



**Supplemental Earnings Presentation
Fourth Quarter & Full Year 2017
February 14, 2018**

Forward-Looking Statements

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.

This information is not a guarantee of the Company's future performance and is subject to risks, uncertainties and other important factors that could cause the Company's actual performance or achievements to differ materially from those expressed or implied by this forward-looking information and include, without limitation, the Company's returns, changes in interest rates and the yield curve, anticipated earnings, book value volatility, the effect of actual or proposed actions of the U.S. Government and the Federal Reserve (the "Fed"), changes in the constant prepayment rate ("CPR") experienced by the Company's agency residential mortgage-backed securities ("Agency RMBS"), the effects of interest rate swaps, swaptions and caps, duration estimates, and various other risks and uncertainties related to our business and the economy, some of which are described in our filings with the Securities and Exchange Commission. Given these uncertainties, you should not rely on forward-looking information. Except as required by law, the Company undertakes no obligation to update any forward-looking information, whether as a result of new information, future events or otherwise.

Summary Q4 2017 Results Versus Prior Quarter



Performance Indicator	Current Quarter Q4 2017 Versus Prior Quarter Q3 2017
Yield Curve and Current Investment Environment	During the fourth quarter of 2017 (the "Fourth Quarter") Agency RMBS prices remained firm, despite the Fed's announced balance sheet normalization program. After 32 basis points ("bps") of flattening between 2-Year and 10-Year U.S. Treasuries during the Fourth Quarter, at current leverage and hedging levels, levered returns on our target assets currently range from the mid-single digits to low teens.
Book Value Per Common Share	At December 31, 2017, book value per common share of \$8.38 ⁽¹⁾ , a decrease of \$(0.22) per common share from the September 30, 2017 book value per common share of \$8.60 ⁽¹⁾ , after declaring a per share dividend of \$0.25 during the Fourth Quarter.
Dividends Per Common Share	Declared a quarterly dividend per common share of \$0.25 during the Fourth Quarter, unchanged from the third quarter of 2017 (the "Prior Quarter"), representing an annualized dividend yield of 12.5% and 11.6%, based upon the closing price per common share of \$8.03 and \$8.64 at December 31, 2017 and September 30, 2017, respectively.
GAAP Net Income (Loss) Available to Common Shareholders	GAAP net income (loss) available to common stockholders of \$3.6 million, or \$0.02 per diluted common share, compared to net income of \$83.0 million, or \$0.54 per diluted common share for the Prior Quarter.
Core Earnings, Plus Drop Income	Core Earnings ⁽²⁾ plus Drop Income ⁽³⁾ of \$33.6 million (\$29.0 million Core Earnings and \$4.6 million Drop Income), or \$0.22 per diluted common share (\$0.19 Core Earnings and \$0.03 Drop Income), as compared to \$37.0 million (\$29.8 million Core Earnings and \$7.2 million Drop Income), or \$0.24 per diluted common share (\$0.19 Core Earnings and \$0.05 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 1.20% ⁽⁴⁾ for the Fourth Quarter, a 12 bps decrease from 1.32% in the Prior Quarter.
Operating Expense Ratio	Operating expense ratio of 1.57% ⁽⁵⁾ (1.49%, excluding \$330K of non-recurring charges), as compared to 1.31% during the Prior Quarter. Increase during Fourth Quarter directly attributed to increase in incentive compensation on better than anticipated annual performance.
Weighted-Average Amortized Cost	Weighted-average amortized cost of Agency RMBS and U.S. Treasuries ⁽⁶⁾ (collectively, "Debt Securities") of \$102.92 at December 31, 2017, compared to \$103.01 at September 30, 2017.
Leverage and Hedge Ratios	Leverage ratio ⁽⁷⁾ increased to 7.33:1 at December 31, 2017 from 7.02:1 at September 30, 2017. Hedge ratio ⁽⁸⁾ increased to 99% at December 31, 2017, from 86% at September 30, 2017.
Weighted-Average Constant Prepayment Rate (CPR)	A weighted-average CPR ⁽⁹⁾ of 9.3% for the Fourth Quarter, a decrease of 0.2% from the Prior Quarter.
Total Stockholder Return (Loss) on Common Equity	Total stockholder return on common equity ⁽¹⁰⁾ of 0.35% and 6.50% for the Fourth Quarter and the Prior Quarter, respectively.

Footnotes appear on page 26.

Summary Full Year 2017 Results Versus 2016



Performance Indicator	2017 Versus 2016
Yield Curve	During 2017, the 10-year U.S Treasury yield decreased 3 bps from 2.44% at December 31, 2016 to 2.41% at December 31, 2017. During the same period, the yield curve flattened meaningfully, as measured by the 72 bps compression in the spread between the 2-year and 10-year U.S. Treasuries.
Book Value Per Common Share	After declaring \$1.00 in dividends during 2017, book value increased by \$0.05 during 2017, from \$8.33 at December 31, 2016 to \$8.38 at December 31, 2017.
Dividends Per Common Share	Declared \$1.00 of dividends during 2017, a \$(0.01) decrease from a total of \$1.01 of dividends in 2016.
GAAP Net Income (Loss) Available to Common Shareholders	GAAP net income (loss) available to common stockholders of \$160.4 million, or \$1.05 per common share in 2017 as compared to \$(4.4) million, or \$(0.04) per common share in 2016.
Core Earnings, Plus Drop Income	2017 Core Earnings plus Drop Income of \$152.9 million, (\$123.0 million Core Earnings and \$29.9 million Drop Income), or \$1.00 per common share (\$0.81 Core Earnings and \$0.19 Drop Income), as compared to \$154.3 million (\$121.4 million Core Earnings and \$32.9 million Drop Income), or \$1.02 per common share (\$0.81 Core Earnings and \$0.21 Drop Income) for 2016.
Interest Rate Spread Net of Hedge, Including Drop Income	1.39% in 2017, a marginal increase from 1.37% in 2016.
Operating Expense Ratio	1.47% of average stockholders' equity (1.40% excluding \$1.1 million of non-recurring charges), compared to 1.39% for 2016 (1.23% excluding \$2.6 million of non-recurring charges).
Asset Performance	2017 net realized and unrealized loss on investments of \$(20.3) million, a increase of \$92.7 million from \$(113.0) million in 2016.
Swap Performance	A net realized and unrealized gain (loss) on swap and cap contracts of \$57.8 million for 2017, a \$69.3 million gain relative to the \$(11.5) million in 2016.
Total stockholder return (loss) on common equity	2017 total stockholder return (loss) on common equity of 12.61% as compared to (0.21%) for 2016.

Key Balance Sheet and Performance Metrics

Key Balance Sheet Metrics (dollars in thousands)	Quarter Ended					
	12/31/2017	9/30/2017	6/30/2017	3/31/2017	12/31/2016	9/30/2016
Average settled Debt Securities ⁽¹⁾	\$11,910,563	\$11,335,599	\$10,796,064	\$10,819,433	\$11,484,017	\$11,725,021
Average total Debt Securities ⁽²⁾	\$13,068,179	\$12,722,188	\$12,479,401	\$12,485,920	\$13,207,856	\$13,596,739
Average repurchase agreements and FHLBC Advances ⁽³⁾	\$10,346,783	\$ 9,820,318	\$ 9,276,572	\$ 9,264,522	\$ 9,905,199	\$10,223,051
Average Debt Securities liabilities ⁽⁴⁾	\$11,504,399	\$11,206,907	\$10,959,909	\$10,931,009	\$11,629,038	\$12,094,769
Average stockholders' equity ⁽⁵⁾	\$ 1,581,986	\$ 1,570,974	\$ 1,550,906	\$ 1,539,245	\$ 1,646,903	\$ 1,749,543
Average common shares outstanding ⁽⁶⁾	155,009	152,487	151,729	151,572	151,434	151,414
Leverage ratio (at period end) ⁽⁷⁾	7.33:1	7.02:1	7.20:1	7.15:1	7.06:1	6.96:1
Liquidity as % of stockholders' equity ⁽⁸⁾	65%	68%	69%	69%	61%	70%
Hedge ratio ⁽⁹⁾	99%	86%	97%	99%	92%	93%
Book value per common share ⁽¹⁰⁾	\$8.38	\$8.60	\$8.31	\$8.26	\$8.33	\$9.79
Weighted average amortized cost of Agency RMBS and U.S. Treasuries ⁽¹¹⁾	\$102.92	\$103.01	\$103.31	\$103.26	\$103.78	\$103.72

Key Performance Metrics*	12/31/2017	9/30/2017	6/30/2017	3/31/2017	12/31/2016	9/30/2016
Average yield on settled Debt Securities ⁽¹²⁾	2.73%	2.79%	2.86%	2.71%	2.39%	2.38%
Average yield on total Debt Securities including Drop Income ⁽¹³⁾	2.63%	2.71%	2.75%	2.65%	2.32%	2.36%
Average cost of funds ⁽¹⁴⁾	1.36%	1.30%	1.13%	0.92%	0.81%	0.68%
Average cost of funds and hedge ⁽¹⁵⁾	1.59%	1.59%	1.49%	1.28%	1.22%	1.17%
Adjusted average cost of funds and hedge ⁽¹⁶⁾	1.43%	1.39%	1.26%	1.08%	1.04%	0.99%
Interest rate spread net of hedge ⁽¹⁷⁾	1.14%	1.20%	1.37%	1.43%	1.17%	1.21%
Interest rate spread net of hedge including Drop Income ⁽¹⁸⁾	1.20%	1.32%	1.49%	1.57%	1.28%	1.37%
Operating expense ratio ⁽¹⁹⁾	1.57%	1.31%	1.40%	1.61%	1.26%	1.42%
Total stockholder return on common equity ⁽²⁰⁾	0.35%	6.50%	3.63%	2.16%	(12.36%)	5.13%
CPR: weighted average experienced 1-month ⁽²¹⁾	9.3%	9.5%	7.5%	8.1%	14.2%	14.0%

