



**Supplemental Earnings Presentation**  
**Second Quarter 2017**  
**July 26, 2017**

*This presentation contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, that are based on management's beliefs and assumptions, current expectations, estimates and projections. Such statements are not considered historical facts and are considered forward-looking information under the federal securities laws. This information may contain words such as "believes," "plans," "expects," "intends," "estimates" or similar expressions.*

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# Summary Q2 2017 Results



Performance Indicator	Current Quarter Q2 2017 Versus Prior Quarter Q1 2017
Yield Curve and Current Investment Environment	During the second quarter of 2017 (the "Second Quarter") the yield curve flattened, driven by another 25 basis points ("bps") Fed rate hike in June, the third hike in as many quarters, and a rally in long term yields with the 10-Year U.S. Treasury yield decreasing 9 bps during the Second Quarter. On a relative basis, Agency RMBS remain attractive. Despite 22 bps of tightening between 2-Year and 10-Year U.S. Treasuries, at current leverage levels, levered returns on our target assets range from the high single digits to low teens.
Book Value Per Common Share	At June 30, 2017, book value per common share of \$8.31 <sup>(1)</sup> , an increase of \$0.05 per common share from the March 31, 2017 book value per common share of \$8.26 <sup>(1)</sup> , after declaring a per share dividend of \$0.25 during the Second Quarter.
Dividends Per Common Share	Declared a quarterly dividend per common share of \$0.25 during the Second Quarter, unchanged from the prior quarter, representing an annualized dividend yield of 11.9% and 12.6%, based upon the closing price per common share of \$8.41 and \$7.95 at June 30, 2017 and March 31, 2017, respectively.
GAAP Net Income (Loss) Available to Common Shareholders	GAAP net income (loss) available to common stockholders of \$45.0 million, or \$0.30 per diluted common share, compared to net income (loss) of \$28.8 million, or \$0.19 per diluted common share for the previous quarter.
Core Earnings, Plus Drop Income	Core Earnings <sup>(2)</sup> plus Drop Income <sup>(3)</sup> of \$40.6 million (\$31.9 million Core Earnings and \$8.7 million Drop Income), or \$0.27 per diluted common share (\$0.21 Core Earnings and \$0.06 Drop Income), as compared to \$41.8 million (\$32.4 million Core Earnings and \$9.4 million Drop Income), or \$0.28 per diluted common share (\$0.21 Core Earnings and \$0.07 Drop Income) for the prior quarter.
Interest Rate Spread Net of Hedge, Including Drop Income	Interest rate spread net of hedge, including Drop Income, of 1.49% <sup>(4)</sup> , an 8 bp decrease from 1.57% at March 31, 2017.
Operating Expense Ratio	Operating expense ratio of 1.40% <sup>(5)</sup> , as compared to 1.61% during the prior quarter (excluding effects of Q1 2017 non-recurring accelerated restricted stock and other compensation expenses, the operating expense ratio was 1.46%).
Weighted-Average Amortized Cost	Weighted-average amortized cost of Agency RMBS and U.S. Treasuries <sup>(6)</sup> (collectively, "Debt Securities") of \$103.31 at June 30, 2017, compared to \$103.26 at March 31, 2017.
Leverage and Hedge Ratios	Leverage ratio <sup>(7)</sup> increased marginally to 7.20:1 at June 30, 2017 from 7.15:1 at March 31, 2017. Hedge ratio decreased to 97% at June 30, 2017, from 99% at March 31, 2017.
Weighted-Average Quarterly Constant Prepayment Rate (CPR)	A weighted-average quarterly constant prepayment rate ("CPR") <sup>(8)</sup> of 7.5% for the Second Quarter, as compared to 8.1% during the prior quarter.
Share Repurchases	The Company did not repurchase any shares of its common stock during the Second Quarter or the prior quarter.
Total Stockholder Return (Loss) on Common Equity	Total stockholder return on common equity <sup>(9)</sup> of 3.63% and 2.16% for the Second Quarter and the prior quarter, respectively.

Footnotes appear on page 26.

## Key Balance Sheet and Performance Metrics

Key Balance Sheet Metrics (in thousands)	Three Months Ended					
	6/30/2017	3/31/2017	12/31/2016	9/30/2016	6/30/2016	3/31/2016
Average settled Debt Securities <sup>(1)</sup>	\$ 10,796,064	\$ 10,819,433	\$ 11,484,017	\$ 11,725,021	\$ 11,887,351	\$ 11,905,997
Average total Debt Securities <sup>(2)</sup>	\$ 12,479,401	\$ 12,485,920	\$ 13,207,856	\$ 13,596,739	\$ 13,230,800	\$ 12,945,855
Average repurchase agreements and FHLBC Advances <sup>(3)</sup>	\$ 9,276,572	\$ 9,264,522	\$ 9,905,199	\$ 10,223,051	\$ 10,412,784	\$ 10,492,636
Average Debt Securities liabilities <sup>(4)</sup>	\$ 10,959,909	\$ 10,931,009	\$ 11,629,038	\$ 12,094,769	\$ 11,756,233	\$ 11,532,494
Average stockholders' equity <sup>(5)</sup>	\$ 1,550,906	\$ 1,539,245	\$ 1,646,903	\$ 1,749,543	\$ 1,725,879	\$ 1,714,728
Average common shares outstanding <sup>(6)</sup>	151,729	151,572	151,434	151,414	151,452	151,788
Leverage ratio (at period end) <sup>(7)</sup>	7.20:1	7.15:1	7.06:1	6.96:1	6.91:1	6.76:1
Hedge ratio <sup>(8)</sup>	97%	99%	92%	93%	91%	97%
Book value per common share (at period end) <sup>(9)</sup>	\$8.31	\$8.26	\$8.33	\$9.79	\$9.55	\$9.46
Weighted-average amortized cost of Agency RMBS and U.S. Treasuries <sup>(10)</sup>	\$103.31	\$103.26	\$103.78	\$103.72	\$103.42	\$103.76

Key Performance Metrics*	6/30/2017	3/31/2017	12/31/2016	9/30/2016	6/30/2016	3/31/2016
Average yield on settled Debt Securities <sup>(11)</sup>	2.86%	2.71%	2.39%	2.38%	2.52%	2.74%
Average yield on total Debt Securities including Drop Income <sup>(12)</sup>	2.75%	2.65%	2.32%	2.36%	2.50%	2.71%
Average cost of funds <sup>(13)</sup>	1.13%	0.92%	0.81%	0.68%	0.72%	0.68%
Average cost of funds and hedge <sup>(14)</sup>	1.49%	1.28%	1.22%	1.17%	1.29%	1.39%
Adjusted average cost of funds and hedge <sup>(15)</sup>	1.26%	1.08%	1.04%	0.99%	1.14%	1.26%
Interest rate spread net of hedge <sup>(16)</sup>	1.37%	1.43%	1.17%	1.21%	1.23%	1.35%
Interest rate spread net of hedge including Drop Income <sup>(17)</sup>	1.49%	1.57%	1.28%	1.37%	1.36%	1.45%
Operating expense ratio <sup>(18)</sup>	1.40%	1.61%	1.26%	1.42%	1.36%	1.48%
Total stockholder return on common equity <sup>(19)</sup>	3.63%	2.16%	(12.36%)	5.13%	3.59%	3.85%
CPR: weighted-average experienced 1-month <sup>(20)</sup>	7.5%	8.1%	14.2%	14.0%	12.9%	7.6%

- During the Second Quarter, we experienced a 0.6% decline in prepayment speeds to 7.5% from 8.1% in the prior quarter. The decline in prepayment speeds, coupled with additional portfolio repositioning during the Second Quarter, resulted in a 15 bps increase in the average yield on settled Debt Securities to 2.86% from 2.71% in the prior quarter.

Footnotes appear on page 26

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

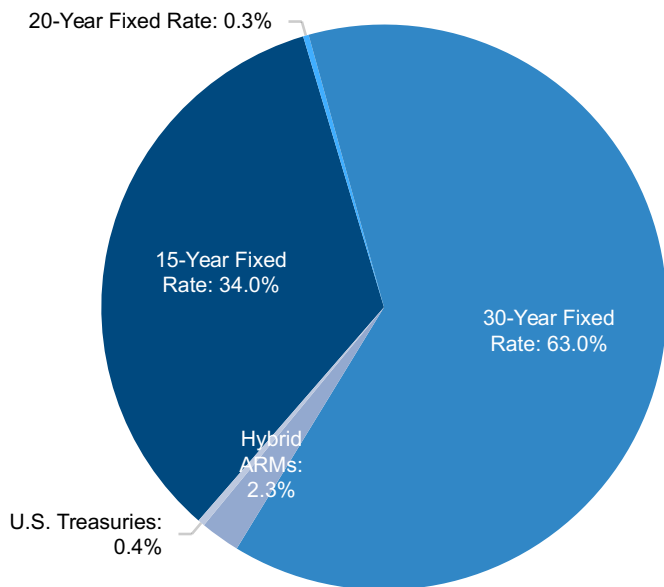
## Q2 2017: Market Data

Security Type	3/31/2016	6/30/2016	9/30/2016	12/31/2016	3/31/2017	6/30/2017	Q1 2017 Δ to Q2 2017
<b>15-Year Fannie Mae Fixed Rate MBS Prices</b>							
2.5%	\$102.70	\$103.52	\$103.58	\$100.05	\$100.08	\$100.48	\$0.40
3.0%	\$104.52	\$104.86	\$104.98	\$102.48	\$102.55	\$102.61	\$0.06
3.5%	\$105.67	\$105.98	\$105.42	\$104.11	\$104.11	\$104.05	\$(0.06)
4.0%	\$104.20	\$103.73	\$103.20	\$102.95	\$103.36	\$103.45	\$0.09
<b>30-Year Fannie Mae Fixed Rate MBS Prices</b>							
3.0%	\$102.67	\$103.83	\$103.98	\$99.20	\$99.23	\$99.83	\$0.60
3.5%	\$104.92	\$105.55	\$105.55	\$102.33	\$102.36	\$102.67	\$0.31
4.0%	\$106.92	\$107.23	\$107.42	\$104.98	\$104.95	\$105.14	\$0.19
<b>U.S. Treasuries ("UST") Yield</b>							
2-Yr UST	0.72%	0.58%	0.76%	1.19%	1.25%	1.38%	0.13%
5-Yr UST	1.20%	1.00%	1.15%	1.93%	1.92%	1.89%	(0.03)%
7-Yr UST	1.53%	1.28%	1.42%	2.25%	2.21%	2.14%	(0.07)%
10-Yr UST	1.77%	1.47%	1.59%	2.44%	2.39%	2.30%	(0.09)%
2-Yr UST to 10-Yr UST Spread	1.05%	0.89%	0.83%	1.25%	1.14%	0.92%	(0.22)%
<b>London Interbank Offered Rates ("LIBOR")</b>							
1 Month LIBOR	0.44%	0.47%	0.53%	0.77%	0.98%	1.22%	0.24%
3 Month LIBOR	0.63%	0.65%	0.85%	1.00%	1.15%	1.30%	0.15%
<b>Swap Rates</b>							
2-Yr Swap	0.84%	0.73%	1.01%	1.45%	1.62%	1.62%	—%
5-Yr Swap	1.17%	0.98%	1.18%	1.98%	2.05%	1.96%	(0.09)%
7-Yr Swap	1.39%	1.15%	1.30%	2.16%	2.22%	2.11%	(0.11)%
10-Yr Swap	1.64%	1.36%	1.46%	2.34%	2.38%	2.28%	(0.10)%
<b>30- and 15-Year Fannie Mae Yield Spread to Swap Rates</b>							
30-Yr to 7-Yr Swap	1.18%	1.16%	1.06%	0.97%	0.91%	0.92%	0.01%
15-Yr to 5-Yr Swap	0.70%	0.71%	0.54%	0.50%	0.43%	0.44%	0.01%

