



**Supplemental Earnings Presentation**  
**Second Quarter 2015**  
**July 23, 2015**

*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, 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 Q2 2015 Results

- June 30, 2015 book value per common share of \$9.62.
- \$0.28 dividend per common share, representing an annualized dividend yield of 14.5%, using the closing price per common share of \$7.73 at June 30, 2015.
- GAAP net loss available to common stockholders of \$(102.2) million, or \$(0.66) per diluted common share.
- Core earnings<sup>(1)</sup> plus drop income<sup>(2)</sup> of \$42.8 million (\$34.2 million core earnings and \$8.6 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 1.34%.<sup>(3)</sup>
- Operating expenses of 1.27% of average stockholders' equity.<sup>(4)</sup>
- Weighted-average amortized cost of Agency RMBS and U.S. Treasuries of \$103.98.
- Leverage ratio of 7.06 to 1 at June 30, 2015.
- Constant Prepayment Rate ("CPR") of 13.0%.
- Repurchased 1,286,586 shares of the Company's common stock at a weighted-average purchase price of \$8.87, for an aggregate of approximately \$11.4 million.

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(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, net unrealized gain (loss) on swap and cap contracts, and net unrealized gain (loss) on long-term advances from the Federal Home Loan Bank of Cincinnati ("FHLBC"). 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				
	6/30/2014	9/30/2014	12/31/2014	3/31/2015	6/30/2015
Average settled Debt Securities <sup>(1)</sup>	\$ 11,599,873	\$ 11,837,201	\$ 12,550,072	\$ 12,653,266	\$ 13,219,744
Average total Debt Securities <sup>(2)</sup>	\$ 13,711,749	\$ 14,138,849	\$ 14,328,079	\$ 14,810,062	\$ 14,711,932
Average repurchase agreements and FHLBC Advances <sup>(3)</sup>	\$ 9,981,049	\$ 10,189,360	\$ 10,854,239	\$ 10,954,377	\$ 11,610,144
Average Debt Securities liabilities <sup>(4)</sup>	\$ 12,092,925	\$ 12,491,008	\$ 12,632,246	\$ 13,111,173	\$ 13,102,332
Average stockholders' equity <sup>(5)</sup>	\$ 1,916,575	\$ 1,937,700	\$ 1,960,831	\$ 1,981,424	\$ 1,893,445
Average common shares outstanding <sup>(6)</sup>	162,031	162,008	161,930	160,523	157,334
Leverage ratio (at period end) <sup>(7)</sup>	6.35	6.63	6.44	6.77	7.06
Book Value per common share (at period end)	\$ 10.31	\$ 10.14	\$ 10.50	\$ 10.53	\$ 9.62
<b>Key Performance Metrics*</b>					
Average yield on settled Debt Securities <sup>(8)</sup>	2.48%	2.61%	2.66%	2.56%	2.44%
Average yield on total Debt Securities including drop income <sup>(9)</sup>	2.67%	2.67%	2.68%	2.57%	2.42%
Average cost of funds <sup>(10)</sup>	0.30%	0.30%	0.34%	0.35%	0.35%
Average cost of funds and hedge <sup>(11)</sup>	1.08%	1.31%	1.32%	1.36%	1.21%
Adjusted average cost of funds and hedge <sup>(12)</sup>	0.89%	1.07%	1.13%	1.13%	1.08%
Interest rate spread net of hedge <sup>(13)</sup>	1.40%	1.30%	1.34%	1.20%	1.23%
Interest rate spread net of hedge including drop income <sup>(14)</sup>	1.78%	1.60%	1.55%	1.44%	1.34%
Operating expense ratio <sup>(15)</sup>	1.26%	1.25%	1.02%	1.16%	1.27%
Total stockholder return on common equity <sup>(16)</sup>	9.81%	1.26%	6.51%	3.14%	(5.98%)

(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 and short- and long-term FHLBC advances (together, "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 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 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 \$19.4 million, \$17.2 million, \$12.5 million, \$14.1 million, and \$8.6 million for Q2, Q3 and Q4 2014, Q1 and Q2 2015, respectively.

(10) 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.

