



Supplemental Earnings Presentation
First Quarter 2015
April 24, 2015

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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, 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. The Company undertakes no obligations to update any forward-looking information, whether as a result of new information, future events or otherwise.

Summary Q1 2015 Results

- March 31, 2015 book value per common share of \$10.53.
- \$0.30 dividend per common share, representing an annualized dividend yield of 13.5%, using the closing price per common share of \$8.91 at March 31, 2015.
- GAAP net income available to common stockholders of \$49.4 million, or \$0.31 per diluted common share.
- Core earnings⁽¹⁾ plus drop income⁽²⁾ of \$46.9 million (\$32.8 million core earnings and \$14.1 million drop income), or \$0.30 per diluted common share (\$0.21 core earnings and \$0.09 drop income).
- Interest rate spread net of hedge including drop income of 1.44%.⁽³⁾
- Operating expenses of 1.16% of average stockholders' equity.⁽⁴⁾
- Weighted-average amortized cost of Agency RMBS and U.S. Treasuries of \$104.04.
- Leverage ratio of 6.77 to 1 at March 31, 2015.
- Constant Prepayment Rate ("CPR") of 10.3%.
- Duration gap of 0.60 at March 31, 2015.
- The Company's subsidiary CYS Insurance Services, LLC ("CYS Insurance") was granted membership in the Federal Home Loan Bank ("FHLB") of Cincinnati.
- Repurchased 4,149,571 shares of the Company's common stock at a weighted-average purchase price of \$8.95, for an aggregate of approximately \$37.2 million.

(1) Core earnings is defined as net income (loss) available to common stockholders excluding net realized and unrealized gain (loss) on investments, net realized gain (loss) on termination of swap and cap contracts and net unrealized gain (loss) on swap and cap contracts. See reconciliation of core earnings to net income (loss) on page 17.

(2) Drop income is a component of our net realized and unrealized gain (loss) on investments 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.

(3) 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.

(4) 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				
	3/31/2014	6/30/2014	9/30/2014	12/31/2014	3/31/2015
Average settled Debt Securities ⁽¹⁾	\$ 12,472,238	\$ 11,599,873	\$ 11,837,201	\$ 12,550,072	\$ 12,653,266
Average total Debt Securities ⁽²⁾	\$ 13,454,972	\$ 13,711,749	\$ 14,138,849	\$ 14,328,079	\$ 14,810,062
Average repurchase agreements and FHLB advances ⁽³⁾	\$ 10,867,627	\$ 9,981,049	\$ 10,189,360	\$ 10,854,239	\$ 10,954,377
Average Debt Securities liabilities ⁽⁴⁾	\$ 11,850,361	\$ 12,092,925	\$ 12,491,008	\$ 12,632,246	\$ 13,111,173
Average stockholders' equity ⁽⁵⁾	\$ 1,861,121	\$ 1,916,575	\$ 1,937,700	\$ 1,960,831	\$ 1,981,424
Average common shares outstanding ⁽⁶⁾	161,831	162,031	162,008	161,930	160,523
Leverage ratio (at period end) ⁽⁷⁾	6.32	6.35	6.63	6.44	6.77
Book Value per common share (at period end)	\$ 9.68	\$ 10.31	\$ 10.14	\$ 10.50	\$ 10.53
Key Performance Metrics*					
Average yield on settled Debt Securities ⁽⁸⁾	2.71%	2.48%	2.61%	2.66%	2.56%
Average yield on total Debt Securities including drop income ⁽⁹⁾	2.85%	2.67%	2.67%	2.68%	2.57%
Average cost of funds ⁽¹⁰⁾	0.35%	0.30%	0.30%	0.34%	0.35%
Average cost of funds and hedge ⁽¹¹⁾	1.04%	1.08%	1.31%	1.32%	1.36%
Adjusted average cost of funds and hedge ⁽¹²⁾	0.96%	0.89%	1.07%	1.13%	1.13%
Interest rate spread net of hedge ⁽¹³⁾	1.67%	1.40%	1.30%	1.34%	1.20%
Interest rate spread net of hedge including drop income ⁽¹⁴⁾	1.89%	1.78%	1.60%	1.55%	1.44%
Operating expense ratio ⁽¹⁵⁾	1.25%	1.26%	1.25%	1.02%	1.16%
Total stockholder return on common equity ⁽¹⁶⁾	8.23%	9.81%	1.26%	6.51%	3.14%

(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 during the period.

(3) The average repurchase agreements are calculated by averaging the month-end repurchase agreements and FHLB advances balances during the period.

(4) The average Debt Securities liabilities are calculated by adding the average month-end repurchase agreements and FHLB advances balances plus average unsettled Debt Securities 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 FHLB advances balances plus payable for securities purchased minus receivable for securities sold by (ii) stockholders' equity.

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

(9) 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 \$11.6 million, \$19.4 million, \$17.2 million, \$12.5 million, and \$14.1 million for Q1, Q2, Q3 and Q4 2014 and Q1 2015, respectively.

