbors Common Stock Issuance, Two Harbors common stockholders should be aware that directors and executive officers of Two Harbors have certain interests in the Merger that may be different from, or in addition to, the interests of Two Harbors common stockholders generally and that may present actual or potential conflicts of interests. The Two Harbors Board was aware of these interests and considered them, among other matters, in reaching its decision to approve the Merger Agreement and the transactions contemplated thereby.

The Combined Company will continue to be managed by PRCM Advisers under the terms of the Management Agreement. Under the Management Agreement, PRCM Advisers provides the day-to-day management of Two Harbors' business, including providing Two Harbors with its executive officers and all other personnel necessary to support its operations. In exchange for its services, Two Harbors pays PRCM Advisers a management fee as well as reimburses it for certain expenses incurred by it and its affiliates in rendering management services to Two Harbors. Pine River is the parent of PRCM Advisers. Certain directors and executive officers of Two Harbors are partners and employees of Pine River.

Pursuant to the Management Agreement, Two Harbors pays PRCM Advisers a base management fee equal to 1.5% per annum of its stockholders' equity, which is calculated and payable quarterly in arrears. Following the Merger, Two Harbors stockholders' equity will include the additional equity attributable to the acquisition of CYS, thus the amount of the management fees payable to PRCM Advisers will also increase, which gives PRCM Advisers and its parent, Pine River (and therefore, Two Harbors' management), an incentive, not shared by Two Harbors stockholders, to negotiate and effect the Merger, possibly on terms less favorable to Two Harbors than would otherwise have been achieved. However, in connection with the Merger, PRCM Advisers has agreed to amend the Management

Table of Contents

Agreement to provide for: (i) a reduction in the base management fee PRCM Advisers 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; (ii) a one-time downward adjustment of $15,000,000 to the management fees payable by Two Harbors for the quarter in which the Merger closes; and (iii) a one-time downward adjustment of up to $3.3 million in the management fees payable by Two Harbors for the quarter in which the Merger occurs in order to reimburse Two Harbors for certain expenses it incurs in connection with the Merger. In the event the total amount of the management fee payable for the quarter referenced in clauses (ii) and (iii) above is less than the aggregate amount of the Adjustments, PRCM Advisers will pay to Two Harbors in immediately available funds the difference between (i) such Adjustments and (ii) the base management fee payable to PRCM Advisers with respect to such quarter.

The Fourth Amendment to the Management Agreement between Two Harbors and PRCM Advisers was negotiated between related parties, and the terms, including fees and other amounts payable, may not be as favorable to Two Harbors as if it had been negotiated with an unaffiliated third party.

For additional information, see "The Merger Interests of Two Harbors' Directors and Executive Officers in the Merger" beginning on page 116.

Interests of CYS's Directors and Executive Officers in the Merger (Page 117)

In considering the CYS Board's recommendation for CYS stockholders to approve the Merger Proposal and the CYS Non-Binding Compensation Advisory Proposal, CYS stockholders should be aware that directors and executive officers of CYS have interests in the Merger that may be different from, or in addition to, the interests of CYS stockholders generally and that may present actual or potential conflicts of interests. These interests include:

- immediately prior to the effective time of the Merger, each outstanding award of CYS Restricted Stock granted pursuant to the CYS Stock Plan will automatically vest in full and any forfeiture restrictions applicable to such shares of CYS Restricted Stock shall immediately lapse. As a result, each share of CYS Restricted Stock (less any shares surrendered for income tax purposes) will be treated as a share of CYS Common Stock for all purposes of the Merger, including the right to receive the merger consideration; and

- continued indemnification and insurance coverage for the directors and executive officers of CYS in accordance with the Merger Agreement.

In addition, CYS maintains Employment Agreements with each of Messrs. Grant, DeCicco, Cleary, and Rosenbloom, which provide for payments and other benefits if the individual's employment terminates for a qualifying event or circumstance, such as being terminated without "cause" or leaving employment for "good reason," as these terms are defined in the Employment Agreements. Upon the termination of such individual's employment by CYS or Two Harbors other than for cause, or by such individual for good reason, the individual would be eligible to receive, among other benefits, (i) a lump sum severance payment equal to 2.5 in the case of Mr. Grant and 1.0 in the case of Messrs. DeCicco, Cleary, and Rosenbloom, multiplied by the average of the sum of such individual's base salary and bonus earned during the shorter of (a) the three (3) fiscal years immediately preceding the year in which the termination of employment occurs or (b) the period of time beginning on the date of the individual's employment agreement and ending on the termination date of such individual's employment, (ii) a pro rata bonus for the year of termination, and (iii) certain benefit continuation rights for up to 24 months for Mr. Grant and up to 12 months for Messrs. DeCicco, Cleary, and Rosenbloom, following termination. In addition, under the agreement, such individuals are eligible to receive a "gross-up" payment, if applicable, related to any excise taxes imposed under Section 4999 of the Code.

Upon Closing, each of James A. Stern and Karen Hammond, independent directors from the CYS Board, will be appointed to the Two Harbors Board and will be entitled to compensation pursuant to Two Harbors' independent director compensation program.

In connection with the approval of the execution of the Merger Agreement, the CYS Board approved an amendment to the Employment Agreements to clarify payment mechanics and timing of severance amounts that may become payable pursuant to the Employment Agreements following a qualifying termination of employment with CYS.

Treatment of CYS Restricted Stock

Pursuant to the Merger Agreement, immediately prior to the effective time of the Merger, each outstanding award of shares of CYS Restricted Stock granted pursuant to the CYS Stock Plan will automatically vest in full and any forfeiture restrictions applicable to such shares of CYS Restricted Stock shall immediately lapse. As a result, each share of CYS Restricted Stock (less any shares surrendered for income tax purposes) will be treated as a share of CYS Common Stock for all purposes of the Merger, including the right to receive the merger consideration.

Fourth Amendment to the Management Agreement (Page 150)

In connection with the Merger Agreement, the Management Agreement was amended pursuant to the Fourth Amendment to the Management Agreement so as to (a) reduce PRCM Advisers' base management fee with respect to the additional equity under management resulting from the Merger and the transactions contemplated by the Merger Agreement to 0.75% from the effective time of the Merger through the first anniversary of such effective time and (b) for the fiscal quarter in which the Closing occurs, make a one-time downward adjustment of $15 million to the management fees payable by Two Harbors for such quarter to offset the Per Share Cash Consideration payable to stockholders of CYS, plus up to an additional $3.3 million downward adjustment for certain transaction-related expenses.

Conditions to Complete the Merger (Page 143)

A number of conditions must be satisfied or, to the extent permitted by law, waived before the Merger can be consummated. These include, among others:

- the approval of the Merger Proposal by CYS common stockholders;
- the approval of the Two Harbors Common Stock Issuance Proposal by Two Harbors common stockholders;
- effectiveness of the registration statement on Form S-4, of which this joint proxy statement/prospectus constitutes a part, and no stop order suspending the effectiveness of the Form S-4 having been initiated or threatened by the SEC;
- no injunction or law prohibiting the Merger;
- approval for listing on the NYSE of the shares of Two Harbors Common Stock, Two Harbors Series D Preferred Stock and Two Harbors Series E Preferred Stock to be issued in the Merger or reserved therefor, subject to official notice of issuance;
- accuracy of each party's representations, subject in most cases to materiality or material adverse effect qualifications;
- the absence of a material adverse effect on either Two Harbors or CYS;
- material performance and compliance with each party's covenants; and

Table of Contents

- the receipt of tax opinions relating to the REIT status of each of Two Harbors and CYS.

Regulatory Approvals Required for the Merger (Page 121)

Two Harbors and CYS are not aware of any material federal or state regulatory requirements that must be complied with, or approvals that must be obtained, in connection with the Merger or the other transactions contemplated by the Merger Agreement.

Listing of Two Harbors Common Stock and Deregistration of CYS Common Stock (Page 123)

It is a condition to the completion of the Merger that the shares of Two Harbors Common Stock issuable in connection with the Merger be approved for listing on the NYSE, subject to official notice of issuance. After the Merger is completed, the CYS Common Stock will no longer be listed on the NYSE and will be deregistered under the Exchange Act.

Accounting Treatment (Page 121)

Each of Two Harbors and CYS prepare their financial statements in accordance with GAAP. The Merger will be accounted for as an asset acquisition, with Two Harbors treated as the acquirer. For more information, see "Accounting Treatment" beginning on page 121.

Comparison of Rights of Two Harbors Common Stockholders and CYS Common Stockholders (Page 197)

Holders of CYS Common Stock will have different rights following the effective time of the Merger because they will hold shares of Two Harbors Common Stock instead of shares of CYS Common Stock, and there are differences between the governing documents of Two Harbors and CYS. For more information regarding the differences in rights of Two Harbors common stockholders and CYS common stockholders, see "Comparison of Rights of Two Harbors Common Stockholders and CYS Common Stockholders" beginning on page 197.

Appraisal Rights (Page 122)

Neither holders of Two Harbors Common Stock nor holders of CYS Common Stock will be entitled to appraisal rights.

No Solicitation; Change in Recommendations (Page 140)

From and after the date of the Merger Agreement until the effective time of the Merger or if earlier, the termination of the Merger Agreement, each of Two Harbors and CYS will not, and will cause its subsidiaries and will instruct its representatives not to, among other things, directly or indirectly:

- initiate, solicit or knowingly encourage the making of a Competing Proposal (as defined in "The Merger Agreement Competing Proposals" beginning on page 140);

- engage in any discussions or negotiations with any person with respect to a Competing Proposal or furnish any non-public information regarding Two Harbors or CYS or any of their subsidiaries, as applicable, or access to the properties, assets or employees of Two Harbors or CYS or any of their subsidiaries, as applicable, to any person in connection with or in response to any Competing Proposal;

- enter into any binding or nonbinding letter of intent or agreement in principle, or other agreement providing for a Competing Proposal (other than certain confidentiality agreements);

Table of Contents

withdraw, modify or qualify, or propose publicly to withdraw, modify or qualify, in a manner adverse to the other party, the Two Harbors board recommendation or the CYS board recommendation, as applicable, or publicly recommend the approval or adoption of, or publicly approve or adopt, any Competing Proposal;

fail to include the Two Harbors board recommendation or the CYS board recommendation, as applicable, in this joint proxy statement or any amendment or supplement thereto; or

fail publicly to reaffirm without qualification the Two Harbors board recommendation or the CYS board recommendation, as applicable, within five business days after the written request of the other party following a Competing Proposal that has been publicly announced (or such fewer number of days as remain prior to the Two Harbors special meeting or CYS special meeting, as applicable, as it may be adjourned or postponed).

Notwithstanding the restrictions set forth above, at any time prior to obtaining the applicable approval of their stockholders at their respective stockholder meetings, each of Two Harbors and CYS may, directly or indirectly through one or more of its representatives, engage in discussions or negotiations with any person with respect to a Competing Proposal or furnish non-public information regarding Two Harbors or CYS or any of their subsidiaries, or access to the properties, assets or employees of Two Harbors or CYS or any of their subsidiaries, to any person in connection with or in response to a Competing Proposal, in either case, if certain conditions are met and such proposal is reasonably expected to lead to a Superior Proposal.

At any time prior to obtaining the applicable approval of their stockholders at their respective stockholder meetings, each of Two Harbors and CYS may effect a change in its board recommendation (i) in response to a *bona fide* written Competing Proposal from a third party that was not solicited at any time following the execution of the Merger Agreement and did not arise from a material breach of the obligations set forth in certain provisions of the Merger Agreement, if the Two Harbors Board or the CYS Board, as applicable, so chooses, and (ii) if the Two Harbors Board or the CYS Board, as applicable, determines in good faith, after consultation with outside legal counsel, that the failure to take such action would be inconsistent with its legal duties under applicable law and Two Harbors or CYS, as applicable, have given notice to the other party that it intends to effect a change in its board recommendation. Additionally, CYS may terminate the Merger Agreement, if prior to taking such action, among other things, the CYS Board determines in good faith after consultation with its financial advisors and outside legal counsel that such CYS Competing Proposal is a CYS Superior Proposal and the CYS Board has approved, and concurrently with the termination thereunder, CYS enters into, a definitive agreement providing for the implementation of such CYS Superior Proposal.

For more information regarding what constitutes a "Competing Proposal" and what constitutes a "CYS Superior Proposal," see "The Merger Agreement Competing Proposals" beginning on page 140.

Termination of the Merger Agreement (Page 145)

The Merger Agreement may be terminated at any time before the effective time of the Merger by the mutual written consent of Two Harbors and CYS.

The Merger Agreement may also be terminated prior to the effective time of the Merger by either Two Harbors or CYS if:

any governmental entity of competent jurisdiction has issued a final and non-appealable order, decree, ruling or injunction or taken any other action permanently restraining, enjoining or otherwise prohibiting the consummation of the Merger, or if there shall have been adopted prior to the effective time of the Merger any law that permanently makes the consummation of the Merger illegal or otherwise permanently prohibited;

- the Merger has not been consummated on or before 5:00 p.m. New York, New York time, on October 31, 2018 (the "End Date") (provided that this termination right will not be available to any party whose breach of any representation, warranty, covenant or agreement contained in this Agreement has been the cause of or resulted in the failure of the Merger to occur on or before such date);

- the other party breaches any of its representations, warranties, covenants or other agreements (other than a breach of its non-solicitation covenant), if such breach resulted in a failure of a closing condition, and such breach cannot be or has not been cured within 30 days (or, if earlier, the End Date), provided that the other party may not terminate if such other party is similarly in breach;

- the other party commits a willful and material breach of its non-solicitation covenant;

- Two Harbors common stockholders have failed to approve the issuance of shares of Two Harbors Common Stock in connection with the Merger, or CYS common stockholders have failed to approve Merger and the other transactions contemplated by the Merger Agreement, as applicable; or

- the other party's board of directors has effected a change in its board recommendation prior to the time that such party has obtained the applicable approval of its stockholders at its respective stockholder meeting.

In addition to the termination rights set forth above, CYS may also terminate the Merger Agreement upon entering into a definitive agreement providing for the implementation of a CYS Superior Proposal.

For more information regarding termination of the Merger Agreement, see "The Merger Agreement Termination of the Merger Agreement" beginning on page 145.

Termination Fees and Expenses (Page 146)

Generally, all fees and expenses incurred in connection with the Merger and the other transactions contemplated by the Merger Agreement will be paid by the party incurring those fees and expenses; provided that, in certain circumstances, Two Harbors may be obligated to pay to CYS a termination fee of $51.8 million or an expense amount equal to $20.6 million, or CYS may be obligated to pay to Two Harbors a termination fee of $43.2 million or an expense amount equal to $8.6 million.

For further discussion of the termination fees, see "The Merger Agreement Termination Fees and Expenses" beginning on page 146.

Litigation Relating to the Merger (Page 124)

Six lawsuits have been filed by purported stockholders of CYS. The first suit, styled as *Fran Stone v. CYS Investments, Inc., et al.*, No. 1:18-cv-11156 (the "Stone Lawsuit"), was filed in the United States District Court for the District of Massachusetts on June 1, 2018 and asserts claims against CYS, certain of its directors, Merger Sub and Two Harbors (collectively, the "Stone Defendants"). The second suit, styled as *Jordan Rosenblatt v. CYS Investments, Inc., et al.*, No.1:18-cv-11220 (the "Rosenblatt Lawsuit"), was filed in the United States District Court for the District of Massachusetts on June 11, 2018 and asserts claims against the Stone Defendants and certain additional CYS directors not named in the Stone Lawsuit (collectively, the "Rosenblatt Defendants"). The third suit, styled as *Peter Enzinna v. CYS Investments, Inc., et al.*, No. 1:18-cv-11238 (the "Enzinna Lawsuit"), was filed in the United States District Court for the District of Massachusetts on June 13, 2018 and asserts claims against CYS and certain of its directors (collectively, the "Enzinna Defendants"). The fourth suit, styled as *Arthur Ruscher v. CYS Investments, Inc., et al.*, No. 1:18-cv-01763 (the "Ruscher Lawsuit"), was filed in the

Table of Contents

United States District Court for the District of Maryland on June 14, 2018 and asserts claims against the Enzinna Defendants (the "Ruscher Defendants"). The fifth suit, styled as *Walter Penchuk v. CYS Investments, Inc. et al.*, No. V449557 (the "Penchuk Lawsuit"), was filed in the Circuit Court for Montgomery County, Maryland on June 14, 2018 and asserts claims against the Enzinna Defendants and certain additional directors not named in the Enzinna Lawsuit (collectively, the "Penchuk Defendants"). The sixth suit, styled as *Shiva Stein v. CYS Investments, Inc. et al.*, No. 1:18-cv-01826 (the "Stein Lawsuit" and, with the Stone, Rosenblatt, Enzinna, Ruscher, and Penchuk Lawsuits, the "Lawsuits"), was filed in in the United States District Court for the District of Maryland on June 19, 2018 and asserts claims against the Enzinna Defendants (the "Stein Defendants").

