



Supplemental Earnings Presentation
First Quarter 2017
April 19, 2017

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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, changes in interest rates and the yield curve, the effect of actual or proposed actions of the U.S. Federal Reserve (the "Fed") and the new U.S. presidential administration, changes in the constant prepayment rate experienced by the Company's Agency RMBS 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 Q1 2017 Results

Performance Indicator	Current Quarter Q1 2017 Versus Prior Quarter Q4 2016
Yield Curve and Current Investment Environment	During the first quarter of 2017 ("First Quarter") the yield curve flattened, driven by a 25 basis point ("bp") Fed rate hike in March, which resulted in the front end of the yield curve, as represented by the 2-Year U.S. Treasury, to rise 6 bps, while the 10-Year U.S. Treasury yield decreased 5 bps. The current reinvestment environment remains attractive, with levered returns (at current leverage levels) on our target assets ("ROE") in the low teens.
Book Value Per Common Share	At March 31, 2017, book value per common share of \$8.26 ⁽¹⁾ , a decrease of \$(0.07) per common share from the December 31, 2016 book value per common share of \$8.33 ⁽¹⁾ , after declaring a per share dividend of \$0.25 during the First Quarter.
Dividends Per Common Share	Declared a quarterly dividend per common share of \$0.25 during the First Quarter, unchanged from the prior quarter, representing an annualized dividend yield of 12.6% and 12.9%, based upon the closing price per common share of \$7.95 and \$7.73 at March 31, 2017 and December 31, 2016, respectively.
GAAP Net Income (Loss) Available to Common Shareholders	GAAP net income (loss) available to common stockholders of \$28.8 million, or \$0.19 per diluted common share, compared to net income (loss) of \$(185.4) million, or \$(1.23) per diluted common share for the previous quarter.
Core Earnings, Plus Drop Income	Core Earnings ⁽²⁾ plus Drop Income ⁽³⁾ of \$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), as compared to \$36.2 million (\$28.1 million Core Earnings and \$8.1 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 1.57% ⁽⁴⁾ , an increase from 1.28% at December 31, 2016.
Operating Expense Ratio	Operating expense ratio of 1.61% ⁽⁵⁾ , as compared to 1.26% during the prior quarter (excluding effects of a non-recurring prior period tax charge, Q4 2016 operating expense ratio of .85%). Excluding non-recurring accelerated restricted stock and other compensation expenses, the operating expense ratio for the First Quarter was 1.46%.
Weighted Average Amortized Cost	Weighted-average amortized cost of Agency RMBS and U.S. Treasuries ⁽⁶⁾ (collectively, "Debt Securities") of \$103.26 at March 31, 2017, compared to \$103.78 at December 31, 2016.
Leverage and Hedge Ratios	Leverage ratio ⁽⁷⁾ increased marginally to 7.15:1 at March 31, 2017 from 7.06:1 at December 31, 2016. Hedge ratio increased to 99% at March 31, 2017, from 92% at December 31, 2016.
W.A. Quarterly Constant Prepayment Rate (CPR)	A weighted-average quarterly constant prepayment rate ("CPR") ⁽⁸⁾ of 8.1% for the First Quarter, as compared to 14.2% during the prior quarter.
Share Repurchases	The Company did not repurchase any shares of its common stock during the First Quarter or the prior quarter.
Total Stockholder Return (Loss) on Common Equity	Total stockholder return on common equity ⁽⁹⁾ of 2.16% and (12.36)% for the First Quarter and the prior quarter, respectively.

Key Balance Sheet and Performance Metrics

Key Balance Sheet Metrics (in thousands)	Three Months Ended					
	3/31/2017	12/31/2016	9/30/2016	6/30/2016	3/31/2016	12/31/2015
Average settled Debt Securities ⁽¹⁾	\$ 10,819,433	\$ 11,484,017	\$ 11,725,021	\$ 11,887,351	\$ 11,905,997	\$ 12,811,091
Average total Debt Securities ⁽²⁾	\$ 12,485,920	\$ 13,207,856	\$ 13,596,739	\$ 13,230,800	\$ 12,945,855	\$ 13,424,661
Average repurchase agreements and FHLBC Advances ⁽³⁾	\$ 9,264,522	\$ 9,905,199	\$ 10,223,051	\$ 10,412,784	\$ 10,492,636	\$ 11,309,499
Average Debt Securities liabilities ⁽⁴⁾	\$ 10,931,009	\$ 11,629,038	\$ 12,094,769	\$ 11,756,233	\$ 11,532,494	\$ 11,923,069
Average stockholders' equity ⁽⁵⁾	\$ 1,539,245	\$ 1,646,903	\$ 1,749,543	\$ 1,725,879	\$ 1,714,728	\$ 1,739,317
Average common shares outstanding ⁽⁶⁾	151,572	151,434	151,414	151,452	151,788	153,183
Leverage ratio (at period end) ⁽⁷⁾	7.15:1	7.06:1	6.96:1	6.91:1	6.76:1	6.77:1
Hedge ratio ⁽⁸⁾	99%	92%	93%	91%	97%	94%
Book value per common share (at period end) ⁽⁹⁾	\$8.26	\$8.33	\$9.79	\$9.55	\$9.46	\$9.36
Weighted average amortized cost of Agency RMBS and U.S. Treasuries ⁽¹⁰⁾	\$103.26	\$103.78	\$103.72	\$103.42	\$103.76	\$103.69

Key Performance Metrics*	3/31/2017	12/31/2016	9/30/2016	6/30/2016	3/31/2016	12/31/2015
Average yield on settled Debt Securities ⁽¹¹⁾	2.71%	2.39%	2.38%	2.52%	2.74%	2.68%
Average yield on total Debt Securities including Drop Income ⁽¹²⁾	2.65%	2.32%	2.36%	2.50%	2.71%	2.67%
Average cost of funds ⁽¹³⁾	0.92%	0.81%	0.68%	0.72%	0.68%	0.49%
Average cost of funds and hedge ⁽¹⁴⁾	1.28%	1.22%	1.17%	1.29%	1.39%	1.31%
Adjusted average cost of funds and hedge ⁽¹⁵⁾	1.08%	1.04%	0.99%	1.14%	1.26%	1.24%
Interest rate spread net of hedge ⁽¹⁶⁾	1.43%	1.17%	1.21%	1.23%	1.35%	1.37%
Interest rate spread net of hedge including Drop Income ⁽¹⁷⁾	1.57%	1.28%	1.37%	1.36%	1.45%	1.43%
Operating expense ratio ⁽¹⁸⁾	1.61%	1.26%	1.42%	1.36%	1.48%	0.75%
Total stockholder return on common equity ⁽¹⁹⁾	2.16%	(12.36%)	5.13%	3.59%	3.85%	0.31%
CPR: weighted average experienced 1-month ⁽²⁰⁾	8.1%	14.2%	14.0%	12.9%	7.6%	8.1%