(10) The average cost of funds for the period is calculated by dividing repurchase agreement and FHLB advances interest expense by average repurchase agreements and FHLB advances for the period.

(11) The average cost of funds and hedge for the period is calculated by dividing interest expense by average repurchase agreements and FHLB advances.

(12) The adjusted average cost of funds and hedge for the period is calculated by dividing interest expense by average total Debt Securities liabilities.

(13) 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.

(14) 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.

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

(16) Calculated by change in book value plus dividend distributions on common stock.

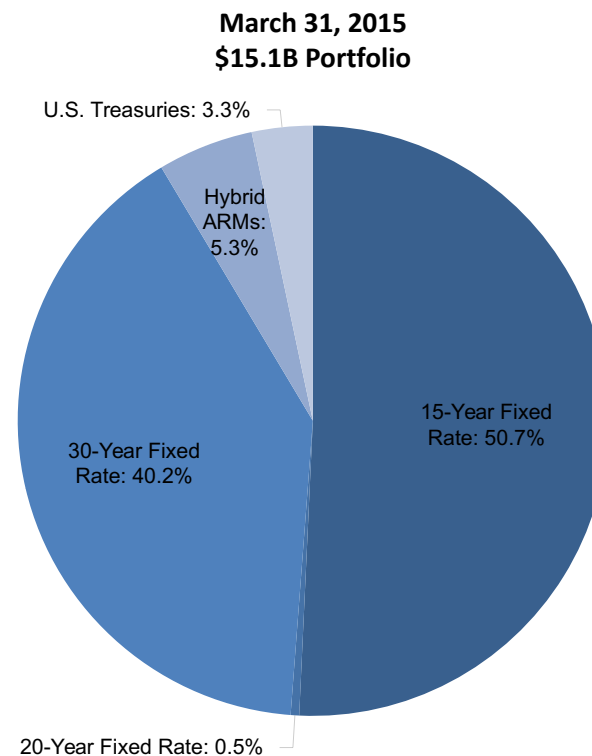
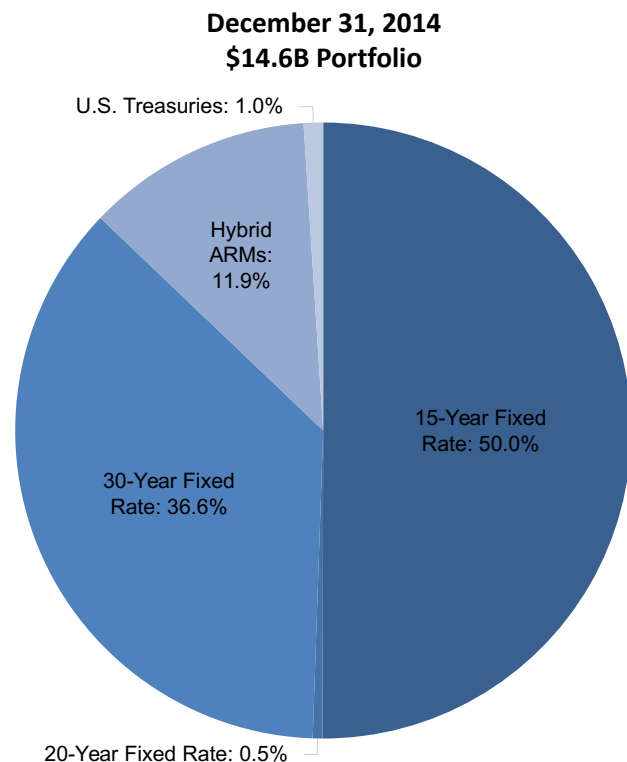
* All percentages are annualized except total stockholder return on common equity.

Q1 2015: Market Data & Commentary

Security Type	3/31/2014	6/30/2014	9/30/2014	12/31/2014	3/31/2015	Q1 2015 Δ to Q4 2014
15-Year Fannie Mae Fixed Rate MBS Prices						
3.0%	\$ 102.73	\$ 103.80	\$ 103.08	\$ 103.98	\$ 104.83	\$ 0.85
3.5%	\$ 104.83	\$ 105.95	\$ 105.17	\$ 105.70	\$ 106.11	\$ 0.41
4.0%	\$ 105.80	\$ 106.14	\$ 105.98	\$ 106.02	\$ 105.64	\$ (0.38)
4.5%	\$ 106.02	\$ 106.11	\$ 105.70	\$ 105.08	\$ 104.73	\$ (0.35)
30-Year Fannie Mae Fixed Rate MBS Prices						
3.5%	\$ 100.67	\$ 102.80	\$ 102.30	\$ 104.30	\$ 105.00	\$ 0.70
4.0%	\$ 103.98	\$ 106.02	\$ 105.45	\$ 106.77	\$ 106.95	\$ 0.18
4.5%	\$ 106.73	\$ 108.23	\$ 107.95	\$ 108.61	\$ 109.11	\$ 0.50
U.S. Treasuries Rates						
2-Yr UST	0.42%	0.46%	0.57%	0.66%	0.56%	(0.10)
5-Yr UST	1.72%	1.63%	1.76%	1.65%	1.37%	(0.28)
7-Yr UST	2.30%	2.13%	2.20%	1.97%	1.71%	(0.26)
10-Yr UST	2.72%	2.53%	2.49%	2.17%	1.92%	(0.25)
30-Yr UST	3.56%	3.36%	3.20%	2.75%	2.54%	(0.21)
Swap Rates						
2-Yr Swap	0.55%	0.58%	0.82%	0.90%	0.81%	(0.09)
5-Yr Swap	1.80%	1.70%	1.93%	1.77%	1.53%	(0.24)
7-Yr Swap	2.36%	2.18%	2.30%	2.04%	1.79%	(0.25)
10-Yr Swap	2.84%	2.63%	2.64%	2.28%	2.02%	(0.26)
30- and 15-Year Par Priced Fannie Mae to Swap Spreads						
30-Yr to 7-Yr Swap	1.09%	1.00%	0.89%	0.79%	0.86%	0.07
15-Yr to 5-Yr Swap	0.72%	0.54%	0.45%	0.31%	0.42%	0.11