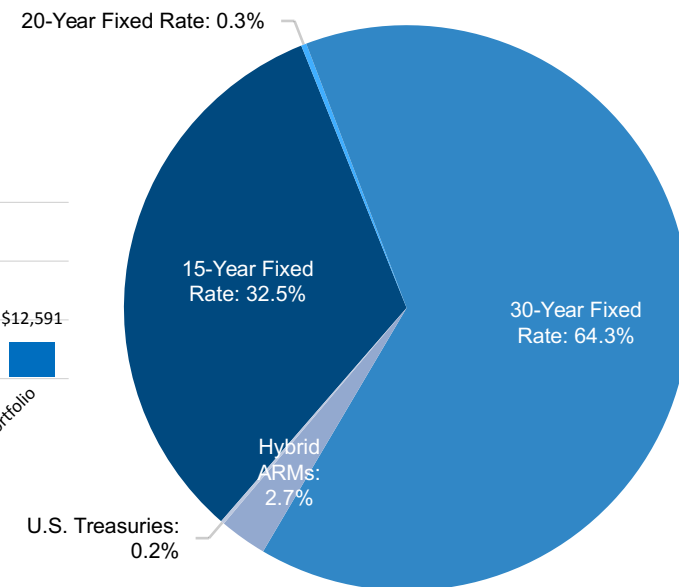
- The spread between the 2 Year and 10 Year U.S. Treasury Yields decreased by 22 bps during the Second Quarter.
- During the Second Quarter the MBS Yield spread to swap rates remained stable.

# Portfolio at Fair Value

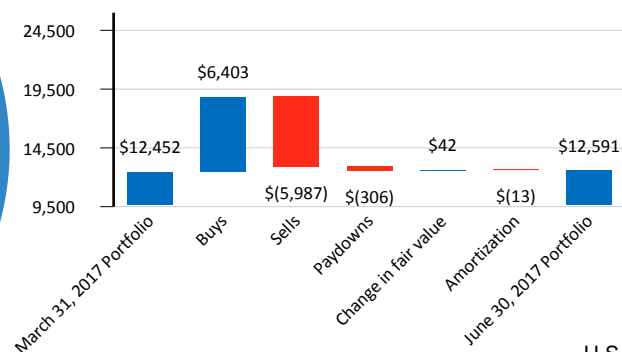
**March 31, 2017**  
**\$12.5B Portfolio\***



**June 30, 2017**  
**\$12.6B Portfolio\***



**Q2 2017 Portfolio Changes\***  
(dollars in millions)



(dollars in thousands)	3/31/2017*	% of Portfolio	6/30/2017*	% of Portfolio	\$ Change	% Change
15-Year Fixed Rate	\$ 4,232,639	34.0%	\$ 4,096,032	32.5%	\$ (136,607)	(1)%
20-Year Fixed Rate	40,054	0.3%	38,034	0.3%	(2,020)	—%
30-Year Fixed Rate	7,846,908	63.0%	8,090,392	64.3%	243,484	2%
Hybrid ARMs	282,451	2.3%	341,811	2.7%	59,360	—%
U.S. Treasuries	49,688	0.4%	24,841	0.2%	(24,847)	—%
<b>Total</b>	<b>\$ 12,451,740</b>	<b>100.0%</b>	<b>\$ 12,591,110</b>	<b>100.0%</b>	<b>\$ 139,370</b>	<b>1.0%</b>

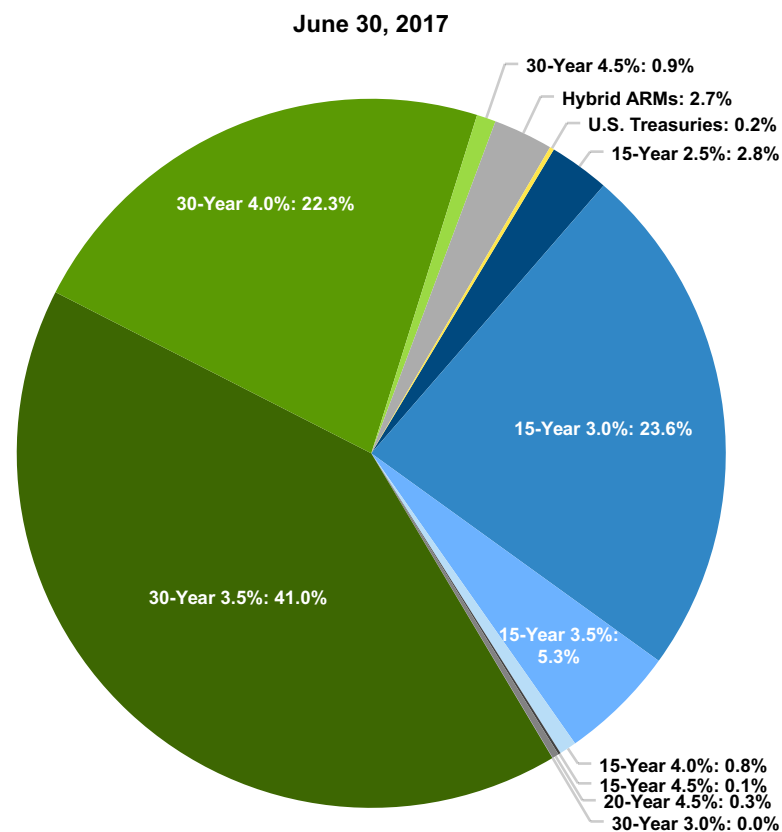
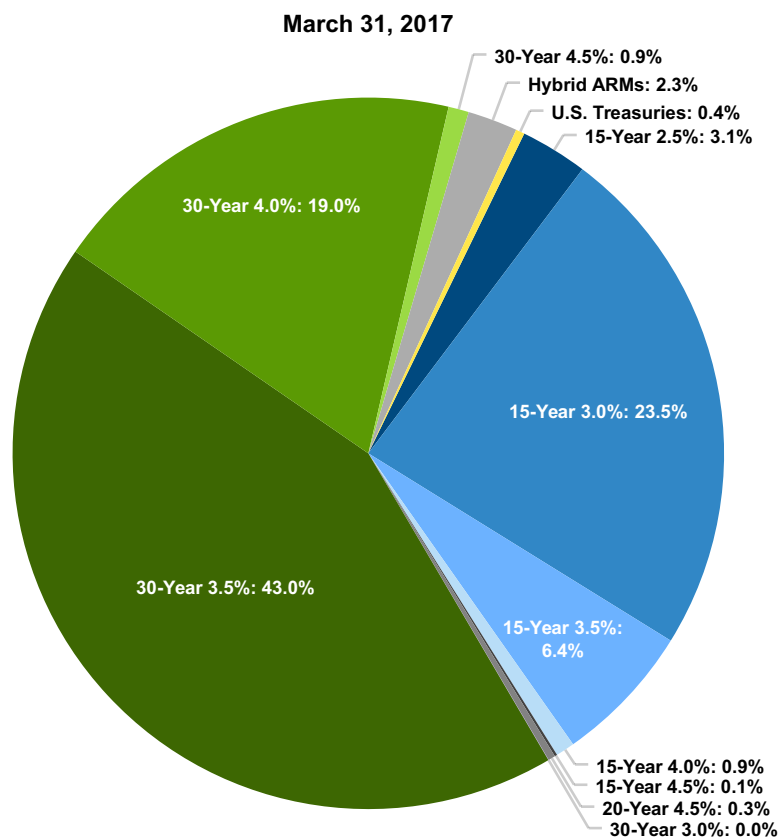
\*Q2 2017 portfolio changes include to be announced ("TBA") dollar roll transactions whereby the Company is not contractually obligated to accept delivery on the settlement date ("TBA Derivatives") (\$4.5 billion, \$4.2 billion, and \$10.1 million of buys, sells, and change in fair value, respectively). Fair value of net TBA Derivative positions at March 31, 2017 and June 30, 2017 was \$1.4 billion and \$0.9 billion, respectively.

# Portfolio Detail as of June 30, 2017 and Prior Quarter Summary

Coupon	Face Value (in 000's)	Fair Value (in 000's)*	Amortized Cost Basis as % of Face Value	Loan Balance <sup>(1)</sup> (in 000's)	Loan Age <sup>(1)</sup> (in months)	3-Month CPR <sup>(1) (2)</sup>	Duration <sup>(3)</sup>
<b>15-Year Agency RMBS</b>							
<b>Weighted-Average</b>							
2.5%	\$345,631	\$347,745	\$102.51	\$183	8	3.2%	4.24
3.0%	2,633,493	2,705,292	102.45	272	24	7.9%	3.23
TBA 3.0%*	256,200	262,953	102.93	n/a	n/a	n/a	3.27
3.5%	640,603	667,784	102.65	204	61	13.5%	2.68
4.0%	94,007	98,859	100.99	168	76	18.5%	2.49
4.5%	12,641	13,399	102.13	242	89	12.6%	1.85
<b>Subtotal</b>	<b>3,982,575</b>	<b>4,096,032</b>	<b>102.48</b>	<b>249</b>	<b>30</b>	<b>8.8%</b>	<b>3.21</b>
<b>20-Year Agency RMBS</b>							
4.5%	<b>35,368</b>	<b>38,034</b>	<b>102.61</b>	<b>205</b>	<b>83</b>	<b>13.9%</b>	<b>2.32</b>
<b>30-Year Agency RMBS</b>							
3.0%	1,671	1,694	104.45	132	49	17.5%	5.25
3.5%	4,334,591	4,457,596	103.04	333	9	4.5%	4.61
TBA 3.5%*	693,050	711,630	103.03	n/a	n/a	n/a	4.23
4.0%	2,084,400	2,197,885	104.94	294	21	9.0%	3.10
TBA 4.0%*	582,000	611,546	105.50	n/a	n/a	n/a	3.12
4.5%	101,715	110,041	106.55	281	74	17.8%	2.49
<b>Subtotal</b>	<b>7,797,427</b>	<b>8,090,392</b>	<b>103.77</b>	<b>319</b>	<b>14</b>	<b>6.2%</b>	<b>4.04</b>
<b>Agency RMBS Hybrid ARMs</b>							
3.0% <sup>(4)</sup>	<b>332,190</b>	<b>341,811</b>	<b>102.64</b>	<b>315</b>	<b>44</b>	<b>19.5%</b>	<b>2.07</b>
<b>Agency RMBS Subtotal</b>	<b>12,147,560</b>	<b>12,566,269</b>	<b>103.32</b>	<b>294</b>	<b>21</b>	<b>7.5%</b>	<b>3.71</b>
<b>U.S. Treasuries</b>							
0.6%	<b>25,000</b>	<b>24,841</b>	<b>99.94</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>0.99</b>
<b>Portfolio Total</b>	<b>\$12,172,560</b>	<b>\$12,591,110</b>	<b>\$103.31</b>	<b>\$294</b>	<b>21</b>	<b>7.5%</b>	<b>3.70</b>
<b>As of March 31, 2017</b>							
Coupon	Face Value (in 000's)	Fair Value (in 000's)*	Amortized Cost Basis per Face Value	Loan Balance <sup>(1)</sup> (in 000's)	Loan Age <sup>(1)</sup> (in months)	3-Month CPR <sup>(1) (2)</sup>	Duration <sup>(3)</sup>
15-Year Agency RMBS	\$4,117,754	\$4,232,639	\$102.46	\$248	31	9.4%	2.87
20-Year Agency RMBS	37,265	40,054	102.64	209	80	14.4%	1.69
30-Year Agency RMBS	7,599,092	7,846,908	103.74	318	13	6.6%	3.72
Agency RMBS Hybrid ARMs	273,758	282,451	102.73	315	41	18.1%	1.53
U.S. Treasuries	50,000	49,688	99.92	n/a	n/a	n/a	1.23
<b>Portfolio Total</b>	<b>\$12,077,869</b>	<b>\$12,451,740</b>	<b>\$103.26</b>	<b>\$292</b>	<b>20</b>	<b>8.2%</b>	<b>3.37</b>

\*Includes fair value of net TBA Derivative positions of \$0.9 billion and \$1.4 billion as of June 30, 2017 and March 31, 2017, respectively.