Footnotes appear on page 26

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

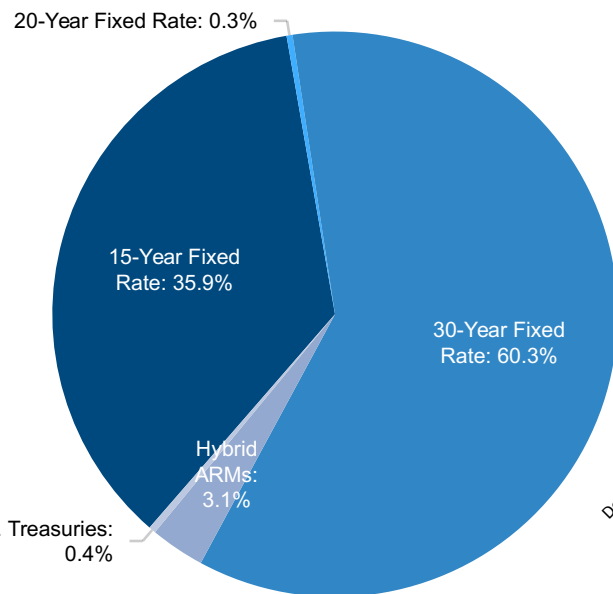
Q1 2017: Market Data

Security Type	12/31/2015	3/31/2016	6/30/2016	9/30/2016	12/31/2016	3/31/2017	Q4 2016 Δ to Q1 2017
15-Year Fannie Mae Fixed Rate MBS Prices							
2.5%	\$100.86	\$102.70	\$103.52	\$103.58	\$100.05	\$100.08	\$0.03
3.0%	\$103.08	\$104.52	\$104.86	\$104.98	\$102.48	\$102.55	\$0.07
3.5%	\$104.77	\$105.67	\$105.98	\$105.42	\$104.11	\$104.11	\$—
4.0%	\$104.17	\$104.20	\$103.73	\$103.20	\$102.95	\$103.36	\$0.41
30-Year Fannie Mae Fixed Rate MBS Prices							
3.0%	\$100.05	\$102.67	\$103.83	\$103.98	\$99.20	\$99.23	\$0.03
3.5%	\$103.23	\$104.92	\$105.55	\$105.55	\$102.33	\$102.36	\$0.03
4.0%	\$105.86	\$106.92	\$107.23	\$107.42	\$104.98	\$104.95	\$(0.03)
U.S. Treasuries ("UST") Rates							
2-Yr UST	1.05%	0.72%	0.58%	0.76%	1.19%	1.25%	0.06%
5-Yr UST	1.76%	1.20%	1.00%	1.15%	1.93%	1.92%	(0.01)%
7-Yr UST	2.09%	1.53%	1.28%	1.42%	2.25%	2.21%	(0.04)%
10-Yr UST	2.27%	1.77%	1.47%	1.59%	2.44%	2.39%	(0.05)%
2-Yr UST to 10-Yr UST Spread	1.22%	1.05%	0.89%	0.83%	1.25%	1.14%	(0.11)%
London Interbank Offered Rates ("LIBOR")							
1 Month LIBOR	0.43%	0.44%	0.47%	0.53%	0.77%	0.98%	0.21%
3 Month LIBOR	0.61%	0.63%	0.65%	0.85%	1.00%	1.15%	0.15%
Swap Rates							
2-Yr Swap	1.18%	0.84%	0.73%	1.01%	1.45%	1.62%	0.17%
5-Yr Swap	1.74%	1.17%	0.98%	1.18%	1.98%	2.05%	0.07%
7-Yr Swap	1.95%	1.39%	1.15%	1.30%	2.16%	2.22%	0.06%
10-Yr Swap	2.19%	1.64%	1.36%	1.46%	2.34%	2.38%	0.04%
30- and 15-Year Fannie Mae Yield Spread to Swap Rates							
30-Yr to 7-Yr Swap	1.05%	1.18%	1.16%	1.06%	0.97%	0.91%	(0.06)%
15-Yr to 5-Yr Swap	0.57%	0.70%	0.71%	0.54%	0.50%	0.43%	(0.07)%

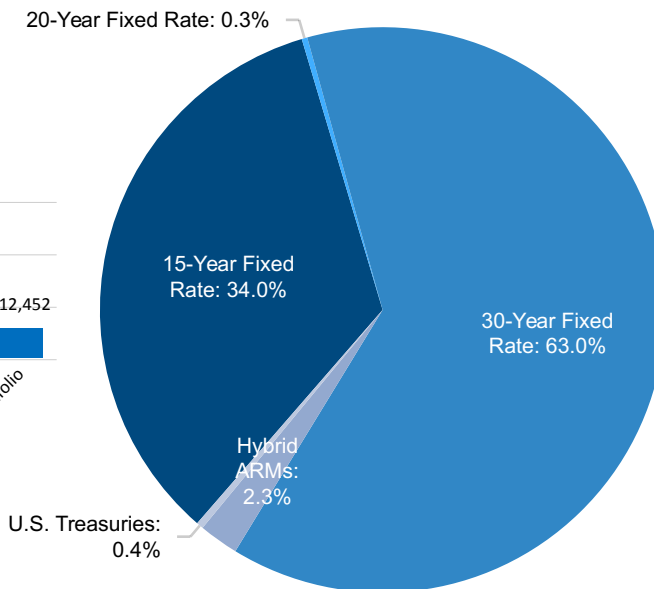
Source: Bloomberg

Portfolio at Fair Value

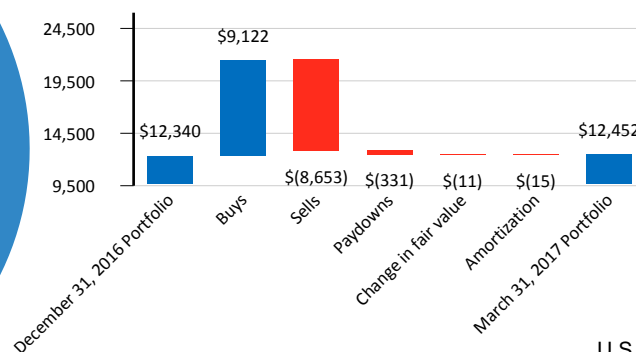
December 31, 2016
\$12.3B Portfolio*



March 31, 2017
\$12.5B Portfolio*



Q1 2017 Portfolio Changes*
(dollars in millions)



(dollars in thousands)	12/31/2016*	% of Portfolio	3/31/2017*	% of Portfolio	\$ Change	% Change
15-Year Fixed Rate	\$ 4,443,735	35.9%	\$ 4,232,639	34.0%	\$ (211,096)	-2%
20-Year Fixed Rate	42,348	0.3%	40,054	0.3%	(2,294)	—%
30-Year Fixed Rate	7,418,624	60.3%	7,846,908	63.0%	428,284	3%
Hybrid ARMs	385,502	3.1%	282,451	2.3%	(103,051)	-1%
U.S. Treasuries	49,686	0.4%	49,688	0.4%	2	—%
Total	\$ 12,339,895	100.0%	\$ 12,451,740	100.0%	\$ 111,845	—%

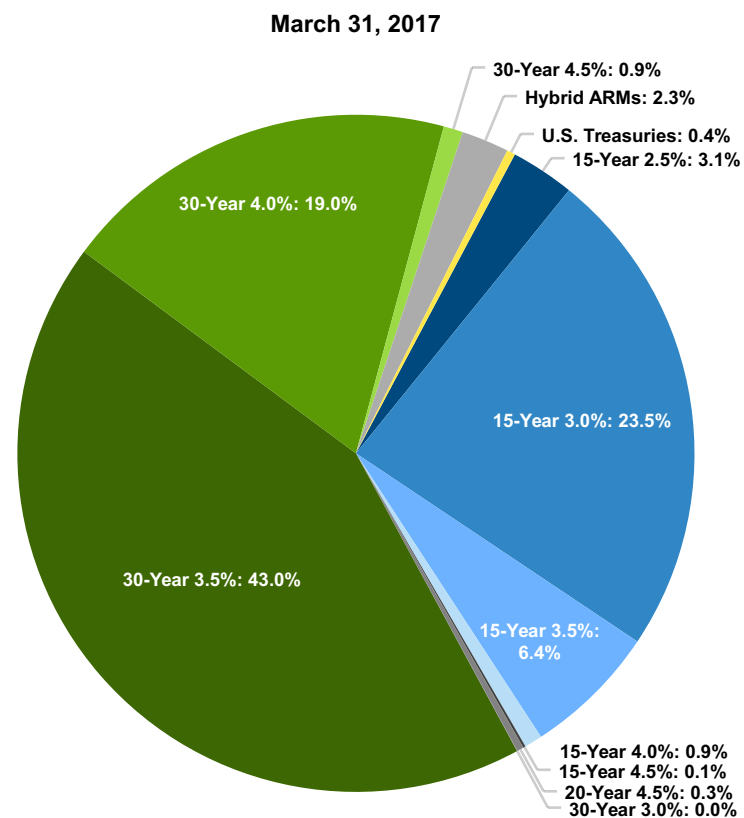
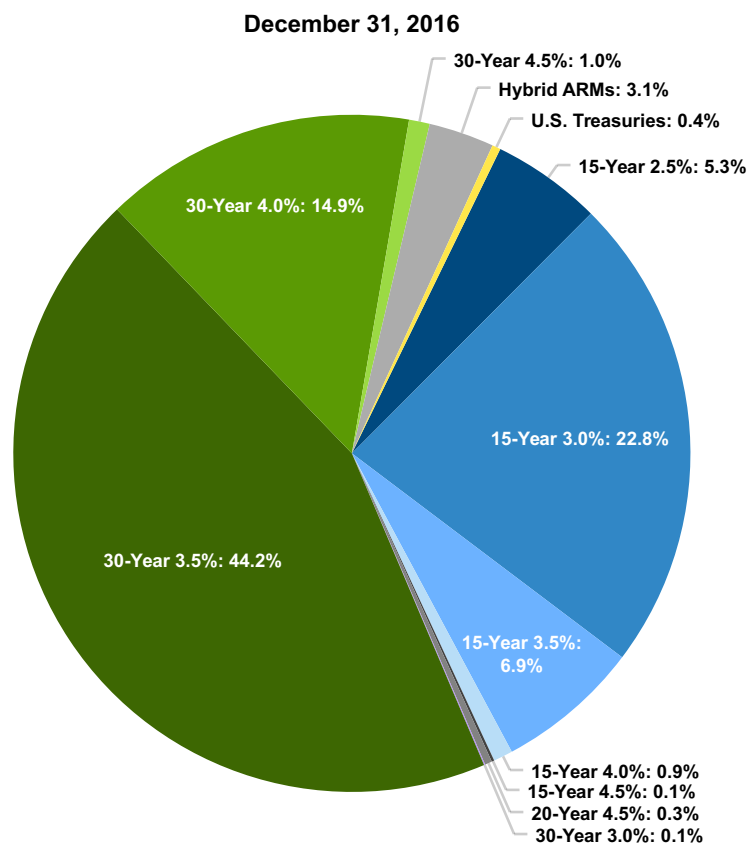
*Q1 2017 portfolio changes include to be announced ("TBA") dollar roll transactions whereby the Company is not contractually obligated to accept delivery on the settlement date ("TBA Derivatives") (\$4.7 billion, \$3.8 billion, and \$(8.2) million of buys, sells, and change in fair value, respectively). Fair value of net TBA Derivative positions at December 31, 2016 and March 31, 2017 was \$(0.3) billion and \$1.4 billion, respectively.