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

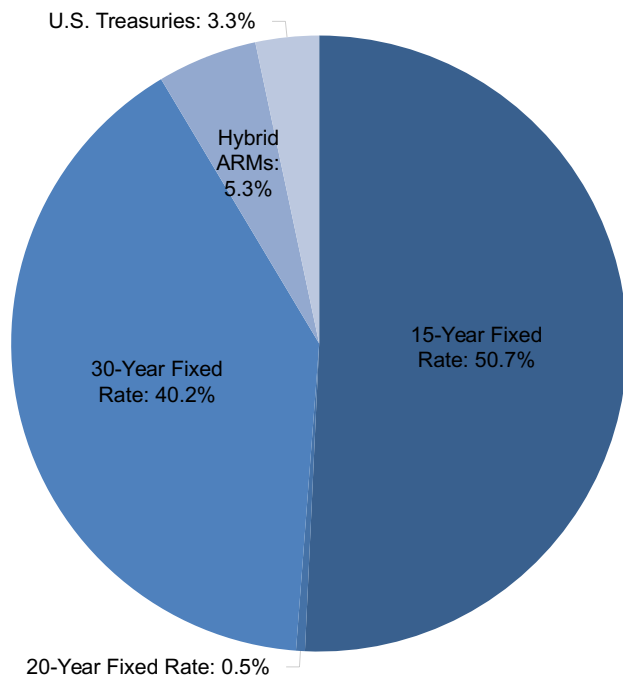
# Q2 2015: Market Data & Commentary

Security Type	6/30/2014	9/30/2014	12/31/2014	3/31/2015	6/30/2015	Q2 2015 Δ to Q1 2015
<b>15-Year Fannie Mae Fixed Rate MBS Prices</b>						
3.0%	\$ 103.80	\$ 103.08	\$ 103.98	\$ 104.83	\$ 103.48	\$ (1.35)
3.5%	\$ 105.95	\$ 105.17	\$ 105.70	\$ 106.11	\$ 105.36	\$ (0.75)
4.0%	\$ 106.14	\$ 105.98	\$ 106.02	\$ 105.64	\$ 104.95	\$ (0.69)
4.5%	\$ 106.11	\$ 105.70	\$ 105.08	\$ 104.73	\$ 104.33	\$ (0.40)
<b>30-Year Fannie Mae Fixed Rate MBS Prices</b>						
3.5%	\$ 102.80	\$ 102.30	\$ 104.30	\$ 105.11	\$ 102.89	\$ (2.22)
4.0%	\$ 106.02	\$ 105.45	\$ 106.77	\$ 106.95	\$ 105.83	\$ (1.12)
4.5%	\$ 108.23	\$ 107.95	\$ 108.61	\$ 109.11	\$ 108.05	\$ (1.06)
<b>U.S. Treasuries Rates</b>						
2-Yr UST	0.46%	0.57%	0.66%	0.56%	0.64%	0.08%
5-Yr UST	1.63%	1.76%	1.65%	1.37%	1.65%	0.28%
7-Yr UST	2.13%	2.20%	1.97%	1.71%	2.08%	0.37%
10-Yr UST	2.53%	2.49%	2.17%	1.92%	2.35%	0.43%
<b>Swap Rates</b>						
2-Yr Swap	0.58%	0.82%	0.90%	0.81%	0.90%	0.09%
5-Yr Swap	1.70%	1.93%	1.77%	1.53%	1.79%	0.26%
7-Yr Swap	2.18%	2.30%	2.04%	1.79%	2.15%	0.36%
10-Yr Swap	2.63%	2.64%	2.28%	2.02%	2.46%	0.44%
<b>30- and 15-Year Par Priced Fannie Mae to Swap Spreads</b>						
30-Yr to 7-Yr Swap	1.00%	0.89%	0.79%	0.86%	0.95%	0.09%
15-Yr to 5-Yr Swap	0.54%	0.45%	0.31%	0.42%	0.50%	0.08%

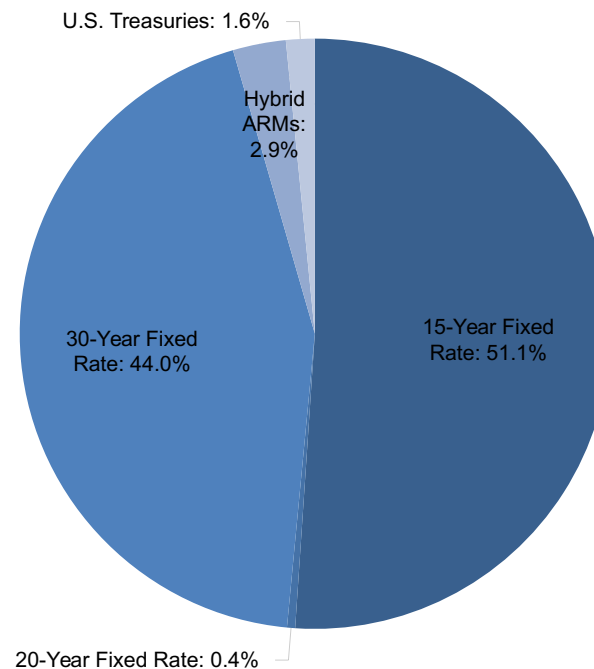
- Agency RMBS prices fell during the Second Quarter of 2015 (the "Second Quarter"). Prices at June 30, 2015 were at or near their lows for the year.
- At the end of the Second Quarter, the yield on 10-year U.S. Treasuries rose to 2.35%, or 43 basis points ("bps") above the end of the First Quarter of 2015 (the "First Quarter"), and 18 bps above the beginning of the year.
- During the Second Quarter the spread between the 2- and 10-year Treasuries steepened by 35 bps.