- Agency RMBS prices were mixed as the 15-year 3.0% and 3.5% and the 30-year 3.5%, 4.0% and 4.5% rose, while the higher coupon 15-year 4.0% and 4.5% fell.
- In the First Quarter of 2015 (the "First Quarter"), the yield on 10-year U.S. Treasuries ended the First Quarter at 1.92%, or 25 basis points ("bps") below the start of the year at 2.17%.
- The spread between the 2- and 10-year Treasuries flattened by 15 bps.

Portfolio at Fair Value



<i>(dollars in thousands)</i>	12/31/2014	3/31/2015	\$ Change	Absolute % Change	Relative % Change
15-Year Fixed Rate	\$ 7,305,921	\$ 7,639,647	\$ 333,726	2%	2%
20-Year Fixed Rate	74,216	69,978	(4,238)	0%	0%
30-Year Fixed Rate	5,341,699	6,055,770	714,071	5%	3%
Hybrid ARMs	1,730,620	790,548	(940,072)	-6%	-7%
U.S. Treasuries	149,051	501,334	352,283	2%	2%
Total	\$ 14,601,507	\$ 15,057,277	\$ 455,770	3%	0%

Portfolio Detail as of March 31, 2015

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%	\$ 4,732,332	\$ 4,967,991	\$ 103.16	\$ 276	13	7.8%	3.23
TBA 3.0%	927,200	971,917	104.30	n/a	n/a	n/a	3.36
3.5%	1,400,050	1,488,990	103.46	234	30	10.3%	2.71
4.0%	172,740	183,776	101.20	173	49	15.1%	2.30
4.5%	25,157	26,974	102.66	250	62	21.4%	1.67
Subtotal	7,257,479	7,639,648	103.32	263	18	8.7%	3.12
20-Year Agency Mortgage Securities							
4.5%	63,673	69,978	102.92	217	56	18.8%	1.34
30-Year Agency Mortgage Securities							
3.5%	379,605	399,101	104.66	345	3	n/a	3.92
TBA 3.5%	401,000	421,051	104.51	n/a	n/a	n/a	4.22
4.0%	3,884,445	4,164,986	105.43	291	9	11.4%	3.13
TBA 4.0%	674,000	720,480	106.42	n/a	n/a	n/a	3.41
4.5%	320,319	350,152	107.68	279	31	16.8%	1.48
Subtotal	5,659,369	6,055,770	105.56	295	10	11.9%	3.20
Hybrid ARMs							
2.88% ⁽⁴⁾	757,035	790,548	102.81	318	31	12.3%	2.30
U.S. Treasuries							
1.2%	500,000	501,334	99.51	n/a	n/a	n/a	3.71
Total	\$ 14,237,556	\$ 15,057,278	\$ 104.04	\$ 279	16	10.3%	3.12
As of December 31, 2014							
15-Year Agency	\$ 6,986,686	\$ 7,305,921	\$ 103.09	\$ 261	17	8.0%	3.56
20-Year Agency	67,839	74,216	102.94	220	53	15.5%	1.58
30-Year Agency	4,990,743	5,341,699	105.56	286	9	5.4%	3.67
Hybrid ARMs	1,685,685	1,730,620	103.41	333	29	13.6%	2.93
U.S. Treasuries	150,000	149,051	99.72	n/a	n/a	n/a	4.74
Total	\$ 13,880,953	\$ 14,601,507	\$ 103.98	\$ 279	16	8.1%	3.52

(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) Constant prepayment rate ("CPR") represents the 3-month CPR of the Company's Agency RMBS. 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.