Portfolio Detail as of March 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%	\$380,249	\$380,728	\$102.52	\$195	6	2.7%	3.95
3.0%	2,473,455	2,538,901	102.47	270	26	8.6%	2.93
TBA 3.0%*	383,200	392,910	101.76	n/a	n/a	n/a	2.65
3.5%	765,637	798,656	102.94	213	55	14.4%	2.38
4.0%	101,655	107,050	101.01	168	73	13.6%	2.20
4.5%	13,558	14,394	102.18	241	86	12.2%	1.55
Subtotal	4,117,754	4,232,639	102.46	248	31	9.4%	2.87
20-Year Agency RMBS							
4.5%	37,265	40,054	102.64	209	80	14.4%	1.69
Subtotal	37,265	40,054	102.64	209	80	14.4%	1.69
30-Year Agency RMBS							
3.0%	1,764	1,786	104.48	130	46	0.4%	4.41
3.5%	4,444,432	4,551,103	103.55	334	7	3.5%	4.28
TBA 3.5%*	791,187	809,244	101.45	n/a	n/a	n/a	3.86
4.0%	1,574,277	1,655,947	104.95	276	25	14.3%	2.70
TBA 4.0%*	680,000	713,155	104.38	n/a	n/a	n/a	2.58
4.5%	107,432	115,673	106.59	281	71	17.3%	1.66
Subtotal	7,599,092	7,846,908	103.74	318	13	6.6%	3.72
Agency RMBS Hybrid							
2.9% ⁽⁴⁾	273,758	282,451	102.73	315	41	18.1%	1.53
Subtotal	273,758	282,451	102.73	315	41	18.1%	1.53
Agency RMBS Subtotal	12,027,869	12,402,052	103.27	292	20	8.2%	3.38
U.S. Treasuries							
0.6%	50,000	49,688	99.92	n/a	n/a	n/a	1.23
Subtotal	50,000	49,688	99.92	n/a	n/a	n/a	1.23
Portfolio Total	\$12,077,869	\$12,451,740	\$103.26	\$292	20	8.2%	3.37
As of December 31, 2016							
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	\$4,323,608	\$4,443,735	\$103.00	\$255	27	12.4%	3.05
20-Year Agency RMBS	39,328	42,348	102.66	209	77	19.6%	2.16
30-Year Agency RMBS	7,179,523	7,418,624	104.34	319	13	13.1%	4.12
Agency RMBS Hybrid ARMs	375,745	385,502	102.74	322	30	21.3%	2.16
U.S. Treasuries	50,000	49,686	99.90	n/a	n/a	n/a	1.48
Portfolio Total	\$11,968,204	\$12,339,895	\$103.78	\$293	20	13.1%	3.66

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

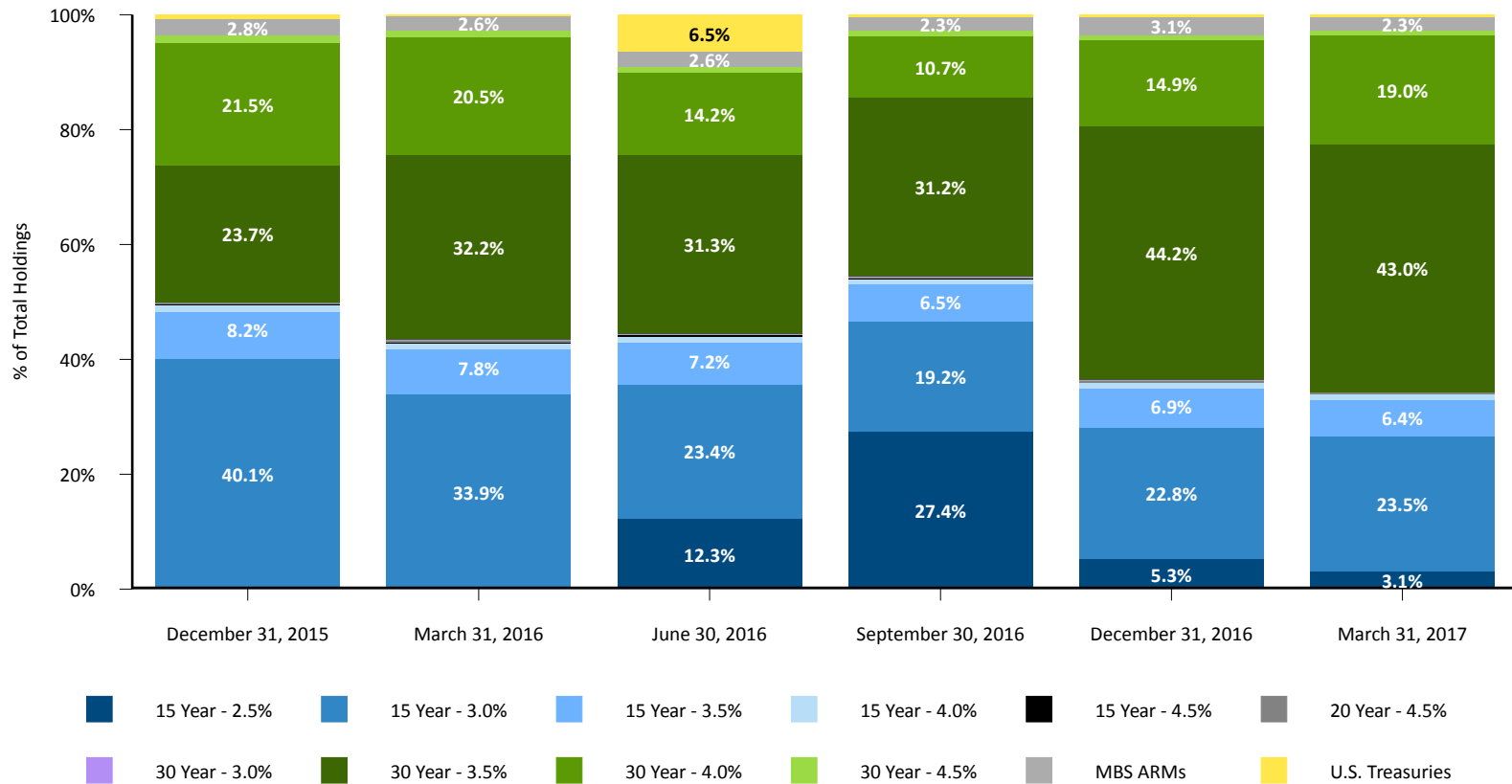
Portfolio Composition Summary*



- Interest rates were relatively stable during the First Quarter while the company continued to recycle out of its lower coupon 15-year 2.5% Agency RMBS into higher coupon 30-year 4.0% and 15-year 3.0% Agency RMBS.

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

Portfolio Composition Trends*



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

Hedging Summary: Interest Rate Swaps and Caps



Interest Rate Swaps												
March 31, 2017							December 31, 2016					
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 ⁽¹⁾	Pay Rate	Receive Rate	Net Pay Rate			Duration ⁽¹⁾	Pay Rate	Receive Rate	Net Pay Rate
≤ 3 Years	\$ 2,500,000	\$7,587	(0.59)	0.93	1.06	(0.13)	\$ 2,500,000	\$6,675	(0.84)	0.93	0.92	0.01
> 3 to ≤ 5 Years	3,450,000	77,114	(3.48)	1.33	1.02	0.31	3,450,000	72,405	(3.73)	1.33	0.88	0.45
> 5 to ≤ 7 Years	500,000	2,946	(4.95)	1.98	1.03	0.95	500,000	1,528	(5.20)	1.98	0.88	1.10
Subtotal	\$ 6,450,000	\$87,647	(2.48)	1.23	1.04	0.19	\$ 6,450,000	\$80,608	(2.72)	1.23	0.89	0.34

Interest Rate Caps												
March 31, 2017							December 31, 2016					
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 ⁽¹⁾	Cap Rate	Receive Rate	Net Cap Rate			Duration ⁽¹⁾	Cap Rate	Receive Rate	Net Cap Rate
≤ 3 Years	\$ 2,000,000	\$28,465	(1.95)	1.29	—	1.29	\$ 800,000	8,051	(1.46)	1.34	—	1.34
> 3 to ≤ 5 Years	500,000	9,861	(2.34)	1.25	—	1.25	1,700,000	34,481	(2.17)	1.25	—	1.25
> 5 to ≤ 7 Years	—	—	—	—	—	—	—	—	—	—	—	—
Subtotal	\$ 2,500,000	\$38,326	(2.03)	1.28	—	1.28	\$ 2,500,000	\$42,532	(1.94)	1.28	—	1.28

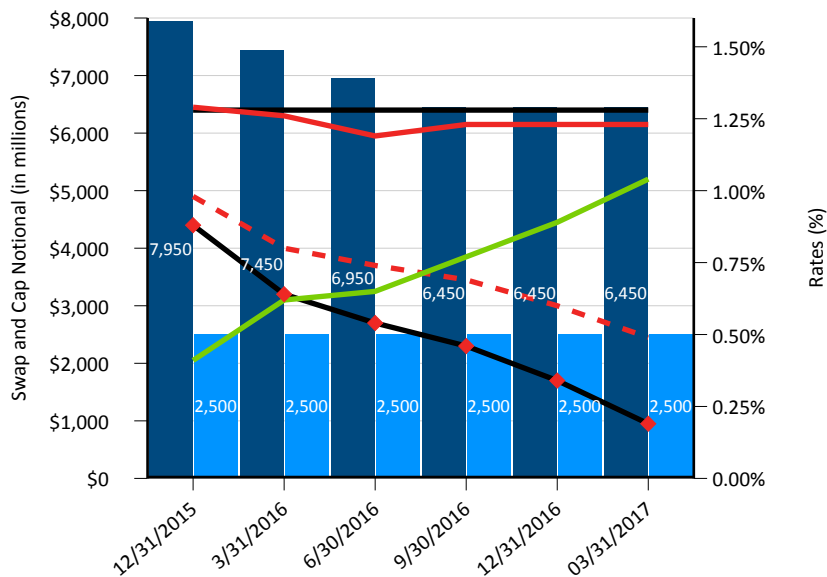
Total Interest Rate Swaps and Caps												
March 31, 2017							December 31, 2016					
	Notional Amount (in 000's)	Fair Value (in 000's)	Weighted-Average				Notional Amount (in 000's)	Fair Value (in 000's)	Weighted-Average			
			Duration ⁽¹⁾	Net Swap and Cap Pay Rate					Duration ⁽¹⁾	Net Swap and Cap Pay Rate		
Total	\$ 8,950,000	\$125,973	(2.35)	0.49			\$ 8,950,000	\$123,140	(2.50)	0.60		

- During the First Quarter, we continued to benefit from an increase in 3-Month LIBOR, which resulted in a decrease of the weighted-average net pay rate on swaps to 0.19%, from 0.34% in the prior quarter, while the fair value of swaps increased by approximately \$7 million during the First Quarter.
- At March 31, 2017, the aggregate interest rate swaps and caps notional totaled approximately \$9.0 billion, constituting 99% of the Company's repurchase agreements, compared to \$9.0 billion and 92%, respectively, at December 31, 2016.