# Portfolio at Fair Value

**March 31, 2015**  
**\$15.1B Portfolio**



**June 30, 2015**  
**\$14.2B Portfolio**



<i>(dollars in thousands)</i>	3/31/2015	6/30/2015	\$ Change	Absolute % Change	Relative % Change
15-Year Fixed Rate	\$ 7,639,647	\$ 7,271,583	\$ (368,064)	-2%	—%
20-Year Fixed Rate	69,978	63,308	(6,670)	0%	0%
30-Year Fixed Rate	6,055,770	6,268,165	212,395	1%	4%
Hybrid ARMs	790,548	413,324	(377,224)	-3%	-2%
U.S. Treasuries	501,334	223,910	(277,424)	-2%	-2%
<b>Total</b>	<b>\$ 15,057,277</b>	<b>\$ 14,240,290</b>	<b>\$ (816,987)</b>	<b>-6%</b>	<b>0%</b>

# Portfolio Detail as of June 30, 2015

Coupon	Face Value (in 000's)	Fair Value (in 000's)	Amortized Cost Basis per Face Value	Loan Balance <sup>(1)</sup> (in 000's)	Loan Age <sup>(1)</sup> (in months)	3-Month CPR <sup>(1)(2)</sup>	Duration <sup>(3)</sup>
<b>15-Year Agency Mortgage Securities</b>							
			<b>Weighted-Average</b>				
3.0%	\$ 5,509,689	\$ 5,716,221	\$ 103.40	\$ 280	13	10.3%	3.73
TBA 3.0%	171,200	177,365	103.28	n/a	n/a	n/a	3.79
3.5%	1,118,244	1,181,888	103.23	223	35	11.8%	3.27
4.0%	160,389	171,423	101.18	172	52	19.4%	3.00
4.5%	23,135	24,686	102.62	242	65	21.9%	2.51
<b>Subtotal</b>	<b>6,982,657</b>	<b>7,271,583</b>	<b>103.32</b>	<b>268</b>	<b>18</b>	<b>10.9%</b>	<b>3.64</b>
<b>20-Year Agency Mortgage Securities</b>							
4.5%	58,336	63,308	102.89	217	59	26.0%	3.40
<b>30-Year Agency Mortgage Securities</b>							
3.5%	2,018,700	2,082,819	104.58	328	3	4.7	5.64
TBA 3.5%	256,000	262,703	102.32	n/a	n/a	n/a	5.58
4.0%	3,366,529	3,574,519	105.41	283	12	15.2%	4.47
TBA 4.0%	167,000	176,933	105.67	n/a	n/a	n/a	4.36
4.5%	157,915	171,191	106.85	286	50	19.2	4.18
<b>Subtotal</b>	<b>5,966,144</b>	<b>6,268,165</b>	<b>105.04</b>	<b>300</b>	<b>10</b>	<b>13.5%</b>	<b>4.90</b>
<b>Hybrid ARMs</b>							
3.1% <sup>(4)</sup>	398,189	413,324	102.82	316	28	21.7%	2.69
<b>U.S. Treasuries</b>							
1.5%	225,000	223,910	99.04	n/a	n/a	n/a	4.70
<b>Total</b>	<b>\$ 13,630,326</b>	<b>\$ 14,240,290</b>	<b>\$ 103.98</b>	<b>\$ 283</b>	<b>15</b>	<b>12.4%</b>	<b>4.18</b>
<b>As of March 31, 2015</b>							
15-Year Agency	\$ 7,257,479	\$ 7,639,648	\$ 103.32	\$ 263	18	8.7%	3.12
20-Year Agency	63,673	69,978	102.92	217	56	18.8%	1.34
30-Year Agency	5,659,369	6,055,770	105.56	295	10	11.9%	3.20
Hybrid ARMs	757,035	790,548	102.81	318	31	12.3%	2.30
U.S. Treasuries	500,000	501,334	99.51	n/a	n/a	n/a	3.71
<b>Total</b>	<b>\$ 14,237,556</b>	<b>\$ 15,057,278</b>	<b>\$ 104.04</b>	<b>\$ 279</b>	<b>16</b>	<b>10.3%</b>	<b>3.12</b>

(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 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 June 30, 2015										
Interest Rate Swaps						Interest Rate Caps				
Maturity	Notional Amount (in 000's)	Fair Value (in 000's)	Duration <sup>(1)</sup>	Pay Rate	Receive Rate	Maturity	Notional (in 000's)	Fair Value (in 000's)	Duration <sup>(1)</sup>	Cap Rate
≤ 3 Years	\$ 4,250,000	\$11,733	(2.21)	0.92	0.28	≤ 3 Years	\$ —	—	—	—
> 3 to ≤ 5 Years	1,300,000	(13,270)	(3.11)	1.71	0.28	> 3 to ≤ 5 Years	2,500,000	84,878	(2.58)	1.28
> 5 to ≤ 7 Years <sup>(2)</sup>	1,800,000	(1,267)	(4.55)	2.26	0.28	> 5 to ≤ 7 Years	—	—	—	—
Subtotal / Wtd. Avg	\$ 7,350,000	\$(2,804)	(2.94)	1.39	0.28	Subtotal / Wtd. Avg	\$ 2,500,000	\$84,878	(2.58)	1.28
						<b>Total / Wtd. Avg</b>	<b>\$ 9,850,000</b>	<b>\$82,074</b>	<b>(2.85)</b>	<b>n/a</b>