# Portfolio Composition Summary\*

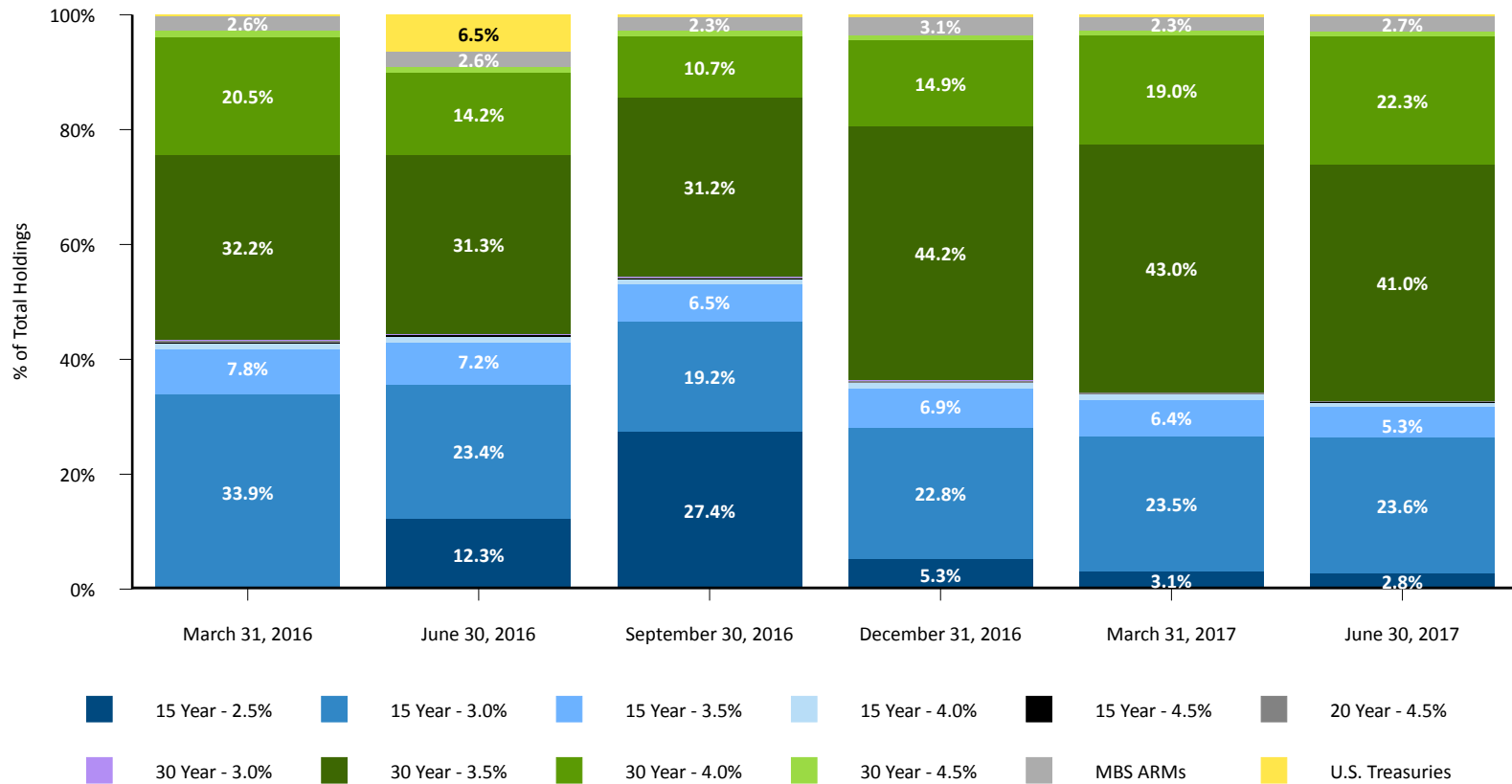


➤ During the Second Quarter, the Company moderately reduced its 15-Year MBS holdings and increased its 30-Year MBS holdings.

\*Includes fair value of net TBA Derivative positions of \$1.4 billion and \$0.9 billion as of March 31, 2017 and June 30, 2017, respectively.



# Portfolio Composition Trends\*



\*Includes fair value of net TBA Derivative positions of \$0.9 billion, \$1.4 billion, \$(0.3) billion, \$2.2 billion, \$0.8 million and \$0.3 million as of June 30, 2017, March 31, 2017, December 31, September 30, June 30 and March 31, 2016, respectively.

# Hedging Summary: Interest Rate Swaps and Caps



Interest Rate Swaps												
June 30, 2017							March 31, 2017					
Maturity	Notional Amount (in 000's)	Fair Value (in 000's)	Weighted-Average				Notional Amount (in 000's)	Fair Value (in 000's)	Weighted-Average			
			Duration <sup>(1)</sup>	Pay Rate	Receive Rate	Net Pay Rate			Duration <sup>(1)</sup>	Pay Rate	Receive Rate	Net Pay Rate
≤ 3 Years	\$ 1,500,000	\$4,037	(0.49)	1.00	1.18	(0.18)	\$ 2,500,000	\$7,587	(0.59)	0.93	1.06	(0.13)
> 3 to ≤ 5 Years	3,450,000	57,976	(3.26)	1.33	1.17	0.16	3,450,000	77,114	(3.48)	1.33	1.02	0.31
> 5 to ≤ 7 Years*	1,500,000	439	(3.72)	2.27	1.17	1.10	500,000	2,946	(4.95)	1.98	1.03	0.95
> 7 to ≤ 10 Years	100,000	1,178	(8.70)	2.16	1.27	0.89	—	—	—	—	—	—
Subtotal	\$ 6,550,000	\$63,630	(2.82)	1.48	1.17	0.31	\$ 6,450,000	\$87,647	(2.48)	1.23	1.04	0.19

Interest Rate Caps												
June 30, 2017							March 31, 2017					
Maturity	Notional Amount (in 000's)	Fair Value (in 000's)	Weighted-Average				Notional Amount (in 000's)	Fair Value (in 000's)	Weighted-Average			
			Duration <sup>(1)</sup>	Cap Rate	Receive Rate	Net Cap Pay Rate			Duration <sup>(1)</sup>	Cap Rate	Receive Rate	Net Cap Pay Rate
≤ 3 Years	\$ 2,500,000	\$27,731	(1.94)	1.28	0.62	0.66	\$ 2,000,000	\$28,465	(1.95)	1.29	—	1.29
> 3 to ≤ 5 Years	—	—	—	—	—	—	500,000	9,861	(2.34)	1.25	—	1.25
Subtotal	\$ 2,500,000	\$27,731	(1.94)	1.28	0.62	0.66	\$ 2,500,000	\$38,326	(2.03)	1.28	—	1.28

Total Interest Rate Swaps and Caps												
June 30, 2017							March 31, 2017					
	Notional Amount (in 000's)	Fair Value (in 000's)	Weighted-Average				Notional Amount (in 000's)	Fair Value (in 000's)	Weighted-Average			
			Duration <sup>(1)</sup>	Net Swap and Cap Pay Rate					Duration <sup>(1)</sup>	Net Swap and Cap Pay Rate		
Total	\$ 9,050,000	\$91,361	(2.57)	0.41			\$ 8,950,000	\$125,973	(2.35)	0.49		

➤ During the Second Quarter, we took advantage of the decrease in swap rates and opportunistically repositioned a portion of our hedge portfolio by replacing an existing \$1 billion in notional with shorter dated swaps maturing in less than six months with 7-year, cancelable-in-one-year, swaps. We also incrementally added \$100 million notional of 10-year swaps.

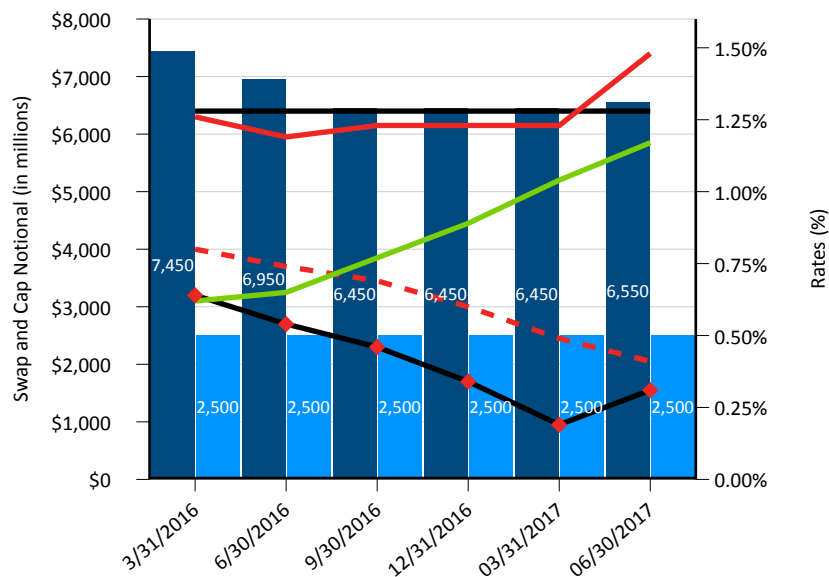
➤ The repositioning and expansion of our hedge portfolio during the Second Quarter extended the duration to 2.6 from 2.4 in the prior quarter.

\* Includes 7-year swaps with a notional value of \$500 million, \$250 million, and \$250 million, cancelable on April 19, 2018, May 19, 2018 and May 21, 2018, respectively.