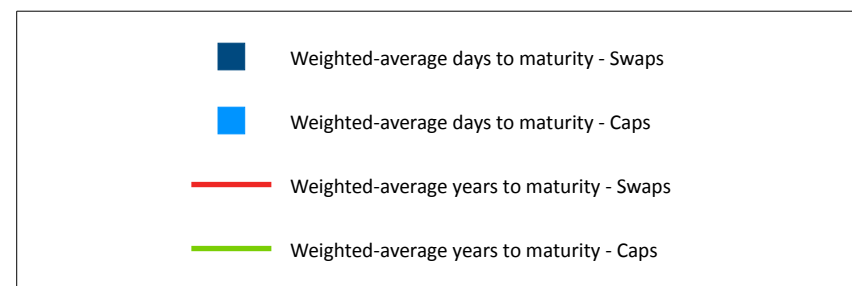
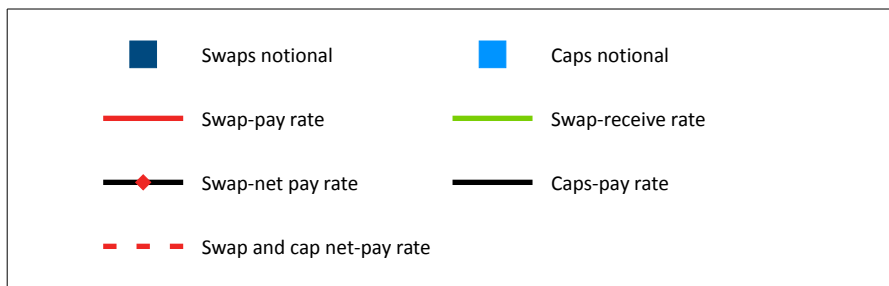
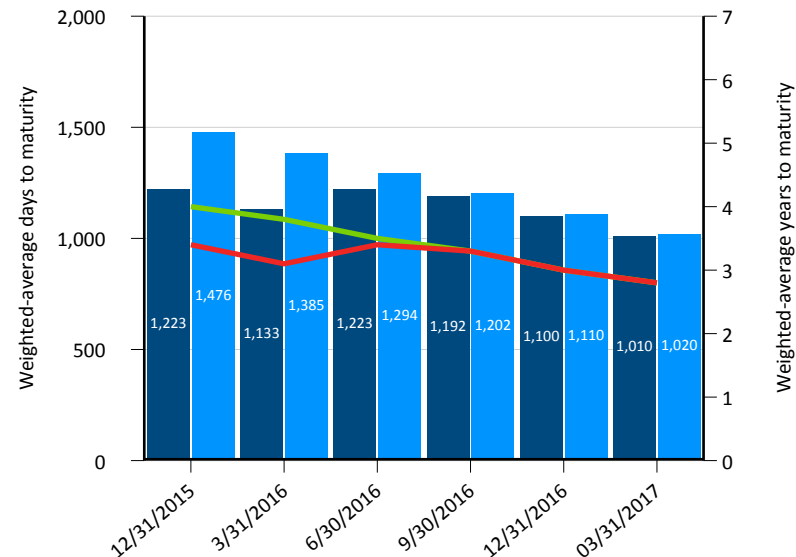
(1) Duration measures the market price volatility of financial instruments as interest rates change using DV01 methodology. We generally calculate duration using various third-party financial models and empirical data. Different models and methodologies can produce different estimates of duration for the same securities. Analytics provided by The Yield Book® software.

Hedge Notional, Cost and Maturity Trends

Hedge Notional and Cost Trends



Maturity Trends



- During the First Quarter, our overall net hedge costs, as expressed by the swap and cap net-pay rate, decreased to 49 bps from 60 bps, primarily resulting from an increase in the receive leg of our swaps due to an increase in 3-Month LIBOR during the First Quarter.
- The interest rate caps notional and rate remained unchanged during the First Quarter.

Sensitivity Analysis and Duration Gap

Interest Rate Sensitivity ⁽¹⁾					
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 ⁽⁴⁾
-75	15.19%	⁽²⁾⁽³⁾	0.57%	4.69%	(0.07)
-50	11.81%	⁽²⁾⁽³⁾	0.53%	4.40%	0.29
-25	8.44%	⁽²⁾⁽³⁾	0.33%	2.75%	0.64
—	—%		—%	—%	0.93
25	(8.44)%	⁽²⁾	(0.44)%	(3.68)%	1.19
50	(16.87)%	⁽²⁾	(0.99)%	(8.20)%	1.41
75	(25.31)%	⁽²⁾	(1.63)%	(13.46)%	1.61

Interest Rate Sensitivity ⁽¹⁾					
December 31, 2016					
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	19.81%	⁽²⁾⁽³⁾	0.71%	5.78%	0.01
-50	16.23%	⁽²⁾⁽³⁾	0.63%	5.13%	0.41
-25	12.20%	⁽²⁾⁽³⁾	0.38%	3.10%	0.76
—	—%		—%	—%	1.02
25	(10.08)%	⁽²⁾	(0.47)%	(3.83)%	1.21
50	(20.16)%	⁽²⁾	(1.01)%	(8.22)%	1.37
75	(30.24)%	⁽²⁾	(1.63)%	(13.21)%	1.54

- The Fed increased the Federal Funds Rate 25 bps during the First Quarter and signaled two additional rate hikes in 2017.

Net Duration Gap

Net Duration Gap ⁽¹⁾					
(dollars in thousands)					
		As of March 31, 2017		As of December 31, 2016	
Component	Duration	Notional (Face Value)	Duration	Notional (Face Value)	
Interest rate swaps	(2.48)	\$ 6,450,000	(2.72)	\$ 6,450,000	
Interest rate caps	(2.03)	2,500,000	(1.94)	2,500,000	
Agency RMBS and U.S. Treasuries	3.37	12,077,869	3.66	11,968,204	
Net Duration Gap (years)	0.93		1.02		

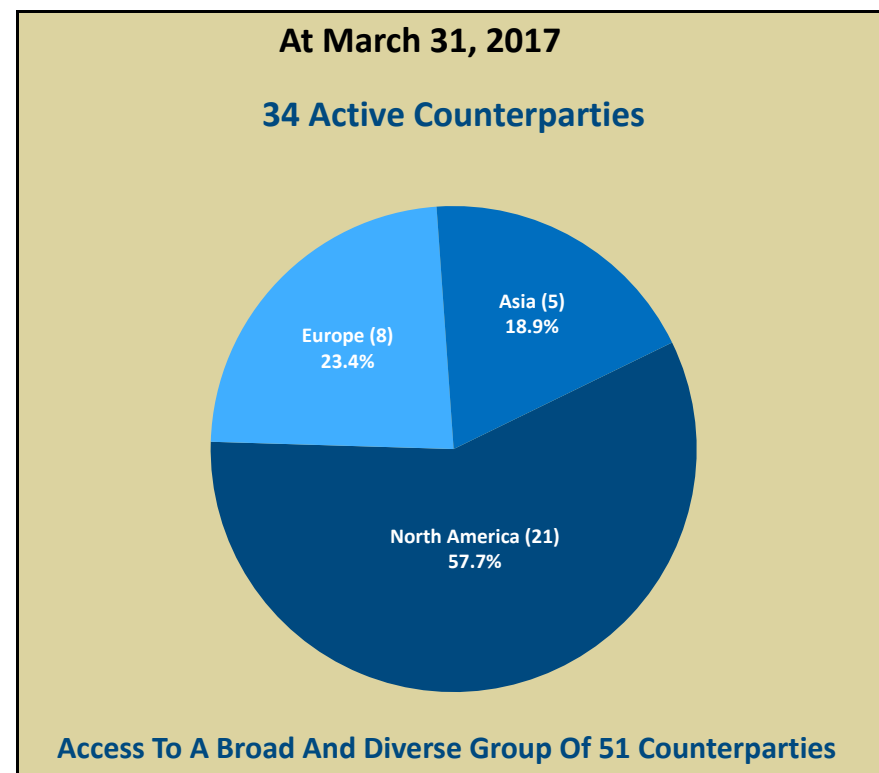
- The net duration gap decreased to 0.93 at March 31, 2017 from 1.02 at December 31, 2016.