Footnotes appear on page 26

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

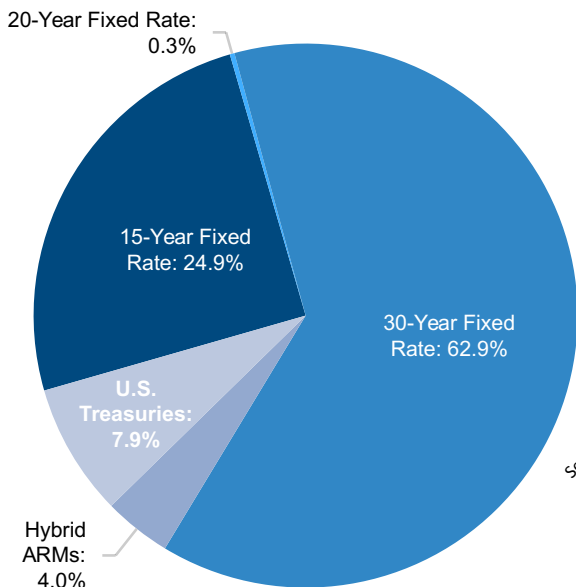
Q4 2017: Market Data

Security \ Index Type	9/30/2016	12/31/2016	3/31/2017	6/30/2017	9/30/2017	12/31/2017	Q3 2017 Δ to Q4 2017
15-Year Fannie Mae Fixed Rate RMBS Prices							
2.5%	\$103.58	\$100.05	\$100.08	\$100.48	\$100.67	\$99.92	\$(0.75)
3.0%	\$104.98	\$102.48	\$102.55	\$102.61	\$102.73	\$101.89	\$(0.84)
3.5%	\$105.42	\$104.11	\$104.11	\$104.05	\$104.14	\$103.23	\$(0.91)
30-Year Fannie Mae Fixed Rate RMBS Prices							
3.0%	\$103.98	\$99.20	\$99.23	\$99.83	\$100.27	\$100.05	\$(0.22)
3.5%	\$105.55	\$102.33	\$102.36	\$102.67	\$103.05	\$102.73	\$(0.32)
4.0%	\$107.42	\$104.98	\$104.95	\$105.14	\$105.27	\$104.61	\$(0.66)
U.S. Treasuries ("UST") Yield							
2-Yr UST	0.76%	1.19%	1.25%	1.38%	1.48%	1.88%	0.40
5-Yr UST	1.15%	1.93%	1.92%	1.89%	1.94%	2.21%	0.27
7-Yr UST	1.42%	2.25%	2.21%	2.14%	2.17%	2.33%	0.16
10-Yr UST	1.59%	2.44%	2.39%	2.30%	2.33%	2.41%	0.08
2-Yr UST to 10-Yr UST Spread	0.83%	1.25%	1.14%	0.92%	0.85%	0.53%	(0.32)
London Interbank Offered Rates ("LIBOR")							
1 Month LIBOR	0.53%	0.77%	0.98%	1.22%	1.23%	1.56%	0.33
3 Month LIBOR	0.85%	1.00%	1.15%	1.30%	1.33%	1.69%	0.36
Swap Rates							
2-Yr Swap	1.01%	1.45%	1.62%	1.62%	1.74%	2.08%	0.34
5-Yr Swap	1.18%	1.98%	2.05%	1.96%	2.00%	2.24%	0.24
7-Yr Swap	1.30%	2.16%	2.22%	2.11%	2.14%	2.31%	0.17
10-Yr Swap	1.46%	2.34%	2.38%	2.28%	2.29%	2.40%	0.11
30- and 15-Year Fannie Mae Yield Spread to Swap Rates							
30-Yr to 7-Yr Swap	1.06%	0.97%	0.91%	0.92%	0.83%	0.69%	(0.14)
15-Yr to 5-Yr Swap	0.54%	0.50%	0.43%	0.44%	0.34%	0.27%	(0.07)

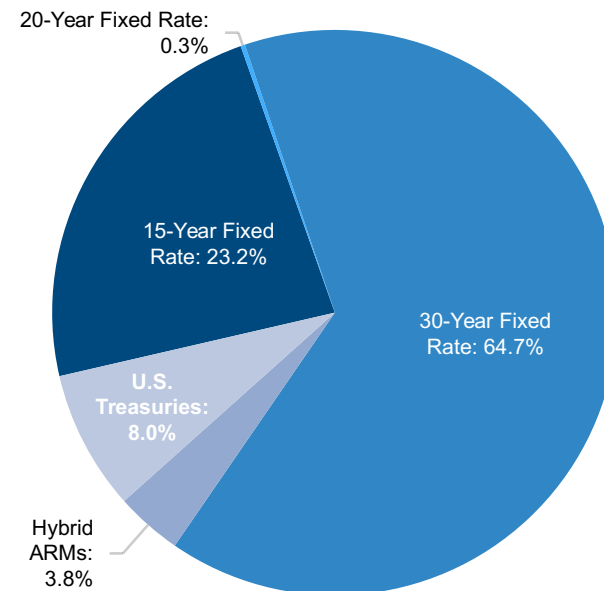
Source: Bloomberg

Portfolio at Fair Value

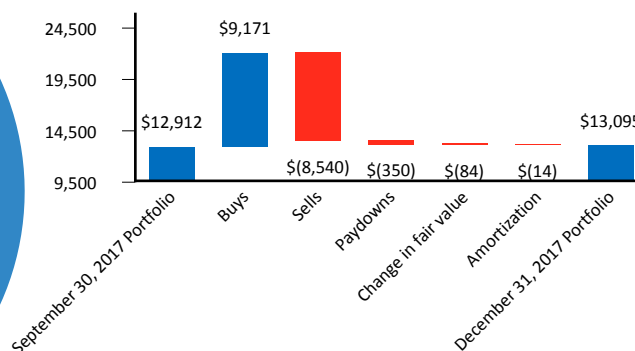
September 30, 2017
\$12.9B Portfolio*



December 31, 2017
\$13.1B Portfolio*



Q4 2017 Portfolio Changes*
(dollars in millions)



(dollars in thousands)	9/30/2017*	% of Portfolio	12/31/2017*	% of Portfolio	\$ Change	% Change
15-Year Fixed Rate	\$ 3,221,097	24.9%	\$ 3,037,625	23.2%	\$ (183,472)	-1%
20-Year Fixed Rate	35,930	0.3%	32,748	0.3%	(3,182)	—%
30-Year Fixed Rate	8,118,117	62.9%	8,479,862	64.7%	361,745	3%
Hybrid ARMs	518,786	4.0%	498,630	3.8%	(20,156)	—%
U.S. Treasuries	1,017,964	7.9%	1,046,934	8.0%	28,970	—%
Total	\$ 12,911,894	100.0%	\$ 13,095,799	100.0%	\$ 183,905	2.0%

*Q4 portfolio changes include TBA dollar roll transactions whereby the Company is not contractually obligated to accept delivery on the settlement date ("TBA Derivatives") (\$2.1 billion, \$1.0 billion, and \$(2.3) million of buys, sells, and change in fair value, respectively). Fair value of net TBA Derivative positions at September 30, 2017 and December 31, 2017 was \$(0.2) billion and \$0.5 billion, respectively.