With the exception of the Penchuk Lawsuit, the Lawsuits allege that the defendants violated Section 14(a) of the Exchange Act and Rule 14a-9 promulgated thereunder and/or Section 20(a) of the Exchange Act by disseminating and/or causing to be disseminated an allegedly materially incomplete and misleading registration statement. The Penchuk Lawsuit alleges that the defendants breached their fiduciary duties in connection with the Merger.

The Stone Lawsuit seeks, among other things: preliminary and permanent injunctive relief preventing the Stone Defendants from filing with the SEC (or otherwise disseminating) an amendment to the registration statement or consummating the Merger, in each case unless and until the Stone Defendants disclose additional information identified in the complaint; rescission of the Merger or rescissory damages if the Merger is consummated prior to entry of final judgment by the court; an accounting of any damages suffered as a result of the Stone Defendants' alleged wrongdoing; and litigation costs (including attorneys' and expert fees and expenses). The Rosenblatt Lawsuit seeks, among other things: preliminary and permanent injunctive relief preventing the Rosenblatt Defendants from proceeding with, consummating, or closing the Merger; rescission of the Merger or rescissory damages if the Merger is consummated prior to entry of final judgment by the court; the filing of an amendment to the registration statement that does not contain any untrue statements of material fact and that states all material facts required in it or necessary to make the statements contained therein not misleading; a declaration that the Rosenblatt Defendants violated Section 14(a) and/or Section 20(a) of the Exchange Act and Rule 14a-9 promulgated thereunder; and litigation costs (including attorneys' and expert fees and expenses). The Enzinna Lawsuit seeks, among other things: preliminary and permanent injunctive relief preventing the Enzinna Defendants from proceeding with, consummating, or closing the Merger unless and until the Enzinna Defendants disclose additional information identified in the complaint; rescission of the Merger or rescissory damages if the Merger is consummated prior to entry of final judgment by the court; a declaration that the Enzinna Defendants violated Section 14(a) and/or Section 20(a) of the Exchange Act and Rule 14a-9 promulgated thereunder; and litigation costs (including attorneys' and expert fees and expenses). The Ruscher Lawsuit seeks, among other things: injunctive relief preventing the Ruscher Defendants from proceeding with, consummating, or closing the Merger unless and until the Ruscher Defendants disclose additional information identified in the complaint; an accounting of any damages suffered as a result of the Ruscher Defendants' alleged wrongdoing; and litigation costs (including attorneys' and expert fees and expenses). The Penchuk Lawsuit seeks, among other things: injunctive relief preventing the Penchuk Defendants from proceeding with, consummating, or closing the Merger, or in the alternative, the amendment or removal of certain deal protection provisions from the Merger Agreement identified in the complaint; rescission of the Merger or rescissory damages if the Merger is consummated prior to entry of final judgment by the court; an accounting of any damages suffered as a result of the Penchuk Defendants' alleged wrongdoing; imposition of a constructive trust for the benefit of CYS stockholders to the extent the Penchuk Defendants have improperly benefitted from the alleged wrongdoing; and litigation costs (including attorneys' and expert fees and expenses). The Stein Lawsuit seeks, among other things: injunctive relief preventing the Stein Defendants from proceeding with, consummating, or closing the Merger unless and until the Stein Defendants disclose additional information identified in the complaint; an accounting of any damages suffered as a result of the Stein

Table of Contents

Defendants' alleged wrongdoing; and litigation costs (including attorneys' and expert fees and expenses).

Two Harbors and CYS believe that the claims asserted in the Lawsuits are without merit and intend to defend vigorously against the Lawsuits.

For more information, see "Litigation Relating to the Merger" on page 124.

Material U.S. Federal Income Tax Consequences (Page 151)

Assuming that the Merger is completed as currently contemplated, CYS and Two Harbors expect that the receipt of (i) cash and Two Harbors Common Stock in exchange for CYS Common Stock, (ii) Two Harbors Series D Preferred Stock in exchange for CYS Series A Preferred Stock, or (iii) Two Harbors Series E Preferred Stock in exchange for CYS Series B Preferred Stock, as applicable, by U.S. stockholders pursuant to the Merger will be a taxable transaction for U.S. federal income tax purposes. Generally, for U.S. federal income tax purposes, U.S. stockholders of CYS Common Stock will recognize gain or loss as a result of the Merger measured by the difference, if any, between (i) the sum of the fair market value of the Two Harbors Common Stock received and the amount of any cash received, and (ii) the stockholder's adjusted tax basis in its CYS Common Stock. In addition, generally, for U.S. federal income tax purposes, U.S. stockholders of CYS Series A Preferred Stock or CYS Series B Preferred Stock will recognize gain or loss as a result of the Merger measured by the difference, if any, between (i) the fair market value of the Two Harbors Series D Preferred Stock or Two Harbors Series E Preferred Stock received, as applicable, and (ii) the stockholder's adjusted tax basis in its CYS Series A Preferred Stock or CYS Series B Preferred Stock, as applicable. Because the consideration to be given to stockholders of (i) CYS Common Stock consists primarily of Two Harbors Common Stock and (ii) CYS Series A Preferred Stock and CYS Series B Preferred Stock consists solely of Two Harbors Series D Preferred Stock and Two Harbors Series E Preferred Stock, respectively, U.S. stockholders of CYS Stock may need to sell their Two Harbors stock received in the Merger, or raise cash from other sources, to pay any tax obligations resulting from the Merger. Generally, non-U.S. stockholders are not expected be subject to U.S. federal income tax or U.S. federal withholding tax on any gain recognized from the Merger. See "Material U.S. Federal Income Tax Consequences Consequences of the Merger to Non-U.S. Stockholders of CYS Stock." CYS and Two Harbors anticipate that the Merger will have no material U.S. federal income tax consequences to Two Harbors stockholders who do not own any CYS stock.

The tax consequences to you of the Merger will depend on your own situation. You should consult your tax advisor for a full understanding of the tax consequences to you of the Merger. For more information regarding the U.S. federal income tax consequences of the Merger to CYS stockholders, please see "Material U.S. Federal Income Tax Consequences of the Merger" beginning on page 151.

Description of Two Harbors Capital Stock (Page 180)

As of June 13, 2018, 175,468,801 shares of Two Harbors Common Stock were issued and outstanding and 5,750,000 shares of Two Harbors Series A Preferred Stock, 11,500,000 shares of Two Harbors Series B Preferred Stock, and 11,800,000 shares of Two Harbors Series C Preferred Stock, were issued and outstanding. Based on an assumed exchange ratio of 0.4872 based on book values as of March 31, 2018, upon consummation of the Merger, the Combined Company would be expected to have approximately 251.1 million shares of Two Harbors Common Stock, 5,750,000 shares of Two Harbors Series A Preferred Stock, 11,500,000 shares of Two Harbors Series B Preferred Stock, 11,800,000 shares of Two Harbors Series C Preferred Stock, 3,000,000 shares of newly classified Two Harbors Series D Preferred Stock and 8,000,000 shares of newly classified Two Harbors Series E Preferred Stock issued and outstanding.

Table of Contents

Voting rights are generally vested in the holders of the Two Harbors Common Stock, and such holders are entitled to receive dividends on such Two Harbors Common Stock if, as and when authorized by the Two Harbors Board, and declared by Two Harbors out of assets legally available therefor.

Selected Historical Financial Information of Two Harbors

The following selected historical financial information for each of the years during the five-year period ended December 31, 2017 and the selected balance sheet data as of December 31 for each of the years in the five-year period ended December 31, 2017, have been derived from Two Harbors' audited consolidated financial statements.

The selected historical financial information as of March 31, 2018 and for the three months ended March 31, 2018 and 2017 have been derived from Two Harbors' unaudited interim consolidated financial statements included in Two Harbors' Quarterly Report on Form 10-Q for the quarter ended March 31, 2018, which is incorporated herein by reference. The following selected historical financial information as of March 31, 2017 has been derived from Two Harbors' unaudited interim consolidated financial statements not included or incorporated herein by reference.

You should read the selected historical financial information presented below together with the consolidated financial statements and the related notes thereto and management's discussion and analysis of financial condition and results of operations of Two Harbors included in Two Harbors' Annual Report on Form 10-K for the year ended December 31, 2017 and its Quarterly Report on Form 10-Q for the quarter ended March 31, 2018, which are incorporated herein by reference. See also "Where You Can Find More Information and Incorporation by Reference" on page 212.

Table of Contents

TWO HARBORS SELECTED FINANCIAL DATA

(in thousands, except per share data)	For the three months ended March 31, 2018 unaudited	2017 unaudited	For the year ended December 31, 2017	2016	2015	2014	2013
Statement of comprehensive income data:							
Interest income:							
Available-for-sale securities	$ 190,716	$ 135,327	$ 631,853	$ 414,050	$ 458,515	$ 506,268	$ 507,180
Trading securities					8,676	12,913	5,963
Residential mortgage loans held-for-investment in securitization trusts		31,628	102,886	133,993	95,740	41,220	19,220
Residential mortgage loans held-for-sale	307	398	1,704	23,037	28,966	16,089	22,185
Other	2,996	1,801	8,646	4,000	982	717	1,043
Total interest income	194,019	169,154	745,089	575,080	592,879	577,207	555,591
Interest expense:							
Repurchase agreements	86,580	32,256	210,430	88,850	72,653	76,177	89,470
Collateralized borrowings in securitization trusts		25,386	82,573	97,729	57,216	26,760	10,937
Federal Home Loan Bank advances	4,458	8,793	36,911	26,101	11,921	4,513	
Revolving credit facilities	804	429	2,341	604			
Convertible senior notes	4,718	3,821	17,933				
Total interest expense	96,560	70,685	350,188	213,284	141,790	107,450	100,407
Net interest income	97,459	98,469	394,901	361,796	451,089	469,757	455,184
Other-than-temporary impairments:							
Total other-than-temporary impairment losses	(94)		(789)	(1,822)	(535)	(392)	(1,662)
Other income (loss):							
(Loss) gain on investment securities	(20,671)	(52,352)	(34,695)	(107,374)	363,379	87,201	(54,430)
Servicing income	71,190	39,773	209,065	143,579	127,398	128,160	11,795
Gain (loss) on servicing asset	71,807	(14,565)	(91,033)	(83,531)	(99,584)	(128,388)	13,881
Gain (loss) on interest rate swaps and swaption agreements	150,545	9,927	(9,753)	45,371	(210,621)	(345,647)	245,229
Gain (loss) on other derivative instruments	8,053	(27,864)	(70,159)	99,379	(5,049)	(17,529)	95,345
Other income (loss)	1,058	9,496	30,141	9,964	(7,686)	35,836	(19,011)
Total other income (loss)	281,982	(35,585)	33,566	107,388	167,837	(240,367)	292,809
Expenses:							
Management fees	11,708	9,808	40,472	39,261	49,116	48,803	41,707
Servicing expenses	14,554	5,298	35,289	32,119	28,028	25,925	3,761
Securitization deal costs				6,152	8,971	4,638	4,153
Other operating expenses	14,492	13,764	54,160	56,605	56,764	56,231	37,259
Restructuring charges				2,990			
Total expenses	40,754	28,870	129,921	137,127	142,879	135,597	86,880
Income from continuing operations before income taxes	338,593	34,014	297,757	330,235	475,512	93,401	659,451
Provision for (benefit from) income taxes	3,784	(24,517)	(10,482)	12,314	(16,560)	(73,738)	84,411
Net income from continuing operations	334,809	58,531	308,239	317,921	492,072	167,139	575,040

Income from discontinued operations, net of tax		13,454	44,146	35,357	138		3,999
Net income	334,809	71,985	352,385	353,278	492,210	167,139	579,039
Income from discontinued operations attributable to non-controlling interest			3,814				
Net income attributable to Two Harbors Investment Corp.	334,809	71,985	348,571	353,278	492,210	167,139	579,039
Dividends on preferred stock	13,747		25,122				
Net income attributable to common stockholders	$ 321,062	$ 71,985	$ 323,449	$ 353,278	$ 492,210	$ 167,139	$ 579,039
Basic per common share data:							
Net income from continuing operations per weighted average common share	$ 1.83	$ 0.33	$ 1.62	$ 1.83	$ 2.70	$ 0.91	$ 3.28
Income from discontinued operations per weighted average common share		0.08	0.23	0.20			0.02
Net income per weighted average common share	$ 1.83	$ 0.41	$ 1.85	$ 2.03	$ 2.70	$ 0.91	$ 3.30
Weighted average number of shares of common stock outstanding	175,145,964	174,281,965	174,433,999	174,036,852	182,623,869	183,005,928	175,180,914
Diluted per common share data:							
Net income from continuing operations per weighted average common share	$ 1.69	$ 0.33	$ 1.60	$ 1.83	$ 2.70	$ 0.91	$ 3.28
Income from discontinued operations per weighted average common share		0.08	0.21	0.20			0.02
Net income per weighted average common share	$ 1.69	$ 0.41	$ 1.81	$ 2.03	$ 2.70	$ 0.91	$ 3.30

Table of Contents

(in thousands, except per share data)	For the three months ended March 31, 2018 unaudited	2017 unaudited	For the year ended December 31, 2017	2016	2015	2014	2013
Weighted average number of shares of common stock outstanding	192,818,531	174,281,965	188,133,341	174,036,852	182,623,869	183,005,928	175,496,194
Dividends declared per common share	$ 0.47	$ 0.50	$ 2.01	$ 1.86	$ 2.08	$ 2.08	$ 2.34
Comprehensive income:							
Net income	$ 334,809	$ 71,985	$ 352,385	$ 353,278	$ 492,210	$ 167,139	$ 579,039
Other comprehensive (loss) income, net of tax:							
Unrealized (loss) gain on available-for-sale securities	(344,777)	73,762	135,586	(159,834)	(496,728)	411,054	(251,723)
Other comprehensive (loss) income	(344,777)	73,762	135,586	(159,834)	(496,728)	411,054	(251,723)
Comprehensive (loss) income	(9,968)	145,747	487,971	193,444	(4,518)	578,193	327,316
Comprehensive income attributable to non-controlling interest			3,814				
Comprehensive (loss) income attributable to Two Harbors Investment Corp.	(9,968)	145,747	484,157	193,444	(4,518)	578,193	327,316
Dividends on preferred stock	13,747		25,122				
Comprehensive (loss) income attributable to common stockholders	$ (23,715)	$ 145,747	$ 459,035	$ 193,444	$ (4,518)	$ 578,193	$ 327,316

	As of March 31, 2018 unaudited	2017 unaudited	As of December 31, 2017	2016	2015	2014	2013
Balance sheet data:							
Available-for-sale securities	$ 21,059,377	$ 17,318,697	$ 21,220,819	$ 13,116,171	$ 7,825,320	$ 14,341,102	$ 12,256,727
Mortgage servicing rights	$ 1,301,023	$ 747,580	$ 1,086,717	$ 693,815	$ 493,688	$ 452,006	$ 514,402
Total assets	$ 24,077,165	$ 24,270,844	$ 24,789,313	$ 20,112,056	$ 14,575,772	$ 21,084,309	$ 17,173,862
Repurchase agreements	$ 19,148,679	$ 13,640,720	$ 19,451,207	$ 8,865,184	$ 4,948,926	$ 12,932,463	$ 12,250,450
Federal Home Loan Bank advances	$ 865,024	$ 3,571,762	$ 1,215,024	$ 4,000,000	$ 3,785,000	$ 2,500,000	$
Total stockholders' equity	$ 3,467,685	$ 3,602,561	$ 3,571,424	$ 3,401,111	$ 3,576,561	$ 4,068,042	$ 3,854,995

Selected Historical Financial Information of CYS

The following selected historical financial information for each of the years during the five-year period ended December 31, 2017 and the selected balance sheet data as of December 31 for each of the years in the five-year period ended December 31, 2017 have been derived from CYS's audited consolidated financial statements. The selected historical financial information for the three months ended March 31, 2018 and the selected balance sheet data as of March 31, 2018 have been derived from CYS's unaudited interim consolidated financial statements. The

"Key Performance Metrics" have been derived from CYS's underlying books and records.

You should read the selected historical financial information presented below together with the consolidated financial statements and the related notes thereto and management's discussion and analysis of financial condition and results of operations of CYS included in CYS's Annual Report on Form 10-K for the year ended December 31, 2017, and its Quarterly Report on Form 10-Q for the quarter ended March 31, 2018, which are incorporated herein by reference. See also "Where You Can Find More Information and Incorporation by Reference" on page 212.

