



Supplemental Earnings Presentation
First Quarter 2016
April 22, 2016

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, changes in interest rates and the yield curve, 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 SEC. Given these uncertainties, you should not rely on forward-looking information. Except as required by law, the Company undertakes no obligations to update any forward-looking information, whether as a result of new information, future events or otherwise.

Summary Q1 2016 Results

- March 31, 2016 book value per common share of \$9.46 ⁽¹⁾.
- \$0.26 dividend per common share, representing an annualized dividend yield of 12.8%, using the closing price per common share of \$8.14 at March 31, 2016.
- GAAP net income available to common stockholders of \$56.1 million, or \$0.37 per diluted common share.
- Core earnings ⁽²⁾ plus drop income ⁽³⁾ of \$40.3 million (\$34.0 million core earnings and \$6.3 million drop income), or \$0.27 per diluted common share (\$0.22 core earnings and \$0.05 drop income).
- Interest rate spread net of hedge including drop income of 1.45%. ⁽⁴⁾
- Operating expenses of 1.48% of average stockholders' equity. ⁽⁵⁾
- Weighted-average amortized cost of Agency RMBS and U.S. Treasuries (collectively, "Debt Securities") of \$103.76.
- Leverage ratio of 6.76 to 1 at March 31, 2016.
- Constant Prepayment Rate ("CPR") of 7.6%.
- Repurchased 510,618 shares of the Company's common stock at a weighted-average purchase price of \$7.82 per share, or an aggregate of approximately \$4.0 million.
- Total stockholder return on common equity of 3.85%.

(1) Book value per common share is calculated by dividing total stockholders' equity less the liquidation value of preferred stock at period end divided 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, net realized and unrealized gain (loss) on derivative instruments, and net unrealized gain (loss) on advances from the Federal Home Loan Bank of Cincinnati ("FHLBC Advances"). See reconciliation of net income (loss) to core earnings on page 17.

(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 excluded from our core earnings. Drop income is the difference between the spot price and the forward settlement price for the same security on 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 total Agency RMBS and U.S. Treasuries (collectively, "Debt Securities") including drop income.

(5) The operating expense ratio for the period is calculated by dividing annualized operating expenses by average stockholders' equity.

Key Balance Sheet & Performance Metrics



Key Balance Sheet Metrics (in thousands)	Three Months Ended				
	3/31/2015	6/30/2015	9/30/2015	12/31/2015	3/31/2016
Average settled Debt Securities ⁽¹⁾	\$ 12,653,266	\$ 13,219,744	\$ 13,099,727	\$ 12,811,091	\$ 11,905,997
Average total Debt Securities ⁽²⁾	\$ 14,810,062	\$ 14,711,932	\$ 13,928,756	\$ 13,424,661	\$ 12,945,855
Average repurchase agreements and FHLBC Advances ⁽³⁾	\$ 10,954,377	\$ 11,610,144	\$ 11,557,064	\$ 11,309,499	\$ 10,492,636
Average Debt Securities liabilities ⁽⁴⁾	\$ 13,111,173	\$ 13,102,332	\$ 12,386,093	\$ 11,923,069	\$ 11,532,494
Average stockholders' equity ⁽⁵⁾	\$ 1,981,424	\$ 1,893,445	\$ 1,790,420	\$ 1,739,317	\$ 1,714,728
Average common shares outstanding ⁽⁶⁾	160,523	157,334	155,702	153,183	151,788
Leverage ratio (at period end) ⁽⁷⁾	6.77	7.06	6.87	6.77	6.76
Book value per common share (at period end) ⁽⁸⁾	\$ 10.53	\$ 9.62	\$ 9.59	\$ 9.36	\$ 9.46
Key Performance Metrics*					
Average yield on settled Debt Securities ⁽⁹⁾	2.56%	2.44%	2.56%	2.68%	2.74%
Average yield on total Debt Securities including drop income ⁽¹⁰⁾	2.57%	2.42%	2.59%	2.67%	2.71%
Average cost of funds ⁽¹¹⁾	0.35%	0.35%	0.42%	0.49%	0.68%
Average cost of funds and hedge ⁽¹²⁾	1.36%	1.21%	1.28%	1.31%	1.39%
Adjusted average cost of funds and hedge ⁽¹³⁾	1.13%	1.08%	1.19%	1.24%	1.26%
Interest rate spread net of hedge ⁽¹⁴⁾	1.20%	1.23%	1.28%	1.37%	1.35%
Interest rate spread net of hedge including drop income ⁽¹⁵⁾	1.44%	1.34%	1.40%	1.43%	1.45%
Operating expense ratio ⁽¹⁶⁾	1.16%	1.27%	1.30%	0.75%	1.48%
Total stockholder return on common equity ⁽¹⁷⁾	3.14%	(5.98%)	2.39%	0.31%	3.85%

(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 (comprised of settled Debt Securities and all TBA contracts) is calculated by averaging the month-end cost basis of total Debt Securities 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 gross TBA Derivatives positions by (ii) stockholders' equity.

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

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

(10) 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 \$14.1 million, \$8.6 million, \$6.3 million, \$3.7 million, and \$6.3 million for 2015 Q1, Q2, Q3, Q4 and Q1 2016, respectively.

(11) 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.

(12) 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.

(13) 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 total Debt Securities liabilities.

(14) 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.

(15) 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.