(1) 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. Analytics provided by The Yield Book® software.

Financing Summary

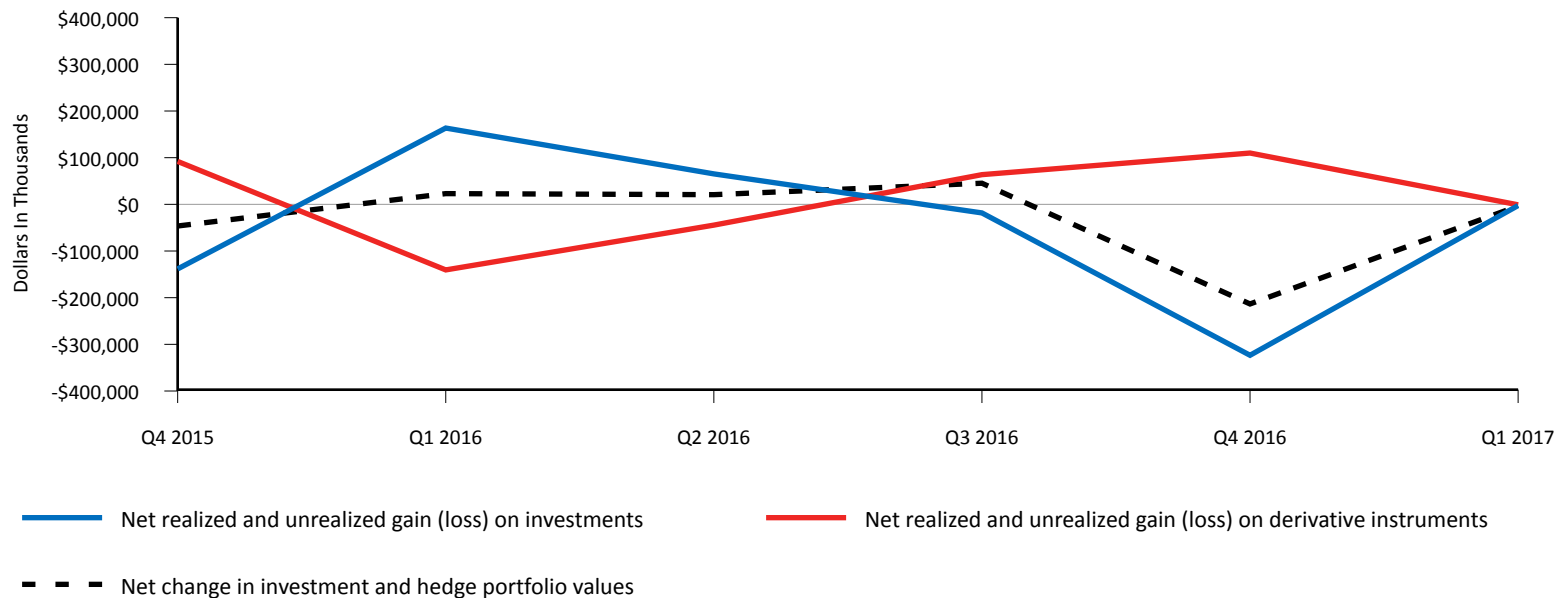
Repo Borrowings Collateralized with Agency RMBS and U.S. Treasuries As of March 31, 2017					
Original Days to Maturity	Repo Borrowings Outstanding (in 000's)	Percentage of Total	Weighted-Average Interest Rate	Weighted-Average Remaining Days to Maturity	Weighted-Average Original Days to Maturity
Agency RMBS					
≤ 30 Days	\$ 666,503	7%	1.02%	7	16
> 30 to ≤ 60 Days	2,123,712	24%	0.97%	24	47
> 60 Days	6,225,379	69%	0.98%	86	159
Subtotal	\$ 9,015,594	100%	0.98%	66	122

As of December 31, 2016					
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	\$ 9,691,544	100%	0.89%	53	119



- At March 31, 2017, the Company had borrowings from repurchase agreements ("repo borrowings") outstanding with 34 counterparties, and repo agreements in place with a total of 51 counterparties.
- The weighted-average interest rate on outstanding repo borrowings was 0.98% at March 31, 2017, a 9 bp increase from 0.89% at December 31, 2016.

Investment and Hedge Portfolio Performance Trends



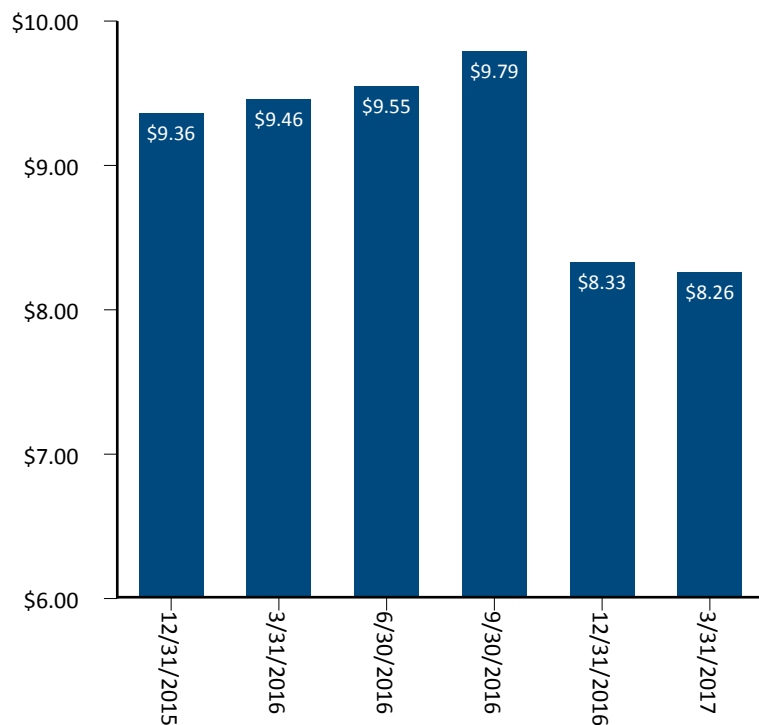
Net Change in Investment and Hedge Portfolio						
	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017
Net realized and unrealized gain (loss) on investments	\$(138,412)	\$163,488	\$65,274	\$(18,385)	\$(323,414)	\$(2,566)
Net realized and unrealized gain (loss) on derivative instruments*	91,986	(140,524)	(44,535)	63,625	109,951	(1,012)
Net change in investment and hedge portfolio	\$(46,426)	\$22,964	\$20,739	\$45,240	\$(213,463)	\$(3,578)

➤ During the First Quarter, Agency RMBS slightly underperformed Swaps.

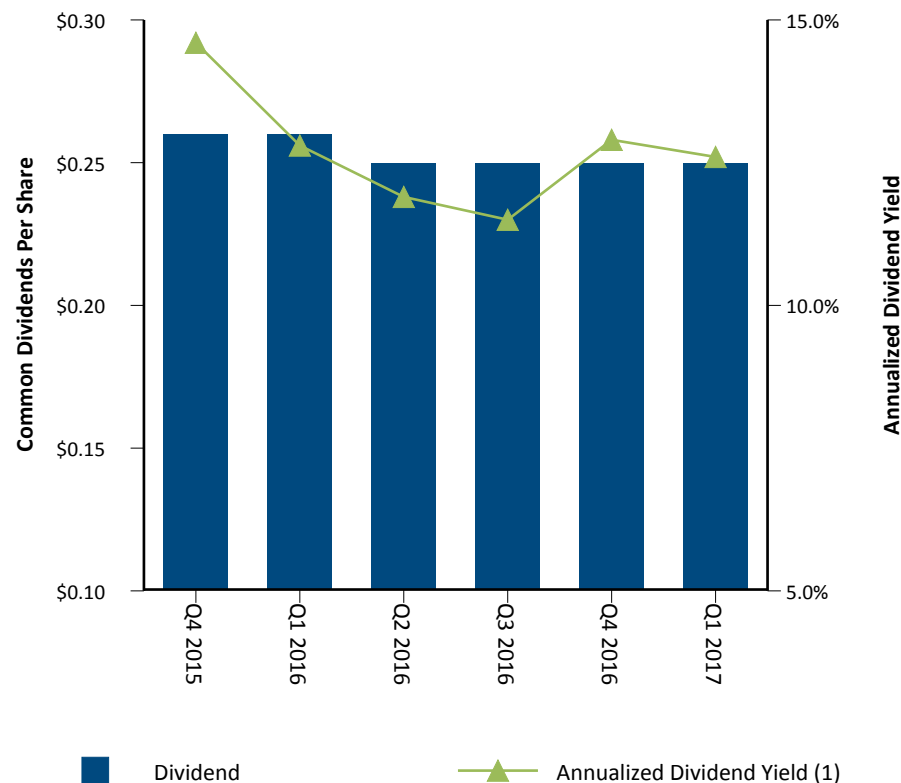
* Net realized and unrealized gain (loss) on derivative instruments includes net realized and unrealized gain (loss) on TBA Derivatives of \$8.2 million, \$(47.1) million, \$12.4 million, \$6.5 million and \$7.5 million in the First Quarter, Q4 2016, Q3 2016, Q2 2016, and Q1 2016, respectively.

