



Supplemental Earnings Presentation
Third Quarter 2015
October 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, 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 Q3 2015 Results

- September 30, 2015 book value per common share of \$9.59.
- \$0.26 dividend per common share, representing an annualized dividend yield of 14.3%, using the closing price per common share of \$7.26 at September 30, 2015.
- GAAP net income available to common stockholders of \$30.8 million, or \$0.20 per diluted common share.
- Core earnings⁽¹⁾ plus drop income⁽²⁾ of \$42.6 million (\$36.3 million core earnings and \$6.3 million drop income), or \$0.27 per diluted common share (\$0.23 core earnings and \$0.04 drop income).
- Interest rate spread net of hedge including drop income of 1.40%.⁽³⁾
- Operating expenses of 1.30% of average stockholders' equity.⁽⁴⁾
- Weighted-average amortized cost of Agency RMBS and U.S. Treasuries of \$103.94.
- Leverage ratio of 6.87 to 1 at September 30, 2015.
- Constant Prepayment Rate ("CPR") of 10.2%.
- Repurchased 2,067,552 shares of the Company's common stock at a weighted-average purchase price of \$7.67, for an aggregate of approximately \$15.9 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, 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				
	9/30/2014	12/31/2014	3/31/2015	6/30/2015	9/30/2015
Average settled Debt Securities ⁽¹⁾	\$ 11,837,201	\$ 12,550,072	\$ 12,653,266	\$ 13,219,744	\$ 13,099,727
Average total Debt Securities ⁽²⁾	\$ 14,138,849	\$ 14,328,079	\$ 14,810,062	\$ 14,711,932	\$ 13,928,756
Average repurchase agreements and FHLBC Advances ⁽³⁾	\$ 10,189,360	\$ 10,854,239	\$ 10,954,377	\$ 11,610,144	\$ 11,557,064
Average Debt Securities liabilities ⁽⁴⁾	\$ 12,491,008	\$ 12,632,246	\$ 13,111,173	\$ 13,102,332	\$ 12,386,093
Average stockholders' equity ⁽⁵⁾	\$ 1,937,700	\$ 1,960,831	\$ 1,981,424	\$ 1,893,445	\$ 1,790,420
Average common shares outstanding ⁽⁶⁾	162,008	161,930	160,523	157,334	155,702
Leverage ratio (at period end) ⁽⁷⁾	6.63	6.44	6.77	7.06	6.87
Book Value per common share (at period end)	\$ 10.14	\$ 10.50	\$ 10.53	\$ 9.62	\$ 9.59
Key Performance Metrics*					
Average yield on settled Debt Securities ⁽⁸⁾	2.61%	2.66%	2.56%	2.44%	2.56%
Average yield on total Debt Securities including drop income ⁽⁹⁾	2.67%	2.68%	2.57%	2.42%	2.59%
Average cost of funds ⁽¹⁰⁾	0.30%	0.34%	0.35%	0.35%	0.42%
Average cost of funds and hedge ⁽¹¹⁾	1.31%	1.32%	1.36%	1.21%	1.28%
Adjusted average cost of funds and hedge ⁽¹²⁾	1.07%	1.13%	1.13%	1.08%	1.19%
Interest rate spread net of hedge ⁽¹³⁾	1.30%	1.34%	1.20%	1.23%	1.28%
Interest rate spread net of hedge including drop income ⁽¹⁴⁾	1.60%	1.55%	1.44%	1.34%	1.40%
Operating expense ratio ⁽¹⁵⁾	1.25%	1.02%	1.16%	1.27%	1.30%
Total stockholder return on common equity ⁽¹⁶⁾	1.26%	6.51%	3.14%	(5.98%)	2.39%

(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 \$17.2 million, \$12.5 million, \$14.1 million, \$8.6 million, and \$6.3 million for Q3, and Q4 2014, Q1, Q2 and Q3 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 distribution on common stock.