Portfolio Detail as of December 31, 2017 and Prior Quarter Summary

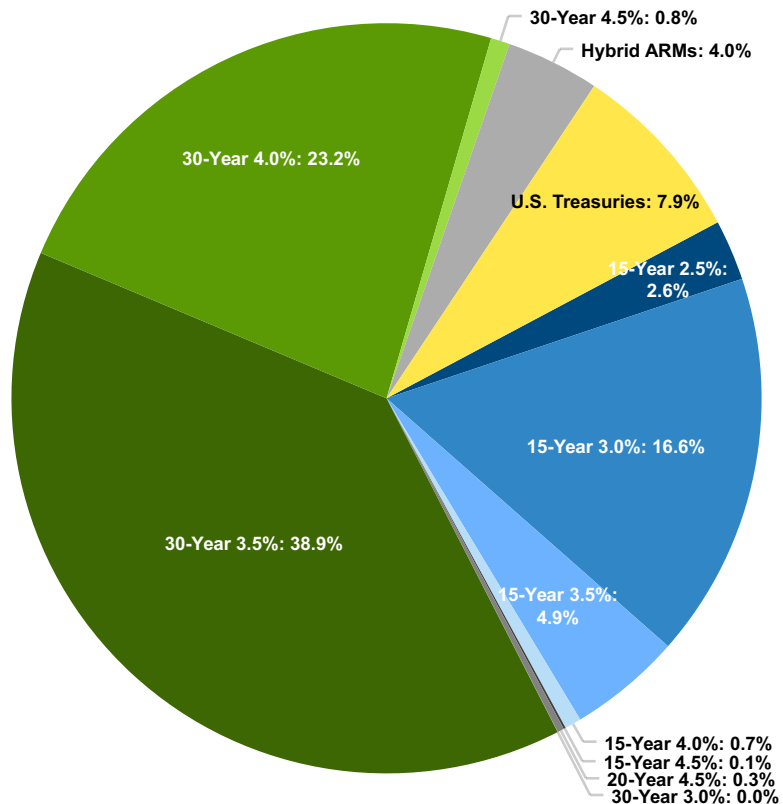
Coupon	Face Value (in 000's)	Fair Value (in 000's)*	Amortized Cost Basis as % of Face Value	Loan Balance ⁽¹⁾ (in 000's)	Loan Age ⁽¹⁾ (in months)	3-Month CPR ^{(1) (2)}	Duration ⁽³⁾
15-Year Agency RMBS							
Weighted-Average							
2.5%	\$210,098	\$209,878	\$102.35	\$195	14	4.3%	4.15
TBA 2.5%*	120,000	119,813	99.84	n/a	n/a	n/a	3.94
3.0%	1,985,385	2,024,695	102.37	262	28	9.0%	3.28
3.5%	568,160	587,577	102.56	202	67	13.0%	2.74
4.0%	81,454	84,887	100.94	165	82	16.8%	2.52
4.5%	10,300	10,775	102.01	246	95	15.7%	1.96
Subtotal	2,975,397	3,037,625	102.26	242	37	9.7%	3.24
20-Year Agency RMBS							
4.5%	30,692	32,748	102.53	207	89	23.8%	2.74
30-Year Agency RMBS							
3.0%	1,534	1,557	104.39	132	55	0.6%	5.32
3.5%	4,120,955	4,240,031	102.77	329	9	6.4%	4.14
TBA 3.5%*	848,000	870,663	102.58	n/a	n/a	n/a	3.80
4.0%	2,684,319	2,815,290	104.88	298	18	12.3%	2.94
TBA 4.0%*	432,000	451,756	104.86	n/a	n/a	n/a	2.71
4.5%	93,793	100,565	106.47	267	80	14.0%	2.67
Subtotal	8,180,601	8,479,862	103.59	316	14	8.7%	3.62
Agency RMBS Hybrid ARMs							
3.1% ⁽⁴⁾	488,665	498,630	102.43	323	26	10.3%	2.38
Agency RMBS Subtotal	11,675,355	12,048,865	103.20	295	21	9.2%	3.47
U.S. Treasuries							
1.9%	1,050,000	1,046,934	99.81	n/a	n/a	n/a	2.80
Portfolio Total	\$12,725,355	\$13,095,799	\$102.92	\$295	21	9.2%	3.41
As of September 30, 2017							
Coupon	Face Value (in 000's)	Fair Value (in 000's)*	Amortized Cost Basis per Face Value	Loan Balance ⁽¹⁾ (in 000's)	Loan Age ⁽¹⁾ (in months)	3-Month CPR ^{(1) (2)}	Duration ⁽³⁾
15-Year Agency RMBS	\$3,126,053	\$3,221,097	\$102.28	\$256	33	10.6%	3.12
20-Year Agency RMBS	33,370	35,930	102.58	205	86	15.6%	2.27
30-Year Agency RMBS	7,794,616	8,118,117	103.82	322	15	8.8%	3.61
Agency RMBS Hybrid ARMs	505,528	518,786	102.44	325	24	15.6%	2.33
U.S. Treasuries	1,025,000	1,017,964	99.42	n/a	n/a	n/a	2.82
Portfolio Total	\$12,484,567	\$12,911,894	\$103.01	\$302	21	9.7%	3.37

*Includes fair value of net TBA Derivative positions of \$0.5 billion and \$(0.2) billion as of December 31, 2017 and September 30, 2017, respectively.

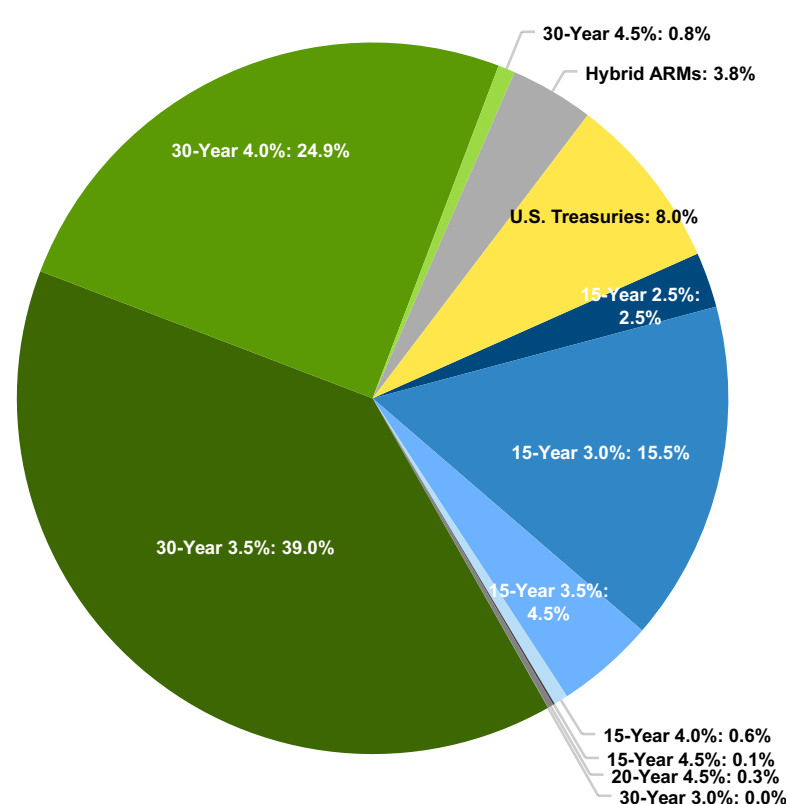
Footnotes appear on page 27

Portfolio Composition Summary*

September 30, 2017



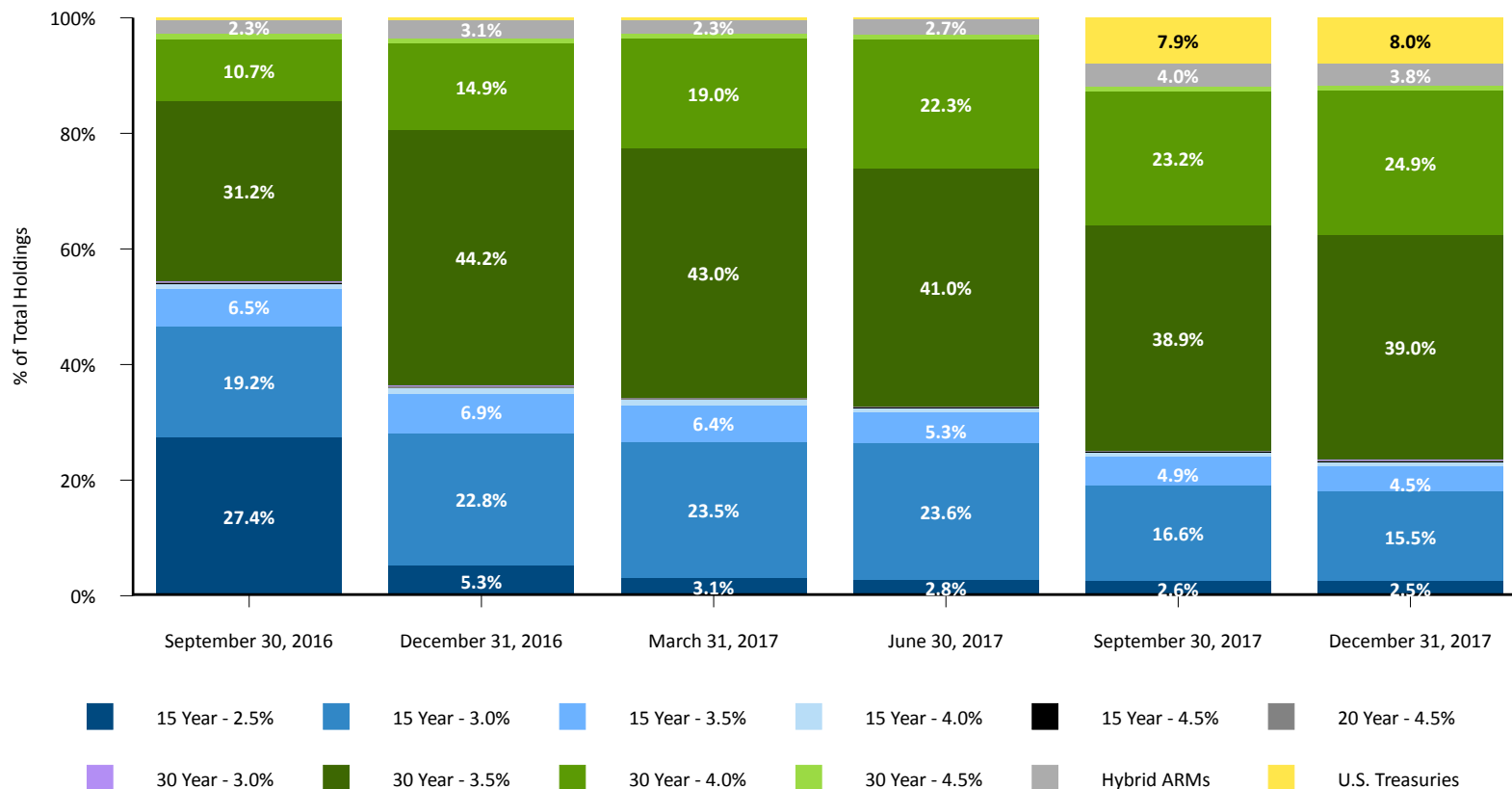
December 31, 2017



- As the yield curve continued to flatten, we continued to recycle capital out of 15-year Agency RMBS into higher yielding 30-year Agency RMBS during the Fourth Quarter.

*Includes fair value of net TBA Derivative positions of \$(0.2) billion and \$0.5 billion as of September 30, 2017 and December 31, 2017, respectively.

Portfolio Composition Trends*



*Includes fair value of net TBA Derivative positions of \$0.5 billion, \$(0.2) billion, \$0.9 billion, \$1.4 billion, \$(0.3) billion and \$2.2 billion as of December 31, 2017, September 30, 2017, June 30, 2017, March 31, 2017, December 31, 2016 and September 30, 2016, respectively.