Hedging Summary: Interest Rate Swaps and Caps

As of March 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
≤ 3 Years	\$ 3,750,000	\$8,203	(2.43)	0.90	0.26	≤ 3 Years	\$ —	—	—	—
> 3 to ≤ 5 Years	1,800,000	(17,674)	(3.28)	1.52	0.26	> 3 to ≤ 5 Years	2,000,000	61,569	(2.59)	1.29
> 5 to ≤ 7 Years ⁽²⁾	2,200,000	(17,699)	(3.70)	2.29	0.26	> 5 to ≤ 7 Years	500,000	18,703	(2.96)	1.25
Subtotal / Wtd Avg	\$ 7,750,000	\$(27,170)	(2.98)	1.44	0.26	Subtotal / Wtd Avg	\$ 2,500,000	\$80,272	(2.67)	1.28
						Total / Wtd Avg	\$ 10,250,000	\$53,102	(2.91)	n/a

As of December 31, 2014										
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	\$ 7,650,000	\$24,603	(3.33)	1.44	0.23	Total / Wtd Avg	\$ 2,500,000	\$107,674	(2.99)	1.28
						Total / Wtd Avg	\$10,150,000	\$132,277	(3.25)	n/a

- In the First Quarter, the Company terminated a \$400 million notional amount seven-year cancelable swap at a pay rate of 2.416% with a maturity date of June 2021 and replaced it with a \$500 million notional amount seven-year swap at a pay rate of 2.15%, cancelable in one year with a maturity date of January 2022.
- At March 31, 2015, the Company had \$1.9 billion notional amount seven-year swaps, cancelable at its option, at dates from July 2015 to January 2016.
- The combination of interest rate swaps and caps totaled \$10.25 billion, and covered 96% of the Company's repurchase agreements and FHLB advances at March 31, 2015, compared to \$10.15 billion and 90% coverage at December 31, 2014.

(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.

(2) \$1.9 billion of the total \$2.2 billion in the five- to seven-year category are cancelable swaps.

Sensitivity Analysis and Duration Gap

Interest Rate Sensitivity ⁽¹⁾ As of March 31, 2015				
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	7.90% ⁽²⁾	0.11%	0.89%	0.15
-50	6.32% ⁽²⁾	0.23%	1.75%	0.25
-25	3.16% ⁽²⁾	0.20%	1.58%	0.41
—	—%	—%	—%	0.60
25	(7.90)%	(0.29)%	(2.22)%	0.80
50	(15.81)%	(0.65)%	(5.07)%	1.01
75	(23.71)%	(1.12)%	(8.68)%	1.20

Net Duration Gap ⁽³⁾ As of March 31, 2015			
Investment Type	Duration	Notional (in 000's)	
Interest rate swaps	(2.98)	\$	7,750,000
Interest rate caps	(2.67)		2,500,000
Agency RMBS and U.S. Treasuries	3.12		14,237,556
Net Duration Gap	0.60		
Leverage	6.77:1		

As of December 31, 2014			
Interest rate swaps	(3.33)	\$	7,650,000
Interest rate caps	(2.99)		2,500,000
Agency RMBS and U.S. Treasuries	3.52		13,880,953
Net Duration Gap	0.66		
Leverage	6.44:1		

- The yield curve flattened in the First Quarter, continuing a trend throughout 2014 as volatility remained in the market.
- Low net Agency RMBS issuance and significant purchases of Agency RMBS by the Federal Reserve continued to be important drivers of solid Agency RMBS performance during the First Quarter.
- The impact of prepayments, shortening duration of Agency RMBS, and lengthening of our hedges combined to narrow our duration gap to 0.60 in the First Quarter.

(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) Given the low level of interest rates at March 31, 2015, we reduced 3-month LIBOR and our repo borrowing rates by 10, 20 and 25 bps for the down 25, 50 and 75 bps net income scenarios, respectively. All other interest rate sensitive instruments were calculated in accordance with the table.

(3) 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

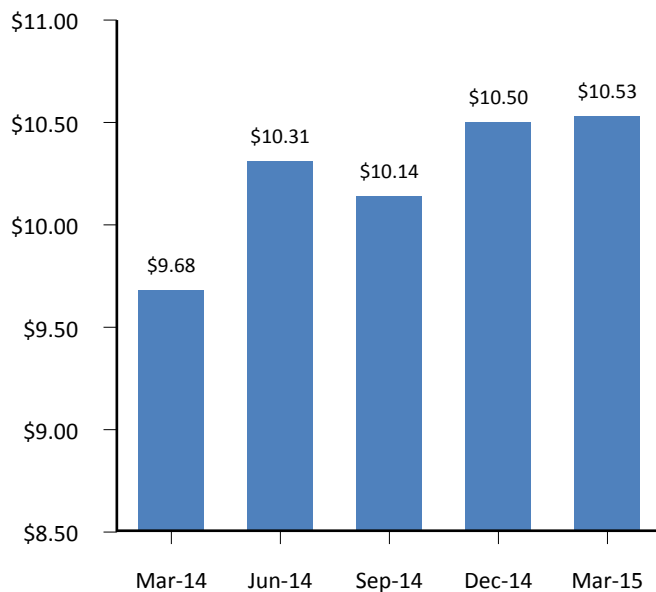
Repo Borrowings and FHLB Advances Collateralized with Agency RMBS As of March 31, 2015					
Original Days to Maturity	Repo Borrowings and FHLB Advances Outstanding (in 000's)	Repo Borrowings and FHLB Advances Outstanding Percentage	Weighted Average Interest Rate	Weighted Average Remaining Days to Maturity	Weighted Average Original Days to Maturity
Agency RMBS					
≤ 30 Days	\$ 980,044	9%	0.25%	11	20
> 30 to ≤ 60 Days	2,531,977	24%	0.36%	16	36
> 60 Days	6,731,784	63%	0.38%	62	103
Subtotal	\$ 10,243,805	96%	0.36%	46	79
U.S. Treasuries					
≤ 30 Days	471,096	4%	(0.04)%	1	11
Total/ Wtd Avg	\$ 10,714,901	100%	0.34%	44	76
As of December 31, 2014					
Total/ Wtd Avg	\$ 11,289,560	100%	0.35%	28	75