Table of Contents

CYS SELECTED FINANCIAL DATA

(In thousands, except per share numbers)	For the three months ended March 31, 2018	For the three months ended March 31, 2017	For the year ended December 31, 2017	2016	2015	2014**	2013**
Income Statement Data:							
Interest income:							
Agency RMBS	$ 85,986	$ 73,227	$ 304,421	$ 291,097	$ 328,286	$ 301,996	$ 330,430
Other	2,692	86	6,362	3,440	2,909	15,080	1,481
Total interest income	88,678	73,313	310,783	294,537	331,195	317,076	331,911
Interest expense:							
Repurchase agreements	41,117	21,221	114,616	70,230	40,700	33,825	52,763
FHLBC Advances				4,049	5,429		
Total interest expense	41,117	21,221	114,616	74,279	46,129	33,825	52,763
Net interest income	47,561	52,092	196,167	220,258	285,066	283,251	279,148
Other income (loss):							
Net realized gain (loss) on investments	(71,191)	(66,044)	(114,737)	19,463	13,652	132,563	(595,116)
Net unrealized gain (loss) on investments	(166,009)	63,478	94,463	(132,500)	(129,764)	233,763	(314,530)
Net unrealized gain (loss) on FHLBC Advances				(1,299)	1,299		
Other income	39	47	163	1,361	867	269	120
Net realized and unrealized gain (loss) on investments, FHLBC Advances and other income	(237,161)	(2,519)	(20,111)	(112,975)	(113,946)	366,595	(909,526)
Interest rate hedge expense, net	(2,508)	(8,327)	(29,550)	(55,798)	(100,110)	(90,812)	(93,497)
Net realized and unrealized gain (loss) on derivative instruments	89,468	(1,012)	57,750	(11,483)	(54,932)	(110,542)	269,128
Net gain (loss) on derivative instruments	86,960	(9,339)	28,200	(67,281)	(155,042)	(201,354)	175,631
Total other income (loss)	(150,201)	(11,858)	8,089	(180,256)	(268,988)	165,241	(733,895)
Expenses:							
Compensation and benefits	3,192	3,776	13,759	12,934	12,121	14,105	12,599
General, administrative and other	2,676	2,438	9,236	10,677	8,722	8,778	8,436
Total expenses	5,868	6,214	22,995	23,611	20,843	22,883	21,035
Net income (loss)	$ (108,508)	$ 34.020	$ 181,261	$ 16,391	$ (4,765)	$ 425,609	$ (475,782)
Dividend on preferred stock	(5,203)	(5,203)	(20,812)	(20,812)	(20,813)	(20,812)	(15,854)

Net income (loss) available to common stockholders	$ (113,711)	$ 28,817	$ 160,449	$ (4,421)	$ (25,578)	$ 404,797	$ (491,636)
Net income (loss) per common share basic & diluted	$ (0.74)	$ 0.19	$ 1.05	$ (0.04)	$ (0.17)	$ 2.50	$ (2.90)
Dividends per common share	$ 0.22	$ 0.25	$ 1.00	$ 1.01	$ 1.10	$ 1.24	$ 1.32

Table of Contents

(In thousands, except per share numbers)	For the three months ended March 31, 2018	For the three months ended March 31, 2017	For the year ended December 31, 2017	2016	2015	2014**	2013**
Key Balance Sheet Metrics							
Average settled Debt Securities(1)	$ 11,701,609	$ 10,819,433	$ 11,233,526	$ 11,781,920	$ 12,962,340	$ 12,198,178	$ 14,813,725
Average total Debt Securities(2)	$ 13,185,053	$ 12,485,920	$ 12,701,093	$ 13,212,278	$ 14,223,921	$ 13,910,227	$ 17,806,279
Average repurchase agreements and FHLBC Advances(3)	$ 10,215,763	$ 9,264,522	$ 9,697,163	$ 10,290,967	$ 11,395,383	$ 10,559,856	$ 12,836,246
Average Debt Securities liabilities(4)	$ 11,699,207	$ 10,931,009	$ 11,164,730	$ 11,721,325	$ 12,656,964	$ 12,271,905	$ 15,828,800
Average stockholders' equity(5)	$ 1,480,291	$ 1,539,245	$ 1,561,583	$ 1,704,701	$ 1,856,455	$ 1,922,938	$ 2,145,397
Average common shares outstanding(6)	155,198	151,572	152,700	151,522	156,686	161,950	170,803
Leverage ratio (at period end)(7)	8.06:1	7.15:1	7.33:1	7.06:1	6.77:1	6.44:1	6.97:1
Liquidity as % of stockholders' equity(8)	61%	69%	65%	61%	66%	67%	63%
Hedge ratio(9)	101%	99%	99%	92%	94%	90%	91%
Book value per common share (at period end)(10)	$ 7.41	$ 8.26	$ 8.38	$ 8.33	$ 9.36	$ 10.50	$ 9.24
Weighted-average amortized cost of Agency RMBS and U.S. Treasuries(11)	$ 102.95	103.26	$ 102.92	$ 103.78	$ 103.69	$ 103.98	$ 102.57

(In thousands, except per share numbers)	For the three months ended March 31, 2018	For the three months ended March 31, 2017	For the year ended December 31, 2017	2016	2015	2014**	2013**
Key Performance Metrics*							
Average yield on settled Debt Securities(12)	3.02%	2.71%	2.77%	2.50%	2.56%	2.60%	2.24%
Average yield on total Debt Securities including Drop Income(13)	2.80%	2.65%	2.68%	2.48%	2.56%	2.72%	2.39%
Average cost of funds(14)	1.61%	0.92%	1.18%	0.72%	0.40%	0.32%	0.41%
Average cost of funds and hedge(15)	1.71%	1.28%	1.49%	1.26%	1.28%	1.18%	1.14%
Adjusted average cost of funds and hedge(16)	1.49%	1.08%	1.29%	1.11%	1.16%	1.02%	0.92%
Interest rate spread net of hedge(17)	1.31%	1.43%	1.28%	1.24%	1.28%	1.42%	1.10%
Interest rate spread net of hedge including Drop Income(18)	1.31%	1.57%	1.39%	1.37%	1.40%	1.70%	1.47%
Operating expense ratio(19)	1.59%	1.61%	1.47%	1.39%	1.12%	1.19%	0.98%
Total stockholder return on common equity(20)	(8.95)%	2.16%	12.61%	(0.21)%	(0.38)%	27.06%	(20.66)%
CPR (weighted-average experienced 1-month)(21)	7.1%	8.1%	8.6%	12.1%	10.4%	7.9%	11.6%

(1) The average settled Debt Securities is calculated by *averaging* the month end cost basis of settled Debt Securities during the period.

Table of Contents

(2)

The average total Debt Securities is calculated by *averaging* the month end cost basis of total Debt Securities and unsettled Debt Securities (inclusive of TBA Derivatives) during the period.

(3)

The average repurchase agreements and FHLBC Advances are calculated by *averaging* the month-end repurchase agreements and FHLBC Advances balances during the period.

(4)

The average Debt Securities liabilities are calculated by *adding* the average month-end repurchase agreements and FHLBC Advances balances plus average unsettled Debt Securities (inclusive of TBA Derivatives) during the period.

(5)

The average stockholders' equity is calculated by *averaging* the month-end stockholders' equity during the period.

(6)

The average common shares outstanding is calculated by *averaging* the daily common shares outstanding during the period.

(7)

The leverage ratio is calculated by *dividing* (i) CYS's repurchase agreements and FHLBC Advances balance plus payable for securities purchased *minus* receivable for securities sold, *plus* or *minus* the net TBA Derivatives positions by (ii) stockholders' equity.

(8)

Liquidity as % of stockholders' equity is calculated by dividing unencumbered liquid assets by stockholders' equity.

(9)

The hedge ratio for the period is calculated by *dividing* the combined total Interest Rate Swaps, Swaptions and Interest Rate Caps notional amount by total repurchase agreements and FHLBC Advances balances.

(10)

Book value per common share is calculated by *dividing* total stockholders' equity *less* the liquidation value of preferred stock at period end by common shares outstanding at period end.

(11)

The weighted-average amortized cost of Agency RMBS and U.S. Treasuries is calculated using the weighted-average amortized cost by security *divided* by the current face at period end.

(12)

The average yield on settled Debt Securities for the period is calculated by *dividing* total interest income by average settled Debt Securities.

(13)

Average yield on total Debt Securities including Drop Income for the period is calculated by *dividing* total interest income *plus* Drop Income by average total Debt Securities. Drop Income was $29.9 million, $32.9 million, $32.6 million, $60.7 million and $94.5 million for the years ended December 31, 2017, 2016, 2015, 2014 and 2013, respectively. Drop Income is a component of CYS's net realized and unrealized gain (loss) on investments and derivative instruments in the Consolidated Statements of Operations. Drop Income is the difference between the spot price and the forward-settlement price for the same security on the trade date.

(14)

The average cost of funds for the period is calculated by *dividing* repurchase agreement and FHLBC Advances interest expense by average repurchase agreements and FHLBC Advances for the period.

(15)

The average cost of funds and hedge for the period is calculated by *dividing* repurchase agreement and FHLBC Advances interest expense and interest rate hedge expense, net by average repurchase agreements and FHLBC Advances.

(16)

The adjusted average cost of funds and hedge for the period is calculated by *dividing* repurchase agreement and FHLBC Advances interest expense and interest rate hedge expense, net by average Debt Securities liabilities.

(17)

The interest rate spread net of hedge for the period is calculated by *subtracting* average cost of funds and hedge from average yield on settled Debt Securities.

Table of Contents

(18)

The interest rate spread net of hedge including Drop Income for the period is calculated by *subtracting* adjusted average cost of funds and hedge from average yield on total Debt Securities including Drop Income.

(19)

The operating expense ratio for the period is calculated by *dividing* operating expenses by average stockholders' equity.

(20)

The total stockholder return on common equity is calculated as the change in book value *plus* dividend distributions on common stock *divided* by book value at the beginning of the period.

(21)

CPR represents the weighted-average 1-month CPR of CYS's Agency RMBS during the period.

*

All percentages are annualized except total stockholder return on common equity.

**

Previously reported under specialized accounting, ASC 946 Financial Services Investment Companies. See Notes to consolidated financial statements, in CYS's Form 10-K for the year ended December 31, 2017 and Form 10-Q for the quarterly period ended March 31, 2018.

(in thousands, except per share numbers)	As of March 31, 2018	As of March 31, 2017	As of December 31, 2017	2016	2015	2014	2013
Balance Sheet Data:							
Investments in securities, at fair value	$ 11,535,960	$ 11,060,851	$ 12,634,654	$ 12,648,731	$ 13,027,707	$ 14,601,507	$ 13,858,848
Total assets	12,930,261	11,240,918	13,145,582	13,245,268	14,330,704	14,895,863	14,633,064
Repurchase agreements and other debt	10,084,643	9,015,594	10,089,917	9,691,544	11,086,477	11,289,559	11,206,950
Stockholders' equity	1,426,945	1,527,670	1,574,247	1,535,719	1,694,614	1,975,168	1,768,656
Book value per common share	$ 7.41	$ 8.26	$ 8.38	$ 8.33	$ 9.36	$ 10.50	$ 9.24

(in thousands, except per share numbers)	For the three months ended March 31, 2018	For the three months ended March 31, 2017	For the year ended December 31, 2017	2016	2015	2014	2013
Non-GAAP Reconciliation:							
Net income (loss) available to common stockholders	$ (113,711)	$ 28,817	$ 160,449	$ (4,421)	$ (25,578)	$ 404,797	$ (491,636)
Net realized (gain) loss on investments	71,191	66,044	114,737	(19,463)	(13,652)	(132,563)	595,116
Net unrealized (gain) loss on investments	166,009	(63,478)	(94,463)	132,500	129,764	(233,763)	314,530
Net realized and unrealized (gain) loss on derivative instruments	(89,468)	1,012	(57,750)	11,483	54,932	110,542	(269,128)
Net unrealized (gain) loss on FHLBC Advances				1,299	(1,299)		
Core Earnings	$ 34,021	$ 32,395	$ 122,973	$ 121,398	$ 144,167	$ 149,013	$ 148,882

Table of Contents

Selected Unaudited Pro Forma Condensed Combined Financial Statements (Page 214)

The following table shows summary unaudited pro forma condensed combined financial information about the combined financial condition and operating results of Two Harbors and CYS after giving effect to the Merger. The unaudited pro forma financial information assumes that the Merger is accounted for as an asset acquisition with Two Harbors as the acquiring entity. The unaudited pro forma condensed combined balance sheet data gives effect to the Merger as if it had occurred on March 31, 2018. The unaudited pro forma condensed combined statements of operations data gives effect to the Merger as if it had occurred on January 1, 2017. The summary unaudited pro forma condensed combined financial information listed below has been derived from and should be read in conjunction with (1) the more detailed unaudited pro forma condensed combined financial statements, including the notes thereto, appearing elsewhere in this joint proxy statement/prospectus and (2) the historical consolidated financial statements and related notes of both Two Harbors and CYS, incorporated herein by reference. See "Unaudited Pro Forma Condensed Combined Financial Statement" beginning on page 214 and "Where You Can Find More Information and Incorporation by Reference" beginning on page 212.

Table of Contents

	As of, or for the Three Months Ended, March 31, 2018 (in thousands, except for per share data)			
	Two Harbors Historical(1)	CYS Historical(1)	Pro Forma Adjustments	Two Harbors Pro Forma
Statement of Comprehensive Income (Loss) Data:				
Interest income	$ 194,019	$ 88,678	$	$ 282,697
Interest expense	96,560	41,117		137,677
Net interest income	97,459	47,561		145,020
Other-than-temporary impairment losses	(94)			(94)
Other income (loss)	281,982	(150,201)	167,039	298,820
Expenses	40,754	5,868		46,622
Provision for income taxes	3,784			3,784
Net income (loss)	334,809	(108,508)	167,039	393,340
Dividends on preferred stock	13,747	5,203		18,950
Net income (loss) attributable to common stockholders	$ 321,062	$ (113,711)	$ 167,039	$ 374,390
Per Share Data:				
Net income (loss) per weighted average common share basic	$ 1.83	$ (0.74)	$ 0.40	$ 1.49
Net income (loss) per weighted average common share diluted	$ 1.69	$ (0.74)	$ 0.46	$ 1.41
Weighted average number of shares of common stock outstanding basic	175,145,964	154,230,144	(78,517,301)	250,858,807
Weighted average number of shares of common stock outstanding diluted	192,818,531	154,230,144	(78,517,301)	268,531,374
Comprehensive loss:				
Net income (loss)	$ 334,809	$ (108,508)	$ 167,039	$ 393,340
Other comprehensive loss, net of tax:				
Unrealized loss on available-for-sale securities	(344,777)		(167,039)	(511,816)
Other comprehensive loss	(344,777)		(167,039)	(511,816)
Comprehensive loss	(9,968)	(108,508)		(118,476)
Dividends on preferred stock	13,747	5,203		18,950
Comprehensive loss attributable to common stockholders	$ (23,715)	$ (113,711)	$	$ (137,426)
Balance sheet data:				
Available-for-sale securities	$ 21,059,377	$ 11,535,960	$	$ 32,595,337
Mortgage servicing rights	$ 1,301,023	$	$	$ 1,301,023
Total assets	$ 24,077,165	$ 12,930,261	$ (15,000)	$ 36,992,426
Repurchase agreements	$ 19,148,679	$ 10,084,643	$	$ 29,233,322
Federal Home Loan Bank advances	$ 865,024	$	$	$ 865,024
Total liabilities	$ 20,609,480	$ 11,503,316	$ 21,061	$ 32,133,857
Total stockholders' equity	$ 3,467,685	$ 1,426,945	$ (36,061)	$ 4,858,569

(1)

The historical financial information of Two Harbors and CYS is derived from their respective Quarterly Reports filed on Form 10-Q for the three months ended March 31, 2018. Certain historical CYS amounts have been reclassified to conform to Two Harbors' financial statement presentation.

Table of Contents

	For the year ended December 31, 2017 (in thousands, except for per share data)			
	Two Harbors Historical(1)	CYS Historical(1)	Pro Forma Adjustments	Two Harbors Pro Forma
Statement of Comprehensive Income Data:				
Interest income	$ 745,089	$ 310,783	$	$ 1,055,872
Interest expense	350,188	114,616		464,804
Net interest income	394,901	196,167		591,068
Other-than-temporary impairment losses	(789)			(789)
Other income (loss)	33,566	8,089	(93,490)	(51,835)
Expenses	129,921	22,995		152,916
Benefit from income taxes	(10,482)			(10,482)
Net income (loss) from continuing operations	308,239	181,261	(93,490)	396,010
Income from discontinued operations, net of tax	44,146			44,146
Net income (loss)	352,385	181,261	(93,490)	440,156
Income from discontinued operations attributable to non-controlling interest	3,814			3,814
Net income (loss) attributable to Two Harbors or CYS (as applicable)	348,571	181,261	(93,490)	436,342
Dividends on preferred stock	25,122	20,812		45,934
Net income (loss) attributable to common stockholders	$ 323,449	$ 160,449	$ (93,490)	$ 390,408
Per Share Data:				
Net income (loss) per weighted average common stock basic	$ 1.85	$ 1.05	$ (1.34)	$ 1.56
Net income (loss) per weighted average common stock diluted	$ 1.81	$ 1.05	$ (1.32)	$ 1.54
Weighted average number of shares of common stock outstanding basic	174,433,999	151,757,485	(76,044,642)	250,146,842
Weighted average number of shares of common stock outstanding diluted	188,133,341	151,757,485	(76,044,642)	263,846,184
Comprehensive income:				
Net income (loss) attributable to Two Harbors or CYS (as applicable)	$ 348,571	$ 181,261	$ (93,490)	$ 436,342
Other comprehensive income, net of tax:				
Unrealized gain on available-for-sale securities	135,586		93,490	229,076
Other comprehensive income	135,586		93,490	229,076
Comprehensive income	484,157	181,261		665,418
Dividends on preferred stock	25,122	20,812		45,934
Comprehensive income attributable to common stockholders	$ 459,035	$ 160,449	$	$ 619,484

(1)

The historical financial information of Two Harbors and CYS is derived from their respective Annual Reports on Form 10-K for the year ended December 31, 2017. Certain historical CYS amounts have been reclassified to conform to Two Harbors' financial statement presentation.