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

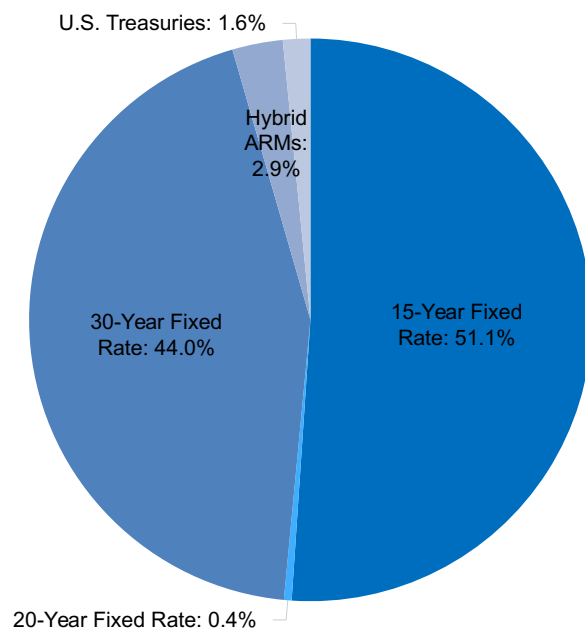
Q3 2015: Market Data & Commentary

Security Type	9/30/2014	12/31/2014	3/31/2015	6/30/2015	9/30/2015	Q3 2015 Δ to Q2 2015
15-Year Fannie Mae Fixed Rate MBS Prices						
3.0%	\$ 103.08	\$ 103.98	\$ 104.83	\$ 103.48	\$ 104.17	\$ 0.69
3.5%	\$ 105.17	\$ 105.70	\$ 106.11	\$ 105.36	\$ 105.64	\$ 0.28
4.0%	\$ 105.98	\$ 106.02	\$ 105.64	\$ 104.95	\$ 104.73	\$ (0.22)
4.5%	\$ 105.70	\$ 105.08	\$ 104.73	\$ 104.33	\$ 103.73	\$ (0.60)
30-Year Fannie Mae Fixed Rate MBS Prices						
3.5%	\$ 102.30	\$ 104.30	\$ 105.11	\$ 102.89	\$ 104.39	\$ 1.50
4.0%	\$ 105.45	\$ 106.77	\$ 106.95	\$ 105.83	\$ 106.73	\$ 0.90
4.5%	\$ 107.95	\$ 108.61	\$ 109.11	\$ 108.05	\$ 108.45	\$ 0.40
U.S. Treasuries Rates						
2-Yr UST	0.57%	0.66%	0.56%	0.64%	0.63%	(0.01)%
5-Yr UST	1.76%	1.65%	1.37%	1.65%	1.36%	(0.29)%
7-Yr UST	2.20%	1.97%	1.71%	2.08%	1.74%	(0.34)%
10-Yr UST	2.49%	2.17%	1.92%	2.35%	2.04%	(0.31)%
Swap Rates						
2-Yr Swap	0.82%	0.90%	0.81%	0.90%	0.75%	(0.15)%
5-Yr Swap	1.93%	1.77%	1.53%	1.79%	1.38%	(0.41)%
7-Yr Swap	2.30%	2.04%	1.79%	2.15%	1.70%	(0.45)%
10-Yr Swap	2.64%	2.28%	2.02%	2.46%	2.00%	(0.46)%
30- and 15-Year Par Priced Fannie Mae to Swap Spreads						
30-Yr to 7-Yr Swap	0.89%	0.79%	0.86%	0.95%	1.10%	0.15 %
15-Yr to 5-Yr Swap	0.45%	0.31%	0.42%	0.50%	0.72%	0.22 %

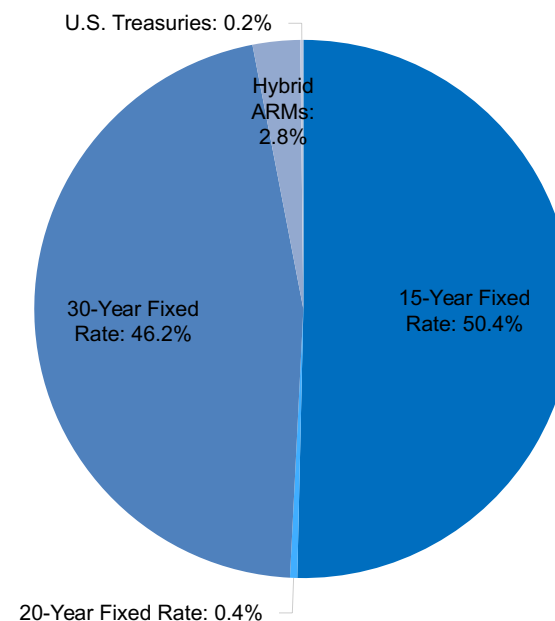
- Agency RMBS prices were mixed as the 15-year 3.0% and 3.5% and the 30-year 3.5%, 4.0% and 4.5% rose, while the higher coupon 15-year 4.0% and 4.5% fell during the third quarter of 2015 (the "Third Quarter").
- At the end of the Third Quarter, the yield on 10-year U.S. Treasuries fell to 2.04%, or 31 basis points ("bps") below the end of the second quarter of 2015 (the "Second Quarter"), and 13 bps below the beginning of the year.
- During the Third Quarter the spread between the 2- and 10-year Treasuries flattened by 30 bps.