Active Counterparties As of March 31, 2015			
Counterparty Region	Number of Counterparties	Outstanding Repo Borrowings and FHLB Advances	% of Total
North America	20	5,926,413	55%
Europe	9	3,191,944	30%
Asia	5	1,596,544	15%
Total	34	10,714,901	100%

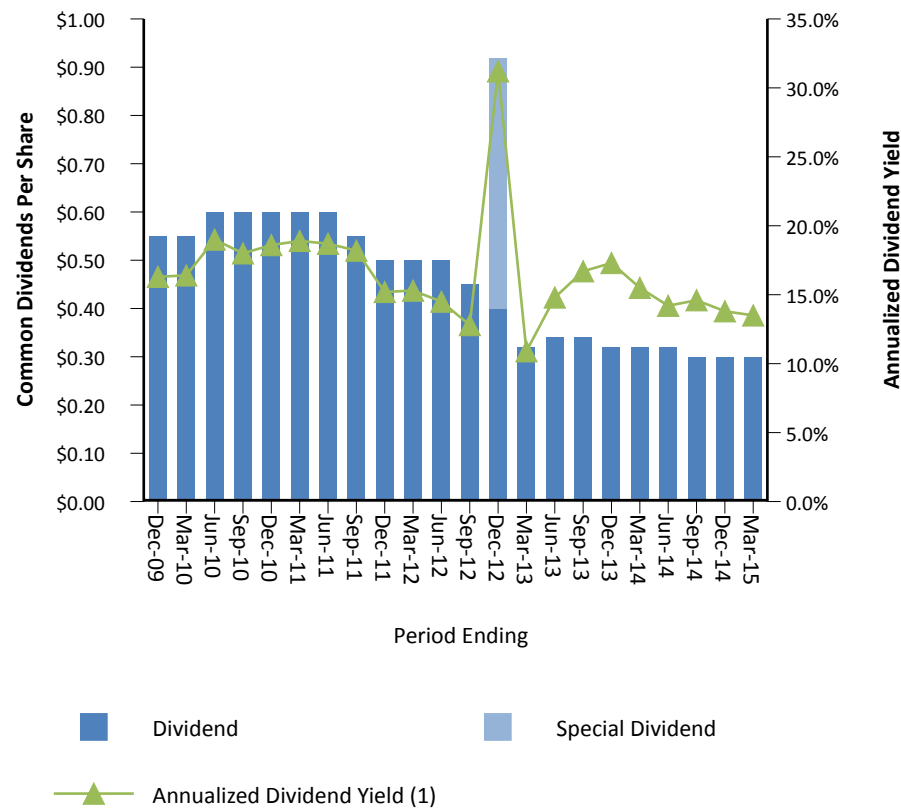
- In March 2015, CYS Insurance was granted membership in the FHLB of Cincinnati, and we commenced accessing advances from the FHLB.
- In the First Quarter, the availability of financing to the Company remained stable, having repo borrowings and FHLB advances outstanding with 34 counterparties, and access to a total of 48 counterparties.
- Our average cost of funds for the period was 35 bps for the First Quarter compared to the 34 bps for the fourth quarter of 2014.
- Haircuts have also been stable during the First Quarter, with U.S. Treasuries ranging from 0%-2%, and Agency RMBS from 2%-7%.

Historic Metrics: Book Value and Common Stock Dividends

Book Value Per Common Share
March 2014 - March 2015



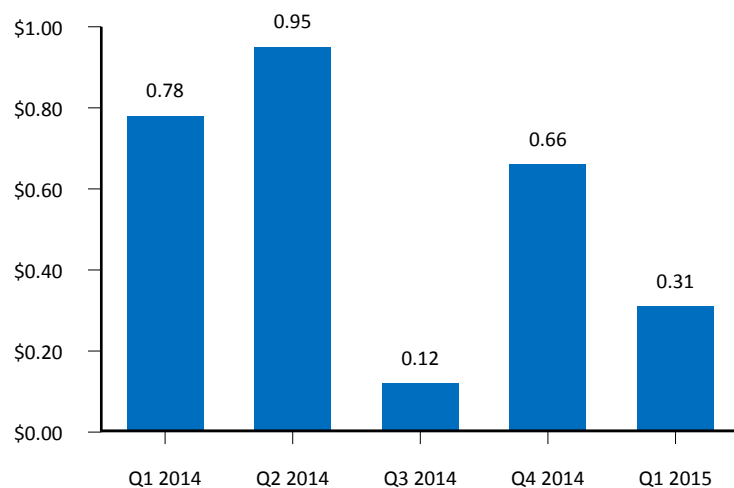
CYS Common Stock Dividends
December 2009 - March 2015