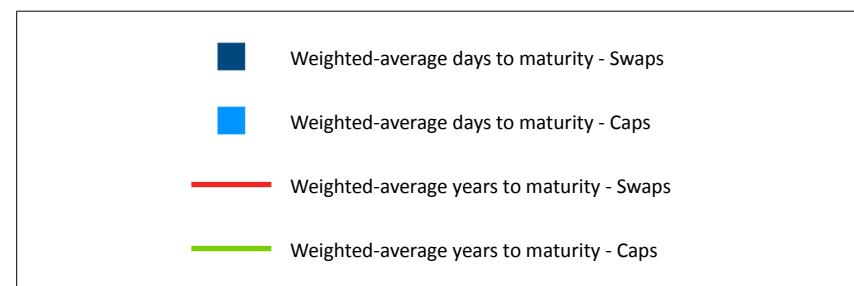
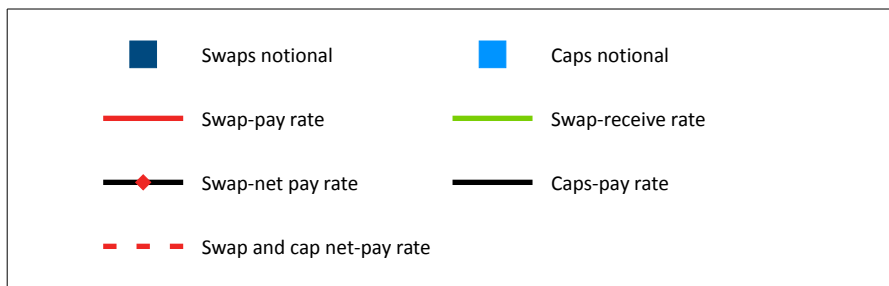
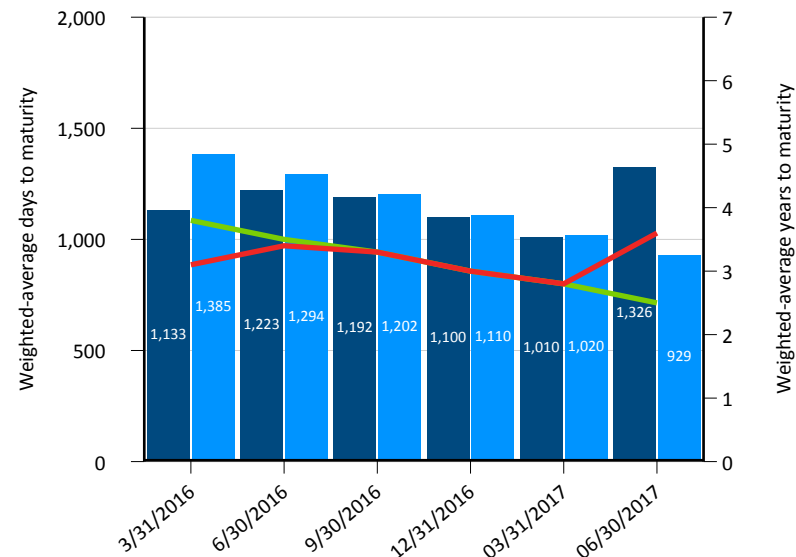
(1) Duration measures the market price volatility of financial instruments as interest rates change using DV01 methodology. We generally calculate duration using various third-party financial models and empirical data. Different models and methodologies can produce different estimates of duration for the same securities. Duration estimates in the table are calculated utilizing Yield Book® software and may reflect adjustments based on our judgment.

# Hedge Notional, Cost and Maturity Trends

### Hedge Notional and Cost Trends



### Maturity Trends



- During the Second Quarter, we continued to benefit from an increase in 3-month LIBOR, resulting in a 13 bps increase in the receive-leg of our swaps. In addition, during the Second Quarter, 3-month LIBOR exceeded the cap rate of 1.25% on two of our caps, and these became cash flow positive to us. Two additional caps are expected to begin cash-flowing positive in the third quarter of 2017 when the rates are scheduled to reset.
- We experienced an 8 bps decrease in the net swap and cap pay rate during the Second Quarter to 41 bps from 49 bps as a result of the increase in 3-month LIBOR while we simultaneously increased the size and duration of the hedge portfolio.

# Sensitivity Analysis and Duration Gap

Interest Rate Sensitivity <sup>(1)</sup>					
June 30, 2017					
Interest Rate Change (bps)	Projected Change in Net Income		Projected Change in the Fair Value of Our Investments	Projected Change in Stockholders' Equity	Net Duration Gap <sup>(4)</sup>
-75	21.07%	<sup>(2)(3)</sup>	0.72%	5.97%	0.14
-50	16.86%	<sup>(2)(3)</sup>	0.61%	5.03%	0.43
-25	8.43%	<sup>(2)(3)</sup>	0.37%	3.05%	0.73
—	—%		—%	—%	1.03
25	(11.05)%	<sup>(2)</sup>	(0.49)%	(4.02)%	1.28
50	(18.26)%	<sup>(2)</sup>	(1.08)%	(8.91)%	1.51
75	(32.12)%	<sup>(2)</sup>	(1.75)%	(14.50)%	1.69

Interest Rate Sensitivity <sup>(1)</sup>					
March 31, 2017					
Interest Rate Change (bps)	Projected Change in Net Income		Projected Change in the Fair Value of Our Investments	Projected Change in Stockholders' Equity	Net Duration Gap <sup>(4)</sup>
-75	15.19%	<sup>(2)(3)</sup>	0.57%	4.69%	(0.07)
-50	11.81%	<sup>(2)(3)</sup>	0.53%	4.40%	0.29
-25	8.44%	<sup>(2)(3)</sup>	0.33%	2.75%	0.64
—	—%		—%	—%	0.93
25	(8.44)%	<sup>(2)</sup>	(0.44)%	(3.68)%	1.19
50	(16.87)%	<sup>(2)</sup>	(0.99)%	(8.20)%	1.41
75	(25.31)%	<sup>(2)</sup>	(1.63)%	(13.46)%	1.61

- During the Second Quarter, the Fed increased the Federal Funds Rate 25 bps, the third hike in as many quarters, and signaled an additional rate hike in 2017.
- Later in 2017, the Fed is also expected to announce when it will implement its published plan to reduce its \$4.5 trillion balance sheet of U.S. Treasury and Agency MBS holdings.

Footnotes appear on page 27.

Net Duration Gap <sup>(1)</sup>					
(dollars in thousands)					
		As of June 30, 2017		As of March 31, 2017	
Component	Duration	Notional (Face Value)	Duration	Notional (Face Value)	
Interest rate swaps	(2.82)	\$ 6,550,000	(2.48)	\$ 6,450,000	
Interest rate caps	(1.94)	2,500,000	(2.03)	2,500,000	
Agency RMBS and U.S. Treasuries	3.70	12,172,560	3.37	12,077,869	
Net Duration Gap (years)	1.03		0.93		

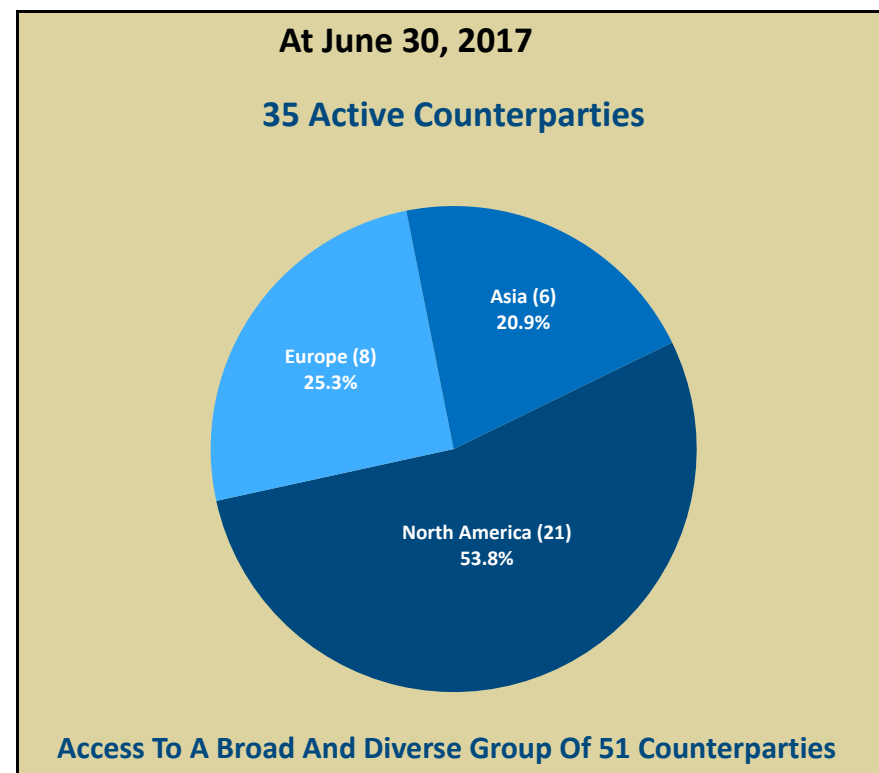
- The net duration gap increased to 1.03 at June 30, 2017 from 0.93 at March 31, 2017.

(1) Net duration gap is calculated as a weighted-average of the total portfolio including the aggregate notional amount on our interest rate swaps and caps using DV01 methodology. Duration estimates in the table are calculated utilizing Yield Book® software and may reflect adjustments based on our judgment.

# Financing Summary

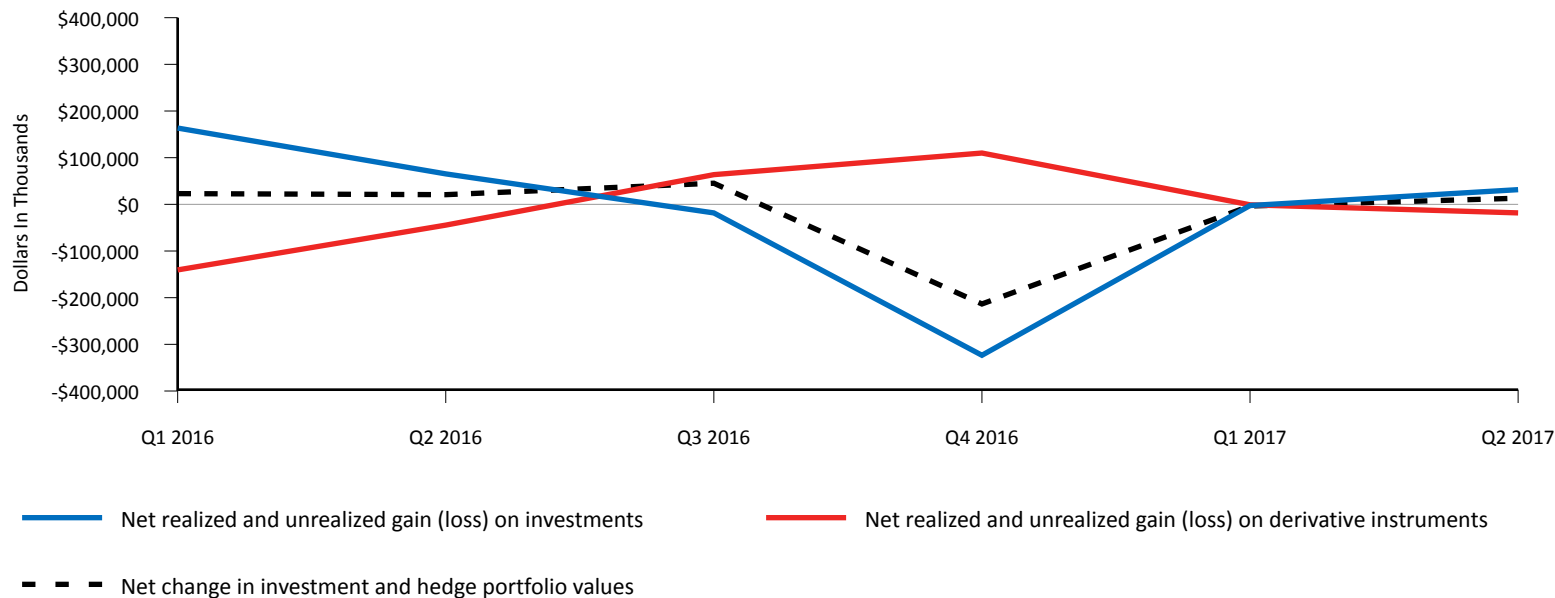
Repo Borrowings Collateralized with Agency RMBS and U.S. Treasuries As of June 30, 2017					
Original Days to Maturity	Repo Borrowings Outstanding (in 000's)	Percentage of Total	Weighted-Average Interest Rate	Weighted-Average Remaining Days to Maturity	Weighted-Average Original Days to Maturity
Agency RMBS					
≤ 30 Days	\$ 1,671,694	18%	1.35%	13	24
> 30 to ≤ 60 Days	874,678	9%	1.28%	19	41
> 60 Days	6,824,473	73%	1.20%	104	178
Subtotal	\$ 9,370,845	100%	1.23%	80	138