As of March 31, 2015										
Interest Rate Swaps						Interest Rate Caps				
Maturity	Notional Amount (in 000's)	Fair Value (in 000's)	Duration <sup>(1)</sup>	Pay Rate	Receive Rate	Maturity	Notional (in 000's)	Fair Value (in 000's)	Duration <sup>(1)</sup>	Cap Rate
Total / Wtd. Avg	\$ 7,750,000	\$(27,170)	(2.98)	1.44	0.26	Total / Wtd. Avg	\$ 2,500,000	\$80,272	(2.67)	1.28
						<b>Total / Wtd. Avg</b>	<b>\$10,250,000</b>	<b>\$53,102</b>	<b>(2.91)</b>	<b>n/a</b>

- In the Second Quarter, the Company terminated a \$400 million notional 7-year cancelable swap at a pay rate of 2.438% with a maturity date of July 2021.
- At June 30, 2015, the Company had \$1.5 billion notional 7-year swaps, cancelable at dates from October 2015 to January 2016.
- The combination of interest rate swaps and caps totaled \$9.85 billion, and covered 84% of the Company's repurchase agreements and FHLBC Advances at June 30, 2015, compared to \$10.25 billion and 96% coverage at March 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.

(2) \$1.5 billion of the total \$1.8 billion swaps in the 5- to 7-year category are cancelable swaps.



# Sensitivity Analysis and Duration Gap

Interest Rate Sensitivity <sup>(1)</sup>				
As of June 30, 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	7.99% <sup>(2)</sup>	0.82%	6.59%	0.55
-50	6.39% <sup>(2)</sup>	0.73%	5.83%	0.76
-25	3.20% <sup>(2)</sup>	0.46%	3.71%	1.00
—	—%	—%	—%	1.23
25	(7.99)%	(0.56)%	(4.49)%	1.45
50	(15.98)%	(1.20)%	(9.65)%	1.63
75	(23.97)%	(1.91)%	(15.31)%	1.76

Net Duration Gap <sup>(3)</sup>			
As of June 30, 2015			
Investment Type	Duration	Notional (in 000's)	
Interest rate swaps	(2.94)	\$	7,350,000
Interest rate caps	(2.58)		2,500,000
Agency RMBS and U.S. Treasuries	4.18		13,630,326
Net Duration Gap	1.23		
Leverage	7.06:1		

As of March 31, 2015			
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		

- The backup in rates and steepening of the yield curve resulted in mortgages underperforming U.S. Treasuries and mortgage durations extending, which together increased our duration gap to 1.23 at the end of the Second 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 historically low level of interest rates at June 30, 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

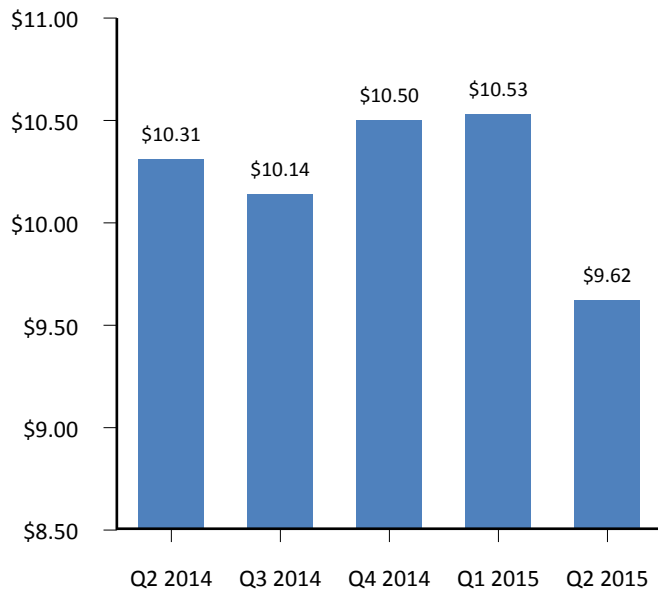
Repo Borrowings and Short-Term FHLB Advances Collateralized with Agency RMBS As of June 30, 2015					
Original Days to Maturity	Repo Borrowings and Short-Term FHLB Advances Outstanding (in 000's)	Repo Borrowings and Short-Term FHLB Advances Outstanding Percentage	Weighted-Average Interest Rate	Weighted-Average Remaining Days to Maturity	Weighted-Average Original Days to Maturity
Agency RMBS					
≤ 30 Days	\$ 3,297,316	28%	0.28%	13	25
> 30 to ≤ 60 Days	1,789,101	15%	0.38%	17	40
> 60 Days	6,406,908	55%	0.39%	44	89
Subtotal	\$ 11,493,325	98%	0.36%	31	63
U.S. Treasuries					
≤ 30 Days	197,010	2%	(0.38)%	1	1
Total/ Wtd.-Avg.	\$ 11,690,335	100%	0.34%	31	62
As of March 31, 2015					
Total/ Wtd.-Avg	\$ 10,714,901	100%	0.34%	44	76
Long-Term FHLBC Advances As of June 30, 2015					
Original Days to Maturity	Long-Term FHLB Advances Outstanding (000's)	Percentage of Total	Interest Rate	Next Call Date	Maturity Date
> 360 Days	\$ 75,000	100%	1.48%	May 2016	May 2018