Hedge Portfolio Summary: Interest Rate Swaps and Caps



Interest Rate Swaps												
December 31, 2017							September 30, 2017					
Maturity	Notional Amount (in 000's)	Fair Value (in 000's)	Weighted-Average				Notional Amount (in 000's)	Fair Value (in 000's)	Duration ⁽¹⁾	Pay Rate	Receive Rate	Net Pay Rate
			Duration ⁽¹⁾	Pay Rate	Receive Rate	Net Pay Rate						
≤ 3 Years	\$ 3,250,000	\$34,990	(1.78)	1.41	1.41	—	\$ 1,500,000	\$2,950	(0.25)	1.00	1.32	(0.32)
> 3 to ≤ 5 Years	3,200,000	61,593	(3.68)	1.64	1.47	0.17	3,950,000	62,259	(3.21)	1.42	1.31	0.11
> 5 to ≤ 7 Years	625,000	16,567	(5.92)	1.88	1.50	0.38	625,000	10,650	(6.21)	1.88	1.32	0.56
> 7 to ≤ 10 Years	400,000	7,004	(8.33)	2.21	1.60	0.61	400,000	3,441	(8.65)	2.21	1.32	0.89
Subtotal	\$ 7,475,000	\$120,154	(3.29)	1.59	1.45	0.14	\$ 6,475,000	\$79,300	(3.15)	1.41	1.31	0.10

Interest Rate Caps												
December 31, 2017							September 30, 2017					
Maturity	Notional Amount (in 000's)	Fair Value (in 000's)	Weighted-Average				Notional Amount (in 000's)	Fair Value (in 000's)	Duration ⁽¹⁾	Cap Rate	Receive Rate	Net Cap Rate
			Duration ⁽¹⁾	Cap Rate	Receive Rate	Net Cap Rate						
≤ 3 Years	\$ 2,500,000	\$39,466	(1.97)	1.28	1.37	(0.09)	\$ 2,500,000	\$27,860	(1.89)	1.28	1.16	0.12

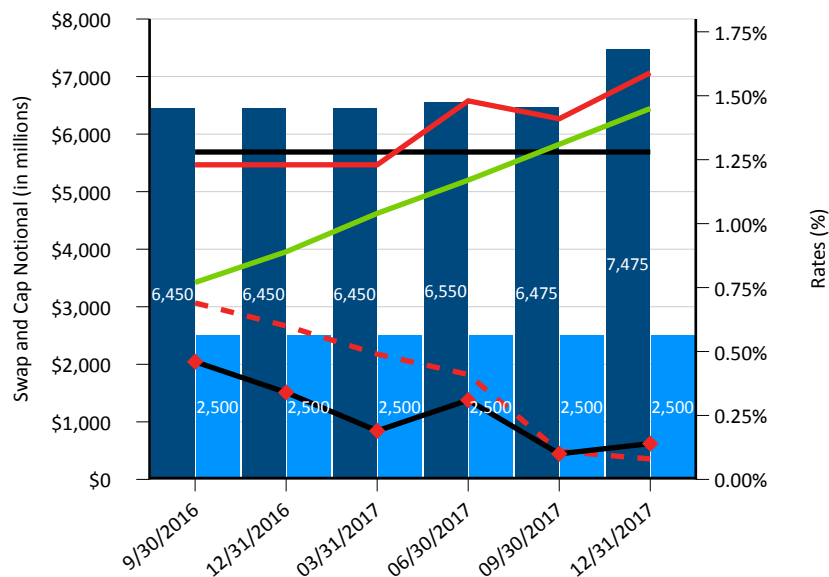
Total Interest Rate Swaps and Caps												
December 31, 2017							September 30, 2017					
	Notional Amount (in 000's)	Fair Value (in 000's)	Weighted-Average				Notional Amount (in 000's)	Fair Value (in 000's)	Duration ⁽¹⁾	Weighted-Average		
			Duration ⁽¹⁾	Net Swap and Cap Pay Rate						Duration ⁽¹⁾	Net Swap and Cap Pay Rate	
Total	\$ 9,975,000	\$159,620	(2.96)	0.08			\$ 8,975,000	\$107,160	(2.80)	0.11		

- During the Fourth Quarter, we used a combination of swaptions and interest rate swaps to incrementally add \$1 billion in notional of interest rate swaps. Despite an 18 bps increase in the swap portfolio pay rate during the Fourth Quarter, the net pay rate only increased 4 bps as a direct result of an increase in 3-Month LIBOR. The increase in 3-Month LIBOR resulted in a 3 bps decrease in the overall hedge portfolio net pay rate to 8 bps from 11 bps.
- The hedge portfolio expansion during the Fourth Quarter also resulted in an extension of the hedge portfolio duration to 2.96 years from 2.80 years in the Prior Quarter.
- At December 31, 2017, the aggregate interest rate swaps and caps notional totaled approximately \$10.0 billion, constituting 99% of the Company's repurchase agreements compared to \$9.0 billion and 86%, respectively, at September 30, 2017.

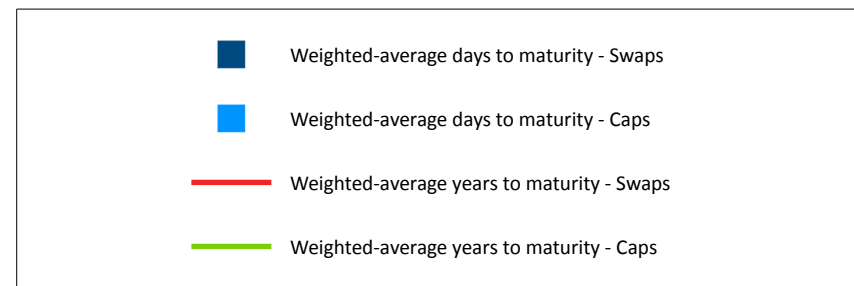
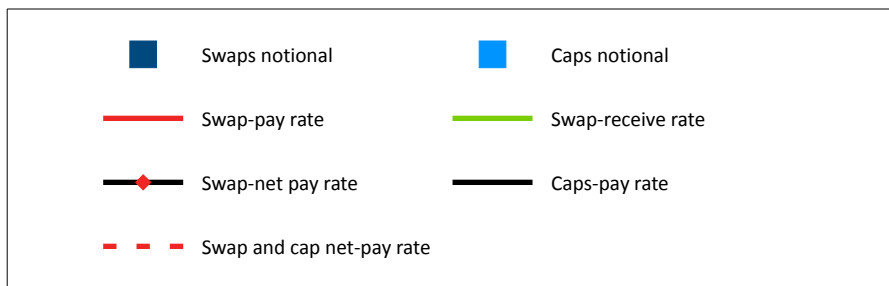
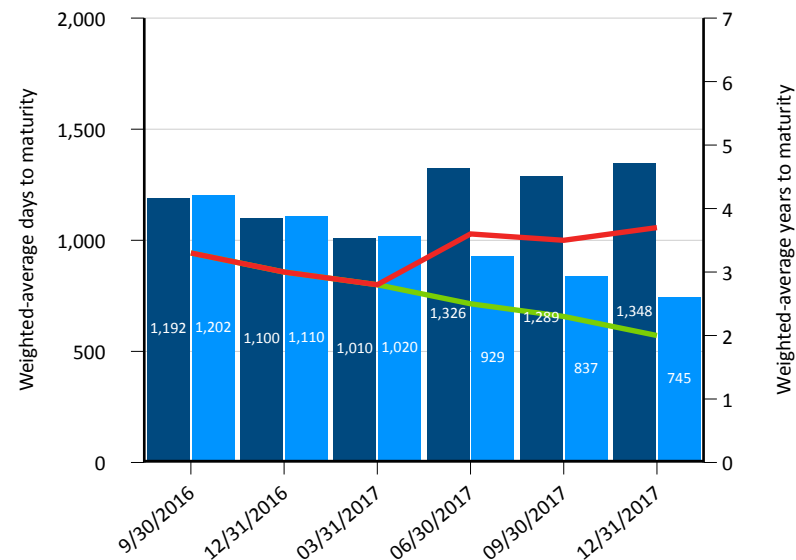
(1) Duration measures the market price volatility of financial instruments as interest rates change using DV01 methodology. We generally calculate duration using various third-party financial models and empirical data. Different models and methodologies can produce different estimates of duration for 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 Fourth Quarter, while swap rates were near their lows, we took the opportunity to expand the overall hedge portfolio by adding \$1 billion in swap notional, and simultaneously increased the weighted average maturity of the swap portfolio.

Sensitivity Analysis and Duration Gap

Interest Rate Sensitivity ⁽¹⁾					
December 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 ⁽⁴⁾
-75	55.95%	(2)	0.12%	1.02%	(0.32)
-50	43.10%	(2)	0.21%	1.74%	(0.06)
-25	30.25%	(2)	0.18%	1.54%	0.24
—	—%		—%	—%	0.61
25	(12.16)%	(2)	(0.34)%	(2.89)%	0.96
50	(24.31)%	(2)	(0.82)%	(6.93)%	1.24
75	(38.32)%	(2)	(1.41)%	(11.91)%	1.47

Interest Rate Sensitivity ⁽¹⁾					
September 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 ⁽⁴⁾
-75	21.47%	(2)(3)	0.35%	2.84%	(0.14)
-50	17.18%	(2)(3)	0.36%	2.92%	0.13
-25	8.59%	(2)(3)	0.25%	2.03%	0.45
—	—%		—%	—%	0.79
25	(10.74)%	(2)	(0.40)%	(3.21)%	1.11
50	(21.47)%	(2)	(0.92)%	(7.45)%	1.39
75	(32.21)%	(2)	(1.55)%	(12.56)%	1.62

- The Fed increased the Federal Funds Rate 25 bps in December 2017 and signaled three rate hikes in 2018.
- We expanded the hedge portfolio notional and extended the duration during the Fourth Quarter in anticipation of a rising rate environment.

Footnotes appear on page 27.