Portfolio at Fair Value

June 30, 2015
\$14.2B Portfolio



September 30, 2015
\$13.8B Portfolio



<i>(dollars in thousands)</i>	6/30/2015	9/30/2015	\$ Change	Absolute % Change	Relative % Change
15-Year Fixed Rate	\$ 7,271,583	\$ 6,938,160	\$ (333,423)	-2%	-1%
20-Year Fixed Rate	63,308	59,824	(3,484)	0%	0%
30-Year Fixed Rate	6,268,165	6,361,473	93,308	1%	2%
Hybrid ARMs	413,324	392,576	(20,748)	—%	—%
U.S. Treasuries	223,910	25,266	(198,644)	-1%	-1%
Total	\$ 14,240,290	\$ 13,777,299	\$ (462,991)	-2%	0%

Portfolio Detail as of September 30, 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%	\$ 5,199,290	\$ 5,424,054	\$ 103.30	\$ 285	14	8.2%	3.17
TBA 3.0%	201,600	209,932	103.70	n/a	n/a	n/a	3.25
3.5%	1,060,340	1,122,627	103.20	220	38	13.1%	2.93
4.0%	149,137	158,632	101.15	169	55	18.6%	2.82
4.5%	21,522	22,915	102.59	241	68	17.0%	2.36
Subtotal	6,631,889	6,938,160	103.24	271	19	9.4%	3.12
20-Year Agency Mortgage Securities							
4.5%	54,794	59,824	102.85	217	62	18.1%	3.04
30-Year Agency Mortgage Securities							
3.5%	2,237,289	2,336,232	103.60	326	4	3.8%	4.59
4.0%	3,007,712	3,216,756	105.34	278	15	12.4%	3.68
TBA 4.0%	604,600	644,915	106.11	n/a	n/a	n/a	3.43
4.5%	150,371	163,570	106.82	283	53	16.1%	3.62
Subtotal	5,999,972	6,361,473	104.80	298	12	9.8%	3.99
Hybrid ARMs							
3.1% ⁽⁴⁾	377,163	392,576	102.81	315	30	17.3%	2.30
U.S. Treasuries							
1.5%	25,000	25,266	99.76	n/a	n/a	n/a	4.10
Total	\$ 13,088,818	\$ 13,777,299	\$ 103.94	\$ 284	16	9.9%	3.50
As of June 30, 2015							
15-Year Agency	\$ 6,982,657	\$ 7,271,583	\$ 103.32	\$ 268	18	10.9%	3.64
20-Year Agency	58,336	63,308	102.89	217	59	26.0%	3.40
30-Year Agency	5,966,144	6,268,165	105.04	300	10	13.5%	4.90
Hybrid ARMs	398,189	413,324	102.82	316	28	21.7%	2.69
U.S. Treasuries	225,000	223,910	99.04	n/a	n/a	n/a	4.70
Total	\$ 13,630,326	\$ 14,240,290	\$ 103.98	\$ 283	15	12.4%	4.18

(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 September 30, 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	\$ 4,250,000	\$(17,791)	(2.05)	0.98	0.32	≤ 3 Years	\$ —	—	—	—
> 3 to ≤ 5 Years	1,050,000	(22,069)	(3.76)	1.75	0.31	> 3 to ≤ 5 Years	2,500,000	53,803	(2.18)	1.28
> 5 to ≤ 7 Years	2,200,000	(25,265)	(5.48)	1.73	0.32	> 5 to ≤ 7 Years	—	—	—	—
Subtotal / Wtd. Avg	\$ 7,500,000	\$(65,125)	(3.29)	1.31	0.32	Subtotal / Wtd. Avg	\$ 2,500,000	\$53,803	(2.18)	1.28
						Total / Wtd. Avg	\$ 10,000,000	\$(11,322)	(3.02)	n/a

As of June 30, 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	\$ 7,350,000	\$(2,804)	(2.94)	1.39	0.28	Total / Wtd. Avg	\$ 2,500,000	\$84,878	(2.58)	1.28
						Total / Wtd. Avg	\$9,850,000	\$82,074	(2.85)	n/a