Active Counterparties As of June 30, 2015			
Counterparty Region	Number of Counterparties	Outstanding Repo Borrowings and FHLB Advances	% of Total
North America	21	7,142,620	60.7%
Europe	8	2,996,437	25.5%
Asia	5	1,626,278	13.8%
<b>Total</b>	<b>34</b>	<b>11,765,335</b>	<b>100.0%</b>

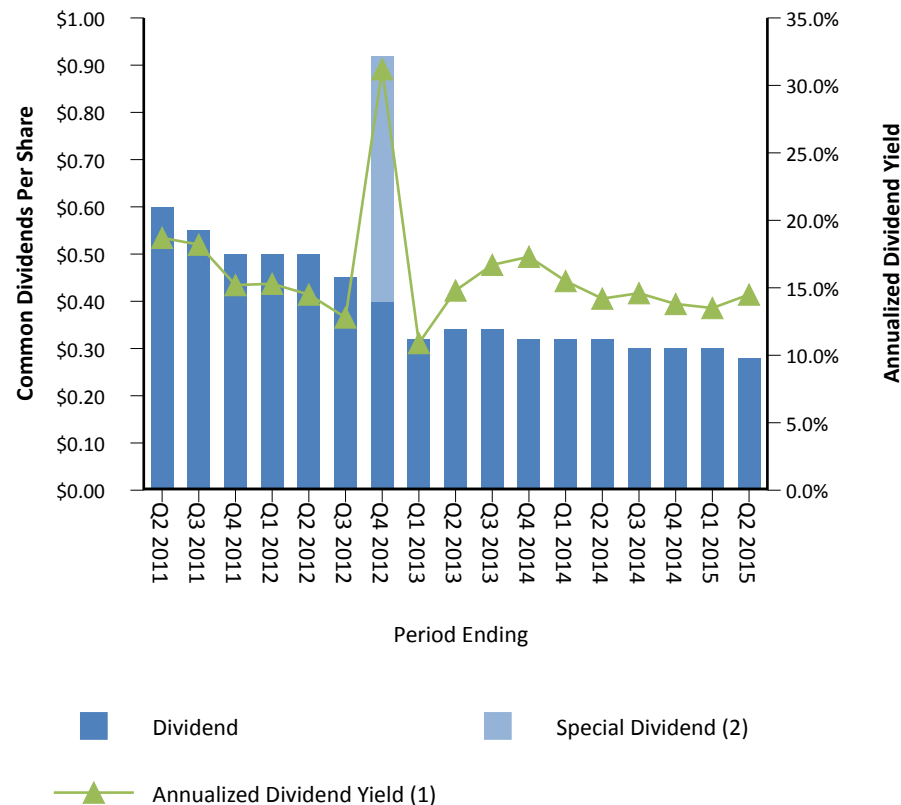
- In the Second Quarter, CYS Insurance accessed \$1,575.0 million in short-term FHLBC advances, and in May 2015, CYS Insurance accessed a \$75.0 million long-term (three-year) FHLBC advance, callable in 1 year and every 6 months thereafter.
- In the Second Quarter, the availability of financing to the Company remained stable, with repo borrowings and FHLB Advances outstanding with 34 counterparties, and access to a total of 48 counterparties.
- At June 30, 2015, the weighted-average interest rate for our outstanding repo borrowings and short-term FHLB advances was 0.34%.
- Our average borrowing rate during the Second Quarter was unchanged at 0.35% as compared to the First Quarter.

# Historic Metrics: Book Value and Common Stock Dividends

**Book Value Per Common Share**  
June 2014 - June 2015



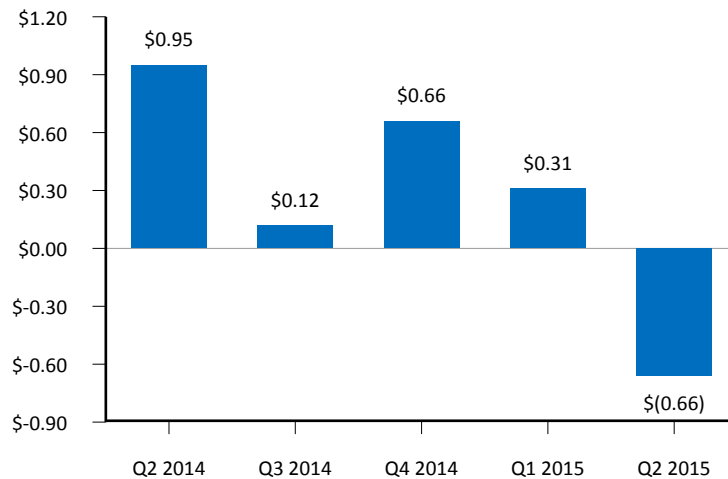
**CYS Common Stock Dividends**  
June 2011 - June 2015