Unaudited Comparative Per Share Information (Page 179)

The following table sets forth for the year ended December 31, 2017 and as of, and for the three months ended, March 31, 2018, selected per share information for Two Harbors Common Stock on a historical and pro forma combined basis and for CYS Common Stock on a historical and pro forma equivalent basis. Except for the historical information for the year ended December 31, 2017, the

Table of Contents

information in the table is unaudited. You should read the table below together with the historical consolidated financial statements and related notes thereto of Two Harbors and CYS contained in Two Harbors' Annual Report on Form 10-K for the year ended December 31, 2017, CYS's Annual Report on Form 10-K for the year ended December 31, 2017, and each of Two Harbors' and CYS's respective Quarterly Reports on Form 10-Q for the quarter ended March 31, 2018, all of which are incorporated herein by reference into this joint proxy statement/prospectus. See "Where You Can Find More Information and Incorporation by Reference" beginning on page 212.

The Two Harbors pro forma combined amounts were calculated using the methodology as described above under the heading "Unaudited Pro Forma Condensed Combined Financial Statements," and are subject to all the assumptions, adjustments and limitations described thereunder. The unaudited pro forma condensed combined balance sheet data gives effect to the Merger as if it occurred on March 31, 2018. The unaudited pro forma condensed combined statements of operations data gives effect to the Merger as if it occurred on January 1, 2017. The unaudited pro forma condensed combined financial statements are not necessarily indicative of what the actual financial position and operating results would have been had the Merger occurred on March 31, 2018 or January 1, 2017, respectively, nor do they purport to represent Two Harbors' future financial position or operating results. The CYS pro forma equivalent amounts were calculated by multiplying the Two Harbors pro forma combined amounts by the assumed Exchange Ratio of 0.4872 based on the adjusted book value per share of Two Harbors Common Stock and CYS Common Stock as of March 31, 2018, calculated in accordance with the Merger Agreement.

	CYS Historical	Two Harbors Historical	Pro Forma Combined	Pro Forma Equivalent CYS Share
For the year ended December 31, 2017				
Net income per weighted share of common stock, basic	$ 1.05	$ 1.85	$ 1.56	$ 0.76
Net income per weighted share of common stock, diluted	$ 1.05	$ 1.81	$ 1.54	$ 0.75
Dividends declared per share	$ 1.00	$ 2.01(1)	(2)	(2)
For the quarter ended March 31, 2018				
Net income (loss) per weighted share of common stock, basic	$ (0.74)	$ 1.83	$ 1.49	$ 0.73
Net income (loss) per weighted share of common stock, diluted	$ (0.74)	$ 1.69	$ 1.41	$ 0.69
Dividends declared per share	$ 0.22	$ 0.47	(2)	(2)
As of March 31, 2018				
Net book value per share of common stock	$ 7.41	$ 15.63	$ 15.36(3)	$ 7.48

(1) Excludes the special dividend of Granite Point common stock of $3.67 per common share.

(2) Pro forma dividends per share of common stock are not presented as the dividend policy for the Combined Company will be determined by the Two Harbors board following the completion of the Merger. It is anticipated that the initial per share dividend for the first full quarter following Closing will be $0.47.

(3) Net book value per share of common stock for Pro Forma Combined does not reflect approximately $9.0 million of compensation related expenses (i.e., non-executive severance, retention, etc.) which will be recognized subsequent to the Closing in accordance with GAAP.

Table of Contents

RISK FACTORS

In addition to other information included elsewhere in this joint proxy statement/prospectus and in the annexes to this joint proxy statement/prospectus, including the matters addressed in the section entitled "Cautionary Statement Regarding Forward-Looking Statements" beginning on page 52, you should carefully consider the following risk factors in deciding whether to vote for the Two Harbors Common Stock Issuance Proposal or the Merger Proposal. In addition, you should read and consider the risks associated with the businesses of each of Two Harbors and CYS. These risks can be found in the Annual Report on Form 10-K for the year ended December 31, 2017 and Quarterly Report on Form 10-Q for the quarter ended March 31, 2018 of CYS and the Annual Report on Form 10-K for the year ended December 31, 2017 and Quarterly Report on Form 10-Q for the quarter ended March 31, 2018 of Two Harbors, which reports are incorporated by reference into this joint proxy statement/prospectus, including particularly the sections therein titled "Risk Factors" and "Tax Risks". You should also read and consider the other information in this joint proxy statement/prospectus and the other documents incorporated by reference into this joint proxy statement/prospectus. Please also see "Where You Can Find More Information and Incorporation by Reference" on page 212.

Risks Related to the Merger

The Merger is subject to a number of conditions which, if not satisfied or waived in a timely manner, would delay the Merger or adversely impact Two Harbors' and CYS's ability to complete the transaction.

The completion of the Merger is subject to the satisfaction or waiver of a number of conditions. In addition, under circumstances specified in the Merger Agreement, Two Harbors or CYS may terminate the Merger Agreement. In particular, completion of the Merger requires (i) the approval of the Merger Proposal by the CYS common stockholders, and (ii) the approval of the Two Harbors Common Stock Issuance Proposal by Two Harbors common stockholders. While it is currently anticipated that the Merger will be completed shortly after the later of the CYS special meeting to approve the Merger Proposal and the Two Harbors special meeting to approve the Two Harbors Common Stock Issuance Proposal, there can be no assurance that the conditions to Closing will be satisfied in a timely manner or at all, or that an effect, event, circumstance, occurrence, development or change will not transpire that could delay or prevent these conditions from being satisfied. Accordingly, Two Harbors and CYS cannot provide any assurances with respect to the timing of the Closing, whether the Merger will be completed at all and when the CYS stockholders would receive the consideration for the Merger, if at all.

Failure to consummate the Merger as currently contemplated or at all could adversely affect the price of Two Harbors Common Stock or CYS Common Stock and the future business and financial results of Two Harbors and/or CYS.

Completion of the Merger is subject to the satisfaction or waiver of a number of conditions, including approval by the Two Harbors common stockholders of the Two Harbors Common Stock Issuance Proposal and approval by the CYS common stockholders of the Merger Proposal. Two Harbors and CYS cannot guarantee when or if these conditions will be satisfied or that the Merger will be successfully completed. The consummation of the Merger may be delayed, the Merger may be consummated on terms different than those contemplated by the Merger Agreement, or the Merger may not be consummated at all. If the Merger is not completed, or is completed on different terms than as contemplated by the Merger Agreement, Two Harbors and CYS could be adversely affected and subject to a variety of risks associated with the failure to consummate the Merger, or to consummate the Merger as contemplated by the Merger Agreement, including the following:

- the Two Harbors stockholders and the CYS stockholders may be prevented from realizing the anticipated benefits of the Merger;

- the market price of Two Harbors Common Stock or CYS Common Stock could decline significantly;
- reputational harm due to the adverse perception of any failure to successfully consummate the Merger;
- Two Harbors and CYS being required, under certain circumstances, to pay to the other party a termination fee or expense amount;
- incurrence of substantial costs relating to the proposed Merger, such as legal, accounting, financial advisor, filing, printing and mailing fees; and
- the attention of Two Harbors' and CYS's management and employees may be diverted from their day-to-day business and operational matters as a result of efforts relating to attempting to consummate the Merger.

Any delay in the consummation of the Merger or any uncertainty about the consummation of the Merger on terms other than those contemplated by the Merger Agreement, or if the Merger is not completed, could materially adversely affect the business, financial results and stock price of Two Harbors and CYS.

The Merger Agreement contains provisions that could discourage a potential competing acquirer of either Two Harbors or CYS or could result in any competing acquisition proposal being at a lower price than it might otherwise be.

The merger agreement contains provisions that, subject to limited exceptions, restrict the ability of each of Two Harbors and CYS to solicit, initiate, knowingly encourage or facilitate any Competing Proposal. With respect to any written, bona fide Competing Proposal received by either Two Harbors or CYS, the other party generally has an opportunity to offer to modify the terms of the Merger Agreement in response to such proposal before the Two Harbors Board or CYS Board, as the case may be, or committee thereof, may withdraw or modify its recommendation to their respective stockholders in response to such Competing Proposal. In the event that either party's board of directors withdraws or modifies its recommendation, the other party may terminate the Merger Agreement, in which case CYS may be required to pay to Two Harbors a termination fee of $43.2 million or Two Harbors may be required to pay to CYS a termination fee of $51.8 million, payable by the party whose board withdrew or modified its recommendation. Similarly, such termination fees may be payable in certain circumstances if the Merger Agreement is terminated because of a failure to obtain stockholder approval following the announcement of a competing acquisition proposal. See "The Merger Agreement Competing Proposals" beginning on page 140, "The Merger Agreement Termination of the Merger Agreement" beginning on page 145 and "The Merger Agreement Termination Fees and Expenses" beginning on page 146.

These provisions could discourage a potential competing acquirer that might have an interest in acquiring all or a significant part of Two Harbors or CYS from considering or proposing a competing acquisition, even if the potential competing acquirer was prepared to pay consideration with a higher per share cash value than that market value proposed to be received or realized in the Merger, or might result in a potential competing acquirer proposing to pay a lower price than it might otherwise have proposed to pay because of the added expense of the termination fee or expense amount that may become payable in certain circumstances under the Merger Agreement.

The pendency of the Merger could adversely affect Two Harbors' and CYS's business and operations.

In connection with the pending Merger, some of the parties with whom Two Harbors or CYS does business may delay or defer decisions, which could negatively impact Two Harbors' or CYS's revenues, earnings, cash flows and expenses, regardless of whether the Merger is completed. In addition, under

Table of Contents

the Merger Agreement, Two Harbors and CYS are each subject to certain restrictions on the conduct of its respective business prior to completing the Merger. These restrictions may prevent Two Harbors or CYS from pursuing certain strategic transactions, acquiring and disposing assets, undertaking certain capital projects, undertaking certain financing transactions and otherwise pursuing other actions that are not in the ordinary course of business, even if such actions could prove beneficial. These restrictions may impede Two Harbors' or CYS's growth which could negatively impact its respective revenue, earnings and cash flows. Additionally, the pendency of the Merger may make it more difficult for Two Harbors or CYS to effectively retain and incentivize key personnel.

Because the number of shares of Two Harbors Common Stock exchanged per share of CYS Common Stock is not fixed, any change in Two Harbors' adjusted book value per share or CYS's adjusted book value per share prior to the Determination Date will affect the number of shares of Two Harbors Common Stock issued by Two Harbors and received by CYS common stockholders at the Closing.

The number of shares of Two Harbors Common Stock to be received by CYS stockholders will be based on the 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 as "Company Adjusted Book Value Per Share" and "Parent Adjusted Book Value Per Share," as applicable, 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 but prior to the Closing 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 (less any shares surrendered for income tax purposes). Changes in the adjusted book value per share of either Two Harbors or CYS prior to the Determination Date will affect the consideration that CYS stockholders will receive on the date of Closing.

Changes in Two Harbors' adjusted book value per share and CYS's adjusted book value per share may result from a variety of factors (some of which may be beyond the control of Two Harbors and CYS), including the following factors:

- changes in interest rates;
- changes in prepayment rates of mortgages;
- the occurrence, extent and timing of credit losses within Two Harbors' and CYS's respective portfolios;
- exposure to adjustable-rate and negative amortization mortgage loans;
- the state of the credit markets and other general economic conditions, particularly as they affect the price of earning assets and the credit status of borrowers;
- the concentration of the credit risks to which Two Harbors and CYS are exposed;
- legislative and regulatory actions affecting Two Harbors' and CYS's businesses;
- the availability and cost of Two Harbors' and CYS's target assets;
- the availability and cost of financing for Two Harbors' and CYS's target assets, including repurchase agreement financing, lines of credit, revolving credit facilities and, with respect to Two Harbors, financing through the Federal Home Loan Bank of Des Moines;
- declines in home prices;

increases in payment delinquencies and defaults on the mortgages;

Table of Contents

changes in liquidity in the market for real estate securities, the re-pricing of credit risk in the capital markets, inaccurate ratings of securities by rating agencies, rating agency downgrades of securities, and increases in the supply of real estate securities available-for-sale; and

other factors beyond the control of either Two Harbors or CYS, including those described or referred to elsewhere in this "Risk Factors" section.

Two Harbors' adjusted book value per share and CYS's adjusted book value per share at the Determination Date may vary from their respective adjusted book values per share on March 31, 2018, the date used to determine the illustrative Exchange Ratio of 0.4872 used in this joint proxy statement/prospectus and on the dates of Two Harbors' and CYS's special meetings. As a result, the market value of the consideration for the Merger represented by the Exchange Ratio may also vary. Therefore, Two Harbors common stockholders cannot be sure of the Exchange Ratio or the market value of the consideration that will be paid to CYS common stockholders upon completion of the Merger, and CYS common stockholders cannot be sure of the Exchange Ratio or the market value of the consideration they will receive upon completion of the Merger. Neither Two Harbors nor CYS has the right to terminate the Merger Agreement based on an increase or decrease in their respective adjusted book value per share or the market price of Two Harbors Common Stock.

The Merger and related transactions are subject to Two Harbors common stockholder approval and CYS common stockholder approval.

The Merger cannot be completed unless (i) CYS common stockholders approve the Merger Proposal by the affirmative vote of the holders of at least a majority of all outstanding shares of CYS Common Stock entitled to vote on the Merger Proposal and (ii) Two Harbors common stockholders approve the Two Harbors Common Stock Issuance Proposal by the affirmative vote of a majority of the votes cast on such proposal, provided a quorum is present. Pursuant to the guidance of the NYSE, abstentions with regard to the Two Harbors Common Stock Issuance Proposal will have the effect of a vote against such proposal. If stockholder approval is not obtained from either CYS common stockholders or Two Harbors common stockholders, the Merger and related transactions cannot be completed.

Two Harbors common stockholders and CYS common stockholders will be diluted by the Merger.

The Merger will dilute the ownership position of Two Harbors common stockholders and result in CYS common stockholders having an ownership stake in the Combined Company that is smaller than their current stake in CYS. Following the Two Harbors Common Stock Issuance, Two Harbors and CYS estimate that current Two Harbors common stockholders will own in the aggregate approximately 70% of outstanding Two Harbors Common Stock immediately after the Merger, and CYS common stockholders will own in the aggregate approximately 30% of outstanding Two Harbors Common Stock immediately after the Merger. Consequently, Two Harbors common stockholders and CYS common stockholders, as a general matter, will have less influence over the Combined Company's management and policies after the effective time of the Merger than they currently exercise over the management and policies of Two Harbors and CYS, respectively.

If the Merger is not consummated by October 31, 2018, Two Harbors or CYS may terminate the Merger Agreement.

Either Two Harbors or CYS may terminate the Merger Agreement under certain circumstances, including if the Merger has not been consummated by October 31, 2018. However, this termination right will not be available to a party if that party failed to fulfill its obligations under the Merger Agreement and that failure was the cause of, or resulted in, the failure to consummate the Merger on or before such date.

Table of Contents

The market price of Two Harbors Common Stock may decline as a result of the Merger and the market price of Two Harbors Common Stock after the consummation of the Merger may be affected by factors different from those affecting the price of Two Harbors Common Stock or the price of CYS Common Stock before the Merger.

The market price of Two Harbors Common Stock may decline as a result of the Merger if the Combined Company does not achieve the perceived benefits of the Merger or the effect of the Merger on the Combined Company's financial results is not consistent with the expectations of financial or industry analysts.

In addition, upon consummation of the Merger, Two Harbors stockholders and CYS stockholders will own interests in the Combined Company operating an expanded business with a different mix of assets, risks and liabilities. Two Harbors current stockholders and CYS's current stockholders may not wish to continue to invest in the Combined Company, or for other reasons may wish to dispose of some or all of their shares of Two Harbors Common Stock. If, following the effective time of the Merger, a large amount of Two Harbors Common Stock is sold, the price of Two Harbors Common Stock could decline.