As of March 31, 2017					
Original Days to Maturity	Repo Borrowings Outstanding (in 000's)	Percentage of Total	Weighted-Average Interest Rate	Weighted-Average Remaining Days to Maturity	Weighted-Average Original Days to Maturity
Total/ Wtd.-Avg	\$ 9,015,594	100%	0.98%	66	122



- At June 30, 2017, the Company had borrowings from repurchase agreements ("repo borrowings") outstanding with 35 counterparties and repo agreements in place with a total of 51 counterparties.
- The weighted-average interest rate on outstanding repo borrowings was 1.23% at June 30, 2017, a 25 bps increase from 0.98% at March 31, 2017, a direct result of the Fed's 25 bps rate hike in June 2017 and an increase in the weighted-average term of repo borrowing to 80 days from 66 days in the prior quarter.

# Investment and Hedge Portfolio Performance Trends



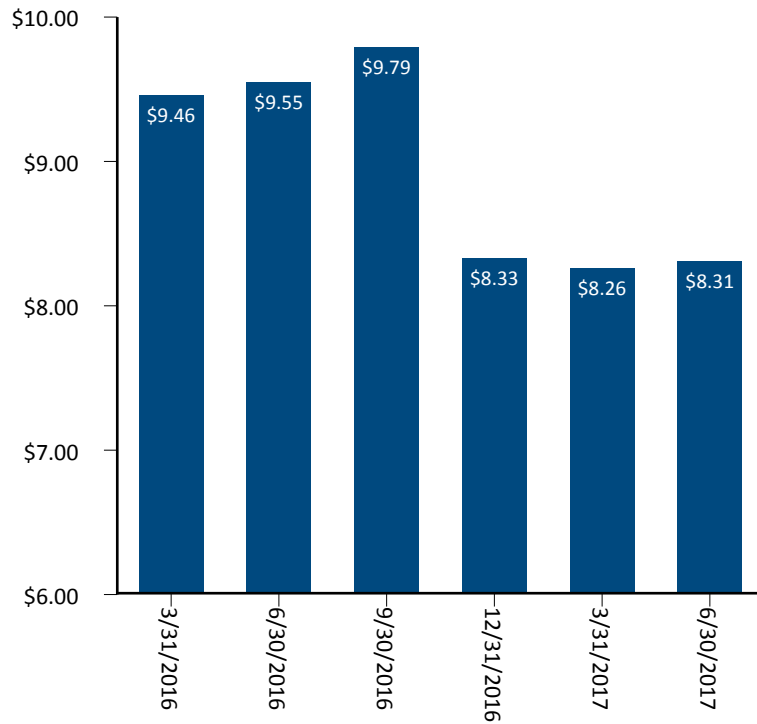
Net Change in Investment and Hedge Portfolio						
(dollars in thousands)	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017
Net realized and unrealized gain (loss) on investments	\$163,488	\$65,274	\$(18,385)	\$(323,414)	\$(2,566)	\$31,468
Net realized and unrealized gain (loss) on derivative instruments*	(140,524)	(44,535)	63,625	109,951	(1,012)	(18,324)
Net change in investment and hedge portfolio	\$22,964	\$20,739	\$45,240	\$(213,463)	\$(3,578)	\$13,144

➤ During the Second Quarter, Agency RMBS outperformed swaps.

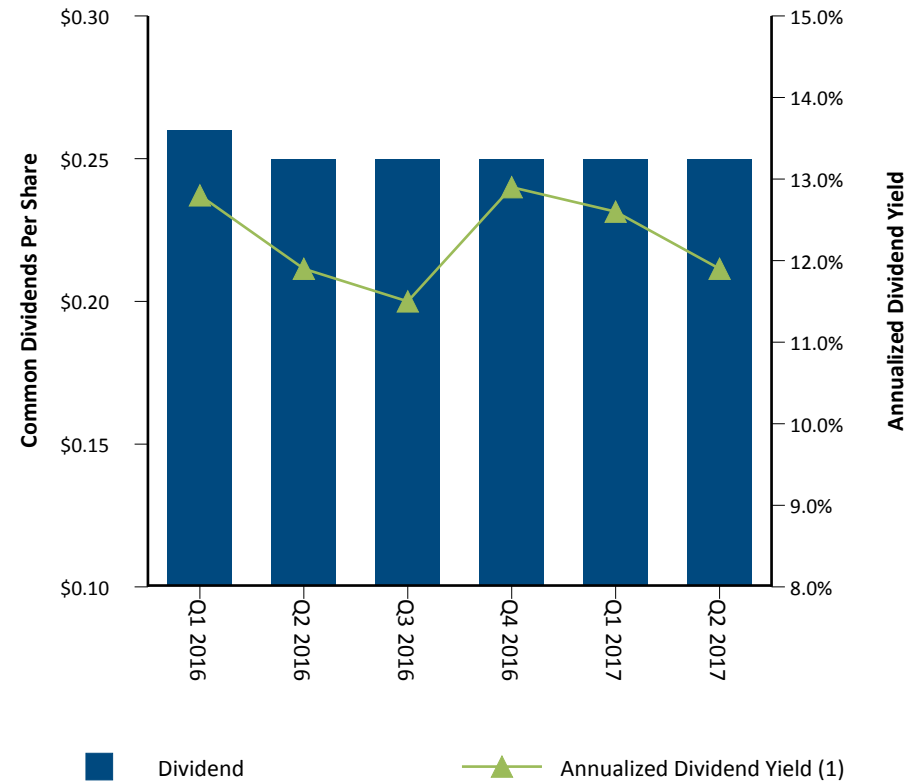
\* Net realized and unrealized gain (loss) on derivative instruments includes net realized and unrealized gain (loss) on TBA Derivatives of \$10.1 million, \$(8.2) million, \$(47.1) million, \$12.4 million, \$6.5 million and \$7.5 million in the Second Quarter, Q1 2017, Q4 2016, Q3 2016, Q2 2016, and Q1 2016, respectively.

# Book Value and Common Stock Dividend Trends

Book Value Per Common Share



Common Stock Dividends



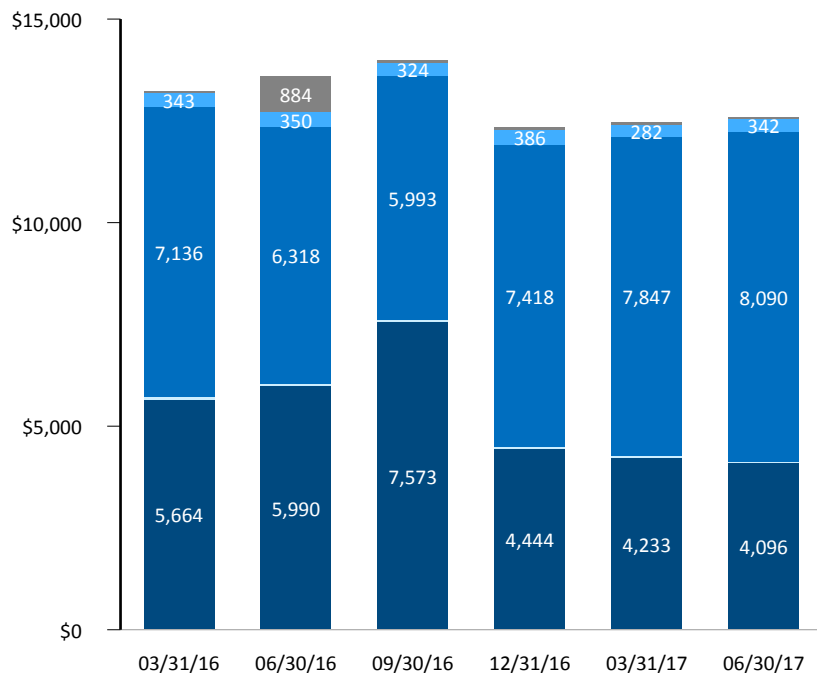
(1) The annualized dividend yield is calculated using the stock price at the respective quarter end.



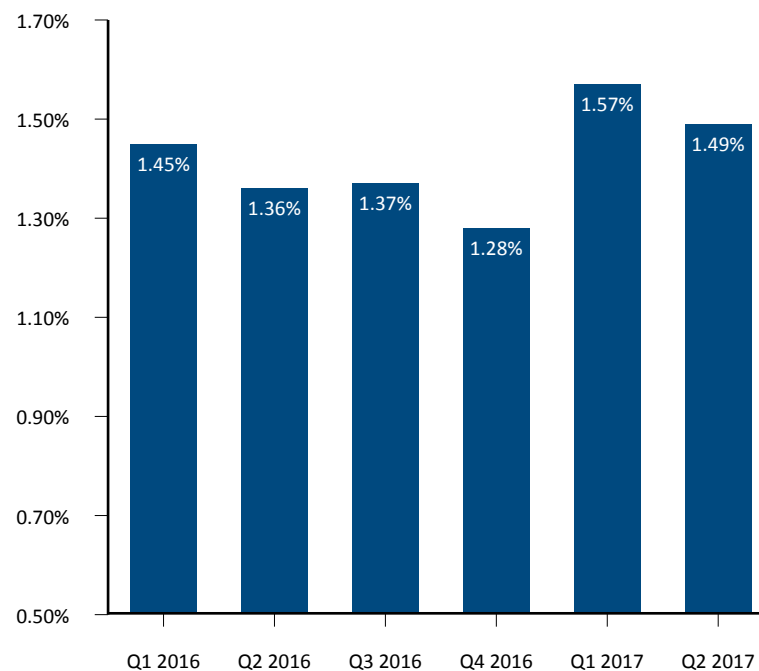
# Portfolio & Interest Rate Spread Trends

### Debt Securities Portfolio at Fair Value

(dollars in millions)