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

(17) 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 per common share at end of the prior period.

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

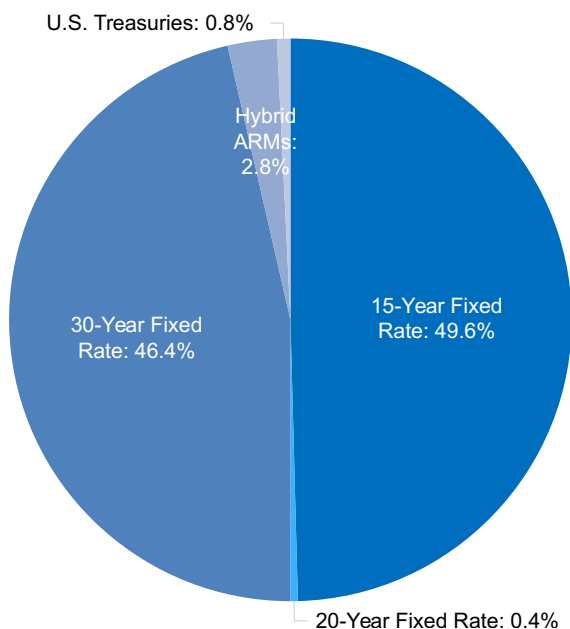
Q1 2016: Market Data & Commentary

Security Type	3/31/2015	6/30/2015	9/30/2015	12/31/2015	3/31/2016	Q4 2015 Δ to Q1 2016
15-Year Fannie Mae Fixed Rate MBS Prices						
3.0%	\$ 104.83	\$ 103.48	\$ 104.17	\$ 103.08	\$ 104.52	\$ 1.44
3.5%	\$ 106.11	\$ 105.36	\$ 105.64	\$ 104.77	\$ 105.67	\$ 0.90
4.0%	\$ 105.64	\$ 104.95	\$ 104.73	\$ 104.17	\$ 104.20	\$ 0.03
30-Year Fannie Mae Fixed Rate MBS Prices						
3.0%	\$ 102.33	\$ 99.42	\$ 101.45	\$ 100.05	\$ 102.67	\$ 2.62
3.5%	\$ 105.11	\$ 102.89	\$ 104.39	\$ 103.23	\$ 104.92	\$ 1.69
4.0%	\$ 106.95	\$ 105.83	\$ 106.73	\$ 105.86	\$ 106.92	\$ 1.06
U.S. Treasuries Rates						
2-Yr UST	0.56%	0.64%	0.63%	1.05%	0.72%	(0.33)%
5-Yr UST	1.37%	1.65%	1.36%	1.76%	1.20%	(0.56)%
7-Yr UST	1.71%	2.08%	1.74%	2.09%	1.53%	(0.56)%
10-Yr UST	1.92%	2.35%	2.04%	2.27%	1.77%	(0.50)%
Swap Rates						
2-Yr Swap	0.81%	0.90%	0.75%	1.18%	0.84%	(0.34)%
5-Yr Swap	1.53%	1.79%	1.38%	1.74%	1.17%	(0.57)%
7-Yr Swap	1.79%	2.15%	1.70%	1.95%	1.39%	(0.56)%
10-Yr Swap	2.02%	2.46%	2.00%	2.19%	1.64%	(0.55)%
30- and 15-Year Par Priced Fannie Mae to Swap Spreads						
30-Yr to 7-Yr Swap	0.86%	0.95%	1.10%	1.05%	1.18%	0.13 %
15-Yr to 5-Yr Swap	0.42%	0.50%	0.72%	0.57%	0.70%	0.13 %

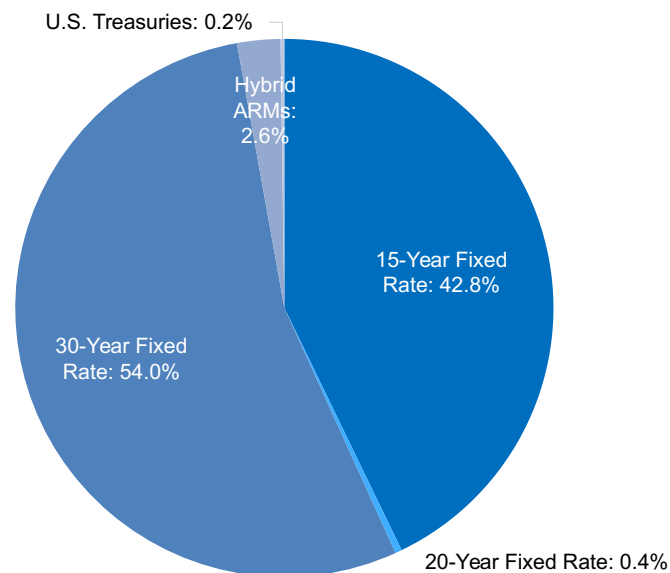
- Agency RMBS prices rose sharply during the first quarter of 2016 (the "First Quarter").
- At the end of the First Quarter, 10-year U.S. Treasury yield fell to 1.77%, or 50 basis points ("bps") below the end of the fourth quarter of 2015 (the "Fourth Quarter"), and 15 bps lower over a one year period.
- During the First Quarter the spread between the 2- and 10-year Treasuries flattened by 17 bps.