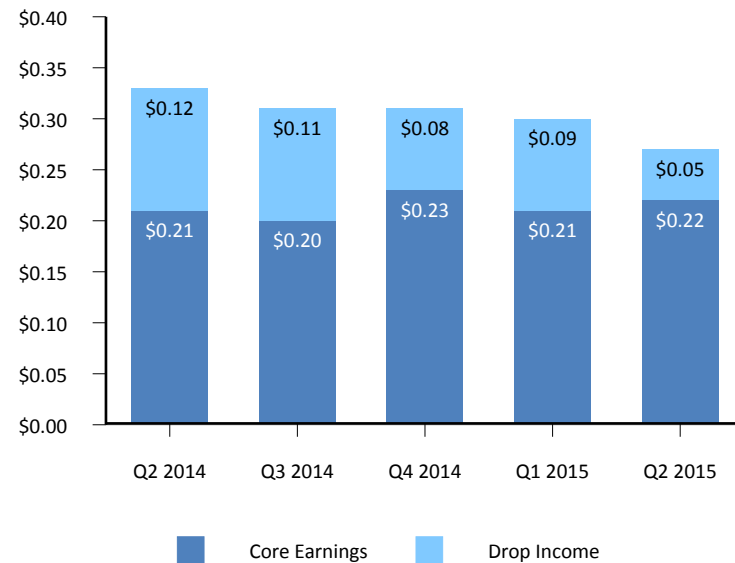
(1) The annualized dividend yield is calculated using the stock price at the quarter end.  
 (2) The December 2012 dividend was composed of a \$0.40 quarterly cash dividend and a \$0.52 special cash dividend.

# Historic Metrics: GAAP Net Income & Core+Drop

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



**Core Earnings<sup>(1)</sup> Plus Drop Income Per Diluted Common Share  
June 2014 - June 2015**

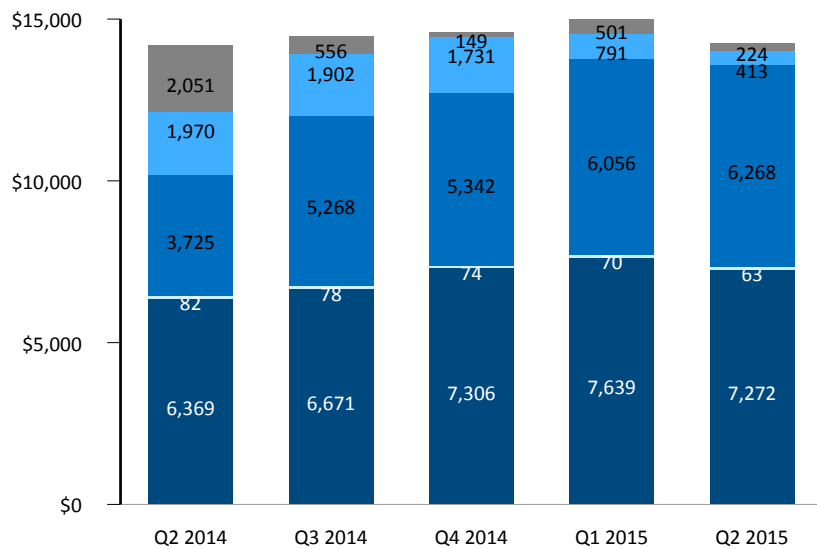


(1) A reconciliation of the non-GAAP measure core earnings can be found on page 17.

# Historic Metrics: Portfolio & Interest Rate Spread

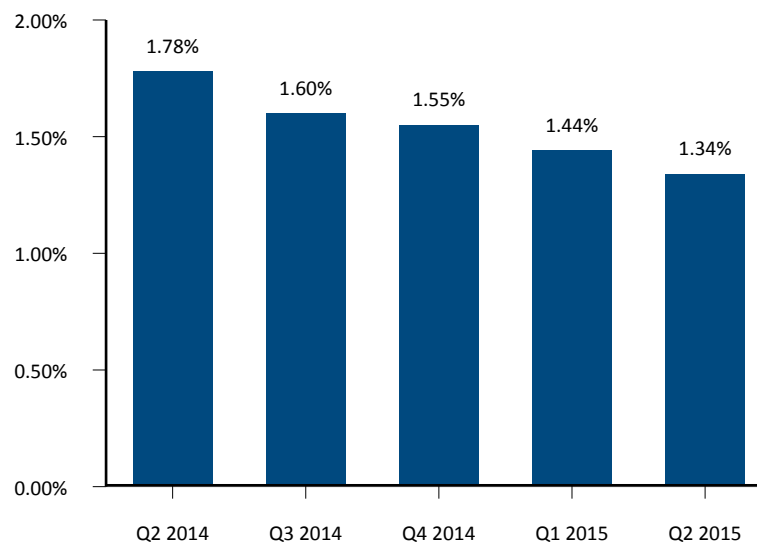
**Debt Securities Portfolio at Fair Value  
June 2014 - June 2015**

(dollars in millions)