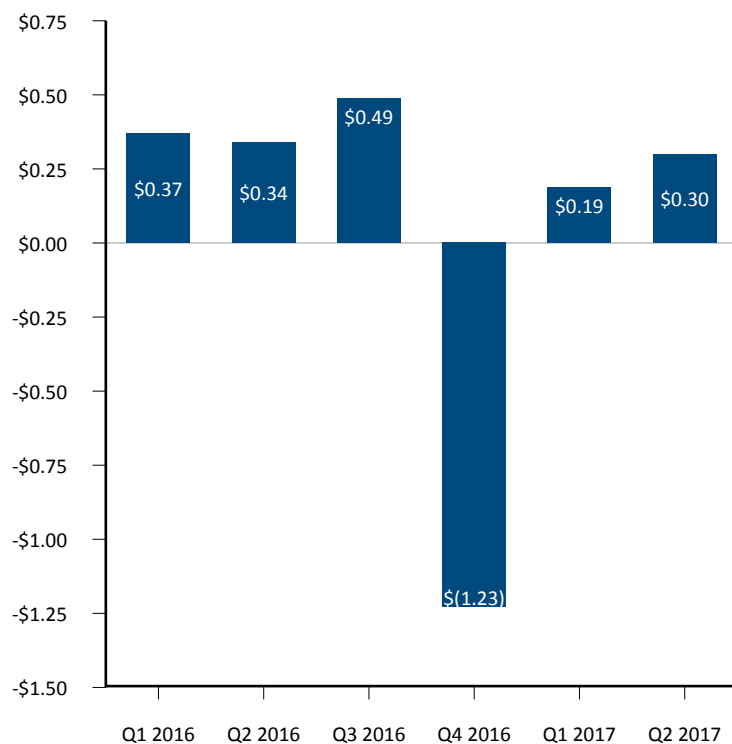


### Interest Rate Spread Net of Hedge Including Drop Income

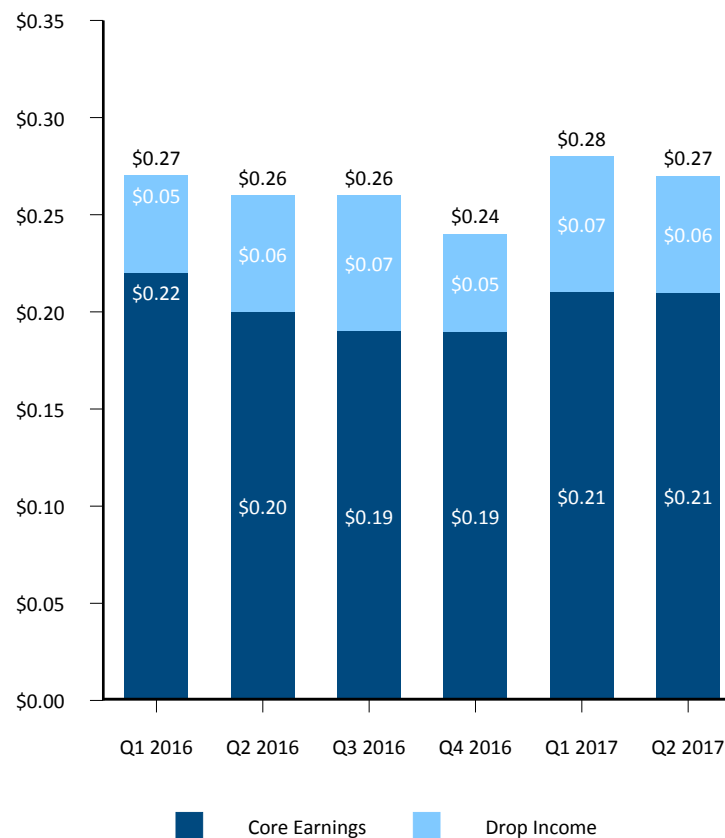


# GAAP Net Income and Core Earnings Plus Drop Income

GAAP Net Income (Loss) Per Common Share

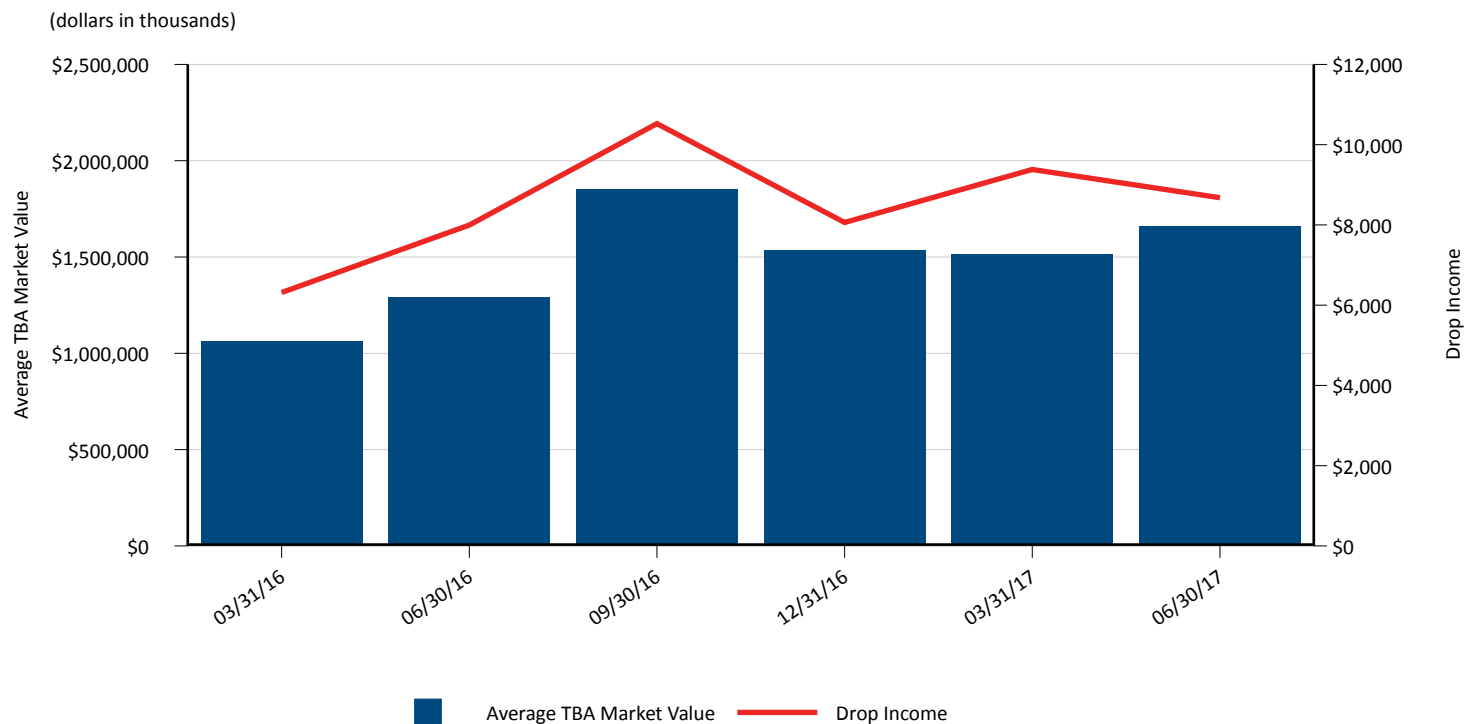


Core Earnings<sup>(1)</sup>, Plus Drop Income Per Common Share



(1) A reconciliation of the non-GAAP financial measure Core Earnings can be found on page 24.

# TBA and Drop Income Trends\*



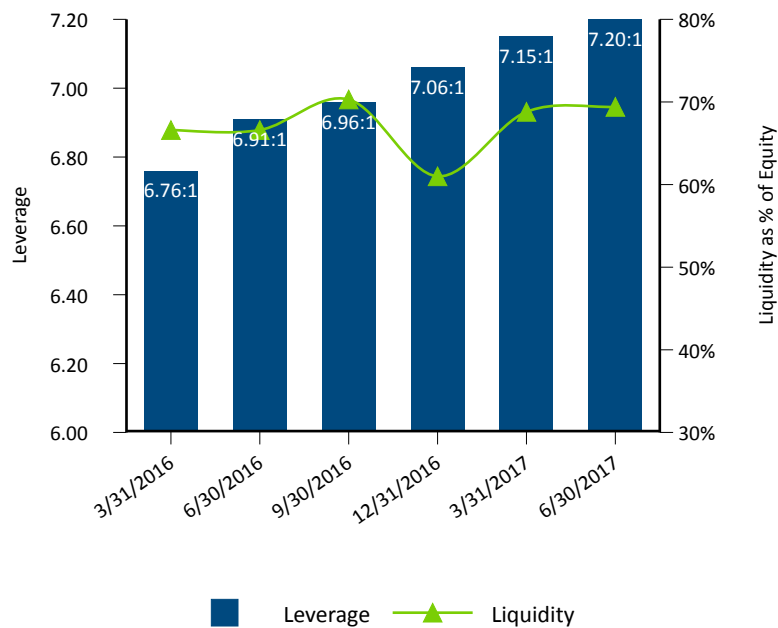
Average TBA Market Values and Drop Income						
(dollars in thousands)						
	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017
Average TBA Market Value*	\$ 1,060,866	\$ 1,290,798	\$ 1,851,353	\$ 1,534,878	\$ 1,513,532	\$ 1,657,271
Drop Income	\$ 6,315	\$ 7,996	\$ 10,524	\$ 8,061	\$ 9,382	\$ 8,678

- Despite an increase in the average TBA activity during the Second Quarter, drop income decreased as a result of the timing of certain trades being executed later in the quarter.

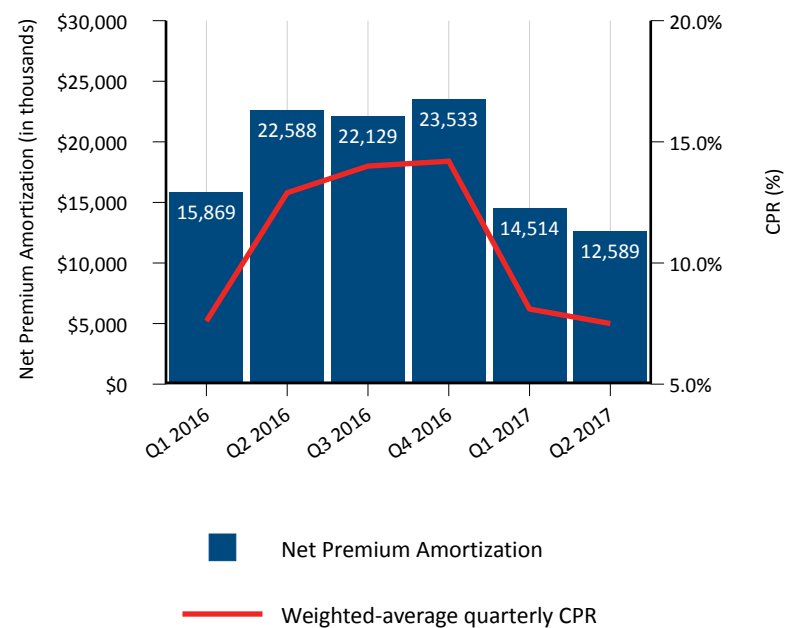
\*Includes fair value of net TBA Derivative positions of \$0.9 billion, \$1.4 billion, \$(0.3) billion, \$2.2 billion, \$0.8 billion and \$0.3 billion as of June 30, 2017, March 31, 2017, December 31, September 30, June 30, and March 31, 2016, respectively.