Portfolio at Fair Value

December 31, 2015
\$13.0B Portfolio



March 31, 2016
\$13.2B Portfolio*



<i>(dollars in thousands)</i>	12/31/2015	3/31/2016*	\$ Change	Absolute % Change	Relative % Change
15-Year Fixed Rate	\$ 6,458,865	\$ 5,663,867	\$ (794,998)	-6%	-7%
20-Year Fixed Rate	56,102	52,505	(3,597)	0%	0%
30-Year Fixed Rate	6,045,212	7,136,350	1,091,138	8%	8%
Hybrid ARMs	367,817	343,353	(24,464)	0%	0%
U.S. Treasuries	99,711	29,972	(69,739)	-1%	-1%
Total	\$ 13,027,707	\$ 13,226,047	\$ 198,340	1%	0%

*Includes TBA Derivatives with a fair value of \$307.6 million at March 31, 2016.

Portfolio Detail as of March 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 Mortgage Securities							
Weighted-Average							
3.0%	\$ 4,134,510	\$ 4,324,099	\$ 102.98	\$ 278	20	6.6%	2.36
TBA 3.0%	146,807	153,345	103.91	n/a	n/a	n/a	2.34
3.5%	968,925	1,025,880	103.11	219	43	10.5%	2.43
4.0%	131,750	140,652	101.11	168	61	14.7%	2.44
4.5%	18,618	19,891	102.46	244	74	19.0%	2.04
Subtotal	5,400,610	5,663,867	102.98	265	25	7.6%	2.37
20-Year Agency Mortgage Securities							
4.5%	48,012	52,505	102.77	215	68	21.2%	2.59
30-Year Agency Mortgage Securities							
3.5%	3,177,941	3,333,834	103.64	329	9	5.2%	3.03
TBA 3.5%	900,000	943,188	104.49	n/a	n/a	n/a	3.14
4.0%	2,481,707	2,659,171	105.31	286	16	7.8%	2.74
TBA 4.0%	47,000	50,217	106.75	n/a	n/a	n/a	2.46
4.5%	137,375	149,940	106.74	284	59	13.2%	2.82
Subtotal	6,744,023	7,136,350	104.45	310	13	6.6%	2.93
Hybrid ARMs							
TBA 2.8%	35,000	36,159	102.57	n/a	n/a	n/a	2.05
3.0% ⁽⁴⁾	294,943	307,194	102.83	313	36	15.2%	1.62
Subtotal	329,943	343,353	102.81	313	36	15.2%	1.67
U.S. Treasuries							
0.4%	30,000	29,972	99.86	n/a	n/a	n/a	0.33
Total	\$ 12,552,588	\$ 13,226,047	\$ 103.76	\$ 289	19	7.4%	2.65
As of December 31, 2015							
15-Year Agency	\$ 6,238,674	\$ 6,458,865	\$ 103.12	\$ 270	22	7.9%	3.38
20-Year Agency	51,664	56,102	102.79	215	65	16.4%	2.95
30-Year Agency	5,779,523	6,045,212	104.44	304	12	6.2%	4.44
Hybrid ARMs	356,991	367,817	102.80	315	33	17.7%	2.48
U.S. Treasuries	100,000	99,711	99.85	n/a	n/a	n/a	1.89
Total	\$ 12,526,852	\$ 13,027,707	\$ 103.69	\$ 286	18	7.6%	3.83

(1) To-be-announced ("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, 2016 and December 31, 2015, respectively. The CPR experienced by the Company's Agency RMBS during the period may differ. Securities with no prepayment history are excluded from this calculation.

(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 duration numbers for the same securities. Analytics provided by The Yield Book® software.

(4) Represents the weighted-average coupon of Hybrid ARMs.

*Includes TBA Derivatives with a fair value of \$307.6 million at March 31, 2016.

Hedging Summary: Interest Rate Swaps and Caps



As of March 31, 2016										
Interest Rate Swaps						Interest Rate Caps				
Maturity	Notional Amount (in 000's)	Fair Value (in 000's)	Duration ⁽¹⁾	Pay Rate	Receive Rate	Maturity	Notional (in 000's)	Fair Value (in 000's)	Duration ⁽¹⁾	Cap Rate
≤ 3 Years	\$ 4,250,000	\$(14,120)	(1.56)	0.98	0.63	≤ 3 Years	\$ —	—	—	—
> 3 to ≤ 5 Years	2,300,000	(37,585)	(4.10)	1.51	0.62	> 3 to ≤ 5 Years	2,500,000	29,325	(1.79)	1.28
> 5 to ≤ 7 Years	900,000	(32,141)	(6.13)	1.93	0.62	> 5 to ≤ 7 Years	—	—	—	—
Subtotal / Wtd. Avg	\$ 7,450,000	\$(83,846)	(2.90)	1.26	0.62	Subtotal / Wtd. Avg	\$ 2,500,000	\$29,325	(1.79)	1.28
						Total / Wtd. Avg	\$ 9,950,000	\$(54,521)	(2.62)	n/a

As of December 31, 2015										
Interest Rate Swaps						Interest Rate Caps				
Maturity	Notional Amount (in 000's)	Fair Value (in 000's)	Duration ⁽¹⁾	Pay Rate	Receive Rate	Maturity	Notional (in 000's)	Fair Value (in 000's)	Duration ⁽¹⁾	Cap Rate
Total / Wtd. Avg	\$ 7,950,000	\$25,411	(3.08)	1.29	0.41	Total / Wtd. Avg	\$ 2,500,000	\$61,343	(2.39)	1.28
						Total / Wtd. Avg	\$10,450,000	\$86,754	(2.91)	n/a

- In the First Quarter the Company terminated \$0.5 billion notional of swaps.
- The combination of interest rate swaps and caps totaled \$9.95 billion, and covered 97% of the Company's repurchase agreements and FHLBC Advances at March 31, 2016, compared to \$10.45 billion and 94% coverage at December 31, 2015.