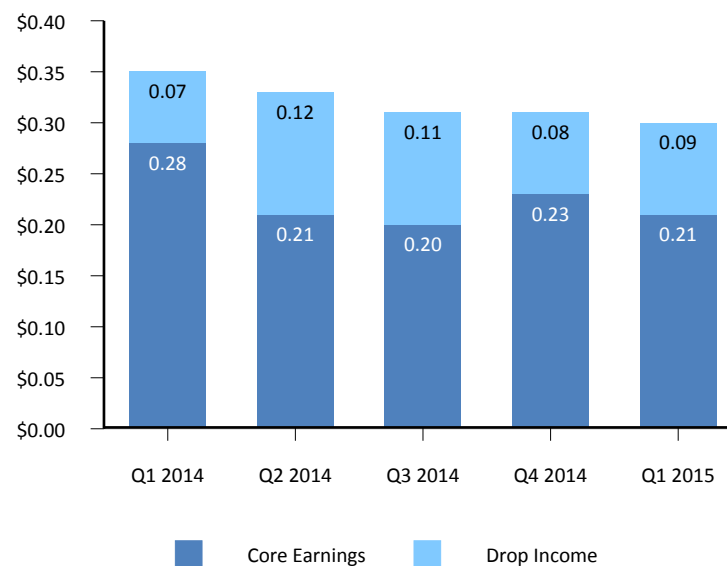
(1) The annualized dividend yield is calculated using the stock price at the quarter end.
 (2) The December 2012 dividend was composed of a \$0.40 quarterly cash dividend and a \$0.52 special cash dividend.

Historic Metrics: GAAP Net Income & Core+Drop

**GAAP Net Income (Loss) Per Common Share Basic & Diluted
March 2014 - March 2015**



**Core Earnings⁽¹⁾ Plus Drop Income Per Diluted Common Share
March 2014 - March 2015**



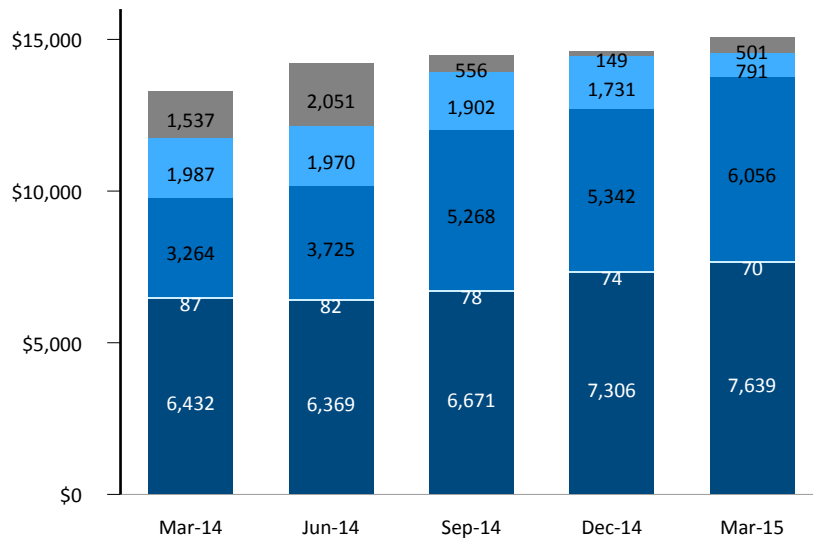
(1) A reconciliation of the non-GAAP measure core earnings can be found on page 17.

Historic Metrics: Portfolio & Interest Rate Spread

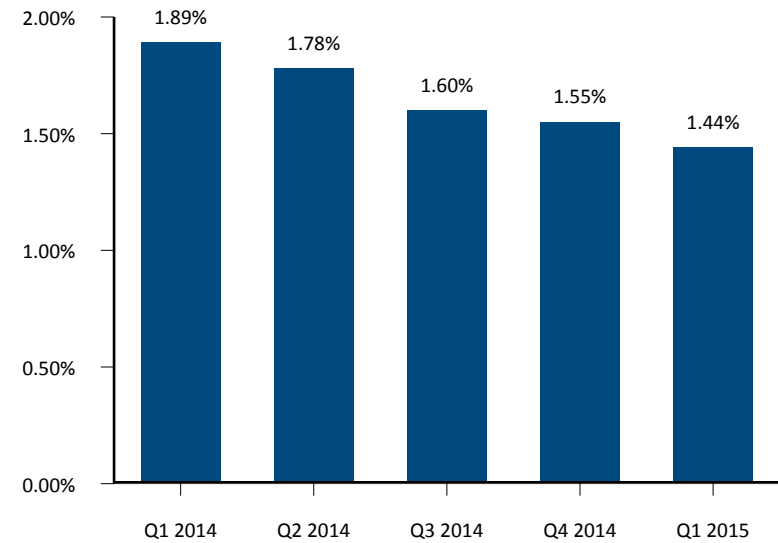


**Debt Securities Portfolio at Fair Value
March 2014 - March 2015**

(dollars in millions)