# Leverage, Liquidity, Amortization and CPR Trends

### Leverage and Liquidity at Quarter-End\*

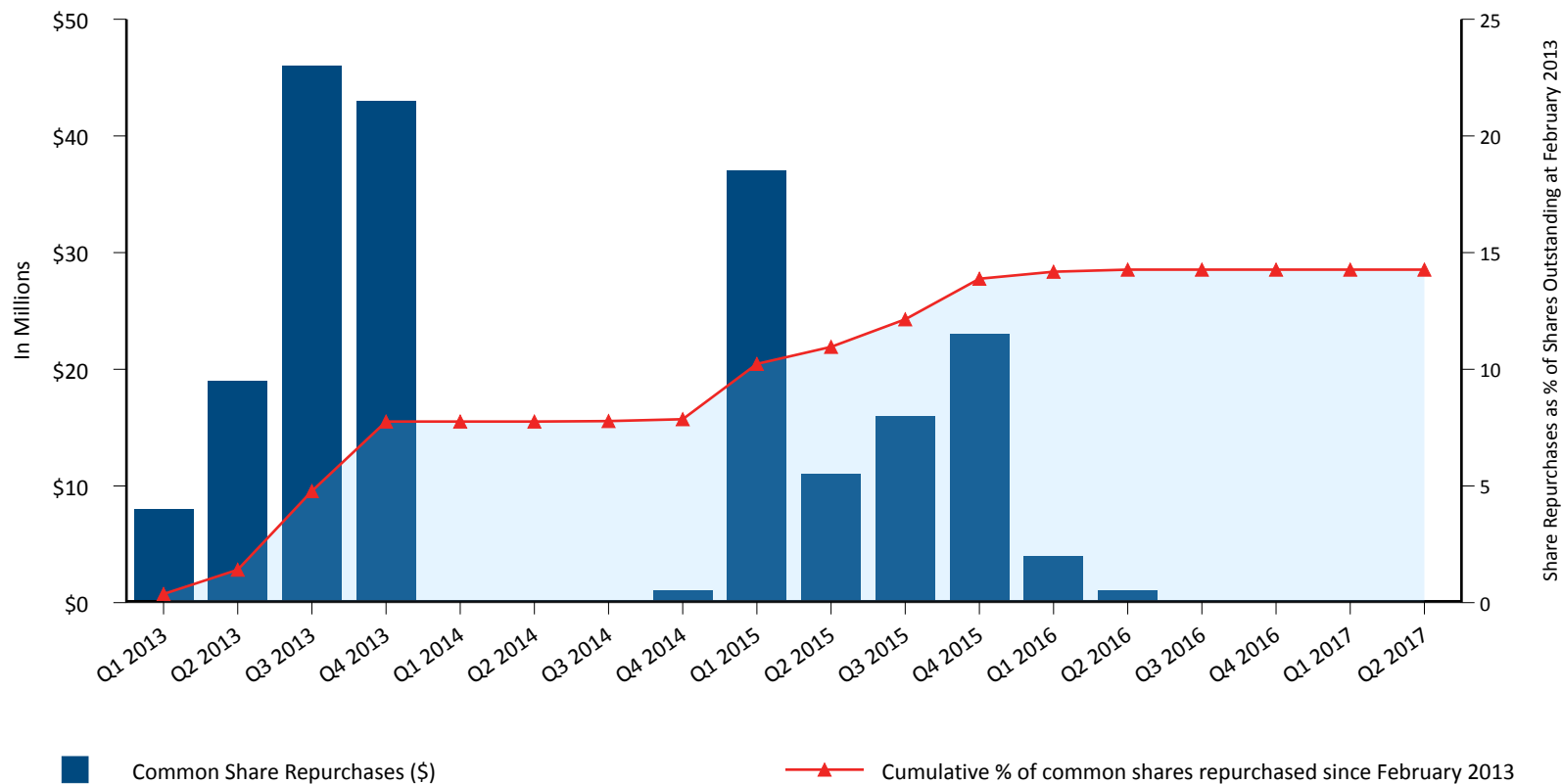


### Amortization and CPR



\* Leverage includes net TBA Derivative positions of \$0.9 billion, \$1.4 billion, \$(0.3) billion, \$2.2 billion, \$0.8 billion and \$0.3 billion as of June 30, 2017, March 31, 2017, December 31, September 30, June 30, and March 31, 2016, respectively.

# Common Share Repurchase Activity



- During the Second Quarter, the Company did not repurchase any shares of its common stock under its stock repurchase program.
- During 2016, the Company repurchased 673,166 shares of its common stock at a weighted-average price of \$7.85 per share.
- From inception of the share repurchase activity in February 2013 through June 30, 2017, the Company repurchased approximately 25.0 million shares of the Company's common stock, constituting 14.3% of the total shares outstanding at the time the share repurchase activity began, for approximately \$210.2 million.

# Consolidated Balance Sheets

(dollars in 000's, except per share data)	As of					
	6/30/2017	3/31/2017	12/31/2016 <sup>(1)</sup>	9/30/2016	6/30/2016	03/31/2016
<b>Assets:</b>	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Cash	\$ 1,264	\$ 584	\$ 1,260	\$ 2,192	\$ 13,182	\$ 6,262
Investments in securities, at fair value:						
Agency RMBS	11,705,696	11,011,163	12,599,045	11,742,018	11,879,933	12,888,430
U.S. Treasury securities	24,841	49,688	49,686	49,891	884,213	29,972
Receivable for securities sold and principal repayments	689	573	409,849	2,598	1,507	1,586
Receivable for cash pledged as collateral	—	—	600	63,464	97,309	85,097
Interest receivable	32,340	31,401	31,825	33,273	32,460	34,033
Derivative assets, at fair value	92,520	136,552	142,556	29,869	24,650	32,701
Other investments	8,028	8,028	8,028	8,028	31,028	34,028
Other assets	4,038	2,929	2,419	2,787	1,625	1,219
<b>Total assets</b>	<b>\$ 11,869,416</b>	<b>\$ 11,240,918</b>	<b>\$ 13,245,268</b>	<b>\$ 11,934,120</b>	<b>\$ 12,965,907</b>	<b>\$ 13,113,328</b>
<b>Liabilities and stockholders' equity:</b>						
<b>Liabilities:</b>						
Repurchase agreements	\$ 9,370,845	\$ 9,015,594	\$ 9,691,544	\$ 9,620,641	\$ 9,849,501	\$ 9,656,969
FHLBC Advances, at fair value	—	—	—	—	575,000	649,553
Payable for securities purchased	817,597	524,482	1,881,963	424,476	652,619	937,163
Payable for cash received as collateral	64,402	101,819	91,503	10,882	4,826	9,141
Accrued interest payable	28,810	25,457	27,908	21,521	20,307	20,020
Accrued expenses and other liabilities	3,045	3,559	6,170	6,111	4,857	3,113
Dividends payable	42,342	42,337	4,410	42,264	42,259	43,809
Derivative liabilities, at fair value	6,725	—	6,051	50,240	95,529	85,461
<b>Total liabilities</b>	<b>\$ 10,333,766</b>	<b>\$ 9,713,248</b>	<b>\$ 11,709,549</b>	<b>\$ 10,176,135</b>	<b>\$ 11,244,898</b>	<b>\$ 11,405,229</b>
<b>Stockholders' equity:</b>						
Preferred Stock, \$0.01 par value, 50,000 shares authorized:						
7.75% Series A Cumulative Redeemable Preferred Stock, (3,000 shares issued and outstanding, respectively, \$75,000 in aggregate liquidation preference)	\$ 72,369	\$ 72,369	\$ 72,369	\$ 72,369	\$ 72,369	\$ 72,369
7.50% Series B Cumulative Redeemable Preferred Stock, (8,000 shares issued and outstanding, respectively, \$200,000 in aggregate liquidation preference)	193,531	193,531	193,531	193,531	193,531	193,531
Common Stock, \$0.01 par value, 500,000 shares authorized (152M, 152M, 151M, 151M, 151M, and 152M shares issued and outstanding, respectively)	1,517	1,517	1,514	1,514	1,514	1,515
Additional paid in capital	1,946,856	1,945,966	1,944,908	1,943,952	1,942,930	1,943,177
Retained earnings (accumulated deficit)	(678,623)	(685,713)	(676,603)	(453,381)	(489,335)	(502,493)
<b>Total stockholders' equity</b>	<b>1,535,650</b>	<b>1,527,670</b>	<b>1,535,719</b>	<b>1,757,985</b>	<b>1,721,009</b>	<b>1,708,099</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 11,869,416</b>	<b>\$ 11,240,918</b>	<b>\$ 13,245,268</b>	<b>\$ 11,934,120</b>	<b>\$ 12,965,907</b>	<b>\$ 13,113,328</b>
<b>Book value per common share</b>	<b>\$ 8.31</b>	<b>\$ 8.26</b>	<b>\$ 8.33</b>	<b>\$ 9.79</b>	<b>\$ 9.55</b>	<b>\$ 9.46</b>

(1) Derived from audited consolidated financial statements.

# Consolidated Statements of Operations



(in 000's, except per share data) (Unaudited)	Three Months Ended					
	6/30/2017	3/31/2017	12/31/2016	9/30/2016	6/30/2016	3/31/2016
<b>Interest income:</b>						
Agency RMBS	\$ 77,027	\$ 73,227	\$ 66,996	\$ 68,602	\$ 74,176	\$ 81,323
Other	61	86	1,572	1,059	681	128
Total interest income	77,088	73,313	68,568	69,661	74,857	81,451
<b>Interest expense:</b>						
Repurchase agreements	26,182	21,221	20,168	17,265	16,910	15,886
FHLBC Advances	—	—	—	214	1,777	2,059
Total interest expense	26,182	21,221	20,168	17,479	18,687	17,945
Net interest income	50,906	52,092	48,400	52,182	56,170	63,506
<b>Other income (loss):</b>						
Net realized gain (loss) on investments	(19,831)	(66,044)	(36,253)	18,155	36,359	1,202
Net unrealized gain (loss) on investments	51,299	63,478	(287,161)	(36,540)	28,915	162,286
Net unrealized gain (loss) on FHLBC advances	—	—	—	—	(448)	(851)
Other income	39	47	203	308	387	463
Net realized and unrealized gain (loss) on investments, FHLBC Advances and other income	31,507	(2,519)	(323,211)	(18,077)	65,213	163,100
Swap and cap interest expense	(8,434)	(8,327)	(10,128)	(12,493)	(14,779)	(18,398)
Net realized and unrealized gain (loss) on derivative instruments	(18,324)	(1,012)	109,951	63,625	(44,535)	(140,524)
Net gain (loss) on derivative instruments	(26,758)	(9,339)	99,823	51,132	(59,314)	(158,922)
Total other income (loss)	4,749	(11,858)	(223,388)	33,055	5,899	4,178
<b>Expenses:</b>						
Compensation and benefits	3,004	3,776	1,885	3,619	3,565	3,865
General, administrative and other	2,426	2,438	3,287	2,608	2,294	2,488
Total operating expenses	5,430	6,214	5,172	6,227	5,859	6,353
Net income (loss)	\$ 50,225	\$ 34,020	\$ (180,160)	\$ 79,010	\$ 56,210	\$ 61,331
Dividends on preferred stock	(5,203)	(5,203)	(5,203)	(5,203)	(5,203)	(5,203)
Net income (loss) available to common stockholders	\$ 45,022	\$ 28,817	\$ (185,363)	\$ 73,807	\$ 51,007	\$ 56,128
Net income (loss) per common share	\$ 0.30	\$ 0.19	\$ (1.23)	\$ 0.49	\$ 0.34	\$ 0.37

# Reconciliation of Non-GAAP Measure Core Earnings, Plus Drop Income

## Core Earnings:

The following table reconciles net income to Core Earnings, a non-GAAP financial measure, and summarizes Core Earnings, plus Drop Income for the periods presented.