(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 duration figures for the same securities. Analytics provided by The Yield Book® software.

Sensitivity Analysis and Duration Gap

Interest Rate Sensitivity ⁽¹⁾ As of March 31, 2016				
Interest Rate Change (bps)	Projected Change in Net Income	Projected Change in the Fair Value of Our Assets	Projected Change in Stockholders' Equity	Net Duration Gap
-75	7.75%	⁽²⁾⁽³⁾ (0.18)%	(1.36)%	(0.43)
-50	6.72%	⁽²⁾⁽³⁾ 0.04%	0.33%	(0.22)
-25	5.04%	⁽²⁾⁽³⁾ 0.07%	0.57%	0.04
—	—%	—%	—%	0.30
25	(5.16)%	⁽²⁾ (0.20)%	(1.53)%	0.63
50	(10.31)%	⁽²⁾ (0.55)%	(4.23)%	0.94
75	(15.47)%	⁽²⁾ (1.01)%	(7.82)%	1.21

Net Duration Gap ⁽⁴⁾ As of March 31, 2016		
Investment Type	Duration	Notional (in 000's)
Interest rate swaps	(2.90)	\$ 7,450,000
Interest rate caps	(1.79)	2,500,000
Agency RMBS and U.S. Treasuries	2.65	12,552,588
Net Duration Gap	0.30	
Leverage	6.76:1	

As of December 31, 2015		
Investment Type	Duration	Notional (in 000's)
Interest rate swaps	(3.08)	\$ 7,950,000
Interest rate caps	(2.39)	2,500,000
Agency RMBS and U.S. Treasuries	3.83	12,526,852
Net Duration Gap	0.74	
Leverage	6.77:1	

- The yield curve flattened in the First Quarter as the Federal Reserve indicated a slower rise in the Fed funds rate.
- Our net duration gap decreased to 0.30 at March 31, 2016. With interest rates lower in the First Quarter, prepayments are expected to be elevated resulting in our Agency RMBS portfolio having a shorter duration.

(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 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, 2016, we reduced 3-month LIBOR and our repo borrowing rates by 10, 20 and 25 bps for the down 10, 25 and 35 bps 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.

Note: Analytics provided by The Yield Book® software.

Financing Summary

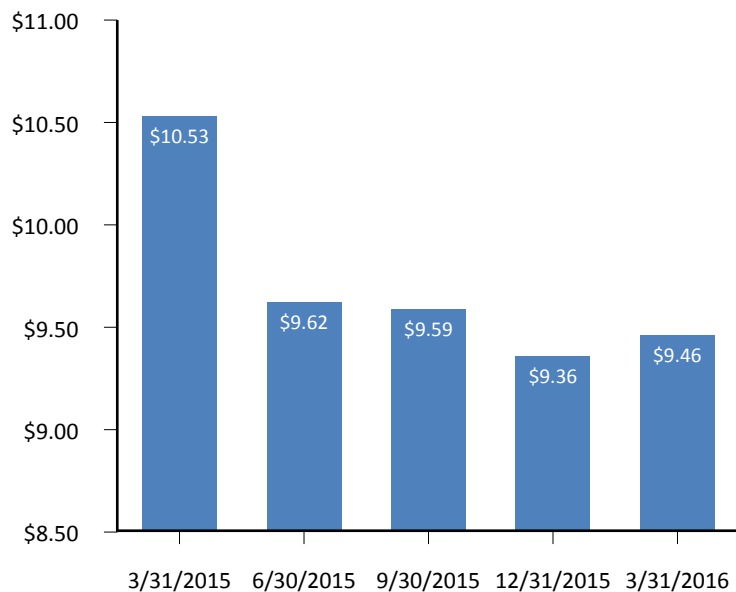
Repo Borrowings and FHLBC Advances Collateralized with Agency RMBS As of March 31, 2016					
Original Days to Maturity	Repo Borrowings and FHLBC Advances Outstanding (in 000's)	Repo Borrowings and FHLBC Advances Outstanding Percentage	Weighted-Average Interest Rate	Weighted-Average Remaining Days to Maturity	Weighted-Average Original Days to Maturity
Agency RMBS					
≤ 30 Days	\$ 2,381,447	23%	0.69%	18	28
> 30 to ≤ 60 Days	5,085,644	49%	0.68%	28	45
> 60 Days	2,828,979	27%	0.86%	118	212
Subtotal	\$ 10,296,070	99%	0.73%	51	87
U.S. Treasuries					
≤ 30 Days	10,899	1%	0.55%	1	1
Total/ Wtd.-Avg.	\$ 10,306,969	100%	0.73%	51	87
As of December 31, 2015					
Total/ Wtd.-Avg	\$ 10,662,776	100%	0.50%	27	71