Further, the Combined Company's results of operations, as well as the market price of Two Harbors Common Stock after the Merger may be affected by factors in addition to those currently affecting Two Harbors' or CYS's results of operations and the market prices of Two Harbors Common Stock and CYS Common Stock, particularly the increase in the Combined Company's leverage compared to that in place for Two Harbors and CYS today, and other differences in assets and capitalization. Accordingly, Two Harbors' and CYS's historical market prices and financial results may not be indicative of these matters for the Combined Company after the Merger.

An adverse judgment in any litigation challenging the Merger may prevent the Merger from becoming effective or from becoming effective within the expected timeframe.

It is possible that Two Harbors stockholders or CYS stockholders may file lawsuits challenging the Merger or the other transactions contemplated by the Merger Agreement, which may name Two Harbors, CYS, Two Harbors Board and/or the CYS Board as defendants. The outcome of such lawsuits cannot be assured, including the amount of costs associated with defending these claims or any other liabilities that may be incurred in connection with the litigation of these claims. If plaintiffs are successful in obtaining an injunction prohibiting the parties from completing the Merger on the agreed-upon terms, such an injunction may delay the consummation of the Merger in the expected timeframe, or may prevent the Merger from being consummated altogether. Whether or not any plaintiff's claim is successful, this type of litigation may result in significant costs and divert management's attention and resources, which could adversely affect the operation of Two Harbors' business and/or CYS's business.

Risks Related to the Combined Company Following the Merger

Following the Merger, the Combined Company may be unable to integrate Two Harbors' business and CYS's business successfully and realize the anticipated synergies and other expected benefits of the Merger on the anticipated timeframe or at all.

The Merger involves the combination of two companies that currently operate as independent public companies. The Combined Company expects to benefit from the elimination of duplicative costs associated with supporting a public company platform and operating the respective businesses, and the resulting economies of scale. These savings are not expected to be realized until full integration, which is not expected to occur until 2019. The Combined Company will be required to devote significant management attention and resources to the integration of Two Harbors' and CYS's business practices

Table of Contents

and operations. The potential difficulties the Combined Company may encounter in the integration process include, but are not limited to, the following:

- the inability to successfully combine Two Harbors' and CYS's business in a manner that permits the Combined Company to achieve the cost savings anticipated to result from the Merger, which would result in the anticipated benefits of the Merger not being realized in the timeframe currently anticipated or at all;

- the complexities associated with integrating personnel from the two companies;

- the complexities of combining two companies with different histories, cultures, geographic footprints and portfolio assets;

- difficulties or delays in redeploying the capital acquired in connection with the Merger into the target assets of the Combined Company;

- potential unknown liabilities and unforeseen increased expenses, delays or conditions associated with the Merger; and

- performance shortfalls as a result of the diversion of management's attention caused by completing the Merger and integrating the companies' operations.

For all these reasons, you should be aware that it is possible that the integration process could result in the distraction of the Combined Company's management, the disruption of the Combined Company's ongoing business or inconsistencies in its operations, services, standards, controls, policies and procedures, any of which could adversely affect the Combined Company's ability to deliver investment returns to stockholders, to maintain relationships with its key stakeholders and employees, to achieve the anticipated benefits of the Merger, or could otherwise materially and adversely affect its business and financial results.

Following the Merger, the Combined Company may not pay dividends at or above the rate currently paid by Two Harbors or CYS.

Following the Merger, the Combined Company's stockholders may not receive dividends at the same rate that they did as Two Harbors stockholders or CYS stockholders prior to the Merger for various reasons, including the following:

- the Combined Company may not have enough cash to pay such dividends due to changes in its cash requirements, capital spending plans, cash flow or financial position;

- decisions on whether, when and in what amounts to make any future dividends will remain at all times entirely at the discretion of the Combined Company's board of directors, which reserves the right to change its dividend practices at any time and for any reason; and

- the amount of dividends that the Combined Company's subsidiaries may distribute to the Combined Company may be subject to restrictions imposed by state law and restrictions imposed by the terms of any current or future indebtedness that these subsidiaries may incur.

The Combined Company's stockholders will have no contractual or other legal right to dividends that have not been declared by its board of directors.

The Combined Company will have a significant amount of indebtedness and may need to incur more in the future.

The Combined Company will have substantial indebtedness following completion of the Merger. In addition, in connection with executing its business strategies following the Merger, the Combined Company expects to evaluate the possibility of investing in additional target assets and making other strategic investments, and it may elect to finance these endeavors by incurring additional indebtedness. The amount of such indebtedness could have material adverse consequences for the Combined Company, including:

- hindering its ability to adjust to changing market, industry or economic conditions;
- limiting its ability to access the capital markets to raise additional equity or refinance maturing debt on favorable terms or to fund acquisitions or emerging businesses;
- limiting the amount of free cash flow available for future operations, acquisitions, dividends, stock repurchases or other uses;
- making it more vulnerable to economic or industry downturns, including interest rate increases; and
- placing it at a competitive disadvantage compared to less leveraged competitors.

Moreover, to respond to competitive challenges, the Combined Company may be required to raise substantial additional capital to execute its business strategy. The Combined Company's ability to arrange additional financing will depend on, among other factors, its financial position and performance, as well as prevailing market conditions and other factors beyond its control. If the Combined Company is able to obtain additional financing, its credit ratings could be further adversely affected, which could further raise its borrowing costs and further limit its future access to capital and its ability to satisfy its obligations under its indebtedness.

The Combined Company is expected to incur substantial expenses related and unrelated to the Merger.

Two Harbors and CYS have incurred substantial legal, accounting, financial advisory and other costs, and the management teams of Two Harbors and CYS have devoted considerable time and effort in connection with the Merger. Two Harbors and CYS may incur significant additional costs in connection with the completion of the Merger or in connection with any delay in completing the Merger or termination of the Merger Agreement, in addition to the other costs already incurred. If the Merger is not completed, Two Harbors and CYS will separately bear certain fees and expenses associated with the Merger without realizing the benefits of the Merger. If the Merger is completed, the Combined Company expects to incur substantial expenses in connection with integrating the business, operations, network, systems, technologies, policies and procedures of the two companies. The fees and expenses may be significant and could have an adverse impact on the Combined Company's results of operations.

Although Two Harbors and CYS have assumed that a certain level of transaction and integration expenses would be incurred, there are a number of factors beyond the control of either Two Harbors or CYS that could affect the total amount or the timing of the integration expenses. Many of the expenses that will be incurred, by their nature, are difficult to estimate accurately at the present time. As a result, the transaction and integration expenses associated with the Merger could, particularly in the near term, exceed the savings that the Combined Company expects to achieve from the elimination of duplicative expenses and the realization of economies of scale and cost savings related to the integration of the businesses following the completion of the Merger.

The historical and unaudited pro forma condensed combined financial information included elsewhere in this joint proxy statement/prospectus may not be representative of the Combined Company's results after the Merger, and accordingly, you have limited financial information on which to evaluate the Combined Company following the Merger.

The unaudited pro forma condensed combined financial information included elsewhere in this joint proxy statement/prospectus has been presented for informational purposes only and is not necessarily indicative of the financial position or results of operations that actually would have occurred had the Merger been completed as of the date indicated, nor is it indicative of the future operating results or financial position of the Combined Company following the Merger. The unaudited pro forma condensed combined financial information does not reflect future events that may occur after the Merger. The unaudited pro forma condensed combined financial information presented elsewhere in this joint proxy statement/prospectus is based in part on certain assumptions regarding the Merger that Two Harbors and CYS believe are reasonable under the circumstances. Neither Two Harbors nor CYS can assure you that the assumptions will prove to be accurate over time.

The Merger will be taxable to U.S. stockholders of CYS Stock and stockholders of CYS Common Stock will receive limited cash, if any, with which to pay any tax.

Assuming that the Merger is completed as currently contemplated, CYS and Two Harbors expect that the receipt of (i) cash and Two Harbors Common Stock in exchange for CYS Common Stock, (ii) Two Harbors Series D Preferred Stock in exchange for CYS Series A Preferred Stock, or (iii) Two Harbors Series E Preferred Stock in exchange for CYS Series B Preferred Stock, as applicable, by U.S. stockholders pursuant to the Merger will be a taxable transaction for U.S. federal income tax purposes. Generally, for U.S. federal income tax purposes, U.S. stockholders of CYS Common Stock will recognize gain or loss as a result of the Merger measured by the difference, if any, between (i) the sum of the fair market value of the Two Harbors Common Stock received and the amount of any cash received, and (ii) the stockholder's adjusted tax basis in its CYS Common Stock. In addition, generally, for U.S. federal income tax purposes, U.S. stockholders of CYS Series A Preferred Stock or CYS Series B Preferred Stock will recognize gain or loss as a result of the Merger measured by the difference, if any, between (i) the fair market value of the Two Harbors Series D Preferred Stock or Two Harbors Series E Preferred Stock received, as applicable, and (ii) the stockholder's adjusted tax basis in its CYS Series A Preferred Stock or CYS Series B Preferred Stock, as applicable. Because the consideration to be given to stockholders of (i) CYS Common Stock consists primarily of Two Harbors Common Stock and (ii) CYS Series A Preferred Stock and CYS Series B Preferred Stock consists solely of Two Harbors Series D Preferred Stock and Two Harbors Series E Preferred Stock, respectively, U.S. stockholders of CYS Stock may need to sell their shares of Two Harbors Stock received in the Merger, or raise cash from other sources, to pay any tax obligations resulting from the Merger. Generally, non-U.S. stockholders are not expected be subject to U.S. federal income tax or U.S. federal withholding tax on any gain recognized from the Merger. See "Material U.S. Federal Income Tax Consequences Consequences of the Merger to Non-U.S. Stockholders of CYS Stock."

Two Harbors would incur adverse tax consequences if it or CYS failed to qualify as a REIT for U.S. federal income tax purposes.

Two Harbors has assumed, based on public filings, that CYS has qualified and will continue to qualify as a REIT for U.S. federal income tax purposes prior to the Merger and that Two Harbors will be able to continue to qualify as a REIT following the Merger. In addition, as a condition of the Merger, Two Harbors expects to receive an opinion of Vinson & Elkins L.L.P. ("Vinson & Elkins") to the effect that CYS has qualified as a REIT for U.S. federal income tax purposes commencing with its taxable year ended December 31, 2006. However, if CYS has failed or fails to qualify as a REIT, Two Harbors and Merger Sub generally would succeed to or incur significant tax liabilities (including the significant tax liability that would result from the deemed sale of assets by CYS pursuant to the Merger), and Two Harbors could possibly lose its REIT status should disqualifying activities continue after the acquisition.

REITs are subject to a range of complex organizational and operational requirements. As a REIT, Two Harbors must distribute with respect to each year at least 90% of its REIT taxable income to its stockholders. Other restrictions apply to its income and assets. Two Harbors' REIT status is also

Table of Contents

dependent upon the ongoing qualification of subsidiary entities as REITs, as a result of its substantial ownership interest in those entities.

For any taxable year that Two Harbors fails to qualify as a REIT and is unable to avail itself of certain savings provisions set forth in the Code, it would be subject to U.S. federal income tax at the regular corporate rates on all of its taxable income, whether or not it makes any distributions to its stockholders. Those taxes would reduce the amount of cash available for distribution to its stockholders or for reinvestment and would adversely affect Two Harbors' earnings. As a result, Two Harbors' failure to qualify as a REIT during any taxable year could have a material adverse effect upon Two Harbors and its stockholders. Furthermore, unless certain relief provisions apply, Two Harbors would not be eligible to elect REIT status again until the fifth taxable year that begins after the first year for which it failed to qualify.

Table of Contents

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This joint proxy statement/prospectus and the annexes to this joint proxy statement/prospectus contain forward looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act, and Section 21E of the Exchange Act.

These forward-looking statements are predictions and generally can be identified by use of statements that include phrases such as "may," "believe," "expect," "anticipate," "intend," "estimate," "project," "target," "goal," "plan," "should," "will," "predict," "potential," "likely," or other words, phrases or expressions of similar import, or the negative or other words or expressions of similar meaning, and statements regarding the benefits of the Merger or the other transactions contemplated by the Merger Agreement or the future financial condition, results of operations and business of Two Harbors, CYS or the Combined Company. Without limiting the generality of the preceding sentence, certain information contained in the sections "The Merger Background of the Merger," "The Merger Recommendation of the Two Harbors Board and Its Reasons for the Merger," "The Merger Recommendation of the CYS Board and Its Reasons for the Merger," "The Merger Certain Two Harbors Unaudited Prospective Financial Information," and "The Merger Certain CYS Unaudited Prospective Financial Information" constitute forward-looking statements.

Two Harbors and CYS base these forward-looking statements on particular assumptions that they have made in light of their industry experience, as well as their perception of historical trends, current conditions, expected future developments and other factors that they believe are appropriate under the circumstances. The forward-looking statements are necessarily estimates reflecting the judgment of Two Harbors' and CYS's respective management and involve a number of known and unknown risks, uncertainties and other factors which may cause actual results, performance, or achievements of Two Harbors, CYS or the Combined Company to be materially different from those expressed or implied by the forward-looking statements. In addition to other factors and matters contained in this joint proxy statement/prospectus, including those disclosed under "Risk Factors" beginning on page 43, these forward-looking statements are subject to risks, uncertainties and other factors, including, among others:

- the ability of Two Harbors and CYS to obtain the required stockholder approvals to consummate the Merger;
- the satisfaction or waiver of other conditions in the Merger Agreement;
- the risk that the Merger or the other transactions contemplated by the Merger Agreement may not be completed in the time frame expected by the parties or at all;
- the occurrence of any event, change or other circumstances that could give rise to the termination of the Merger Agreement and that a termination under certain circumstances could require Two Harbors to pay CYS or CYS to pay Two Harbors a termination fee or expense amount, as described under "The Merger Agreement Termination Fees and Expenses" beginning on page 146;
- the ability of Two Harbors to successfully integrate pending transactions and implement its operating strategy, including the Merger;
- adverse changes in residential real estate and the residential real estate capital markets;
- financing risks;
- the outcome of current and future litigation, including any legal proceedings that may be instituted against Two Harbors, CYS or others related to the Merger Agreement;
- regulatory proceedings or inquiries;

52

Table of Contents

- changes in laws or regulations or interpretations of current laws and regulations that impact Two Harbors' or CYS's business, assets or classification as a REIT; and

- other risks detailed in filings made by each of Two Harbors and CYS with the SEC, including the Annual Report on Form 10-K for the year ended December 31, 2017 and the Quarterly Report on Form 10-Q for the quarter ended March 31, 2018 filed by Two Harbors with the SEC and incorporated herein by reference and the Annual Report on Form 10-K for the year ended December 31, 2017, and the Quarterly Report on Form 10-Q for the quarter ended March 31, 2018 filed by CYS and incorporated herein by reference. See also "Where You Can Find More Information and Incorporation by Reference" on page 212 of this joint proxy statement/prospectus.

Although Two Harbors and CYS believe that the assumptions underlying the forward-looking statements contained herein are reasonable, any of the assumptions could be inaccurate, and therefore there can be no assurance that such statements included in this joint proxy statement/prospectus will prove to be accurate. As you read and consider the information in this joint proxy statement/prospectus, you are cautioned to not place undue reliance on these forward-looking statements. These statements are not guarantees of performance or results and speak only as of the date of this joint proxy statement/prospectus, in the case of forward-looking statements contained in this joint proxy statement/prospectus, or the dates of the documents incorporated by reference or attached as annexes to this joint proxy statement/prospectus, in the case of forward-looking statements made in those documents. Neither Two Harbors nor CYS undertakes any obligation to update or revise any forward-looking statements, whether as a result of new information or developments, future events, or otherwise, except as required by law.

In light of the significant uncertainties inherent in the forward-looking statements included herein, the inclusion of such information should not be regarded as a representation by Two Harbors, CYS or any other person that the results or conditions described in such statements or the objectives and plans of Two Harbors or CYS will be achieved. In addition, Two Harbors' and CYS's qualification as a REIT involves the application of highly technical and complex provisions of the Code.

All forward-looking statements, expressed or implied, included in this joint proxy statement/prospectus are expressly qualified in their entirety by this cautionary statement. This cautionary statement should also be considered in connection with any subsequent written or oral forward-looking statements that Two Harbors, CYS or persons acting on their behalf may issue.

Table of Contents

THE COMPANIES

Two Harbors Investment Corp.

Two Harbors Investment Corp.
575 Lexington Avenue
Suite 2930
New York, New York 10022
(612) 629-2500

Two Harbors is a Maryland corporation focused on investing in, financing and managing Agency RMBS, non-Agency securities, MSR and other financial assets, which Two Harbors collectively refers to as its target assets. Two Harbors operates as a REIT and is externally managed by PRCM Advisers.