Net Duration Gap

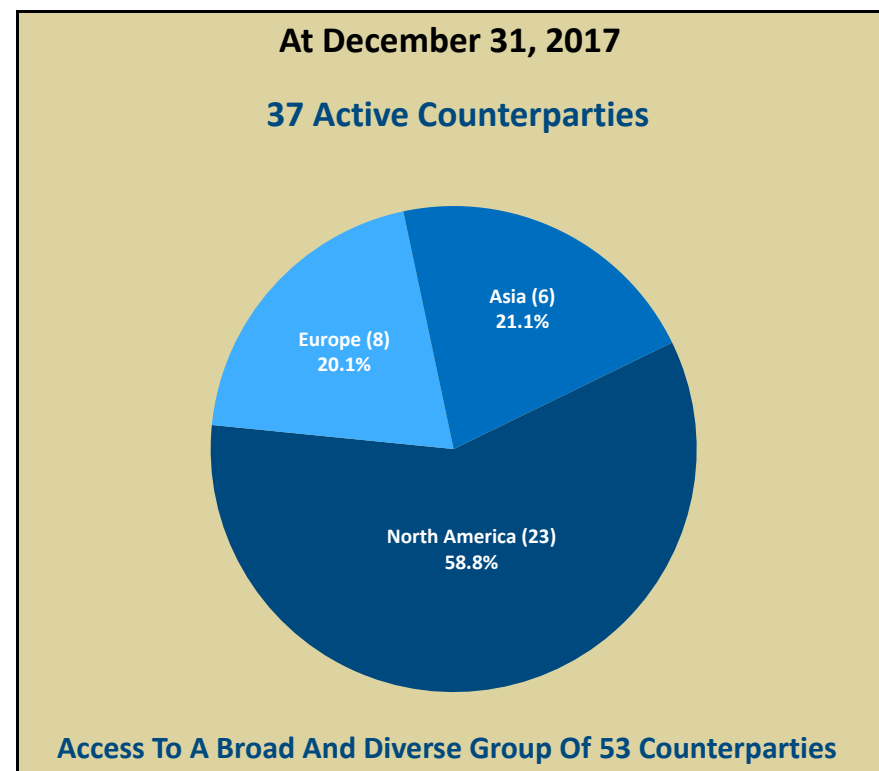
Net Duration Gap ⁽¹⁾					
(dollars in thousands)					
As of December 31, 2017					
As of September 30, 2017					
Component	Duration (Years)	Notional (Face Value)	Duration (Years)	Notional (Face Value)	
Interest rate swaps	(3.29)	\$ 7,475,000	(3.15)	\$ 6,475,000	
Interest rate caps	(1.97)	2,500,000	(1.89)	2,500,000	
Agency RMBS and U.S. Treasuries	3.41	12,725,355	3.37	12,484,567	
Net Duration Gap (years)	0.61		0.79		

- The net duration gap decreased to 0.61 at December 31, 2017 from 0.79 at September 30, 2017 as a direct result of the hedge portfolio expansion and increase in interest rates during the Fourth Quarter.

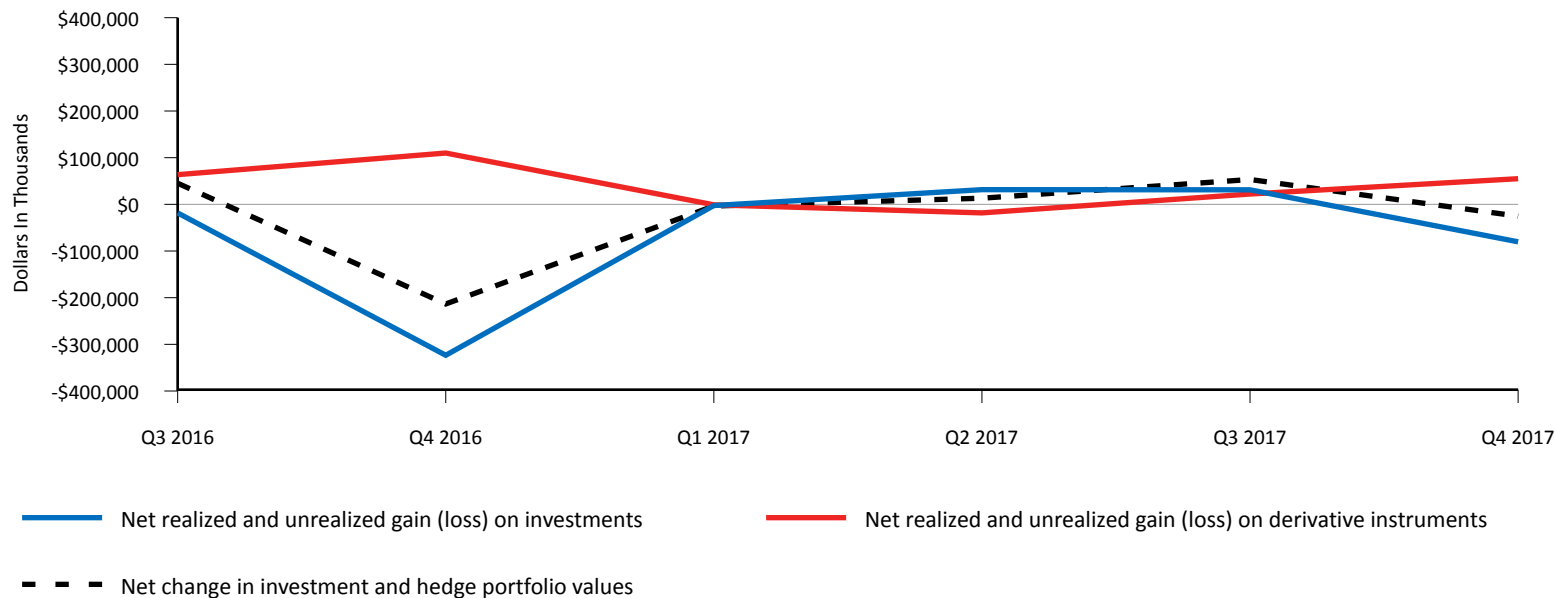
(1) Net duration gap is calculated as a weighted-average of the total portfolio including the aggregate notional amount on our interest rate swaps and caps using DV01 methodology. Duration estimates in the table are calculated utilizing Yield Book® software and may reflect adjustments based on our judgment.

Financing Summary

Repo Borrowings Collateralized with Agency RMBS and U.S. Treasuries As of December 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
Agency RMBS					
≤ 30 Days	\$ 423,304	4%	1.68%	3	13
> 30 to ≤ 60 Days	1,168,124	12%	1.45%	12	53
> 60 Days	7,477,177	74%	1.45%	64	158
Subtotal	\$ 9,068,605	90%	1.46%	54	138
U.S. Treasuries					
≤ 30 Days	1,021,312	10%	1.08%	16	32
Total/Wtd.-Avg.	\$ 10,089,917	100%	1.42%	51	127
As of September 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
Total/Wtd.-Avg	\$ 10,383,226	100%	1.27%	62	126



- At December 31, 2017, the Company had borrowings from repurchase agreements ("repo borrowings") outstanding with 37 counterparties, and repo agreements in place with a total of 53 counterparties.
- At December 31, 2017, the weighted-average interest rate on outstanding repo borrowings increased to 1.42% from 1.27% at September 30, 2017 as a direct result of the Fed's 25 bps rate hike in December 2017.



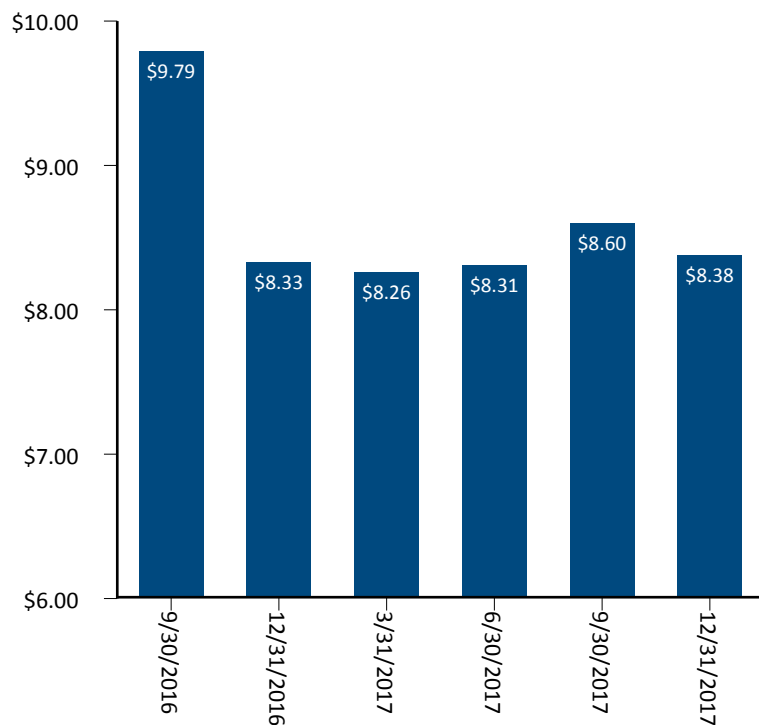
Net Change in Investment and Hedge Portfolio						
	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017
Net realized and unrealized gain (loss) on investments	\$(18,385)	\$(323,414)	\$(2,566)	\$31,468	\$31,122	\$(80,298)
Net realized and unrealized gain (loss) on derivative instruments*	63,625	109,951	(1,012)	(18,324)	22,117	54,969
Net change in investment and hedge portfolio	\$45,240	\$(213,463)	\$(3,578)	\$13,144	\$53,239	\$(25,329)

➤ The decline in the value of the investment portfolio and the increase in the value of the hedge portfolio during the Fourth Quarter emanate from the periodic increases in interest rates.