Active Counterparties As of March 31, 2016			
Counterparty Region	Number of Counterparties	Outstanding Repo Borrowings and FHLB Advances	% of Total
North America	22	\$6,273,760	60.9%
Europe	8	\$2,336,990	22.7%
Asia	5	\$1,696,219	16.4%
Total	35	10,306,969	100.0%

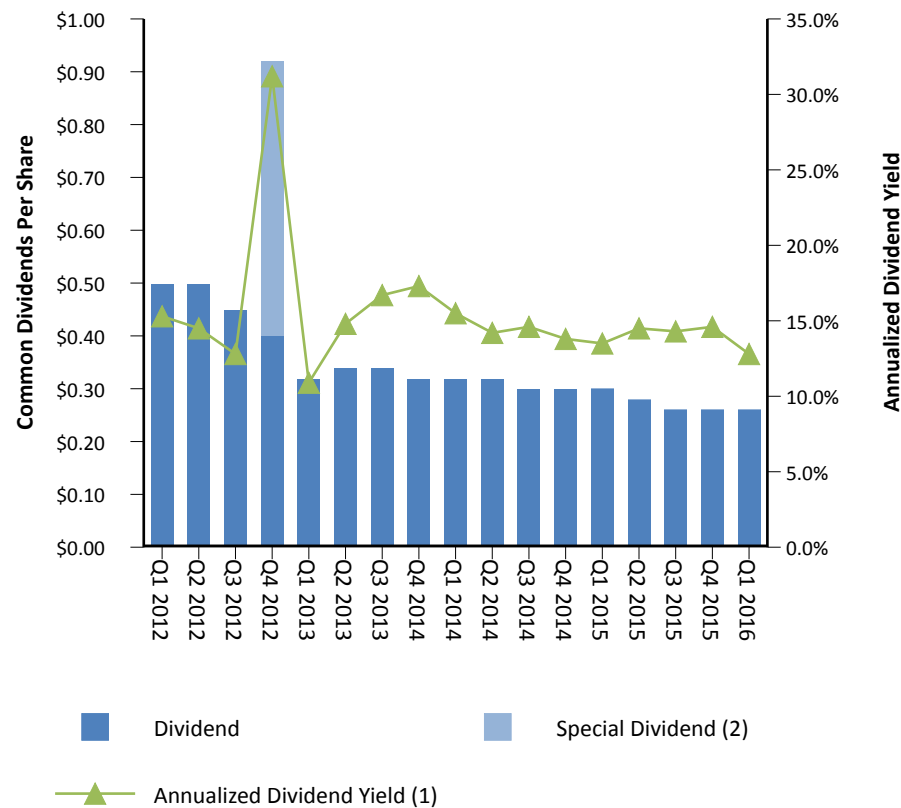
- During January 2016, CYS paid down \$1,450.0 million of FHLBC Advances and replaced the advances with repo borrowings from its existing counterparties. Currently, CYS Insurance has \$650.0 million of FHLBC Advances that are required to be repaid on or prior to February 19, 2017.
- The Company has repo borrowings and FHLBC Advances outstanding with 35 counterparties, with access to a total of 48 counterparties.
- At March 31, 2016, the weighted-average interest rate for our outstanding repo borrowings and FHLBC advances was 0.73%.
- Our average cost of funds during the First Quarter increased to 0.68% compared to 0.49% for the Fourth Quarter.

Historic Metrics: Book Value and Common Stock Dividends

**Book Value Per Common Share at Quarter-End
March 31, 2015 - March 31, 2016**



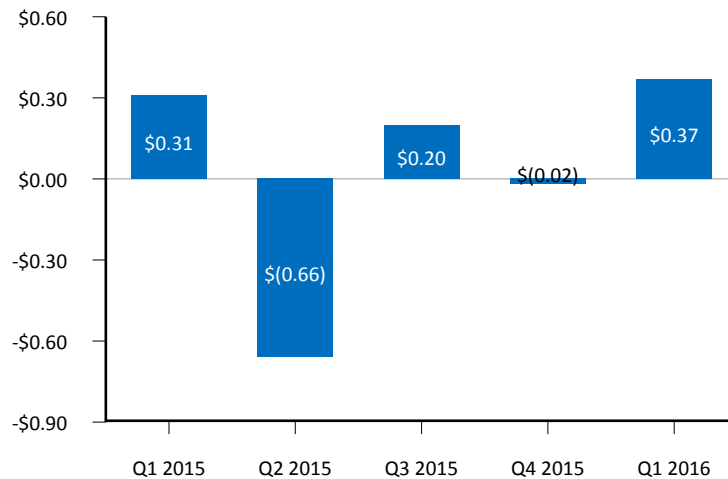
**CYS Common Stock Dividends
Q1 2012 - Q1 2016**