Book Value and Common Stock Dividend Trends

Book Value Per Common Share



Common Stock Dividends

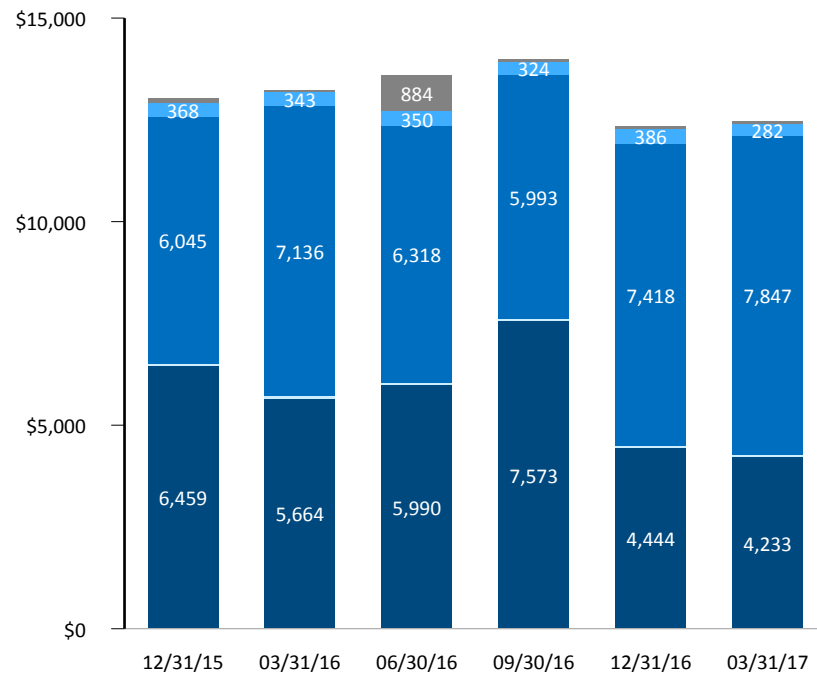


(1) The annualized dividend yield is calculated using the stock price at the respective quarter end.

Portfolio & Interest Rate Spread Trends

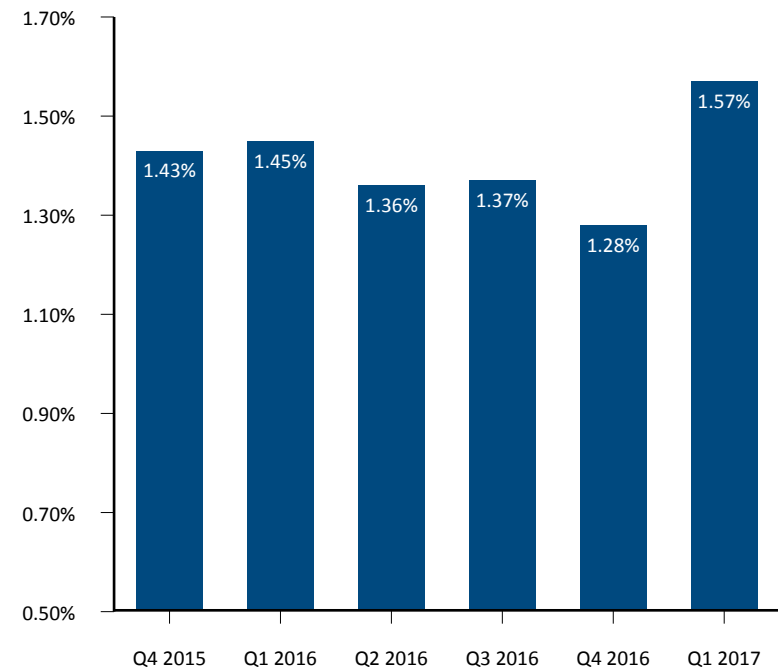
Debt Securities Portfolio at Fair Value

(dollars in millions)



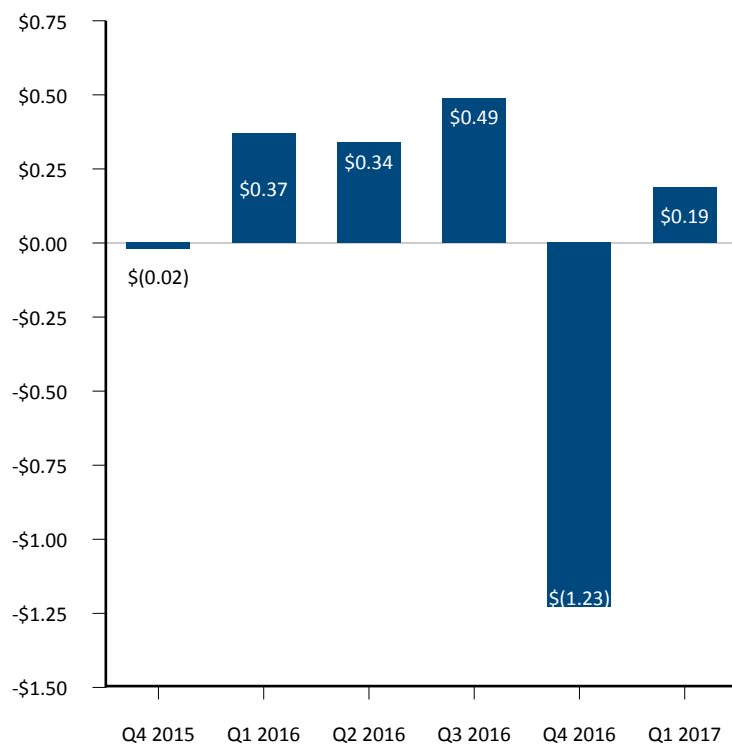
- 15-Year Agency RMBS
- 30-Year Agency RMBS
- 20-Year Agency RMBS
- Agency RMBS Hybrid ARMs
- U.S. Treasury Securities