Two Harbors was incorporated on May 21, 2009 and commenced operations as a publicly traded company on October 28, 2009, upon completion of a merger with Capitol Acquisition Corp. which became its wholly owned indirect subsidiary as a result of the merger.

Two Harbors' objective is to provide attractive risk-adjusted total return to its stockholders over the long term, primarily through dividends and secondarily through capital appreciation. Two Harbors selectively acquires and manages an investment portfolio of its target assets, which is constructed to generate attractive returns through market cycles. Two Harbors focuses on asset selection and implements a relative value investment approach across various sectors within the mortgage market. Two Harbors' target assets include the following:

- Agency RMBS, meaning RMBS whose principal and interest payments are guaranteed by the Government National Mortgage Association, the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation;

- non-Agency securities that are not issued or guaranteed by the Government National Mortgage Association, the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation;

- MSR; and

- other financial assets comprising approximately 5% to 10% of the portfolio.

Two Harbors seeks to deploy moderate leverage as part of its investment strategy. Two Harbors generally finances its Agency RMBS and non-Agency securities through short- and long-term borrowings structured as repurchase agreements and advances from the FHLB. Two Harbors also finances its MSR through repurchase agreements and revolving credit facilities.

Two Harbors has elected to be treated as a REIT for U.S. federal income tax purposes. To qualify as a REIT, Two Harbors is required to meet certain investment and operating tests and annual distribution requirements. Two Harbors generally will not be subject to U.S. federal income taxes on its taxable income to the extent that it annually distributes all of its net taxable income to stockholders, does not participate in prohibited transactions and maintains its intended qualification as a REIT. However, certain activities that Two Harbors may perform may cause Two Harbors to earn income which will not be qualifying income for REIT purposes. Two Harbors has designated certain of its subsidiaries as taxable REIT subsidiaries, as defined in the Code, to engage in such activities, and Two Harbors may form additional taxable REIT subsidiaries in the future. Two Harbors also operates its business in a manner that will permit it to maintain its exemption from registration under the Investment Company Act of 1940, as amended (the "1940 Act").

Shares of Two Harbors Common Stock are listed on the NYSE, trading under the symbol "TWO".

Table of Contents

Two Harbors' principal executive offices are located at 575 Lexington Avenue, Suite 2930, New York, New York 10022, and its telephone number is (612) 629-2500.

Eiger Merger Subsidiary LLC

Eiger Merger Subsidiary LLC
575 Lexington Avenue
Suite 2930
New York, New York 10022
(612) 629-2500

Merger Sub is a Maryland limited liability company that was formed on April 24, 2018 solely for the purpose of effecting the Merger. Upon Closing, Merger Sub will be merged with and into CYS, with CYS continuing .0001pt;text-align:right;">

Priority Telecom

121,330

112,637

8,693

7.7

%

(11,376

)

(10.1

)%

Media	98,463	69,372	29,091	41.9 %	12,834	18.5 %
Investments	528	465	63	13.5 %	(25)	(5.4)%

Total chellomedia	220,321	182,474	37,847	20.7 %	1,433	0.8 %
Intercompany eliminations	(127,055)	(108,695)	(18,360)	(16.9)%	2,609	2.4 %

Total Europe	1,653,897	1,319,741	334,156	25.3 %	86,625	6.6 %

Latin America:

Broadband

Chile (VTR)

229,835

186,426

43,409

23.3

%

42,319

22.7

%

Brazil, Peru and other	7,789	7,011	778	11.1%	778	11.1%
Total Latin America	237,624	193,437	44,187	22.8%	43,097	22.3%

Corporate and other		9	1,843	(1,834)	n.m.	(1,834) n.m
Total UGC	$	1,891,530	$ 1,515,021	$ 376,509	24.9 %	$

127,888

8.4

%

Less Germany

$

28,069

	$ 28,069				
Total UGC, excluding Germany	$ 404,578	27.2 %	$ 155,957	10.5 %	

37

Supplemental Information - Revenue

	Three Months Ended December 31,					
			Increase (Decrease)		Increase (Decrease) Excluding F/X Effects	
	2004	2003	$	%	$	%
Europe (UGC Europe):						
UPC Broadband						
The Netherlands	$ 196,984	$ 161,603	$ 35,381	21.9%	$ 20,039	12.4%
Austria	78,094	70,282	7,812	11.1%	1,687	2.4%
France (excluding Noos)	34,698	29,511	5,187	17.6%	2,567	8.7%
France (Noos)	95,244		95,244		95,244	
Norway	31,244	25,306	5,938	23.5%	3,467	13.7%
Sweden	23,765	20,190	3,575	17.7%	1,716	8.5%
Belgium	10,229	8,515	1,714	20.1%	928	10.9%
Ireland (Chorus)	48,953		48,953		48,953	
Total Western Europe	519,211	315,407	203,804	64.6%	174,601	55.4%
Hungary	61,841	44,150	17,691	40.1%	9,934	22.5%
Poland	32,292	22,156	10,136	45.7%	5,273	23.8%
Czech Republic	21,467	17,573	3,894	22.2%	1,898	10.8%
Slovak Republic	8,834	6,833	2,001	29.3%	984	14.4%
Romania	8,180	5,748	2,432	42.3%	1,109	19.3%
Total Central and Eastern Europe	132,614	96,460	36,154	37.5%	19,198	19.9%
Corporate and other	7,551	9,520	(1,969)	(20.7)%	(2,075)	(21.8)%
Total UPC Broadband	659,376	421,387	237,989	56.5%	191,724	45.5%
chellomedia						
Priority Telecom	32,162	31,332	830	2.6%	(1,598)	(5.1)%
Media	33,876	26,212	7,664	29.2%	5,006	19.1%
Investments	200	197	3	1.5%	(15)	-7.6%
Total chellomedia	66,238	57,741	8,497	14.7%	3,393	5.9%
Intercompany eliminations	(36,817)	(33,428)	(3,389)	(10.1)%	(535)	(1.6)%
Total Europe	688,797	445,700	243,097	54.5%	194,582	43.7%
Latin America:						
Broadband						
Chile (VTR)	83,414	68,168	15,246	22.4%	10,975	16.1%
Brazil, Peru and other	2,053	1,995	58	2.9%	58	2.9%
Total Latin America	85,467	70,163	15,304	21.8%	11,033	15.7%
Corporate and other	305	1	304	n.m.	304	n.m.
Total UGC	$ 774,569	$ 515,864	$ 258,705	50.1%	$ 205,919	39.9%
Less: Noos and Chorus			$ (144,197)		$ (144,197)	
Total UGC, excluding Noos and Chorus			$ 114,508	22.2%	$ 61,722	12.0%

Supplemental Information - Revenue

	Three Months Ended					
	December 31, 2004	September 30, 2004	Increase (Decrease) $	%	Increase (Decrease) Excluding F/X Effects $	%
Europe (UGC Europe):						
UPC Broadband						
The Netherlands	$ 196,984	$ 178,996	$ 17,988	10.0%	$ 7,876	4.4%
Austria	78,094	72,482	5,612	7.7%	1,667	2.3%
France (excluding Noos)	34,698	31,905	2,793	8.8%	1,021	3.2%
France (Noos)	95,244	88,686	6,558	7.4%	1,710	1.9%
Norway	31,244	27,140	4,104	15.1%	1,873	6.9%
Sweden	23,765	21,141	2,624	12.4%	1,057	5.0%
Belgium	10,229	9,195	1,034	11.2%	515	5.6%
Ireland (Chorus)	48,953		48,953		48,953	
Total Western Europe	519,211	429,545	89,666	20.9%	64,672	15.1%
Hungary	61,841	53,194	8,647	16.3%	4,734	8.9%
Poland	32,292	28,464	3,828	13.4%	882	3.1%
Czech Republic	21,467	19,644	1,823	9.3%	452	2.3%
Slovak Republic	8,834	7,967	867	10.9%	303	3.8%
Romania	8,180	6,842	1,338	19.6%	739	10.8%
Total Central and Eastern Europe	132,614	116,111	16,503	14.2%	7,110	6.1%
Corporate and other	7,551	6,668	883	13.2%	493	7.4%
Total UPC Broadband	659,376	552,324	107,052	19.4%	72,275	13.1%
chellomedia						
Priority Telecom	32,162	29,308	2,854	9.7%	1,231	4.2%
Media	33,876	32,218	1,658	5.1%	(64)	-0.2%
Investments	200	187	13	7.0%	2	1.1%
Total chellomedia	66,238	61,713	4,525	7.3%	1,169	1.9%
Intercompany eliminations	(36,817)	(35,286)	(1,531)	(4.3)%	353	1.0%
Total Europe	688,797	578,751	110,046	19.0%	73,797	12.8%
Latin America:						
Broadband						
Chile (VTR)	83,414	75,096	8,318	11.1%	3,530	4.7%
Brazil, Peru and other	2,053	1,909	144	7.5%	143	7.5%
Total Latin America	85,467	77,005	8,462	11.0%	3,673	4.8%
Corporate and other	305	2,707	(2,402)		(2,402)	
Total UGC	$ 774,569	$ 658,463	$ 116,106	17.6%	$ 75,068	11.4%
Less: Chorus			$ (48,953)		$ (48,953)	
Total UGC, excluding Ireland			$ 67,153	10.2%	$ 26,115	4.0%

Supplemental Information Operating Cash Flow

	Year Ended December 31,					
			Increase (Decrease)		Increase (Decrease) Excluding F/X Effects	
	2004	2003	$	%	$	%
Europe (UGC Europe):						
UPC Broadband						
The Netherlands	$ 361,265	$ 267,075	$ 94,190	35.3%	$ 63,021	23.6%
Austria	111,950	98,278	13,672	13.9%	4,238	4.3%
France (other than Noos)	12,905	13,920	(1,015)	(7.3)%	(2,007)	(14.4)%
France (Noos)	40,785		40,785		40,785	
Norway	37,066	27,913	9,153	32.8%	7,384	26.5%
Sweden	33,421	31,827	1,594	5.0%	(1,225)	(3.8)%
Belgium	16,751	12,306	4,445	36.1%	3,003	24.4%
Ireland	11,795		11,795		11,795	
Total Western Europe	625,938	451,319	174,619	38.7%	126,994	28.1%
Hungary	86,418	63,357	23,061	36.4%	15,084	23.8%
Poland	36,315	24,886	11,429	45.9%	9,338	37.5%
Czech Republic	33,888	24,657	9,231	37.4%	6,699	27.2%
Slovak Republic	13,766	10,618	3,148	29.6%	1,507	14.2%
Romania	11,978	7,931	4,047	51.0%	3,941	49.7%
Total Central and Eastern Europe	182,365	131,449	50,916	38.7%	36,569	27.8%
Corporate and other	(83,604)	(46,091)	(37,513)	(81.4)%	(30,594)	(66.4)%
Total UPC Broadband	724,699	536,677	188,022	35.0%	132,969	24.8%
chellomedia						
Priority Telecom	17,183	14,530	2,653	18.3%	1,090	7.5%
Media	36,335	22,874	13,461	58.8%	10,166	44.4%
Investments	(502)	(1,033)	531	(51.4)%	579	(56.1)%
Total chellomedia	53,016	36,371	16,645	45.8%	11,835	32.5%
Total Europe	777,715	573,048	204,667	35.7%	144,804	25.3%
Latin America:						
Broadband						
Chile (VTR)	108,752	69,951	38,801	55.5%	26,721	38.2%
Brazil, Peru and other	426	87	339	389.7%	339	389.7%
Total Latin America	109,178	70,038	39,140	55.9%	27,060	38.6%
Corporate and other	(7,660)	(14,204)	6,544	46.1%	6,544	46.1%
Total UGC	$ 879,233	$ 628,882	$ 250,351	39.8%	$ 178,408	28.4%
Less Noos and Ireland			(52,580)		(52,580)	
Total UGC, excluding Noos and Ireland			197,771	31.4%	125,828	20.0%
Add: Cinenova Settlement Costs (1)			21,995		21,995	
Total UGC, excluding Noos, Ireland & Cinenova			$ 219,766	34.9%	$ 147,823	23.5%

(1) Represents the settlement of the MovieCo/Cinenova contract in Dec. 04. Total costs in Q4 04 of approximately $22mm, as well as a reduction in cash of $71mm related to payment of all accrued expenses. Please refer to our 10K as of Dec. 31, 2004 for further details.

Supplemental Information   Operating Cash Flow

	Year Ended December 31,					
	2003	2002	Increase (Decrease) $	Increase (Decrease) %	Increase (Decrease) Excluding F/X Effects $	Increase (Decrease) Excluding F/X Effects %
Europe (UGC Europe):						
UPC Broadband						
The Netherlands	$ 267,075	$ 119,329	$ 147,746	123.8%	$ 103,915	87.1%
Austria	98,278	64,662	33,616	52.0%	17,758	27.5%
France (other than Noos)	13,920	(10,446)	24,366	(233.3)%	22,013	(210.7)%
Norway	27,913	17,035	10,878	63.9%	7,983	46.9%
Sweden	31,827	15,904	15,923	100.1%	10,607	66.7%
Belgium	12,306	8,340	3,966	47.6%	(1,521)	(18.2)%
Total Western Europe	451,319	214,824	236,495	110.1%	160,755	74.8%
Hungary	63,357	41,487	21,870	52.7%	13,811	33.3%
Poland	24,886	15,794	9,092	57.6%	8,010	50.7%
Czech Republic	24,657	9,241	15,416	166.8%	11,941	129.2%
Slovak Republic	10,618	4,940	5,678	114.9%	3,723	75.4%
Romania	7,931	6,579	1,352	20.6%	1,173	17.8%
Total Central and Eastern Europe	131,449	78,041	53,408	68.4%	38,658	49.5%
Germany		12,562	(12,562)		(12,562)	
Corporate and other	(46,091)	(25,727)	(20,364)	(79.2)%	(12,567)	(48.8)%
Total UPC Broadband	536,677	279,700	256,977	91.9%	174,284	62.3%
chellomedia						
Priority Telecom	14,530	(3,809)	18,339	(481.5)%	15,927	(418.1)%
Media	22,874	(4,851)	27,725	(571.5)%	23,938	(493.5)%
Investments	(1,033)	(374)	(659)	(176.2)%	(747)	(199.7)%
Total chellomedia	36,371	(9,034)	45,405	(502.6)%	39,118	(433.0)%
Total Europe	573,048	270,666	302,382	111.7%	213,402	78.8%
Latin America:						
Broadband						
Chile (VTR)	69,951	41,959	27,992	66.7%	27,268	65.0%
Brazil, Peru and other	87	(2,345)	2,432	103.7%	2,435	103.7%
Total Latin America	70,038	39,614	30,424	76.8%	29,703	75.0%
Corporate and other	(14,204)	(13,906)	(298)	(2.1)%	(291)	(2.1)%
Total UGC	$ 628,882	$ 296,374	$ 332,508	112.2%	$ 242,814	81.9%
Less Germany			$ 12,562		$ 12,562	
Total UGC, excluding Germany			$ 345,070	121.6%	$ 255,376	90.0%

Supplemental Information   Operating Cash Flow

	Three Months Ended December 31,					
			Increase (Decrease)		Increase (Decrease) Excluding F/X Effects	
	2004	2003	$	%	$	%
Europe (UGC Europe):						
UPC Broadband						
The Netherlands	$ 94,168	$ 78,547	$ 15,621	19.9%	$ 7,462	9.5%
Austria	25,461	24,990	471	1.9%	(1,274)	(5.1)%
France (excluding Noos)	2,397	5,211	(2,814)	(54.0)%	(3,033)	(58.2)%
France (Noos)	23,008		23,008		23,008	
Norway	9,728	8,568	1,160	13.5%	257	3.0%
Sweden	7,492	8,736	(1,244)	(14.2)%	(1,800)	(20.6)%
Belgium	4,276	3,710	566	15.3%	226	6.1%
Ireland (Chorus)	11,795		11,795		11,795	
Total Western Europe	178,325	129,762	48,563	37.4%	36,641	28.2%
Hungary	23,229	16,956	6,273	37.0%	3,493	20.6%
Poland	8,917	5,854	3,063	52.3%	1,780	30.4%
Czech Republic	7,563	6,184	1,379	22.3%	711	11.5%
Slovak Republic	3,137	2,411	726	30.1%	388	16.1%
Romania	2,774	2,489	285	11.5%	391	15.7%
Total Central and Eastern Europe	45,620	33,894	11,726	34.6%	6,763	20.0%
Corporate and other	(33,856)	(6,484)	(27,372)	(422.1)%	(28,653)	(441.9)%
Total UPC Broadband	190,089	157,172	32,917	20.9%	14,751	9.4%
chellomedia						
Priority Telecom	5,878	4,402	1,476	33.5%	1,008	22.9%
Media	11,923	5,723	6,200	108.3%	5,403	94.4%
Investments	(269)	(295)	26	(8.8)%	45	(15.3)%
Total chellomedia	17,532	9,830	7,702	78.4%	6,456	65.7%
Total Europe	207,621	167,002	40,619	24.3%	21,207	12.7%
Latin America:						
Broadband						
Chile (VTR)	33,810	22,067	11,743	53.2%	9,908	44.9%
Brazil, Peru and other	190	131	59	45.0%	59	45.0%
Total Latin America	34,000	22,198	11,802	53.2%	9,967	44.9%
Corporate and other	(2,903)	(3,186)	283	8.9%	283	8.9%
Total UGC	$ 238,718	$ 186,014	$ 52,704	28.3%	$ 31,457	16.9%
Less Noos and Chorus			(34,803)		(34,803)	
Total UGC, excluding Noos and Ireland			$ 17,901	9.6%	$ (3,346)	-1.8%
Add: Cinenova Settlement Costs (1)			21,995		21,995	
Total UGC, excluding Noos, Ireland & Cinenova			$ 39,896	21.4%	$ 18,649	10.0%