- In the Third Quarter the Company added \$2.65 billion notional of new 5 and 7 year swaps and terminated \$2.50 billion notional of swaps, including all of its \$1.50 billion notional 7-year cancelable swaps.
- The combination of interest rate swaps and caps totaled \$10.00 billion, and covered 88% of the Company's repurchase agreements and FHLBC Advances at September 30, 2015, compared to \$9.85 billion and 84% coverage at June 30, 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 September 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	8.71%	⁽²⁾⁽³⁾ (0.06)%	(0.44)%	(0.20)
-50	6.97%	⁽²⁾⁽³⁾ 0.18%	1.43%	0.03
-25	3.49%	⁽²⁾⁽³⁾ 0.20%	1.55%	0.33
—	—%	—%	—%	0.66
25	(8.71)%	⁽²⁾ (0.34)%	(2.64)%	0.96
50	(17.43)%	⁽²⁾ (0.79)%	(6.18)%	1.22
75	(26.14)%	⁽²⁾ (1.34)%	(10.52)%	1.44

Net Duration Gap ⁽⁴⁾ As of September 30, 2015		
Investment Type	Duration	Notional (in 000's)
Interest rate swaps	(3.29)	\$ 7,500,000
Interest rate caps	(2.18)	2,500,000
Agency RMBS and U.S. Treasuries	3.50	13,088,818
Net Duration Gap	0.66	
Leverage	6.87:1	

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	

- The yield curve flattened in the Third Quarter however, a majority of the change in the yield curve came after the Federal Reserve did not increase the Fed funds rate at the September FOMC Meeting, as many market participants and commentators had anticipated.

(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 September 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.

(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 Short-Term FHLBC Advances Collateralized with Agency RMBS As of September 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	\$ 3,256,617	30%	0.34%	8	18
> 30 to ≤ 60 Days	3,830,918	35%	0.49%	23	37
> 60 Days	3,840,146	35%	0.48%	41	72
Total/ Wtd.-Avg.	\$ 10,927,681	100%	0.44%	25	44
As of June 30, 2015					
Total/ Wtd.-Avg.	\$ 11,690,335	100%	0.34%	31	62

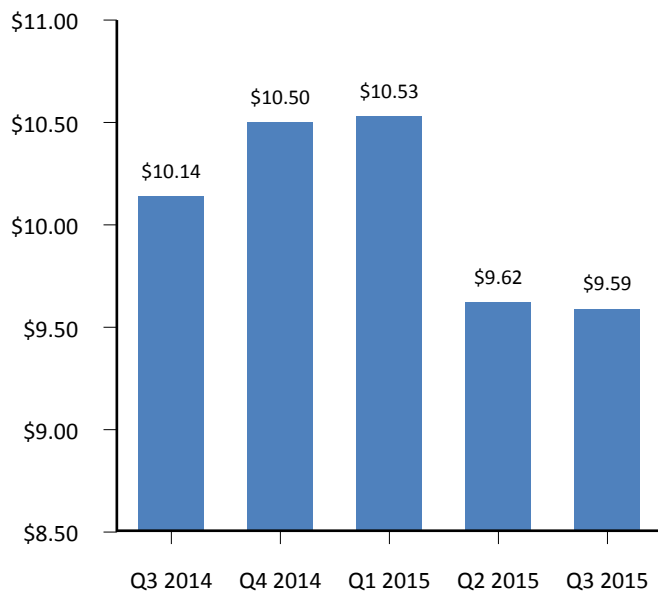
Active Counterparties As of September 30, 2015			
Counterparty Region	Number of Counterparties	Outstanding Repo Borrowings and FHLB Advances	% of Total
North America	21	\$7,086,090	62.4%
Europe	8	\$2,890,218	25.5%
Asia	5	\$1,376,373	12.1%
Total	34	11,352,681	100.0%

Long-Term FHLBC Advances As of September 30, 2015					
Original Days to Maturity	Long-Term FHLBC Advances Outstanding (000's)	Percentage of Total	Weighted-Average Interest Rate	Next Call Date	Weighted-Average Maturity Date
> 360 Days	\$ 425,000	100%	1.48%	May 2016	July 2018