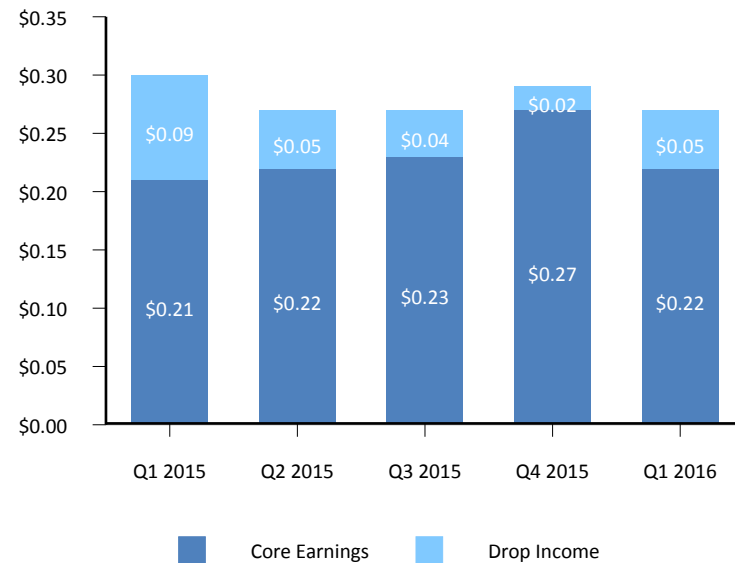
(1) The annualized dividend yield is calculated using the stock price at the quarter end.
 (2) The December 2012 dividend was composed of a \$0.40 quarterly cash dividend and a \$0.52 special cash dividend.

Historic Metrics: GAAP Net Income & Core+Drop

**GAAP Net Income (Loss) Per Common Share
Q1 2015 - Q1 2016**



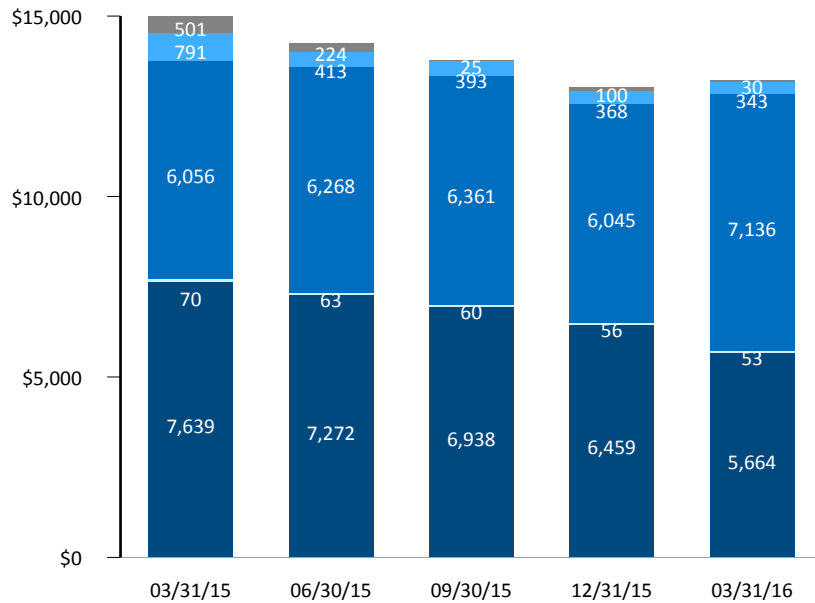
**Core Earnings⁽¹⁾ Plus Drop Income Per Common Share
Q1 2015 - Q1 2016**



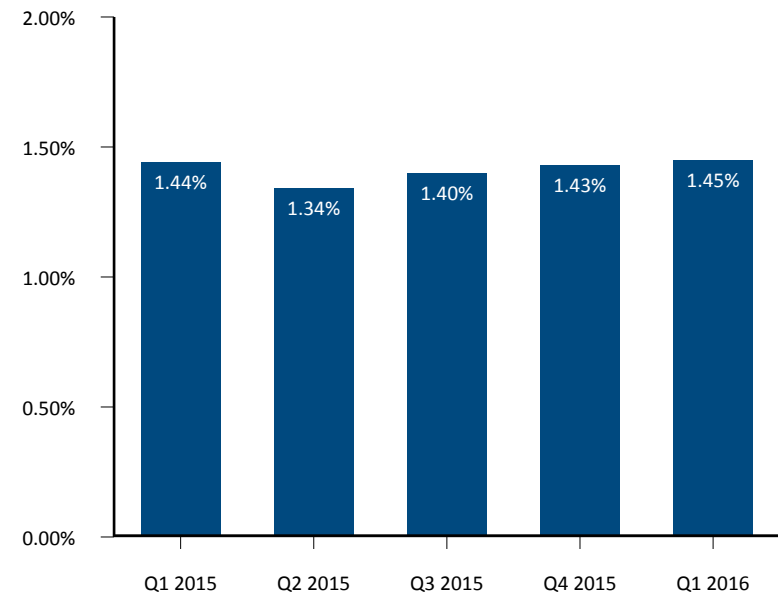
(1) A reconciliation of the non-GAAP measure core earnings can be found on page 17.