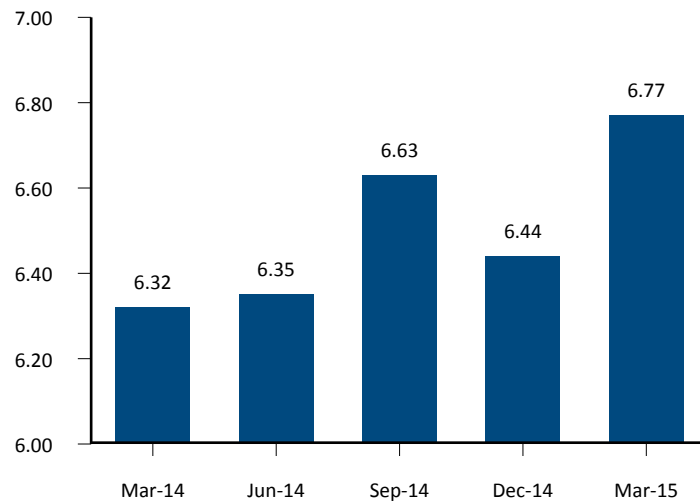


**Interest Rate Spread Net of Hedge Including Drop Income
March 2014 - March 2015**

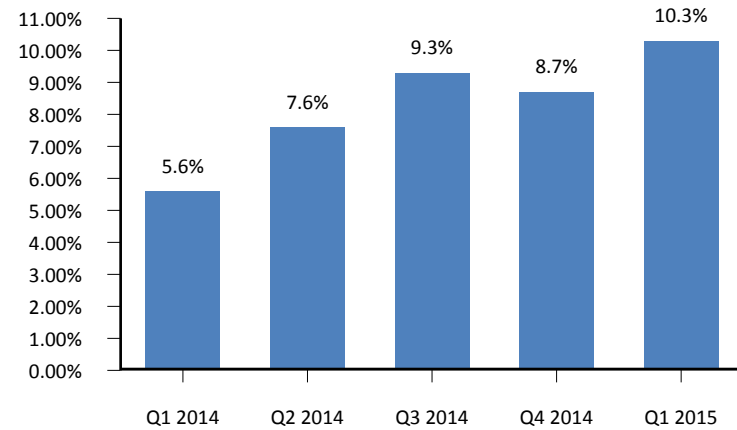


Historic Metrics: Leverage & Constant Prepayment Rate

Leverage
March 2014 - March 2015



Constant Prepayment Rate
March 2014 - March 2015



Consolidated Balance Sheets

(dollars in 000's, except per share data) (Unaudited)	As of				
	3/31/2014	6/30/2014	9/30/2014	12/31/2014 ⁽¹⁾	3/31/2015
Assets:					
Investments in securities, at fair value	\$ 13,314,680	\$ 14,204,107	\$ 14,481,002	\$ 14,609,532	\$ 15,065,303
Derivative assets, at fair value	261,522	165,487	203,657	148,284	91,604
Cash	13,396	16,736	10,370	4,323	7,170
Receivable for securities sold and principal repayments	3,582	74,591	214,578	83,643	345,006
Receivable for cash pledged as collateral	—	—	—	11,104	37,314
Interest receivable	33,984	32,790	36,158	37,894	37,216
Other assets	334	986	688	1,083	11,408
Total assets	\$ 13,627,498	\$ 14,494,697	\$ 14,946,453	\$ 14,895,863	\$ 15,595,021
Liabilities and stockholders' equity:					
Liabilities:					
Repurchase agreements	\$ 10,014,048	\$ 9,873,837	\$ 10,403,088	\$ 11,289,559	\$ 10,204,901
FHLB advances	—	—	—	—	510,000
Derivative liabilities, at fair value	17,767	19,799	3,434	16,007	38,502
Payable for securities purchased	1,641,598	2,562,827	2,519,002	1,505,481	2,767,042
Payable for cash received as collateral	37,956	12,944	16,212	72,771	48,229
Distribution payable	56,258	56,256	53,008	4,410	51,844
Accrued interest payable	14,982	20,284	28,874	27,208	31,422
Accrued expenses and other liabilities	1,616	3,034	5,109	5,259	2,445
Total liabilities	11,784,225	12,548,981	13,028,727	12,920,695	13,654,385
Stockholders' equity:					
Preferred stock, \$25.00 par value, 500 M 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 (162M, 162M, 162M, 162M and 158M shares issued and outstanding, respectively)	1,620	1,620	1,620	1,618	1,581
Additional paid in capital	2,047,508	2,048,619	2,049,507	2,049,152	2,012,697
Accumulated deficit	(471,755)	(370,423)	(399,301)	(341,502)	(339,542)
Total stockholders' equity:	1,843,273	1,945,716	1,917,726	1,975,168	1,940,636
Total liabilities and stockholders' equity:	\$ 13,627,498	\$ 14,494,697	\$ 14,946,453	\$ 14,895,863	\$ 15,595,021
Book value per common share	\$ 9.68	\$ 10.31	\$ 10.14	\$ 10.50	\$ 10.53

(1) Derived from audited consolidated financial statements.