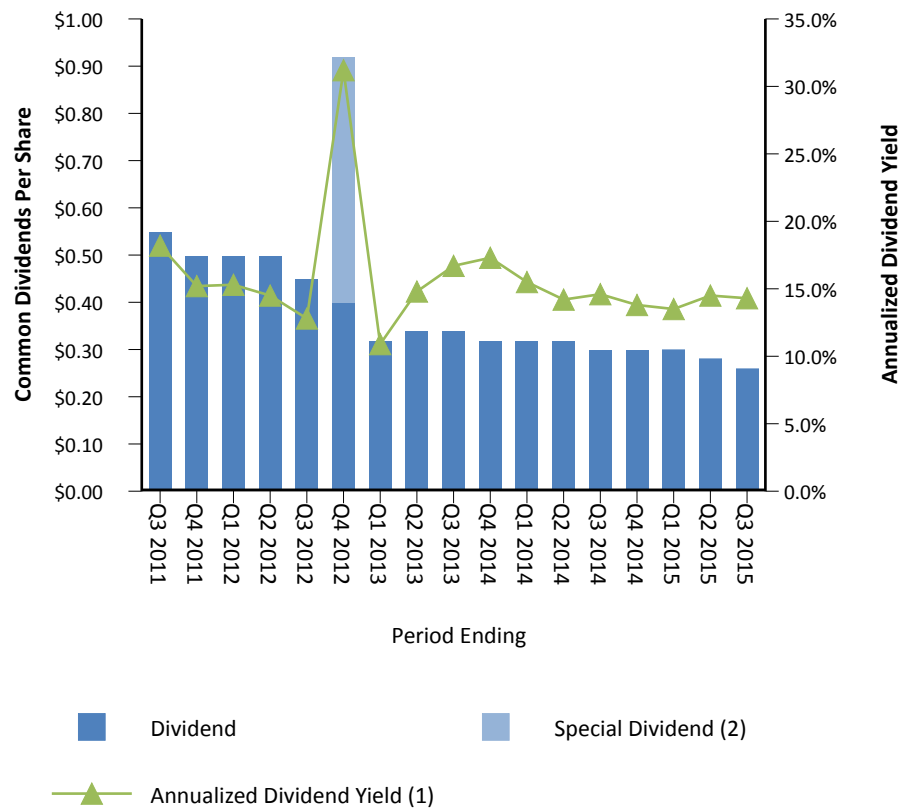
- In the Third Quarter we accessed \$1.675 billion in short-term FHLBC advances, and \$0.425 billion in long-term FHLBC advances with a 3-year term callable in 1 year after the debt was incurred and every 6 months thereafter.
- The availability of financing to the Company remained stable in the Third Quarter with repo borrowings and FHLBC Advances outstanding with 34 counterparties, and access to a total of 48 counterparties.
- At September 30, 2015, the weighted-average interest rate for our outstanding repo borrowings and short-term FHLBC advances was 0.44%.
- Our average cost of funds during the Third Quarter increased to 0.42% compared to 0.35% for the Second Quarter.

Historic Metrics: Book Value and Common Stock Dividends

Book Value Per Common Share
September 2014 - September 2015



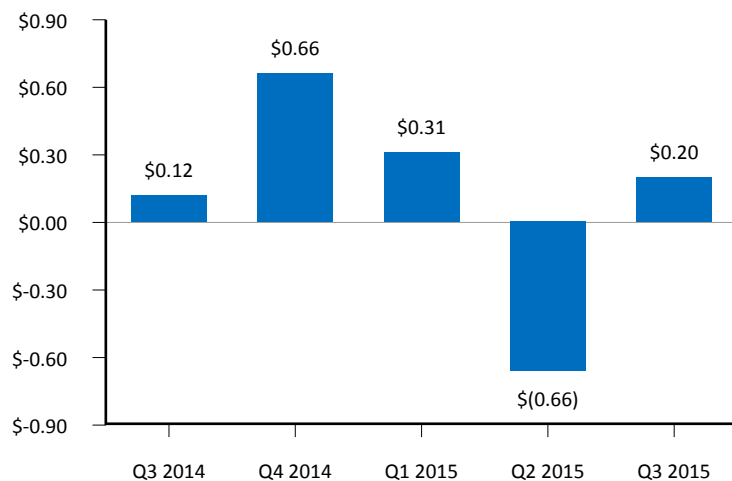
CYS Common Stock Dividends
September 2011 - September 2015