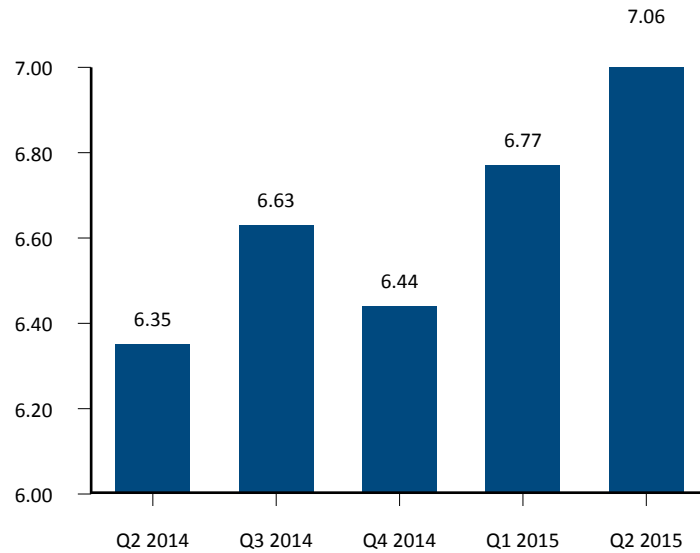
- 15-Year Agency Mortgage Securities
- 20-Year Agency Mortgage Securities
- 30-Year Agency Mortgage Securities
- Agency Hybrid ARMs
- U.S. Treasury Securities

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

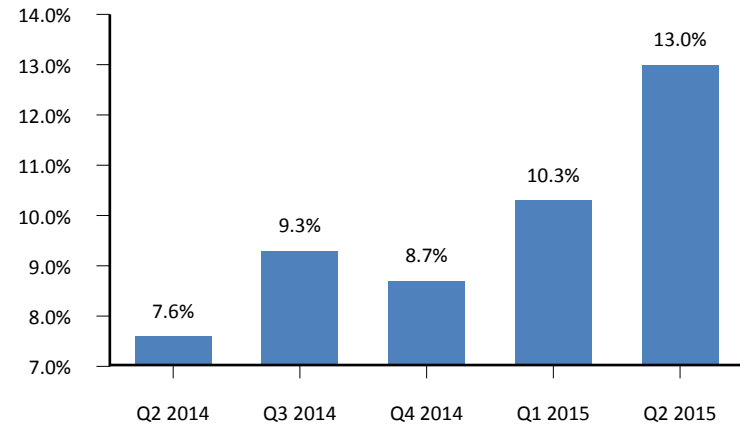


# Historic Metrics: Leverage & Constant Prepayment Rate

**Leverage**  
June 2014 - June 2015



**Constant Prepayment Rate**  
June 2014 - June 2015



# Consolidated Balance Sheets

(dollars in 000's, except per share data) (Unaudited)	6/30/2014	9/30/2014	12/31/2014 <sup>(1)</sup>	3/31/2015	6/30/2015
<b>Assets:</b>					
Investments in securities, at fair value	\$ 14,197,162	\$ 14,474,057	\$ 14,601,507	\$ 15,047,004	\$ 14,240,290
Other investments	6,945	6,945	8,025	18,299	41,028
Derivative assets, at fair value	165,487	203,657	148,284	91,604	101,852
Cash	16,736	10,370	4,323	7,170	49,919
Receivable for securities sold and principal repayments	74,591	214,578	83,643	345,006	907,661
Interest receivable	32,790	36,158	37,894	37,216	37,551
Receivable for cash pledged as collateral	—	—	11,104	37,314	25,509
Other assets	986	688	1,083	11,408	1,304
<b>Total assets</b>	<b>\$ 14,494,697</b>	<b>\$ 14,946,453</b>	<b>\$ 14,895,863</b>	<b>\$ 15,595,021</b>	<b>\$ 15,405,114</b>
<b>Liabilities and stockholders' equity:</b>					
<b>Liabilities:</b>					
Repurchase agreements	\$ 9,873,837	\$ 10,403,088	\$ 11,289,559	\$ 10,204,901	\$ 10,115,335
Short-term FHLBC advances	—	—	—	510,000	1,575,000
Long-term FHLBC advances, at fair value	—	—	—	—	75,011
Derivative liabilities, at fair value	19,799	3,434	16,007	38,502	19,778
Payable for securities purchased	2,562,827	2,519,002	1,505,481	2,767,042	1,732,668
Payable for cash received as collateral	12,944	16,212	72,771	48,229	25,104
Distribution payable	56,256	53,008	4,410	51,844	48,328
Accrued interest payable	20,284	28,874	27,208	31,422	26,311
Accrued expenses and other liabilities	3,034	5,109	5,259	2,445	3,473
<b>Total liabilities</b>	<b>12,548,981</b>	<b>13,028,727</b>	<b>12,920,695</b>	<b>13,654,385</b>	<b>13,621,008</b>
<b>Stockholders' equity:</b>					
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, 158M and 157M shares issued and outstanding, respectively)	1,620	1,620	1,618	1,581	1,568
Additional paid in capital	2,048,619	2,049,507	2,049,152	2,012,697	2,002,339
Accumulated deficit	(370,423)	(399,301)	(341,502)	(339,542)	(485,701)
<b>Total stockholders' equity:</b>	<b>1,945,716</b>	<b>1,917,726</b>	<b>1,975,168</b>	<b>1,940,636</b>	<b>1,784,106</b>
<b>Total liabilities and stockholders' equity:</b>	<b>\$ 14,494,697</b>	<b>\$ 14,946,453</b>	<b>\$ 14,895,863</b>	<b>\$ 15,595,021</b>	<b>\$ 15,405,114</b>
<b>Book value per common share</b>	<b>\$ 10.31</b>	<b>\$ 10.14</b>	<b>\$ 10.50</b>	<b>\$ 10.53</b>	<b>\$ 9.62</b>

(1) Derived from audited consolidated financial statements.