Historic Metrics: Portfolio & Interest Rate Spread

**Debt Securities Portfolio at Fair Value at
Quarter-End
March 31, 2015 - March 31, 2016**
(dollars in millions)

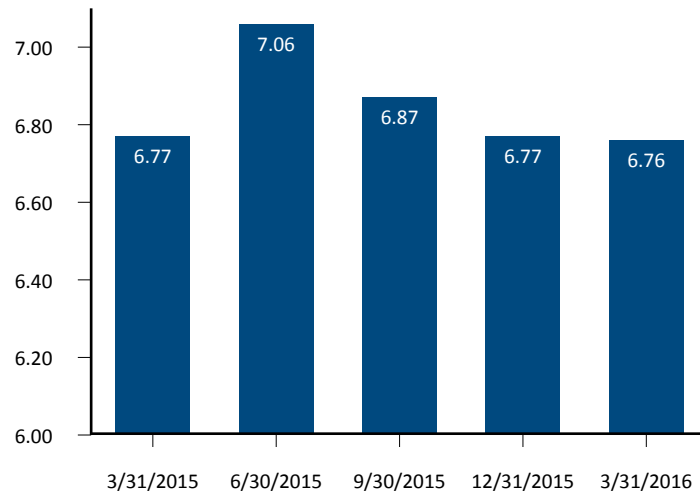


**Interest Rate Spread Net of Hedge Including Drop Income
Q1 2015 - Q1 2016**

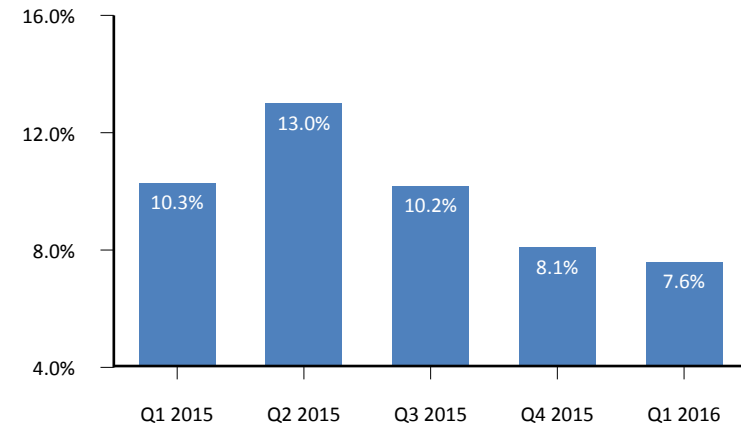


Historic Metrics: Leverage & Constant Prepayment Rate

Leverage at Quarter-End
March 31, 2015 - March 31, 2016



Average Constant Prepayment Rate
Q1 2015 - Q1 2016



Consolidated Balance Sheets

(dollars in 000's, except per share data) (Unaudited)	As of				
	3/31/2015	06/30/2015	9/30/2015	12/31/2015 ⁽¹⁾	3/31/2016
Assets:					
Investments in securities, at fair value	\$ 15,047,074	\$ 14,240,290	\$ 13,777,299	\$ 13,027,707	\$ 12,918,402
Other investments	18,229	41,028	50,028	50,028	34,028
Derivative assets, at fair value	91,604	101,852	53,995	100,778	32,701
Cash	7,170	49,919	28,622	9,982	6,262
Receivable for securities sold and principal repayments	345,006	907,661	247,207	1,084,844	1,586
Interest receivable	37,314	37,551	36,518	34,563	34,033
Receivable for cash pledged as collateral	37,216	25,509	71,655	21,751	85,097
Other assets	11,408	1,304	1,250	1,051	1,219
Total assets	\$ 15,595,021	\$ 15,405,114	\$ 14,266,574	\$ 14,330,704	\$ 13,113,328
Liabilities and stockholders' equity:					
Liabilities:					
Repurchase agreements	\$ 10,204,901	\$ 10,115,335	\$ 9,252,681	\$ 8,987,776	\$ 9,656,969
FHLBC advances, at fair value	510,000	1,650,011	2,100,737	2,098,701	649,553
Derivative liabilities, at fair value	38,502	19,778	65,317	14,024	85,461
Payable for securities purchased	2,767,042	1,732,668	980,615	1,475,974	937,163
Payable for cash received as collateral	48,229	25,104	38,641	18,534	9,141
Distribution payable	51,844	48,328	44,659	4,410	43,809
Accrued interest payable	31,422	26,311	18,453	32,588	20,020
Accrued expenses and other liabilities	2,445	3,473	5,647	4,083	3,113
Total liabilities	13,654,385	13,621,008	12,506,750	12,636,090	11,405,229
Stockholders' equity:					
Preferred stock, \$0.01 par value, 50,000 shares authorized:					
7.75% Series A Cumulative Redeemable Preferred Stock (3M shares issued and outstanding)	\$ 72,369	\$ 72,369	\$ 72,369	\$ 72,369	\$ 72,369
7.50% Series B Cumulative Redeemable Preferred Stock (8M shares issued and outstanding)	193,531	193,531	193,531	193,531	193,531
Common Stock, \$0.01 par value, 500,000 shares authorized (158M, 157M, 155M, 152M and 152M shares issued and outstanding, respectively)	1,581	1,568	1,548	1,517	1,515
Additional paid in capital	2,012,697	2,002,339	1,987,501	1,946,419	1,943,177
Accumulated deficit	(339,542)	(485,701)	(495,125)	(519,222)	(502,493)
Total stockholders' equity:	1,940,636	1,784,106	1,759,824	1,694,614	1,708,099
Total liabilities and stockholders' equity:	\$ 15,595,021	\$ 15,405,114	\$ 14,266,574	\$ 14,330,704	\$ 13,113,328
Book value per common share	\$ 10.53	\$ 9.62	\$ 9.59	\$ 9.36	\$ 9.46

(1) Derived from audited consolidated financial statements.