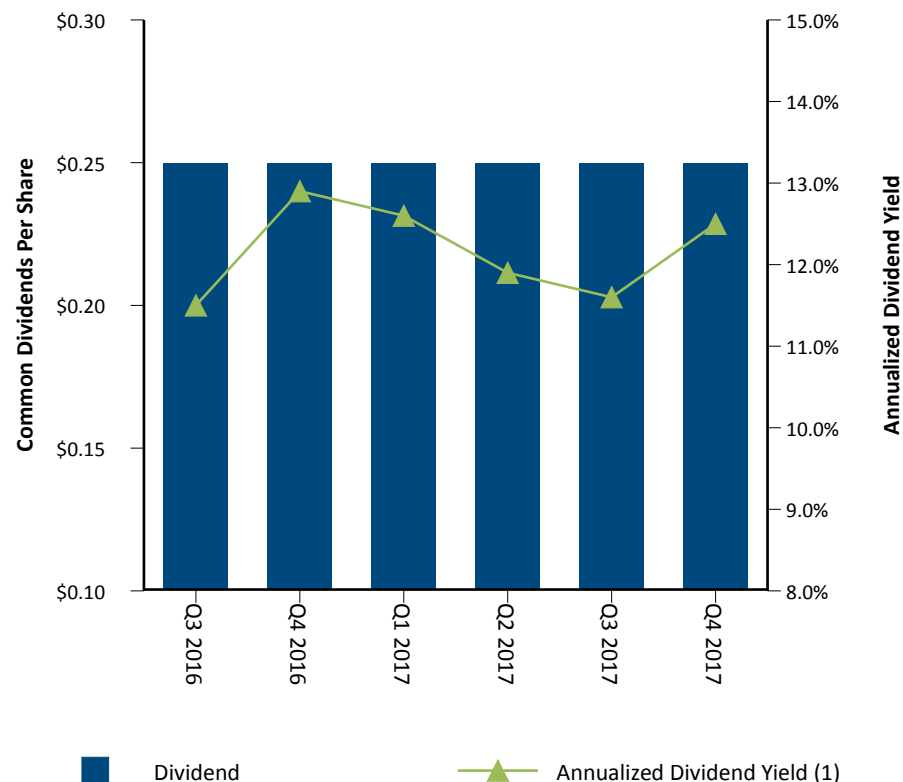
* Net realized and unrealized gain (loss) on derivative instruments includes net realized and unrealized gain (loss) on TBA Derivatives of \$(2.3) million, \$5.9 million, \$10.1 million, \$(8.2) million, \$(47.1) million and \$12.4 million in the Fourth Quarter, Q3 2017, Q2 2017, Q1 2017, Q4 2016 and Q3 2016, respectively.

Book Value and Common Stock Dividend Trends

Book Value Per Common Share



Common Stock Dividends

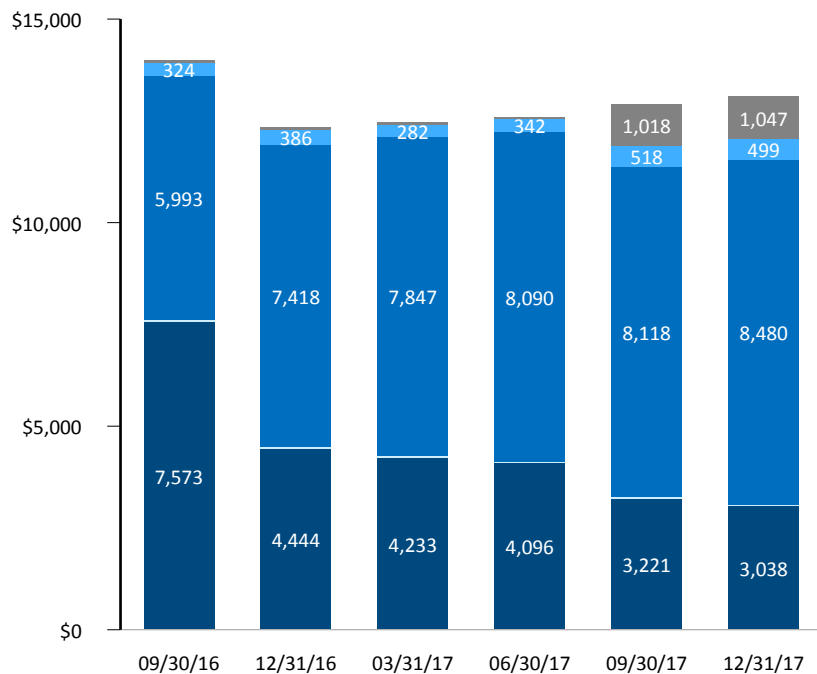


(1) The annualized dividend yield is calculated using the stock price at the respective quarter end.

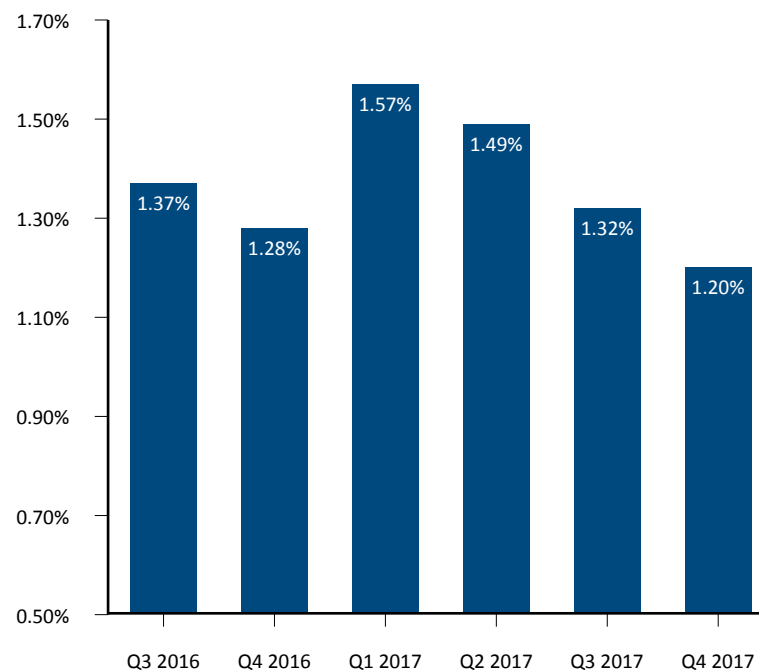
Portfolio & Interest Rate Spread Trends

Debt Securities Portfolio at Fair Value

(dollars in millions)