Consolidated Statements of Operations



(in 000's, except per share data) (Unaudited)	Three Months Ended				
	03/31/2014	6/30/2014	9/30/2014	12/31/2014 ⁽¹⁾	3/31/2015
Interest income:					
Interest income from Agency RMBS	\$ 80,186	\$ 65,420	\$ 74,052	\$ 82,338	\$ 80,060
Other interest income	4,181	6,558	3,080	1,261	790
Total interest income	<u>84,367</u>	<u>71,978</u>	<u>77,132</u>	<u>83,599</u>	<u>80,850</u>
Interest expense:					
Repurchase agreement interest expense	9,423	7,583	7,657	9,156	9,642
Swap and cap interest expense	18,923	19,456	25,789	26,650	27,468
Total interest expense	<u>28,346</u>	<u>27,039</u>	<u>33,446</u>	<u>35,806</u>	<u>37,110</u>
Net interest income	<u>56,021</u>	<u>44,939</u>	<u>43,686</u>	<u>47,793</u>	<u>43,740</u>
Other income (loss):					
Net realized gain (loss) on investments	16,670	33,118	40,470	42,305	18,253
Net unrealized gain (loss) on investments	89,234	157,479	(112,085)	99,135	75,689
Net realized gain (loss) on termination of swap and cap contracts	(9,323)	(6,004)	—	(9,133)	(2,568)
Net unrealized gain (loss) on swap and cap contracts	(16,240)	(65,181)	58,909	(63,570)	(74,800)
Other income	119	50	50	50	40
Total other income (loss)	<u>80,460</u>	<u>119,462</u>	<u>(12,656)</u>	<u>68,787</u>	<u>16,614</u>
Expenses:					
Compensation and benefits	3,629	3,712	3,767	2,997	3,554
General, administrative and other	2,165	2,308	2,278	2,027	2,203
Total expenses	<u>5,794</u>	<u>6,020</u>	<u>6,045</u>	<u>5,024</u>	<u>5,757</u>
Net income (loss)	<u>\$ 130,687</u>	<u>\$ 158,381</u>	<u>\$ 24,985</u>	<u>\$ 111,556</u>	<u>\$ 54,597</u>
Dividends on preferred stock	<u>(5,203)</u>	<u>(5,203)</u>	<u>(5,203)</u>	<u>(5,203)</u>	<u>(5,203)</u>
Net income (loss) available to common stockholders	<u>\$ 125,484</u>	<u>\$ 153,178</u>	<u>\$ 19,782</u>	<u>\$ 106,353</u>	<u>\$ 49,394</u>
Net income (loss) per common share	<u>\$ 0.78</u>	<u>\$ 0.95</u>	<u>\$ 0.12</u>	<u>\$ 0.66</u>	<u>\$ 0.31</u>

(1) Derived from audited consolidated financial statements.

Non-GAAP Measure/Reconciliation

(in 000's, except per share data) (Unaudited)	Three Months Ended				
	3/31/2014	6/30/2014	9/30/2014	12/31/2014	3/31/2015
Net income (loss) available to common stockholders	\$ 125,484	\$ 153,178	\$ 19,782	\$ 106,353	\$ 49,394
Net realized (gain) loss on investments	(16,670)	(33,118)	(40,470)	(42,305)	(18,253)
Net unrealized (gain) loss on investments	(89,234)	(157,479)	112,085	(99,135)	(75,689)
Net realized (gain) loss on termination of swap and cap contracts	9,323	6,004	—	9,133	2,568
Net unrealized (gain) loss on swap and cap contracts	16,240	65,181	(58,909)	63,570	74,800
Core earnings	<u>\$ 45,143</u>	<u>\$ 33,766</u>	<u>\$ 32,488</u>	<u>\$ 37,616</u>	<u>\$ 32,820</u>
Core earnings per average share	<u>\$ 0.28</u>	<u>\$ 0.21</u>	<u>\$ 0.20</u>	<u>\$ 0.23</u>	<u>\$ 0.21</u>

Core earnings:

"Core earnings" represents a non-GAAP financial measure and is defined as net income (loss) available to common shares excluding net realized gain (loss) on investments, net unrealized gain (loss) on investments, net realized gain (loss) on termination of swap and cap contracts and net unrealized gain (loss) on swap and cap contracts. 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 and swap and cap contracts. 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.



Supplemental Earnings Presentation
First Quarter 2015
April 24, 2015