Consolidated Statements of Operations

	Three Months Ended				
(in 000's, except per share data) (Unaudited)	3/31/2015	6/30/2015	9/30/2015	12/31/2015	3/31/2016
Interest income:					
Interest income from Agency RMBS	\$ 80,060	\$ 79,579	\$ 83,816	\$ 84,831	\$ 81,323
Other interest income	790	953	166	1,000	128
Total interest income	80,850	80,532	83,982	85,831	81,451
Interest expense:					
Interest expense on repurchase agreements and FHLBC Advances	9,642	10,262	12,261	13,964	17,945
Net interest income	71,208	70,270	71,721	71,867	63,506
Other income (loss):					
Net realized gain (loss) on investments	18,253	9,435	(10,332)	(3,704)	1,202
Net unrealized gain (loss) on investments	75,689	(176,899)	106,154	(134,708)	162,286
Net unrealized gain (loss) on FHLBC advances	—	(11)	(726)	2,036	(851)
Other income	40	118	300	409	463
Subtotal	93,982	(167,357)	95,396	(135,967)	163,100
Swap and cap interest expense	(27,468)	(24,992)	(24,681)	(22,969)	(18,398)
Net realized and unrealized gain (loss) on derivative instruments	(77,368)	31,047	(100,597)	91,986	(140,524)
Net gain (loss) on derivative instruments	(104,836)	6,055	(125,278)	69,017	(158,922)
Total other income (loss)	(10,854)	(161,302)	(29,882)	(66,950)	4,178
Expenses:					
Compensation and benefits	3,554	3,712	3,655	1,200	3,865
General, administrative and other	2,203	2,293	2,157	2,069	2,488
Total expenses	5,757	6,005	5,812	3,269	6,353
Net income (loss)	\$ 54,597	\$ (97,037)	\$ 36,027	\$ 1,648	\$ 61,331
Dividends on preferred stock	(5,203)	(5,203)	(5,203)	(5,204)	(5,203)
Net income (loss) available to common stockholders	\$ 49,394	\$ (102,240)	\$ 30,824	\$ (3,556)	\$ 56,128
Net income (loss) per common share	\$ 0.31	\$ (0.66)	\$ 0.20	\$ (0.02)	\$ 0.37

Non-GAAP Measure/Reconciliation

Core Earnings:

(in 000's, except per share data) (Unaudited)	Three Months Ended				
	3/31/2015	6/30/2015	9/30/2015	12/31/2015	3/31/2016
Net income (loss) available to common stockholders	\$ 49,394	\$ (102,240)	\$ 30,824	\$ (3,556)	\$ 56,128
Net realized (gain) loss on investments	(18,253)	(9,435)	10,332	3,704	(1,202)
Net unrealized (gain) loss on investments	(75,689)	176,899	(106,154)	134,708	(162,286)
Net realized and unrealized (gain) loss on derivative instruments	77,368	(31,047)	100,597	(91,986)	140,524
Net unrealized (gain) loss on FHLBC Advances	—	11	726	(2,036)	851
Core earnings	<u>\$ 32,820</u>	<u>\$ 34,188</u>	<u>\$ 36,325</u>	<u>\$ 40,834</u>	<u>\$ 34,015</u>
Core earnings per average share	<u>\$ 0.21</u>	<u>\$ 0.22</u>	<u>\$ 0.23</u>	<u>\$ 0.27</u>	<u>\$ 0.22</u>

Core earnings:

"Core earnings" represents a non-GAAP financial measure and is defined as net income (loss) available to common stockholders excluding net realized gain (loss) on investments, net unrealized gain (loss) on investments, net realized and unrealized gain (loss) on 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. In addition, management utilizes core earnings as a key metric in conjunction with other portfolio and market factors to determine the appropriate leverage and hedging ratios, as well as the overall structure of the portfolio. The Company believes that providing users of the Company's financial information with such measures, in addition to the related GAAP measures, gives investors greater 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, swap and cap contracts, and indebtedness. 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 as a substitute for the Company's GAAP net income (loss) as a measure of our financial performance or any measure of our liquidity under GAAP.

Non-GAAP Measure/Reconciliation

Economic Net Interest Income and Economic Interest Expense:

(in 000's, except per share data) (Unaudited)	Three Months Ended				
	3/31/2015	6/30/2015	9/30/2015	12/31/2015	3/31/2016
Net interest income	\$ 71,208	\$ 70,270	\$ 71,721	\$ 71,867	\$ 63,506
Swap and cap interest expense	27,468	24,992	24,681	22,969	18,398
Economic net interest income	<u>\$ 43,740</u>	<u>\$ 45,278</u>	<u>\$ 47,040</u>	<u>\$ 48,898</u>	<u>\$ 45,108</u>
Total interest expense	\$ 9,642	\$ 10,262	\$ 12,261	\$ 13,964	\$ 17,945
Swap and cap interest expense	27,468	24,992	24,681	22,969	18,398
Economic interest expense	<u>\$ 37,110</u>	<u>\$ 35,254</u>	<u>\$ 36,942</u>	<u>\$ 36,933</u>	<u>\$ 36,343</u>

Economic Net Interest Income and Economic Interest Expense:

Commencing with the report on Form 10-K for the year ended December 31, 2015, "Swap and cap interest expense", which up through September 30, 2015 was recognized as a separate component of "Total interest expense" in the consolidated statement of operations, is now recognized as a component of "Net gain (loss) on derivative instruments". This reclassification was made in order to record income, expenses and fair value changes related to 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.

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



Supplemental Earnings Presentation
First Quarter 2016
April 22, 2015