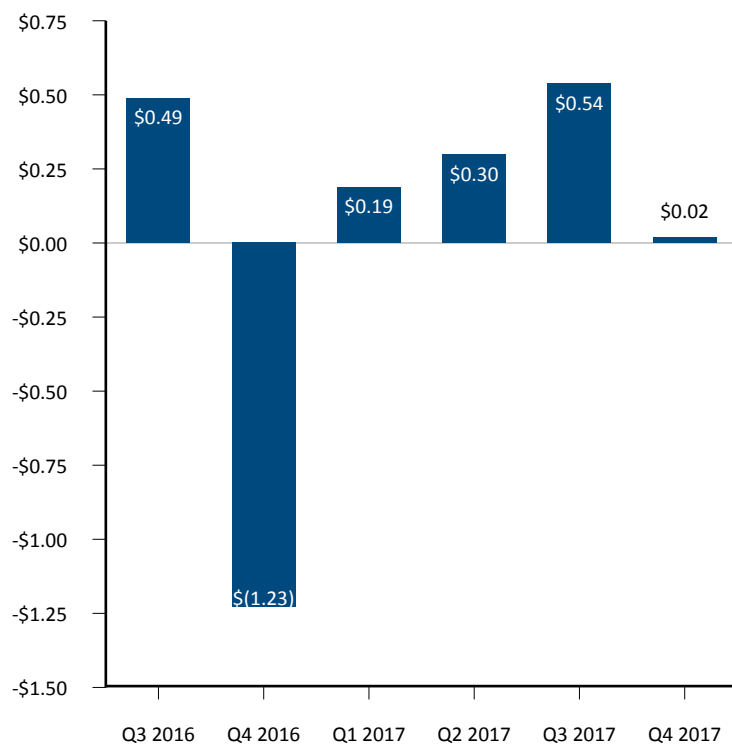


Interest Rate Spread Net of Hedge Including Drop Income

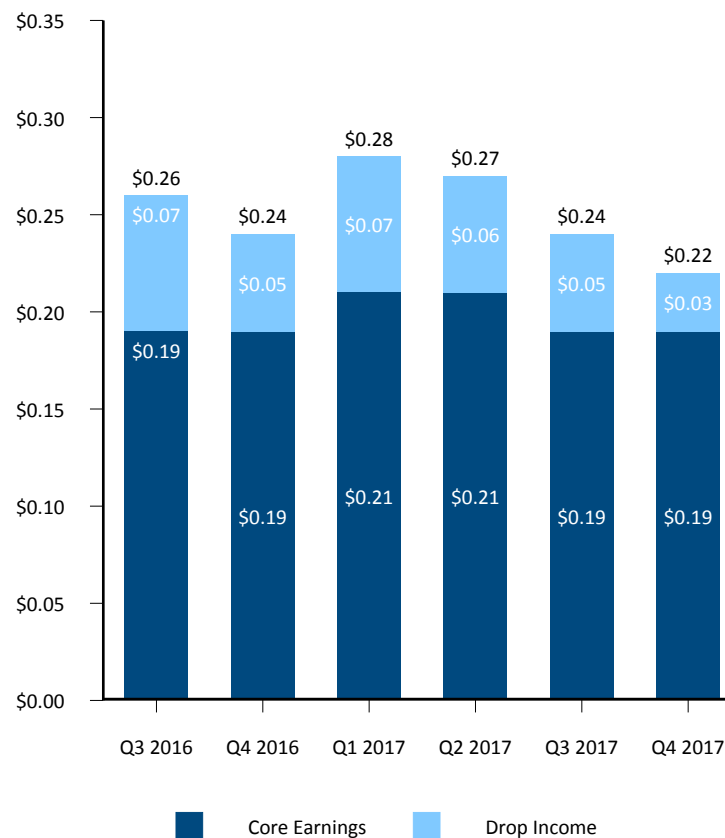


GAAP Net Income and Core Earnings, Plus Drop Income

GAAP Net Income (Loss) Per Common Share

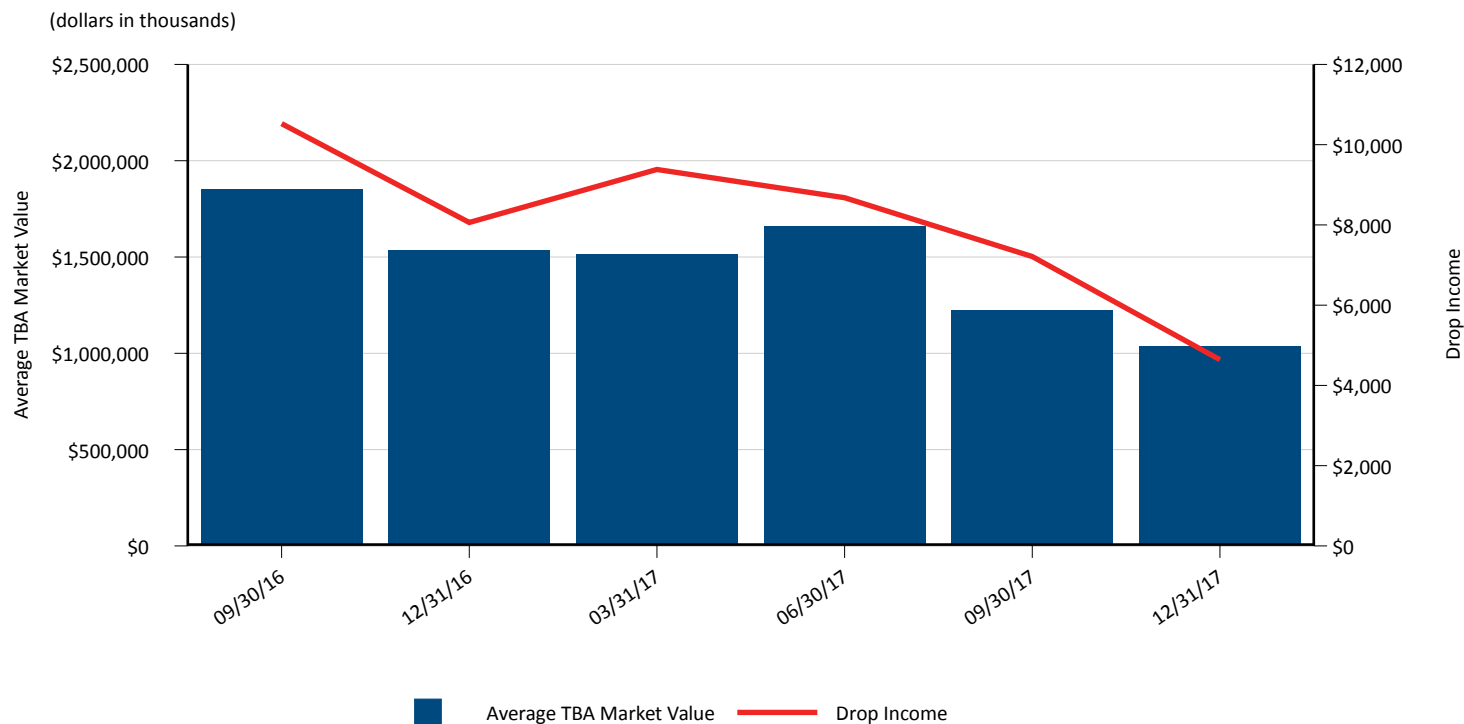


Core Earnings⁽¹⁾, Plus Drop Income Per Common Share



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

TBA and Drop Income Trends*

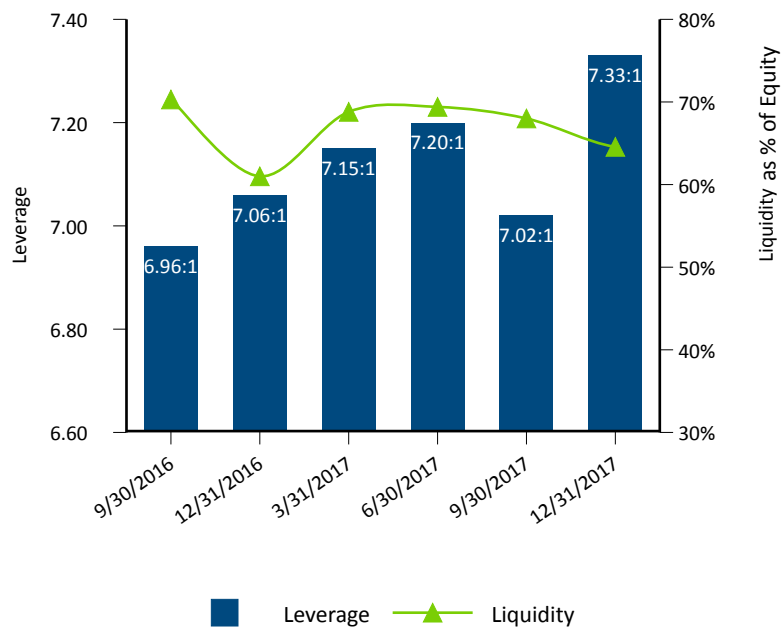


Average TBA Market Values and Drop Income						
(dollars in thousands)						
	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017
Average TBA Market Value*	\$ 1,851,353	\$ 1,534,878	\$ 1,513,532	\$ 1,657,271	\$ 1,224,175	\$ 1,034,786
Drop Income	\$ 10,524	\$ 8,061	\$ 9,382	\$ 8,678	\$ 7,212	\$ 4,641

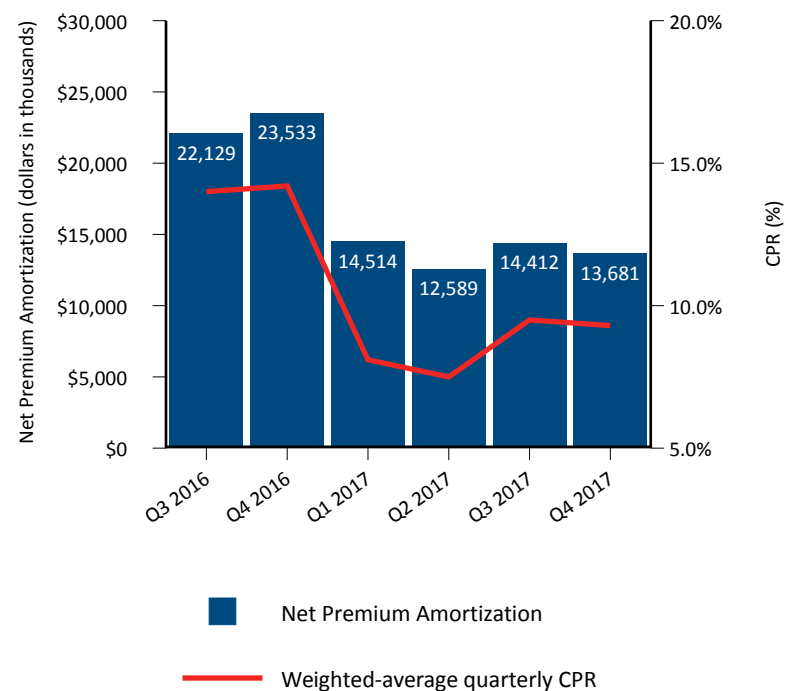
*Includes fair value of net TBA Derivative positions of \$0.5 billion, \$(0.2) billion, \$0.9 billion, \$1.4 billion, \$(0.3) billion and \$2.2 billion as of December 31, 2017, September 30, 2017, June 30, 2017, March 31, 2017, December 31, 2016 and September 30, 2016, respectively.

Leverage, Liquidity, Amortization and CPR Trends

Leverage and Liquidity at Quarter-End*



Amortization and CPR



* Leverage includes net TBA Derivative positions of \$0.5 billion, \$(0.2) billion, \$0.9 billion, \$1.4 billion, \$(0.3) billion and \$2.2 billion as of December 31, 2017, September 30, 2017, June 30, 2017, March 31, 2017, December 31, 2016 and September 30, 2016, respectively.