# Consolidated Statements of Operations

(in 000's, except per share data) (Unaudited)	Three Months Ended				
	6/30/2014	9/30/2014	12/31/2014	3/31/2015	6/30/2015
<b>Interest income:</b>					
Interest income from Agency RMBS	\$ 65,420	\$ 74,052	\$ 82,338	\$ 80,060	\$ 79,579
Other interest income	6,558	3,080	1,261	790	953
<b>Total interest income</b>	<b>71,978</b>	<b>77,132</b>	<b>83,599</b>	<b>80,850</b>	<b>80,532</b>
<b>Interest expense:</b>					
Repurchase agreement and short-term FHLBC advances interest expense	7,583	7,657	9,156	9,642	10,157
Long-term FHLBC advances interest expense	—	—	—	—	105
Swap and cap interest expense	19,456	25,789	26,650	27,468	24,992
<b>Total interest expense</b>	<b>27,039</b>	<b>33,446</b>	<b>35,806</b>	<b>37,110</b>	<b>35,254</b>
<b>Net interest income</b>	<b>44,939</b>	<b>43,686</b>	<b>47,793</b>	<b>43,740</b>	<b>45,278</b>
<b>Other income (loss):</b>					
Net realized gain (loss) on investments	33,118	40,470	42,305	18,253	9,435
Net unrealized gain (loss) on investments	157,479	(112,085)	99,135	75,689	(176,899)
Net realized gain (loss) on termination of swap and cap contracts	(6,004)	—	(9,133)	(2,568)	(2,300)
Net unrealized gain (loss) on swap and cap contracts	(65,181)	58,909	(63,570)	(74,800)	33,347
Net unrealized gain (loss) on long-term FHLBC advances	—	—	—	—	(11)
Other income	50	50	50	40	118
<b>Total other income (loss)</b>	<b>119,462</b>	<b>(12,656)</b>	<b>68,787</b>	<b>16,614</b>	<b>(136,310)</b>
<b>Expenses:</b>					
Compensation and benefits	3,712	3,767	2,997	3,554	3,712
General, administrative and other	2,308	2,278	2,027	2,203	2,293
<b>Total expenses</b>	<b>6,020</b>	<b>6,045</b>	<b>5,024</b>	<b>5,757</b>	<b>6,005</b>
<b>Net income (loss)</b>	<b>\$ 158,381</b>	<b>\$ 24,985</b>	<b>\$ 111,556</b>	<b>\$ 54,597</b>	<b>\$ (97,037)</b>
Dividends on preferred stock	(5,203)	(5,203)	(5,203)	(5,203)	(5,203)
<b>Net income (loss) available to common stockholders</b>	<b>\$ 153,178</b>	<b>\$ 19,782</b>	<b>\$ 106,353</b>	<b>\$ 49,394</b>	<b>\$ (102,240)</b>
<b>Net income (loss) per common share</b>	<b>\$ 0.95</b>	<b>\$ 0.12</b>	<b>\$ 0.66</b>	<b>\$ 0.31</b>	<b>\$ (0.66)</b>



# Non-GAAP Measure/Reconciliation

(in 000's, except per share data) (Unaudited)	Three Months Ended				
	6/30/2014	9/30/2014	12/31/2014	3/31/2015	6/30/2015
Net income (loss) available to common stockholders	\$ 153,178	\$ 19,782	\$ 106,353	\$ 49,394	\$ (102,240)
Net realized (gain) loss on investments	(33,118)	(40,470)	(42,305)	(18,253)	(9,435)
Net unrealized (gain) loss on investments	(157,479)	112,085	(99,135)	(75,689)	176,899
Net realized (gain) loss on termination of swap and cap contracts	6,004	—	9,133	2,568	2,300
Net unrealized (gain) loss on swap and cap contracts	65,181	(58,909)	63,570	74,800	(33,347)
Net unrealized (gain) loss on long-term FHLBC advances	—	—	—	—	11
Core earnings	<u>\$ 33,766</u>	<u>\$ 32,488</u>	<u>\$ 37,616</u>	<u>\$ 32,820</u>	<u>\$ 34,188</u>
Core earnings per average share	<u>\$ 0.21</u>	<u>\$ 0.20</u>	<u>\$ 0.23</u>	<u>\$ 0.21</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 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, net unrealized gain (loss) on swap and cap contracts, and net unrealized gain (loss) on long-term 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 long-term 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.



**Supplemental Earnings Presentation**  
**Second Quarter 2015**  
**July 23, 2015**