Supplemental Information Operating Cash Flow

	Three Months Ended					
	December 31, 2004	September 30, 2004	Increase (Decrease) $	Increase (Decrease) %	Increase (Decrease) Excluding F/X Effects $	Increase (Decrease) Excluding F/X Effects %
Europe (UGC Europe):						
UPC Broadband						
The Netherlands	$ 94,168	$ 93,596	$ 572	0.6%	$ (5,148)	(5.5)%
Austria	25,461	28,221	(2,760)	(9.8)%	(4,064)	(14.4)%
France (other than Noos)	2,397	4,945	(2,548)	(51.5)%	(2,665)	(53.9)%
France (Noos)	23,008	17,777	5,231	29.4%	4,117	23.2%
Norway	9,728	9,680	48	0.5%	(649)	(6.7)%
Sweden	7,492	8,762	(1,270)	(14.5)%	(1,770)	(20.2)%
Belgium	4,276	4,396	(120)	(2.7)%	(338)	(7.7)%
Ireland (Chorus)	11,795		11,795		11,795	
Total Western Europe	178,325	167,377	10,948	6.5%	1,278	0.8%
Hungary	23,229	20,810	2,419	11.6%	957	4.6%
Poland	8,917	9,987	(1,070)	(10.7)%	(1,918)	(19.2)%
Czech Republic	7,563	9,969	(2,406)	(24.1)%	(2,921)	(29.3)%
Slovak Republic	3,137	3,507	(370)	(10.6)%	(572)	(16.3)%
Romania	2,774	3,051	(277)	(9.1)%	(464)	(15.2)%
Total Central and Eastern Europe	45,620	47,324	(1,704)	(3.6)%	(4,918)	(10.4)%
Corporate and other	(33,856)	(14,950)	(18,906)	(126.5)%	(16,325)	(109.2)%
Total UPC Broadband	190,089	199,751	(9,662)	(4.8)%	(19,965)	(10.0)%
chellomedia						
Priority Telecom	5,878	4,011	1,867	46.5%	1,564	39.0%
Media	11,923	10,129	1,794	17.7%	1,195	11.8%
Investments	(269)	(152)	(117)	77.0%	105	(69.1)%
Total chellomedia	17,532	13,988	3,544	25.3%	2,864	20.5%
Total Europe	207,621	213,739	(6,118)	(2.9)%	(17,101)	(8.0)%
Latin America:						
Broadband						
Chile (VTR)	33,810	25,925	7,885	30.4%	5,911	22.8%
Brazil, Peru and other	190	41	149	363.4%	149	363.4%
Total Latin America	34,000	25,966	8,034	30.9%	6,060	23.3%
Corporate and other	(2,903)	1,998	(4,901)	245.3%	(4,901)	245.3%
Total UGC	$ 238,718	$ 241,703	$ (2,985)	(1.2)%	$ (15,942)	(6.6)%
Less: Chorus			$ (11,795)		$ (11,795)	
Total UGC, excluding Chorus			$ (14,780)	(6.1)%	$ (27,737)	(11.5)%
Add: Cinenova Settlement Costs (1)			21,995		21,995	
Total UGC, excluding Chorus & Cinenova			$ 7,215	3.0%	$ (5,742)	(2.4)%

Reconciliation of Operating Cash Flow to Net Income (Loss)(1)

(thousands)	3 months Dec-04	3 months Sep-04	3 months Dec-03	12 months Dec-04	12 months Dec-03	12 months Dec-02	12 months Dec-01	12 months Dec-00
Total segment Operating Cash Flow	$ 238,718	$ 241,703	$ 186,014	$ 879,233	$ 628,882	$ 296,374	$ (191,243)	$ (368,464)
Depreciation and amortization	(267,887)	(235,186)	(210,456)	(935,185)	(808,663)	(730,001)	(1,147,176)	(815,522)
Impairment of long-lived assets	(22,317)	25	(402,680)	(38,915)	(402,239)	(436,153)	(1,320,942)	
Restructuring charges and other	(18,270)	(1,824)	(29,084)	(29,019)	(35,970)	(1,274)	(204,127)	0
Stock-based compensation	(52,767)	(12,178)	(9,377)	(116,661)	(38,024)	(28,228)	(8,818)	43,183
Operating income (loss)	(122,523)	(7,460)	(465,583)	(240,547)	(656,014)	(899,282)	(2,872,306)	(1,140,803)
Interest expense, net	(71,651)	(53,616)	(60,868)	(259,457)	(314,078)	(641,786)	(966,134)	(795,486)
Gains on extinguishment of debt				35,787	2,183,997	2,208,782	3,447	0
Gains (losses) on sale of investments & other net	12,096	646	(1,879)	12,325	279,442	117,262	(416,803)	6,194
Realized and unrealized (losses) gains on foreign currency transactions and derivative instruments and other expenses, net	(16,556)	2,005	(28,020)	(46,939)	74,719	543,719	(413,704)	(98,326)
Income (loss) before income taxes and other items	(198,634)	(58,425)	(556,350)	(498,831)	1,568,066	1,328,695	(4,665,500)	(2,028,421)
Other, net	131,025	(11,785)	175,656	116,476	427,302	(340,427)	170,791	807,531
Net income (loss)	$ (67,609)	$ (70,210)	$ (380,694)	$ (382,355)	$ 1,995,368	$ 988,268	$ (4,494,709)	$ (1,220,890)

Reconciliation of Free Cash Flow

(thousands)	3 months Dec-04	3 months Sep-04	3 months Dec-03	12 months Dec-04	12 months Dec-03
Net cash flows from operating activities	$ 226,255	$ 175,064	$ 118,651	$ 699,602	$ 392,092
Capital expenditures	(187,576)	(116,696)	(105,426)	(480,133)	(333,124)
Free cash flow	$ 38,679	$ 58,368	$ 13,225	$ 219,469	$ 58,968

Debt Summary:	**FYE 03**	**FYE 04**	**Q4 03**	**Q1 04**	**Q2 04**	**Q3 04**	**Q4 04**
UPC Broadband Bank Facility	$ 3,698,586	$ 3,927,830	$ 3,698,586	$ 3,584,272	$ 3,224,816	$ 3,495,406	$ 3,927,830
UGC Convertible Notes		681,850			609,830	621,813	681,850
UPC Polska Notes	317,372		317,372				
UPC Polska 2007 Notes				101,701	101,701		
VTR Bank Facility	123,000	97,941	123,000	93,198	88,586	83,972	97,941
Telenet Notes		87,821					87,821
Old UGC Senior Notes	24,627	24,627	24,627	24,627	24,627	24,627	24,627
Notes payable, related party	102,728	108,414	102,728				108,414
Subject to compromise: short term debt	5,099		5,099				
Other	80,493	58,880	80,493	74,198	55,980	60,653	58,880
Total Debt	$ 4,351,905	$ 4,987,363	$ 4,351,905	$ 3,877,996	$ 4,105,540	$ 4,286,471	$ 4,987,363
Less: UPC Polska notes(1)	(322,471)		(322,471)				
Add: UPC Polska note(2)	101,701		101,701				
Less: Notes Payable, related party(3)	(102,728)		(102,728)				
Less: VTR GlobalCom(4)	(25,233)		(25,233)				
Add: Euro Convertible(5)	630,279		630,279	605,400			
Add: Noos Acquisition(6)					127,042		
Pro-Forma Debt	$ 4,633,453	$ 4,987,363	$ 4,633,453	$ 4,483,396	$ 4,232,582	$ 4,286,471	$ 4,987,363
Cash Summary							
Cash & cash equivalents	$ 310,361	$ 1,028,993	$ 310,361	$ 1,275,785	$ 1,368,677	$ 981,638	$ 1,028,993
Restricted cash	25,052	43,640	25,052	18,169	20,237	23,367	43,640
Short-term liquid investments	2,134	48,965	2,134	19,621	207,194	111,536	48,965
Total Cash	337,547	1,121,598	337,547	1,313,575	1,596,108	1,116,541	1,121,598
Rights Offering and Liberty Preemptive Rights(3)	1,075,385		1,075,385				
Less: VTR GlobalCom(4)	(25,233)		(25,233)				
Less: UPC Polska payment(2)	(81,361)		(81,361)				
Add: Euro Convertible(5)	617,673		617,673	593,292			
Less: Noos Acquisition(6)					(514,130)		
Less: Cinenova/Movieco Settlement(7)		(70,651)					(70,651)
Pro-Forma Cash	$ 1,924,011	$ 1,050,947	$ 1,924,011	$ 1,906,867	$ 1,081,978	$ 1,116,541	$ 1,050,947
Net Debt	$ 4,014,358	$ 3,865,765	$ 4,014,358	$ 2,564,421	$ 2,509,432	$ 3,169,930	$ 3,865,765
Pro-Forma Net Debt	$ 2,709,442	$ 3,936,416	$ 2,709,442	$ 2,576,529	$ 3,150,603	$ 3,169,930	$ 3,936,416
Operating Cash Flow (OCF)	$ 628,882	$ 879,233	$ 186,014	$ 204,284	$ 194,528	$ 241,703	$ 238,718
Add: Noos Operating Cash Flow(6)					26,129		
Add: Cinenova/Movieco Settlement(7)		27,206					21,995
Pro-Forma Operating Cash Flow (OCF)	$ 628,882	$ 906,439	$ 186,014	$ 204,284	$ 220,657	$ 241,703	$ 260,713
Net Debt / Annualized OCF (OCF * 4)	6.4x	4.4x	5.4x	3.1x	3.2x	3.3x	4.0x
Pro Forma Net Debt / Pro-Forma Annualized OCF	4.3x	4.3x	3.6x	3.2x	3.6x	3.3x	3.8x

(amounts in thousands)	**For the 3 months ended Dec-04**	**Dec-03**	**For the 12 months ended Dec-04**	**Dec-03**
Interest Expense Breakdown:				
Cash Pay:				
UPC Broadband Bank Facility	$ (52,789)	$ (55,468)	$ (220,516)	$ (254,900)
UGC Convertible Notes	(2,836)		(7,971)	
VTR Bank Facility	(1,656)	(2,087)	(6,863)	(9,373)
Old UGC Senior Notes	(2,877)	(720)	(2,963)	(2,375)
UPC and subsidiaries senior notes and other(1)	(10,386)	(1,918)	(23,379)	(9,751)
Total	(70,544)	(60,193)	(261,692)	(276,399)
Non-Cash:				
Amortization of deferred financing costs	(7,827)	(3,125)	(21,388)	(21,268)
Senior discount notes accretion and other(1)	(200)	(1)	(200)	(29,465)
Total	(8,027)	(3,126)	(21,588)	(50,733)
Total Interest Expense	$ (78,571)	$ (63,319)	$ (283,280)	$ (327,132)
Summary of Working Capital Changes:(2)				
Change in receivables and other assets	$ (57,339)	$ (28,591)	$ (72,169)	$ 40,870
Change in accounts payable, acc. liabilities & other	117,174	74,893	188,127	42,533
Total	$ 59,835	$ 46,302	$ 115,958	$ 83,403

	Year Ended December 31,					
			Increase (Decrease)		Increase (Decrease) Excluding F/X Effects	
	2004	2003	$	%	$	%
Europe (UGC Europe):						
UPC Broadband						
The Netherlands	$ 716,932	$ 592,223	$ 124,709	21.1%	$ 60,999	10.3%
Austria	299,874	260,162	39,712	15.3%	13,268	5.1%
France (excluding Noos)	128,862	113,946	14,916	13.1%	3,532	3.1%
France (Noos)	183,930		183,930		183,930	
Norway	112,378	95,284	17,094	17.9%	11,815	12.4%
Sweden	88,080	75,057	13,023	17.4%	5,104	6.8%
Belgium	37,472	31,586	5,886	18.6%	2,558	8.1%
Ireland (Chorus)	48,953		48,953		48,953	
Total Western Europe	1,616,481	1,168,258	448,223	38.4%	330,159	28.3%
Hungary	217,507	165,450	52,057	31.5%	31,105	18.8%
Poland	108,979	85,356	23,623	27.7%	16,388	19.2%
Czech Republic	79,905	63,348	16,557	26.1%	10,262	16.2%
Slovak Republic	32,671	25,467	7,204	28.3%	3,209	12.6%
Romania	26,955	20,189	6,766	33.5%	5,532	27.4%
Total Central and Eastern Europe	466,017	359,810	106,207	29.5%	66,496	18.5%
Corporate and other	26,273	32,563	(6,290)	(19.3)%	(8,173)	(25.1)%
Total UPC Broadband	2,108,771	1,560,631	548,140	35.1%	388,482	24.9%
chellomedia						
Priority Telecom	118,956	121,330	(2,374)	(2.0)%	(12,982)	(10.7)%
Media	125,016	98,463	26,553	27.0%	15,459	15.7%
Investments	840	528	312	59.1%	239	45.3%
Total chellomedia	244,812	220,321	24,491	11.1%	2,716	1.2%
Intercompany eliminations	(138,983)	(127,055)	(11,928)	(9.4)%	381	0.3%
Total Europe	2,214,600	1,653,897	560,703	33.9%	391,579	23.7%
Latin America:						
Broadband						
Chile (VTR)	299,951	229,835	70,116	30.5%	36,314	15.8%
Brazil, Peru and other	7,883	7,789	94	1.2%	94	1.2%
Total Latin America	307,834	237,624	70,210	29.5%	36,408	15.3%
Corporate and other	3,012	9	3,003	n.m.	3,003	n.m.
Total UGC	$ 2,525,446	$ 1,891,530	$ 633,916	33.5%	$ 430,990	22.8%
Less Noos and Chorus			$ (232,883)		$ (232,883)	
Total UGC, excluding Noos and Chorus			$ 401,033	21.2%	$ 198,107	10.5%

	Year Ended December 31,					
			Increase (Decrease)		Increase (Decrease) Excluding F/X Effects	
	2003	2002	$	%	$	%
Europe (UGC Europe):						
UPC Broadband						
The Netherlands	$ 592,223	$ 459,044	$ 133,179	29.0%	$ 35,346	7.7%
Austria	260,162	198,189	61,973	31.3%	19,026	9.6%
France (excluding Noos)	113,946	92,441	21,505	23.3%	2,681	2.9%
Norway	95,284	76,430	18,854	24.7%	8,407	11.0%
Sweden	75,057	52,560	22,497	42.8%	9,829	18.7%
Belgium	31,586	24,646	6,940	28.2%	1,725	7.0%
Total Western Europe	1,168,258	903,310	264,948	29.3%	77,014	8.5%
Hungary	165,450	124,046	41,404	33.4%	20,095	16.2%
Poland	85,356	76,090	9,266	12.2%	5,402	7.1%
Czech Republic	63,348	44,337	19,011	42.9%	9,976	22.5%
Slovak Republic	25,467	18,852	6,615	35.1%	1,866	9.9%
Romania	20,189	16,119	4,070	25.2%	4,803	29.8%
Total Central and Eastern Europe	359,810	279,444	80,366	28.8%	42,142	15.1%
Germany		28,069	(28,069)		(28,069)	
Corporate and other	32,563	35,139	(2,576)	(7.3)%	(8,504)	(24.2)%
Total UPC Broadband	1,560,631	1,245,962	314,669	25.3%	82,583	6.6%
chellomedia						
Priority Telecom	121,330	112,637	8,693	7.7%	(11,376)	(10.1)%
Media	98,463	69,372	29,091	41.9%	12,834	18.5%
Investments	528	465	63	13.5%	(25)	(5.4)%
Total chellomedia	220,321	182,474	37,847	20.7%	1,433	0.8%
Intercompany eliminations	(127,055)	(108,695)	(18,360)	(16.9)%	2,609	2.4%
Total Europe	1,653,897	1,319,741	334,156	25.3%	86,625	6.6%
Latin America:						
Broadband						
Chile (VTR)	229,835	186,426	43,409	23.3%	42,319	22.7%
Brazil, Peru and other	7,789	7,011	778	11.1%	778	11.1%
Total Latin America	237,624	193,437	44,187	22.8%	43,097	22.3%
Corporate and other	9	1,843	(1,834)	n.m.	(1,834)	n.m
Total UGC	$ 1,891,530	$ 1,515,021	$ 376,509	24.9%	$ 127,888	8.4%
Less Germany			$ 28,069		$ 28,069	
Total UGC, excluding Germany			$ 404,578	27.2%	$ 155,957	10.5%