Consolidated Balance Sheets

(dollars in 000's, except per share data)	As of					
	12/31/2017	9/30/2017	6/30/2017	3/31/2017	12/31/2016 ⁽¹⁾	9/30/2016
Assets:	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)		(Unaudited)
Cash	\$ 4,132	\$ 804	\$ 1,264	\$ 584	\$ 1,260	\$ 2,192
Investments in securities, at fair value:						
Agency RMBS	11,587,720	12,092,527	11,705,696	11,011,163	12,599,045	11,742,018
U.S. Treasury securities	1,046,934	1,017,964	24,841	49,688	49,686	49,891
Receivable for securities sold and principal repayments	301,398	157,730	689	573	409,849	2,598
Receivable for cash pledged as collateral	—	—	—	—	600	63,464
Interest receivable	32,890	33,385	32,340	31,401	31,825	33,273
Derivative assets, at fair value	159,629	107,588	92,520	136,552	142,556	29,869
Other investments	9,765	8,028	8,028	8,028	8,028	8,028
Other assets	3,114	3,511	4,038	2,929	2,419	2,787
Total assets	\$ 13,145,582	\$ 13,421,537	\$ 11,869,416	\$ 11,240,918	\$ 13,245,268	\$ 11,934,120
Liabilities and stockholders' equity:						
Liabilities:						
Repurchase agreements	\$ 10,089,917	\$ 10,383,226	\$ 9,370,845	\$ 9,015,594	\$ 9,691,544	\$ 9,620,641
Payable for securities purchased	1,290,805	1,264,639	817,597	524,482	1,881,963	424,476
Payable for cash received as collateral	139,614	77,326	64,402	101,819	91,503	10,882
Accrued interest payable	41,468	34,007	28,810	25,457	27,908	21,521
Accrued expenses and other liabilities	4,969	4,058	3,045	3,559	6,170	6,111
Dividends payable	4,410	43,158	42,342	42,337	4,410	42,264
Derivative liabilities, at fair value	152	6,586	6,725	—	6,051	50,240
Total liabilities	11,571,335	11,813,000	10,333,766	9,713,248	11,709,549	10,176,135
Stockholders' equity:						
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 (155M, 155M, 152M, 152M, 151M and 151M shares issued and outstanding, respectively)	1,550	1,550	1,517	1,517	1,514	1,514
Additional paid in capital	1,976,310	1,975,476	1,946,856	1,945,966	1,944,908	1,943,952
Retained earnings (accumulated deficit)	(669,513)	(634,389)	(678,623)	(685,713)	(676,603)	(453,381)
Total stockholders' equity	1,574,247	1,608,537	1,535,650	1,527,670	1,535,719	1,757,985
Total liabilities and stockholders' equity	\$ 13,145,582	\$ 13,421,537	\$ 11,869,416	\$ 11,240,918	\$ 13,245,268	\$ 11,934,120
Book value per common share	\$ 8.38	\$ 8.60	\$ 8.31	\$ 8.26	\$ 8.33	\$ 9.79

(1) Derived from audited consolidated financial statements.

Consolidated Statements of Operations

(dollars in 000's, except per share data) (Unaudited)	Quarters Ended					
	12/31/2017	9/30/2017	6/30/2017	3/31/2017	12/31/2016	9/30/2016
Interest income:						
Agency RMBS	\$ 75,358	\$ 78,809	\$ 77,027	\$ 73,227	\$ 66,996	\$ 68,602
Other	6,063	152	61	86	1,572	1,059
Total interest income	81,421	78,961	77,088	73,313	68,568	69,661
Interest expense:						
Repurchase agreements	35,242	31,971	26,182	21,221	20,168	17,265
FHLBC Advances	—	—	—	—	—	214
Total interest expense	35,242	31,971	26,182	21,221	20,168	17,479
Net interest income	46,179	46,990	50,906	52,092	48,400	52,182
Other income (loss):						
Net realized gain (loss) on investments	(23,647)	(5,215)	(19,831)	(66,044)	(36,253)	18,155
Net unrealized gain (loss) on investments	(56,651)	36,337	51,299	63,478	(287,161)	(36,540)
Other income	39	38	39	47	203	308
Net realized and unrealized gain (loss) on investments, FHLBC Advances and other income	(80,259)	31,160	31,507	(2,519)	(323,211)	(18,077)
Interest rate hedge expense, net	(5,841)	(6,948)	(8,434)	(8,327)	(10,128)	(12,493)
Net realized and unrealized gain (loss) on derivative instruments	54,969	22,117	(18,324)	(1,012)	109,951	63,625
Net gain (loss) on derivative instruments	49,128	15,169	(26,758)	(9,339)	99,823	51,132
Total other income (loss)	(31,131)	46,329	4,749	(11,858)	(223,388)	33,055
Expenses:						
Compensation and benefits	3,985	2,994	3,004	3,776	1,885	3,619
General, administrative and other	2,232	2,140	2,426	2,438	3,287	2,608
Total operating expenses	6,217	5,134	5,430	6,214	5,172	6,227
Net income (loss)	\$ 8,831	\$ 88,185	\$ 50,225	\$ 34,020	\$ (180,160)	\$ 79,010
Dividends on preferred stock	(5,203)	(5,203)	(5,203)	(5,203)	(5,203)	(5,203)
Net income (loss) available to common stockholders	\$ 3,628	\$ 82,982	\$ 45,022	\$ 28,817	\$ (185,363)	\$ 73,807
Net income (loss) per common share	\$ 0.02	\$ 0.54	\$ 0.30	\$ 0.19	\$ (1.23)	\$ 0.49

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.

(dollars in 000's, except per share data) (Unaudited)	Quarters Ended					
	12/31/2017	9/30/2017	6/30/2017	3/31/2017	12/31/2016	9/30/2016
Net income (loss) available to common stockholders	\$ 3,628	\$ 82,982	\$ 45,022	\$ 28,817	\$ (185,363)	\$ 73,807
Net realized (gain) loss on investments	23,647	5,215	19,831	66,044	36,253	(18,155)
Net unrealized (gain) loss on investments	56,651	(36,337)	(51,299)	(63,478)	287,161	36,540
Net realized and unrealized (gain) loss on derivative instruments	(54,969)	(22,117)	18,324	1,012	(109,951)	(63,625)
Core Earnings ⁽¹⁾	\$ 28,957	\$ 29,743	\$ 31,878	\$ 32,395	\$ 28,100	\$ 28,567
Core Earnings per average share	\$ 0.19	\$ 0.19	\$ 0.21	\$ 0.21	\$ 0.19	\$ 0.19
Drop Income ⁽²⁾	\$ 4,641	\$ 7,212	\$ 8,678	\$ 9,382	\$ 8,061	\$ 10,524
Drop Income per average share	\$ 0.03	\$ 0.05	\$ 0.06	\$ 0.07	\$ 0.05	\$ 0.07
Core Earnings plus Drop Income	\$ 33,598	\$ 36,955	\$ 40,556	\$ 41,777	\$ 36,161	\$ 39,091
Core Earnings plus Drop Income per average share	\$ 0.22	\$ 0.24	\$ 0.27	\$ 0.28	\$ 0.24	\$ 0.26

Footnotes appear on page 28.

Reconciliation of Non-GAAP Measures: 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.

(dollars in 000's) (Unaudited)	Quarters Ended					
	12/31/2017	9/30/2017	6/30/2017	3/31/2017	12/31/2016	9/30/2016
Net interest income	\$ 46,179	\$ 46,990	\$ 50,906	\$ 52,092	\$ 48,400	\$ 52,182
Interest rate hedge expense, net	5,841	6,948	8,434	8,327	10,128	12,493
Economic Net Interest Income ⁽¹⁾	\$ 40,338	\$ 40,042	\$ 42,472	\$ 43,765	\$ 38,272	\$ 39,689
Total interest expense	\$ 35,242	\$ 31,971	\$ 26,182	\$ 21,221	\$ 20,168	\$ 17,479
Interest rate hedge expense, net ⁽²⁾	5,841	6,948	8,434	8,327	10,128	12,493
Economic Interest Expense ⁽³⁾	\$ 41,083	\$ 38,919	\$ 34,616	\$ 29,548	\$ 30,296	\$ 29,972

Footnotes appear on page 28.

Footnotes: Pages 3 and 5

Footnotes Page 3, Summary Q4 2017 Results Versus Prior Quarter

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 value 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 or minus net TBA Derivative positions by (ii) stockholders' equity.
8. The hedge ratio for the period is calculated by dividing the combined total interest rate swaps and interest rate caps notional amount by total repurchase agreements.
9. The CPR represents the weighted-average 1-month actual experienced CPR of the Company's Agency RMBS during the respective period.
10. 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 the beginning of the respective period.

Footnotes Page 5, 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 unsettled Debt Securities (inclusive of TBA Derivatives) 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 is 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 balances plus payable for securities purchased minus receivable for securities sold, plus or minus net TBA Derivative positions by (ii) stockholders' equity at period end.
8. The 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 and interest rate caps notional amount by total repurchase agreements.
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 a weighted average 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. 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 \$4.6 million, \$7.2 million, \$8.7 million, \$9.4 million, \$8.1 million, and \$10.5 million for Q4 2017, Q3 2017, Q2 2017, Q1 2017, Q4 2016 and Q3 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. 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.
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 annualized 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 the Company's Agency RMBS during the period.

Footnotes: Pages 8 and 13

Footnotes Page 8, Portfolio Detail as of December 31, 2017 and Prior Quarter Summary

1. TBA securities are excluded from this calculation as they do not have a defined weighted-average loan balance, age, or CPR until mortgages have been assigned to the pool.
2. Represents the historical experienced 3-month CPR of the Company's Agency RMBS portfolio at December 31, 2017 and September 30, 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 13, Sensitivity Analysis and Duration Gap

1. The interest rate sensitivity analysis shows the estimated impact interest rate changes could 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 suddenly 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 September 30, 2017, we reduced 3-month LIBOR and our repo borrowing rates by 20, 40 and 50 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. 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 the 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. 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.

Prior to October 1, 2017, "Interest rate hedge expense, net" was referred to as "Swap and cap interest expense" in the Consolidated Statement of Operations. This line item includes the following: i) net periodic payments made on interest rate swaps and interest rate caps, ii) the periodic amortization of premiums paid to enter into interest rate caps, and iii) the periodic amortization of premiums paid to enter into swaptions, less, total payments received in connection with i) the receive leg of our interest rate swaps, and ii) payments received in connection with interest rate caps. On October 1, 2017, the name was changed to "Interest rate hedge expense, net", to better reflect the broad nature of items included in this line items, all of which reflect the Company's net cost of hedging its exposure to interest rates. Prior period financial statement line items have been renamed 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 interest rate hedge expense, net 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 (cancelable and non-cancelable), swaptions and interest rate caps 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, swaptions, 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.