Interest Rate Spread Net of Hedge Including Drop Income

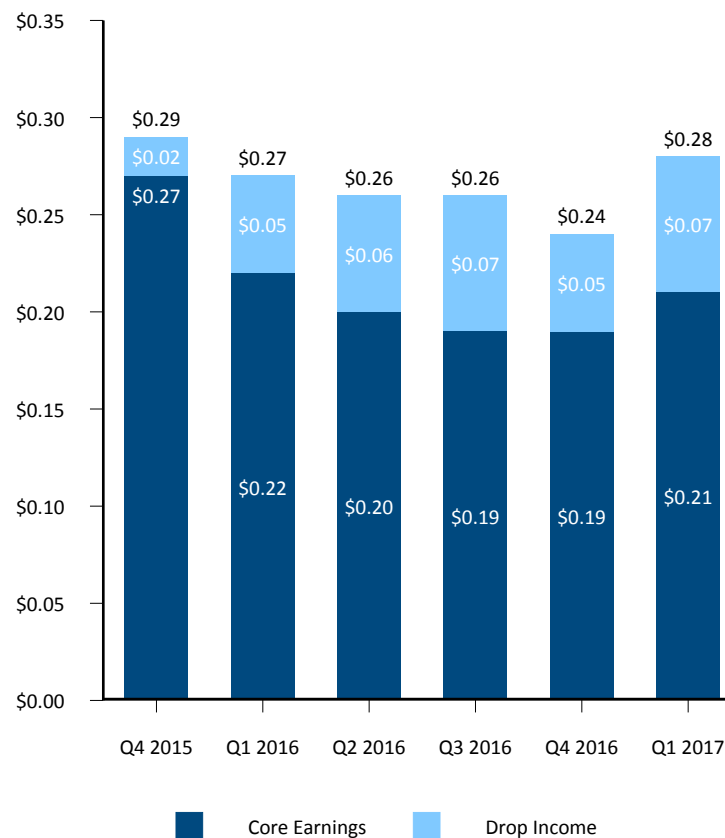


GAAP Net Income and Core Earnings Plus Drop Income

GAAP Net Income (Loss) Per Common Share

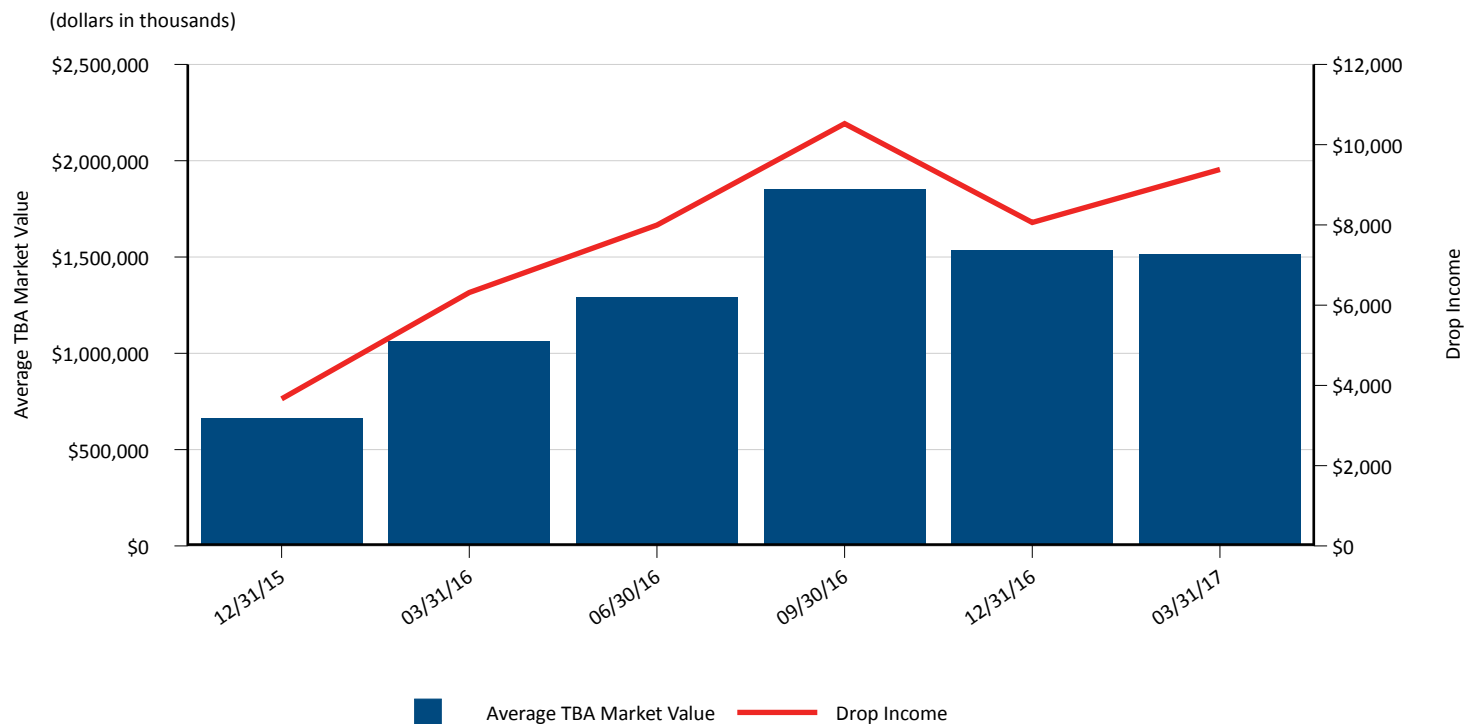


Core Earnings⁽¹⁾, Plus Drop Income Per Common Share



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

TBA and Drop Income Trends*

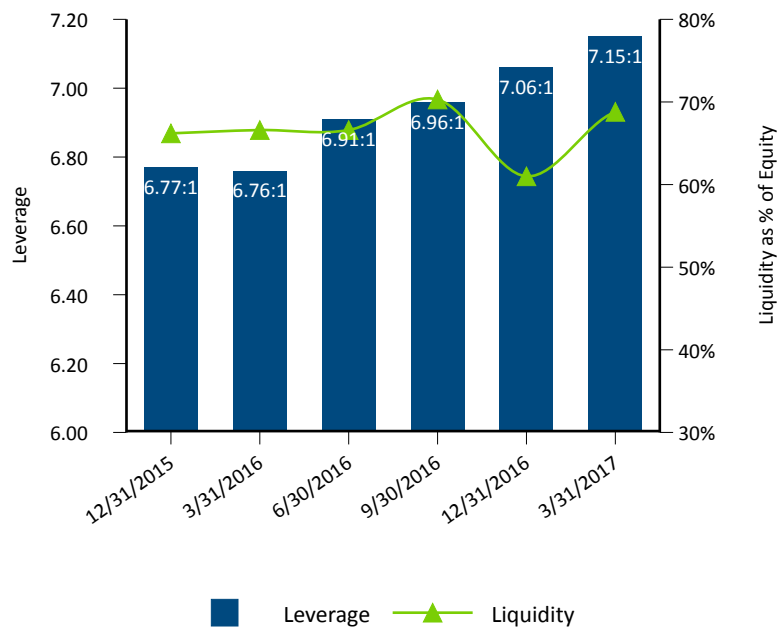


Average TBA Market Values and Drop Income						
(dollars in thousands)						
	Q4 2015	Q1 2016*	Q2 2016*	Q3 2016*	Q4 2016*	Q1 2017*
Average TBA Market Value	\$ 661,319	\$ 1,060,866	\$ 1,290,798	\$ 1,851,353	\$ 1,534,878	\$ 1,513,532
Drop Income	\$ 3,665	\$ 6,315	\$ 7,996	\$ 10,524	\$ 8,061	\$ 9,382

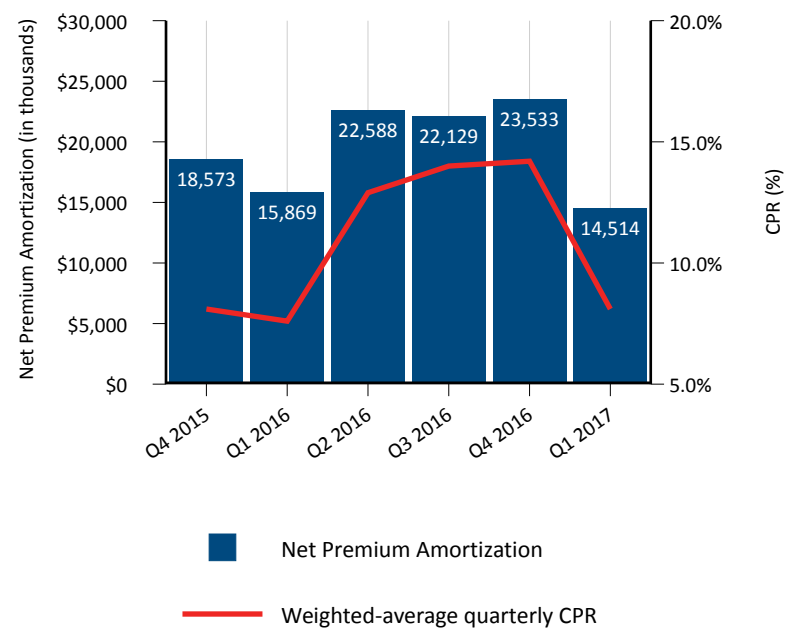
*Includes fair value of net TBA Derivative positions of \$1.4 billion, \$(0.3) billion, \$2.2 billion, \$0.8 billion and \$0.3 billion as of March 31, 2017, December 31, September 30, June 30, and March 31, 2016, respectively.