	Three Months Ended December 31,					
			Increase (Decrease)		Increase (Decrease) Excluding F/X Effects	
	2004	2003	$	%	$	%
Europe (UGC Europe):						
UPC Broadband						
The Netherlands	$ 196,984	$ 161,603	$ 35,381	21.9%	$ 20,039	12.4%
Austria	78,094	70,282	7,812	11.1%	1,687	2.4%
France (excluding Noos)	34,698	29,511	5,187	17.6%	2,567	8.7%
France (Noos)	95,244		95,244		95,244	
Norway	31,244	25,306	5,938	23.5%	3,467	13.7%
Sweden	23,765	20,190	3,575	17.7%	1,716	8.5%
Belgium	10,229	8,515	1,714	20.1%	928	10.9%
Ireland (Chorus)	48,953		48,953		48,953	
Total Western Europe	519,211	315,407	203,804	64.6%	174,601	55.4%
Hungary	61,841	44,150	17,691	40.1%	9,934	22.5%
Poland	32,292	22,156	10,136	45.7%	5,273	23.8%
Czech Republic	21,467	17,573	3,894	22.2%	1,898	10.8%
Slovak Republic	8,834	6,833	2,001	29.3%	984	14.4%
Romania	8,180	5,748	2,432	42.3%	1,109	19.3%
Total Central and Eastern Europe	132,614	96,460	36,154	37.5%	19,198	19.9%
Corporate and other	7,551	9,520	(1,969)	(20.7)%	(2,075)	(21.8)%
Total UPC Broadband	659,376	421,387	237,989	56.5%	191,724	45.5%
chellomedia						
Priority Telecom	32,162	31,332	830	2.6%	(1,598)	(5.1)%
Media	33,876	26,212	7,664	29.2%	5,006	19.1%
Investments	200	197	3	1.5%	(15)	-7.6%
Total chellomedia	66,238	57,741	8,497	14.7%	3,393	5.9%
Intercompany eliminations	(36,817)	(33,428)	(3,389)	(10.1)%	(535)	(1.6)%
Total Europe	688,797	445,700	243,097	54.5%	194,582	43.7%
Latin America:						
Broadband						
Chile (VTR)	83,414	68,168	15,246	22.4%	10,975	16.1%
Brazil, Peru and other	2,053	1,995	58	2.9%	58	2.9%
Total Latin America	85,467	70,163	15,304	21.8%	11,033	15.7%
Corporate and other	305	1	304	n.m.	304	n.m.
Total UGC	$ 774,569	$ 515,864	$ 258,705	50.1%	$ 205,919	39.9%
Less: Noos and Chorus			$ (144,197)		$ (144,197)	
Total UGC, excluding Noos and Chorus			$ 114,508	22.2%	$ 61,722	12.0%

	Three Months Ended					
	December 31, 2004	September 30, 2004	Increase (Decrease) $	%	Increase (Decrease) Excluding F/X Effects $	%
Europe (UGC Europe):						
UPC Broadband						
The Netherlands	$ 196,984	$ 178,996	$ 17,988	10.0%	$ 7,876	4.4%
Austria	78,094	72,482	5,612	7.7%	1,667	2.3%
France (excluding Noos)	34,698	31,905	2,793	8.8%	1,021	3.2%
France (Noos)	95,244	88,686	6,558	7.4%	1,710	1.9%
Norway	31,244	27,140	4,104	15.1%	1,873	6.9%
Sweden	23,765	21,141	2,624	12.4%	1,057	5.0%
Belgium	10,229	9,195	1,034	11.2%	515	5.6%
Ireland (Chorus)	48,953		48,953		48,953	
Total Western Europe	519,211	429,545	89,666	20.9%	64,672	15.1%
Hungary	61,841	53,194	8,647	16.3%	4,734	8.9%
Poland	32,292	28,464	3,828	13.4%	882	3.1%
Czech Republic	21,467	19,644	1,823	9.3%	452	2.3%
Slovak Republic	8,834	7,967	867	10.9%	303	3.8%
Romania	8,180	6,842	1,338	19.6%	739	10.8%
Total Central and Eastern Europe	132,614	116,111	16,503	14.2%	7,110	6.1%
Corporate and other	7,551	6,668	883	13.2%	493	7.4%
Total UPC Broadband	659,376	552,324	107,052	19.4%	72,275	13.1%
chellomedia						
Priority Telecom	32,162	29,308	2,854	9.7%	1,231	4.2%
Media	33,876	32,218	1,658	5.1%	(64)	-0.2%
Investments	200	187	13	7.0%	2	1.1%
Total chellomedia	66,238	61,713	4,525	7.3%	1,169	1.9%
Intercompany eliminations	(36,817)	(35,286)	(1,531)	(4.3)%	353	1.0%
Total Europe	688,797	578,751	110,046	19.0%	73,797	12.8%
Latin America:						
Broadband						
Chile (VTR)	83,414	75,096	8,318	11.1%	3,530	4.7%
Brazil, Peru and other	2,053	1,909	144	7.5%	143	7.5%
Total Latin America	85,467	77,005	8,462	11.0%	3,673	4.8%
Corporate and other	305	2,707	(2,402)		(2,402)	
Total UGC	$ 774,569	$ 658,463	$ 116,106	17.6%	$ 75,068	11.4%
Less: Chorus			$ (48,953)		$ (48,953)	
Total UGC, excluding Ireland			$ 67,153	10.2%	$ 26,115	4.0%

	Year Ended December 31,					
			Increase (Decrease)		Increase (Decrease) Excluding F/X Effects	
	2004	2003	$	%	$	%
Europe (UGC Europe):						
UPC Broadband						
The Netherlands	$ 361,265	$ 267,075	$ 94,190	35.3%	$ 63,021	23.6%
Austria	111,950	98,278	13,672	13.9%	4,238	4.3%
France (other than Noos)	12,905	13,920	(1,015)	(7.3)%	(2,007)	(14.4)%
France (Noos)	40,785		40,785		40,785	
Norway	37,066	27,913	9,153	32.8%	7,384	26.5%
Sweden	33,421	31,827	1,594	5.0%	(1,225)	(3.8)%
Belgium	16,751	12,306	4,445	36.1%	3,003	24.4%
Ireland	11,795		11,795		11,795	
Total Western Europe	625,938	451,319	174,619	38.7%	126,994	28.1%
Hungary	86,418	63,357	23,061	36.4%	15,084	23.8%
Poland	36,315	24,886	11,429	45.9%	9,338	37.5%
Czech Republic	33,888	24,657	9,231	37.4%	6,699	27.2%
Slovak Republic	13,766	10,618	3,148	29.6%	1,507	14.2%
Romania	11,978	7,931	4,047	51.0%	3,941	49.7%
Total Central and Eastern Europe	182,365	131,449	50,916	38.7%	36,569	27.8%
Corporate and other	(83,604)	(46,091)	(37,513)	(81.4)%	(30,594)	(66.4)%
Total UPC Broadband	724,699	536,677	188,022	35.0%	132,969	24.8%
chellomedia						
Priority Telecom	17,183	14,530	2,653	18.3%	1,090	7.5%
Media	36,335	22,874	13,461	58.8%	10,166	44.4%
Investments	(502)	(1,033)	531	(51.4)%	579	(56.1)%
Total chellomedia	53,016	36,371	16,645	45.8%	11,835	32.5%
Total Europe	777,715	573,048	204,667	35.7%	144,804	25.3%
Latin America:						
Broadband						
Chile (VTR)	108,752	69,951	38,801	55.5%	26,721	38.2%
Brazil, Peru and other	426	87	339	389.7%	339	389.7%
Total Latin America	109,178	70,038	39,140	55.9%	27,060	38.6%
Corporate and other	(7,660)	(14,204)	6,544	46.1%	6,544	46.1%
Total UGC	$ 879,233	$ 628,882	$ 250,351	39.8%	$ 178,408	28.4%
Less Noos and Ireland			(52,580)		(52,580)	
Total UGC, excluding Noos and Ireland			$ 197,771	31.4%	$ 125,828	20.0%
Add: Cinenova Settlement Costs (1)			21,995		21,995	
Total UGC, excluding Noos, Ireland & Cinenova			$ 219,766	34.9%	$ 147,823	23.5%

	Year Ended December 31,					
			Increase (Decrease)		Increase (Decrease) Excluding F/X Effects	
	2003	2002	$	%	$	%
Europe (UGC Europe):						
UPC Broadband						
The Netherlands	$ 267,075	$ 119,329	$ 147,746	123.8%	$ 103,915	87.1%
Austria	98,278	64,662	33,616	52.0%	17,758	27.5%
France (other than Noos)	13,920	(10,446)	24,366	(233.3)%	22,013	(210.7)%
Norway	27,913	17,035	10,878	63.9%	7,983	46.9%
Sweden	31,827	15,904	15,923	100.1%	10,607	66.7%
Belgium	12,306	8,340	3,966	47.6%	(1,521)	(18.2)%
Total Western Europe	451,319	214,824	236,495	110.1%	160,755	74.8%
Hungary	63,357	41,487	21,870	52.7%	13,811	33.3%
Poland	24,886	15,794	9,092	57.6%	8,010	50.7%
Czech Republic	24,657	9,241	15,416	166.8%	11,941	129.2%
Slovak Republic	10,618	4,940	5,678	114.9%	3,723	75.4%
Romania	7,931	6,579	1,352	20.6%	1,173	17.8%
Total Central and Eastern Europe	131,449	78,041	53,408	68.4%	38,658	49.5%
Germany		12,562	(12,562)		(12,562)	
Corporate and other	(46,091)	(25,727)	(20,364)	(79.2)%	(12,567)	(48.8)%
Total UPC Broadband	536,677	279,700	256,977	91.9%	174,284	62.3%
chellomedia						
Priority Telecom	14,530	(3,809)	18,339	(481.5)%	15,927	(418.1)%
Media	22,874	(4,851)	27,725	(571.5)%	23,938	(493.5)%
Investments	(1,033)	(374)	(659)	(176.2)%	(747)	(199.7)%
Total chellomedia	36,371	(9,034)	45,405	(502.6)%	39,118	(433.0)%
Total Europe	573,048	270,666	302,382	111.7%	213,402	78.8%
Latin America:						
Broadband						
Chile (VTR)	69,951	41,959	27,992	66.7%	27,268	65.0%
Brazil, Peru and other	87	(2,345)	2,432	103.7%	2,435	103.7%
Total Latin America	70,038	39,614	30,424	76.8%	29,703	75.0%
Corporate and other	(14,204)	(13,906)	(298)	(2.1)%	(291)	(2.1)%
Total UGC	$ 628,882	$ 296,374	$ 332,508	112.2%	$ 242,814	81.9%
Less Germany			$ 12,562		$ 12,562	
Total UGC, excluding Germany			$ 345,070	121.6%	$ 255,376	90.0%

	Three Months Ended December 31,					
			Increase (Decrease)		Increase (Decrease) Excluding F/X Effects	
	2004	2003	$	%	$	%
Europe (UGC Europe):						
UPC Broadband						
The Netherlands	$ 94,168	$ 78,547	$ 15,621	19.9%	$ 7,462	9.5%
Austria	25,461	24,990	471	1.9%	(1,274)	(5.1)%
France (excluding Noos)	2,397	5,211	(2,814)	(54.0)%	(3,033)	(58.2)%
France (Noos)	23,008		23,008		23,008	
Norway	9,728	8,568	1,160	13.5%	257	3.0%
Sweden	7,492	8,736	(1,244)	(14.2)%	(1,800)	(20.6)%
Belgium	4,276	3,710	566	15.3%	226	6.1%
Ireland (Chorus)	11,795		11,795		11,795	
Total Western Europe	178,325	129,762	48,563	37.4%	36,641	28.2%
Hungary	23,229	16,956	6,273	37.0%	3,493	20.6%
Poland	8,917	5,854	3,063	52.3%	1,780	30.4%
Czech Republic	7,563	6,184	1,379	22.3%	711	11.5%
Slovak Republic	3,137	2,411	726	30.1%	388	16.1%
Romania	2,774	2,489	285	11.5%	391	15.7%
Total Central and Eastern Europe	45,620	33,894	11,726	34.6%	6,763	20.0%
Corporate and other	(33,856)	(6,484)	(27,372)	(422.1)%	(28,653)	(441.9)%
Total UPC Broadband	190,089	157,172	32,917	20.9%	14,751	9.4%
chellomedia						
Priority Telecom	5,878	4,402	1,476	33.5%	1,008	22.9%
Media	11,923	5,723	6,200	108.3%	5,403	94.4%
Investments	(269)	(295)	26	(8.8)%	45	(15.3)%
Total chellomedia	17,532	9,830	7,702	78.4%	6,456	65.7%
Total Europe	207,621	167,002	40,619	24.3%	21,207	12.7%
Latin America:						
Broadband						
Chile (VTR)	33,810	22,067	11,743	53.2%	9,908	44.9%
Brazil, Peru and other	190	131	59	45.0%	59	45.0%
Total Latin America	34,000	22,198	11,802	53.2%	9,967	44.9%
Corporate and other	(2,903)	(3,186)	283	8.9%	283	8.9%
Total UGC	$ 238,718	$ 186,014	$ 52,704	28.3%	$ 31,457	16.9%
Less Noos and Chorus			(34,803)		(34,803)	
Total UGC, excluding Noos and Ireland			$ 17,901	9.6%	$ (3,346)	-1.8%
Add: Cinenova Settlement Costs (1)			21,995		21,995	
Total UGC, excluding Noos, Ireland & Cinenova			$ 39,896	21.4%	$ 18,649	10.0%

	Three Months Ended					
	December 31, 2004	September 30, 2004	Increase (Decrease) $	Increase (Decrease) %	Increase (Decrease) Excluding F/X Effects $	Increase (Decrease) Excluding F/X Effects %
Europe (UGC Europe):						
UPC Broadband						
The Netherlands	$ 94,168	$ 93,596	$ 572	0.6%	$ (5,148)	(5.5)%
Austria	25,461	28,221	(2,760)	(9.8)%	(4,064)	(14.4)%
France (other than Noos)	2,397	4,945	(2,548)	(51.5)%	(2,665)	(53.9)%
France (Noos)	23,008	17,777	5,231	29.4%	4,117	23.2%
Norway	9,728	9,680	48	0.5%	(649)	(6.7)%
Sweden	7,492	8,762	(1,270)	(14.5)%	(1,770)	(20.2)%
Belgium	4,276	4,396	(120)	(2.7)%	(338)	(7.7)%
Ireland (Chorus)	11,795		11,795		11,795	
Total Western Europe	178,325	167,377	10,948	6.5%	1,278	0.8%
Hungary	23,229	20,810	2,419	11.6%	957	4.6%
Poland	8,917	9,987	(1,070)	(10.7)%	(1,918)	(19.2)%
Czech Republic	7,563	9,969	(2,406)	(24.1)%	(2,921)	(29.3)%
Slovak Republic	3,137	3,507	(370)	(10.6)%	(572)	(16.3)%
Romania	2,774	3,051	(277)	(9.1)%	(464)	(15.2)%
Total Central and Eastern Europe	45,620	47,324	(1,704)	(3.6)%	(4,918)	(10.4)%
Corporate and other	(33,856)	(14,950)	(18,906)	(126.5)%	(16,325)	(109.2)%
Total UPC Broadband	190,089	199,751	(9,662)	(4.8)%	(19,965)	(10.0)%
chellomedia						
Priority Telecom	5,878	4,011	1,867	46.5%	1,564	39.0%
Media	11,923	10,129	1,794	17.7%	1,195	11.8%
Investments	(269)	(152)	(117)	77.0%	105	(69.1)%
Total chellomedia	17,532	13,988	3,544	25.3%	2,864	20.5%
Total Europe	207,621	213,739	(6,118)	(2.9)%	(17,101)	(8.0)%
Latin America:						
Broadband						
Chile (VTR)	33,810	25,925	7,885	30.4%	5,911	22.8%
Brazil, Peru and other	190	41	149	363.4%	149	363.4%
Total Latin America	34,000	25,966	8,034	30.9%	6,060	23.3%
Corporate and other	(2,903)	1,998	(4,901)	245.3%	(4,901)	245.3%
Total UGC	$ 238,718	$ 241,703	$ (2,985)	(1.2)%	$ (15,942)	(6.6)%
Less: Chorus			(11,795)		(11,795)	
Total UGC, excluding Chorus			$ (14,780)	(6.1)%	$ (27,737)	(11.5)%
Add: Cinenova Settlement Costs (1)			21,995		21,995	
Total UGC, excluding Chorus & Cinenova			$ 7,215	3.0%	$ (5,742)	(2.4)%