(in 000's, except per share data) (Unaudited)	Three Months Ended					
	6/30/2017	3/31/2017	12/31/2016	9/30/2016	6/30/2016	3/31/2016
Net income (loss) available to common stockholders	\$ 45,022	\$ 28,817	\$ (185,363)	\$ 73,807	\$ 51,007	\$ 56,128
Net realized (gain) loss on investments	19,831	66,044	36,253	(18,155)	(36,359)	(1,202)
Net unrealized (gain) loss on investments	(51,299)	(63,478)	287,161	36,540	(28,915)	(162,286)
Net realized and unrealized (gain) loss on derivative instruments	18,324	1,012	(109,951)	(63,625)	44,535	140,524
Net unrealized (gain) loss on FHLBC Advances	—	—	—	—	448	851
Core Earnings <sup>(1)</sup>	\$ 31,878	\$ 32,395	\$ 28,100	\$ 28,567	\$ 30,716	\$ 34,015
Core Earnings per average share	\$ 0.21	\$ 0.21	\$ 0.19	\$ 0.19	\$ 0.20	\$ 0.22
Drop Income <sup>(2)</sup>	8,678	9,382	8,061	10,524	7,996	6,315
Core Earnings plus Drop Income	\$ 40,556	\$ 41,777	\$ 36,161	\$ 39,091	\$ 38,712	\$ 40,330
Core Earnings plus Drop Income per share	\$ 0.27	\$ 0.28	\$ 0.24	\$ 0.26	\$ 0.26	\$ 0.27

Footnotes appear on page 28.



# Reconciliation of Non-GAAP Measure: Economic Net Interest Income and Economic Interest Expense



## Economic Net Interest Income and Economic Interest Expense:

The table below provides GAAP measures of net interest income and total interest expense and details with respect to reconciling the aforementioned line items on a non-GAAP basis for each respective period.

(in 000's) (Unaudited)	Three Months Ended					
	6/30/2017	3/31/2017	12/31/2016	9/30/2016	6/30/2016	3/31/2016
Net interest income	\$ 50,906	\$ 52,092	\$ 48,400	\$ 52,182	\$ 56,170	\$ 63,506
Swap and cap interest expense	8,434	8,327	10,128	12,493	14,779	18,398
Economic Net Interest Income <sup>(1)</sup>	\$ 42,472	\$ 43,765	\$ 38,272	\$ 39,689	\$ 41,391	\$ 45,108
Total interest expense	\$ 26,182	\$ 21,221	\$ 20,168	\$ 17,479	\$ 18,687	\$ 17,945
Swap and cap interest expense <sup>(2)</sup>	8,434	8,327	10,128	12,493	14,779	18,398
Economic Interest Expense <sup>(3)</sup>	\$ 34,616	\$ 29,548	\$ 30,296	\$ 29,972	\$ 33,466	\$ 36,343

Footnotes appear on page 28.

## Footnotes: Pages 3 and 4

### Footnotes Page 3, Summary Q2 2017 Results

1. 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.
2. Core Earnings is defined as net income (loss) available to common stockholders, excluding net realized and unrealized gain (loss) on investments and derivative instruments. See reconciliation of net income (loss) to Core Earnings on page 24.
3. Drop Income is a component of our net realized and unrealized gain (loss) on investments and derivative instruments on our consolidated statements of operations and, therefore, is excluded from Core Earnings. Drop Income is the difference between the spot price and the forward settlement price for the same security on the trade date. This difference is also the economic equivalent of the assumed net interest margin (yield minus financing costs) of the bond from trade date to settlement date. We derive Drop Income through utilization of forward settling transactions.
4. 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 Debt Securities including Drop Income.
5. The operating expense ratio for the period is calculated by dividing annualized operating expenses by average stockholders' equity.
6. 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.
7. The leverage ratio is calculated by dividing (i) the Company's repurchase agreements balances plus payable for securities purchased minus receivable for securities sold plus net TBA Derivative positions by (ii) stockholders' equity.
8. The CPR represents the weighted-average 1-month actual experienced CPR of the Company's Agency RMBS during the respective period.
9. The total stockholder return on common equity is calculated as the change in book value plus dividend distribution on common stock divided by book value at end of the prior period.

### Footnotes Page 4, Key Balance Sheet & Performance Metrics

1. The average settled Debt Securities is calculated by averaging the month-end cost basis of settled Debt Securities during the period.
2. The average total Debt Securities is calculated by averaging the month-end cost basis of total Debt Securities and all TBA contracts during the period.
3. The average repurchase agreements and FHLBC Advances balances 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 are calculated by averaging the daily common shares outstanding during the period.
7. The leverage ratio is calculated by dividing (i) the Company's repurchase agreements and FHLBC Advances balances plus payable for securities purchased minus receivable for securities sold plus net TBA Derivative positions by (ii) stockholders' equity.
8. The Hedge ratio for the period is calculated by dividing Interest Rate Swaps and Interest Rate Caps notional amount by repurchase agreements and FHLBC advances.
9. 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.
10. The weighted average amortized cost of Agency RMBS and U.S. Treasuries is calculated using a weighted average cost by security divided by the current face at period end.
11. The average yield on settled Debt Securities for the period is calculated by dividing total interest income by average settled Debt Securities.
12. The 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 \$8.7 million, \$9.4 million, \$8.1 million, \$10.5 million, \$8.0 million, and \$6.3 million for Q2 2017, Q1 2017, Q4 2016, Q3 2016, Q2 2016, and Q1 2016, respectively. Drop Income is a component of our net realized and unrealized gain (loss) on investments and derivative instruments in the consolidated statements of operations.
13. 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.
14. The average cost of funds and hedge for the period is calculated by dividing repurchase agreement, FHLBC Advances and swap and cap interest expense by average repurchase agreements and FHLBC Advances.
15. The adjusted average cost of funds and hedge for the period is calculated by dividing repurchase agreement, FHLBC Advances and swap and cap interest expense by average Debt Securities liabilities.
16. 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.
17. 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.
18. The operating expense ratio for the period is calculated by dividing operating expenses by average stockholders' equity.
19. 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.
20. CPR represents the weighted-average 1-month CPR of the Company's Agency RMBS during the period.

## Footnotes: Pages 7 and 12

### Footnotes Page 7, Portfolio Detail as of June 30, 2017 and Prior Quarter Summary

1. TBA securities are excluded from this calculation as they do not have a defined weighted-average loan balance or age until mortgages have been assigned to the pool.
2. Represents the historical experienced 3-month CPR of the Company's Agency RMBS portfolio at June 30, 2017 and March 31, 2017, respectively. The historical experienced CPR is not indicative of future performance.
3. Duration measures the market price volatility of financial instruments as interest rates change, using Dollar Value of One Basis Point, or "DV01", methodology. We generally calculate duration using various third-party financial models and empirical data. Different models and methodologies can produce different estimates of duration for the same securities. Duration estimates in the table are calculated utilizing Yield Book® software and may reflect adjustments based on our judgment.
4. Represents the weighted-average coupon of Hybrid ARMs.

### Footnotes Page 12, Sensitivity Analysis and Duration Gap

1. The interest rate sensitivity analysis shows the estimated impact interest rate changes would have on net income, the fair value of the Company's investments, stockholders' equity and net duration gap, using DV01 methodology, and assuming a static portfolio and yield curve with rates instantaneously falling or rising 25, 50 and 75 bps.
2. Immediate impact estimated over 12 month period.
3. Given the historically low level of interest rates at June 30, 2017 and March 31, 2017, we reduced 3-month LIBOR and our repo borrowing rates by 20, 40 and 50 bps and by 25, 35 and 45 bps for the 25, 50, and 75 bps down net income scenarios, respectively. All other interest rate-sensitive instruments were calculated in accordance with the table.
4. Net duration gap calculated as a weighted-average of the total portfolio including the aggregate notional amount on our interest rate swaps and caps using DV01 methodology. Duration estimates in the table are calculated utilizing Yield Book® software and may reflect adjustments based on our judgment.

## Footnotes: Pages 24 and 25

### Footnotes Page 24, Reconciliation of Non-GAAP Measure Core Earnings, Plus Drop Income

1. "Core Earnings" represents a non-GAAP financial measure and is defined as net income (loss) available to common stockholders excluding net realized and unrealized gain (loss) on investments and derivative instruments and net unrealized gain (loss) on FHLBC Advances. Management uses Core Earnings to evaluate the effective yield of the portfolio after operating expenses. The Company believes that providing users of the Company's financial information with such measures, in addition to related GAAP measures, gives investors additional transparency and insight into the information used by the Company's management in its financial and operational decision-making.

The primary limitation associated with Core Earnings as a measure of the Company's financial performance over any period is that it excludes the effects of net realized and unrealized gain (loss) on investments and derivative investments, and net unrealized gain (loss) on FHLBC Advances. In addition, the Company's presentation of Core Earnings may not be comparable to similarly-titled measures of other companies, which may use different calculations. As a result, Core Earnings should not be considered a substitute for the Company's GAAP net income (loss), a measure of our financial performance or any measure of our liquidity under GAAP.

2. "Drop Income" is a component of our 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. This difference is also the economic equivalent of the assumed net interest margin (yield minus financing costs) of the bond from trade date to settlement date. We derive Drop Income through utilization of forward settling transactions.

### Footnotes Page 25, Reconciliation of Non-GAAP Measure: Economic Net Interest Income and Economic Interest Expense

1. Our Economic Net Interest Income, a non-GAAP measure, is generated primarily from the net spread, or difference, between the interest income we earn on our investment portfolio and the cost of our borrowings and hedging activities. The amount of Economic Net Interest income we earn on our investments depends in part on our ability to control our financing costs, which comprise a significant portion of our operating expenses.
2. From the Company's inception through September 30, 2015, "Swap and cap interest expense" was recognized as a separate component of "Total interest expense" in the company's consolidated statements of operation. Effective October 1, 2015 "Swap and cap interest expense" is recognized as a component of "Net gain (loss) on derivative instruments". This reclassification was made in order to record income, expenses and changes in the fair value of derivative instruments in one line item in the consolidated statements of operations, consistent with common industry practice. Prior period balances have been reclassified to conform to the current period presentation.
3. Economic Interest Expense, a non-GAAP measure, is comprised of interest expense, as computed in accordance with GAAP, plus swap and cap interest expense used to hedge our cost of funds, a component of net gain (loss) on derivative instruments in the company's consolidated statements of operations. The Company uses interest rate swaps to manage its exposure to changes in interest rates on its interest bearing liabilities by economically hedging cash flows associated with these borrowings. Presenting the contractual interest payments on interest rate swaps and caps with the interest paid on interest-bearing liabilities reflects the total contractual interest payments. This presentation depicts the economic cost of our financing strategy.