Leverage, Liquidity, Amortization and CPR Trends

Leverage and Liquidity at Quarter-End*

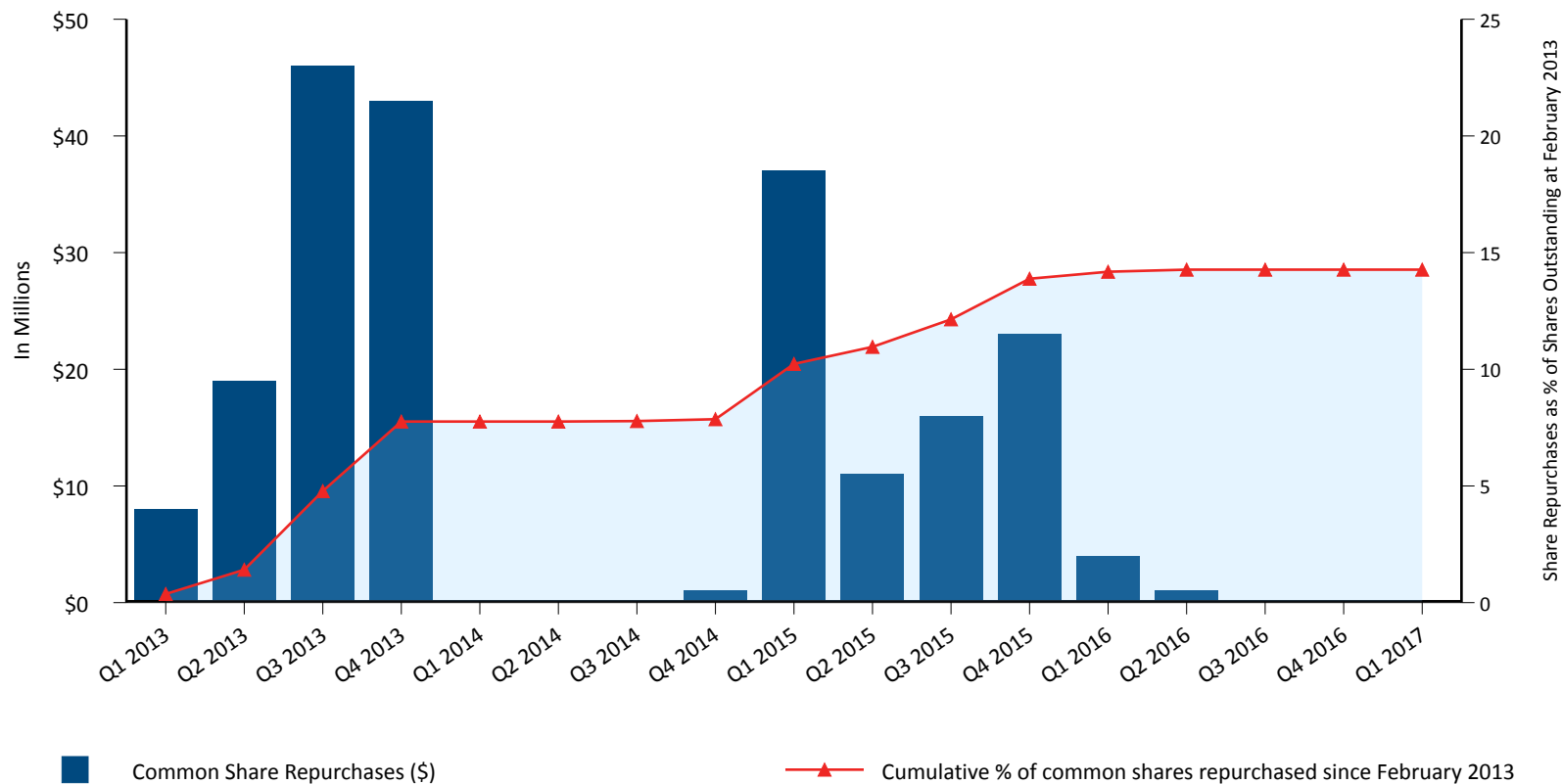


Amortization and CPR



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

Common Share Repurchase Activity



- During the First 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 March 31, 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					
	3/31/2017	12/31/2016 ⁽¹⁾	9/30/2016	6/30/2016	03/31/2016	12/31/2015 ⁽¹⁾
Assets:	(Unaudited)		(Unaudited)		(Unaudited)	
Cash	\$ 584	\$ 1,260	\$ 2,192	\$ 13,182	\$ 6,262	\$ 9,982
Investments in securities, at fair value:						
Agency RMBS	11,011,163	12,599,045	11,742,018	11,879,933	12,888,430	12,927,996
U.S. Treasury securities	49,688	49,686	49,891	884,213	29,972	99,711
Receivable for securities sold and principal repayments	573	409,849	2,598	1,507	1,586	1,084,844
Receivable for cash pledged as collateral	—	600	63,464	97,309	85,097	21,751
Interest receivable	31,401	31,825	33,273	32,460	34,033	34,563
Derivative assets, at fair value	136,552	142,556	29,869	24,650	32,701	100,778
Other investments	8,028	8,028	8,028	31,028	34,028	50,028
Other assets	2,929	2,419	2,787	1,625	1,219	1,051
Total assets	\$ 11,240,918	\$ 13,245,268	\$ 11,934,120	\$ 12,965,907	\$ 13,113,328	\$ 14,330,704
Liabilities and stockholders' equity:						
Liabilities:						
Repurchase agreements	\$ 9,015,594	\$ 9,691,544	\$ 9,620,641	\$ 9,849,501	\$ 9,656,969	\$ 8,987,776
FHLBC Advances, at fair value	—	—	—	575,000	649,553	2,098,701
Payable for securities purchased	524,482	1,881,963	424,476	652,619	937,163	1,475,974
Payable for cash received as collateral	101,819	91,503	10,882	4,826	9,141	18,534
Accrued interest payable	25,457	27,908	21,521	20,307	20,020	32,588
Accrued expenses and other liabilities	3,559	6,170	6,111	4,857	3,113	4,083
Dividends payable	42,337	4,410	42,264	42,259	43,809	4,410
Derivative liabilities, at fair value	—	6,051	50,240	95,529	85,461	14,024
Total liabilities	9,713,248	11,709,549	10,176,135	11,244,898	11,405,229	12,636,090
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 (151M, 151M, 151M, 151M, 151M, and 152M shares issued and outstanding, respectively)	1,517	1,514	1,514	1,514	1,515	1,517
Additional paid in capital	1,945,966	1,944,908	1,943,952	1,942,930	1,943,177	1,946,419
Retained earnings (accumulated deficit)	(685,713)	(676,603)	(453,381)	(489,335)	(502,493)	(519,222)
Total stockholders' equity	1,527,670	1,535,719	1,757,985	1,721,009	1,708,099	1,694,614
Total liabilities and stockholders' equity	\$ 11,240,918	\$ 13,245,268	\$ 11,934,120	\$ 12,965,907	\$ 13,113,328	\$ 14,330,704
Book value per common share	\$ 8.26	\$ 8.33	\$ 9.79	\$ 9.55	\$ 9.46	\$ 9.36

(1) Derived from audited consolidated financial statements.

Consolidated Statements of Operations



(in 000's, except per share data) (Unaudited)	Three Months Ended					
	3/31/2017	12/31/2016	9/30/2016	6/30/2016	3/31/2016	12/31/2015
Interest income:						
Agency RMBS	\$ 73,227	\$ 66,996	\$ 68,602	\$ 74,176	\$ 81,323	\$ 84,831
Other	86	1,572	1,059	681	128	1,000
Total interest income	73,313	68,568	69,661	74,857	81,451	85,831
Interest expense:						
Repurchase agreements	21,221	20,168	17,265	16,910	15,886	11,250
FHLBC Advances	—	—	214	1,777	2,059	2,714
Total interest expense	21,221	20,168	17,479	18,687	17,945	13,964
Net interest income	52,092	48,400	52,182	56,170	63,506	71,867
Other income (loss):						
Net realized gain (loss) on investments	(66,044)	(36,253)	18,155	36,359	1,202	(3,704)
Net unrealized gain (loss) on investments	63,478	(287,161)	(36,540)	28,915	162,286	(134,708)
Net unrealized gain (loss) on FHLBC advances	—	—	—	(448)	(851)	2,036
Other income	47	203	308	387	463	409
Net realized and unrealized gain (loss) on investments, FHLBC Advances and other income	(2,519)	(323,211)	(18,077)	65,213	163,100	(135,967)
Swap and cap interest expense	(8,327)	(10,128)	(12,493)	(14,779)	(18,398)	(22,969)
Net realized and unrealized gain (loss) on derivative instruments	(1,012)	109,951	63,625	(44,535)	(140,524)	91,986
Net gain (loss) on derivative instruments	(9,339)	99,823	51,132	(59,314)	(158,922)	69,017
Total other income (loss)	(11,858)	(223,388)	33,055	5,899	4,178	(66,950)
Expenses:						
Compensation and benefits	3,776	1,885	3,619	3,565	3,865	1,200
General, administrative and other	2,438	3,287	2,608	2,294	2,488	2,069
Total operating expenses	6,214	5,172	6,227	5,859	6,353	3,269
Net income (loss)	\$ 34,020	\$ (180,160)	\$ 79,010	\$ 56,210	\$ 61,331	\$ 1,648
Dividends on preferred stock	(5,203)	(5,203)	(5,203)	(5,203)	(5,203)	(5,204)
Net income (loss) available to common stockholders	\$ 28,817	\$ (185,363)	\$ 73,807	\$ 51,007	\$ 56,128	\$ (3,556)
Net income (loss) per common share	\$ 0.19	\$ (1.23)	\$ 0.49	\$ 0.34	\$ 0.37	\$ (0.02)

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					
	3/31/2017	12/31/2016	9/30/2016	6/30/2016	3/31/2016	12/31/2015
Net income (loss) available to common stockholders	\$ 28,817	\$ (185,363)	\$ 73,807	\$ 51,007	\$ 56,128	\$ (3,556)
Net realized (gain) loss on investments	66,044	36,253	(18,155)	(36,359)	(1,202)	3,704
Net unrealized (gain) loss on investments	(63,478)	287,161	36,540	(28,915)	(162,286)	134,708
Net realized and unrealized (gain) loss on derivative instruments	1,012	(109,951)	(63,625)	44,535	140,524	(91,986)
Net unrealized (gain) loss on FHLBC Advances	—	—	—	448	851	(2,036)
Core Earnings ⁽¹⁾	\$ 32,395	\$ 28,100	\$ 28,567	\$ 30,716	\$ 34,015	\$ 40,834
Core Earnings per average share	\$ 0.21	\$ 0.19	\$ 0.19	\$ 0.20	\$ 0.22	\$ 0.27
Drop Income ⁽²⁾	9,382	8,061	10,524	7,996	6,315	3,665
Core Earnings plus Drop Income	\$ 41,777	\$ 36,161	\$ 39,091	\$ 38,712	\$ 40,330	\$ 44,499
Core Earnings plus Drop Income per share	\$ 0.28	\$ 0.24	\$ 0.26	\$ 0.26	\$ 0.27	\$ 0.29

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					
	3/31/2017	12/31/2016	9/30/2016	6/30/2016	3/31/2016	12/31/2015
Net interest income	\$ 52,092	\$ 48,400	\$ 52,182	\$ 56,170	\$ 63,506	\$ 71,867
Swap and cap interest expense	8,327	10,128	12,493	14,779	18,398	22,969
Economic Net Interest Income ⁽¹⁾	\$ 43,765	\$ 38,272	\$ 39,689	\$ 41,391	\$ 45,108	\$ 48,898
Total interest expense	\$ 21,221	\$ 20,168	\$ 17,479	\$ 18,687	\$ 17,945	\$ 13,964
Swap and cap interest expense ⁽²⁾	8,327	10,128	12,493	14,779	18,398	22,969
Economic Interest Expense ⁽³⁾	\$ 29,548	\$ 30,296	\$ 29,972	\$ 33,466	\$ 36,343	\$ 36,933

Footnotes appear on page 28.

Footnotes: Pages 3 and 4

Footnotes Page 3, Summary Q1 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 \$9.4 million, \$8.1 million, \$10.5 million, \$8.0 million, \$6.3 million, and \$3.7 million and for Q1 2017, Q4 2016, Q3 2016, Q2 2016, Q1 2016, and Q4 2015, 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 end of the prior 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 March 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 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 March 31, 2017 and December 31, 2016, 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. Analytics provided by The Yield Book® software.
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 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 March 31, 2017 and December 31, 2016, we reduced 3-month LIBOR and our repo borrowing rates by 25, 35 and 45 bps and by 10, 20 and 30 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. Analytics provided by The Yield Book® software.

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.