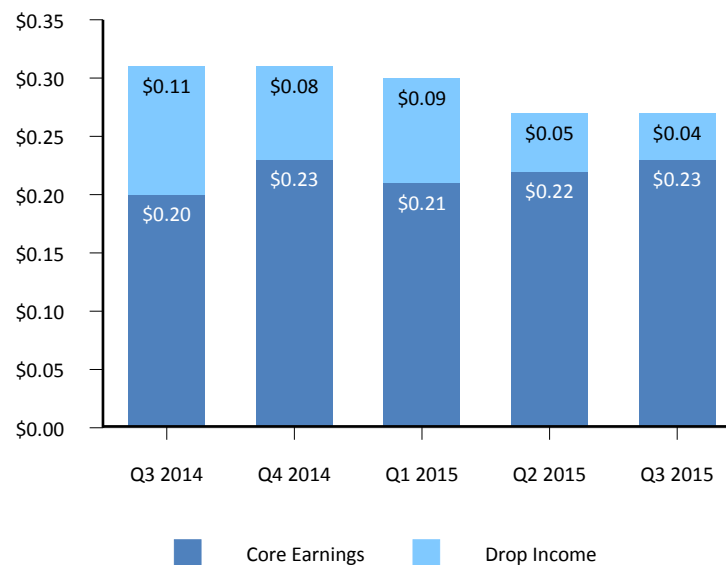
(1) The annualized dividend yield is calculated using the stock price at the quarter end.
 (2) The December 2012 dividend was composed of a \$0.40 quarterly cash dividend and a \$0.52 special cash dividend.

Historic Metrics: GAAP Net Income & Core+Drop

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



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

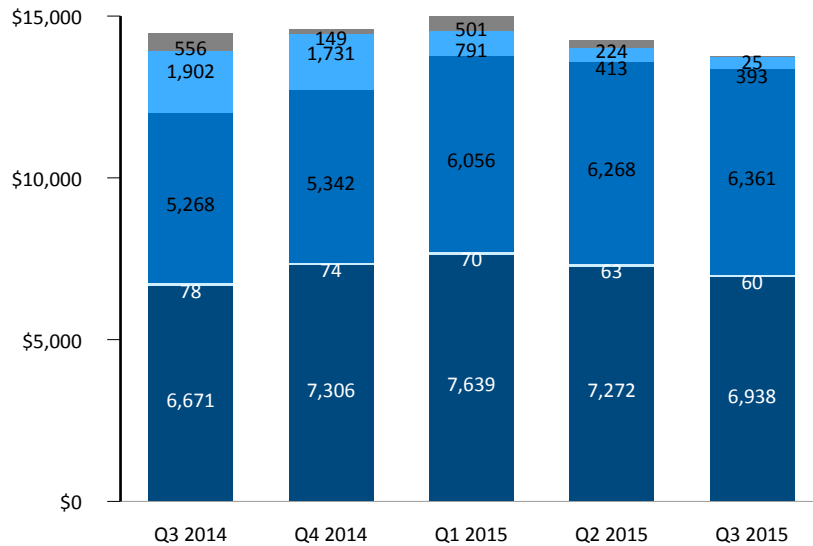


(1) A reconciliation of the non-GAAP measure core earnings can be found on page 17.

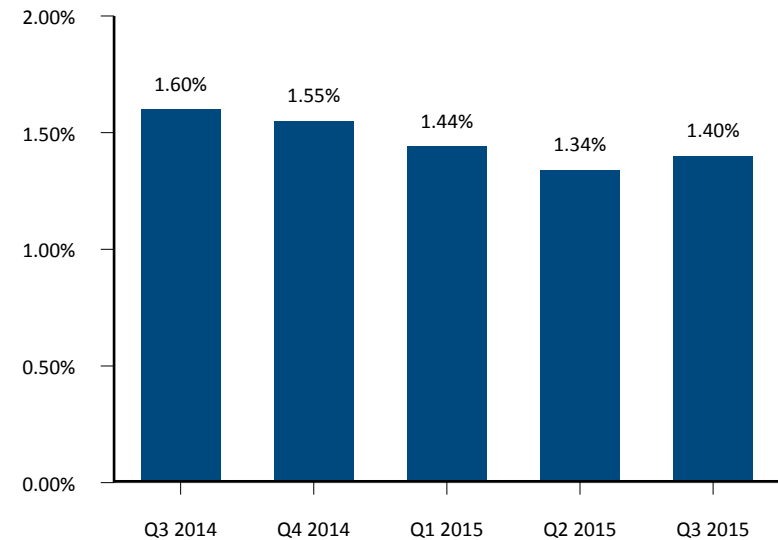
Historic Metrics: Portfolio & Interest Rate Spread

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

(dollars in millions)

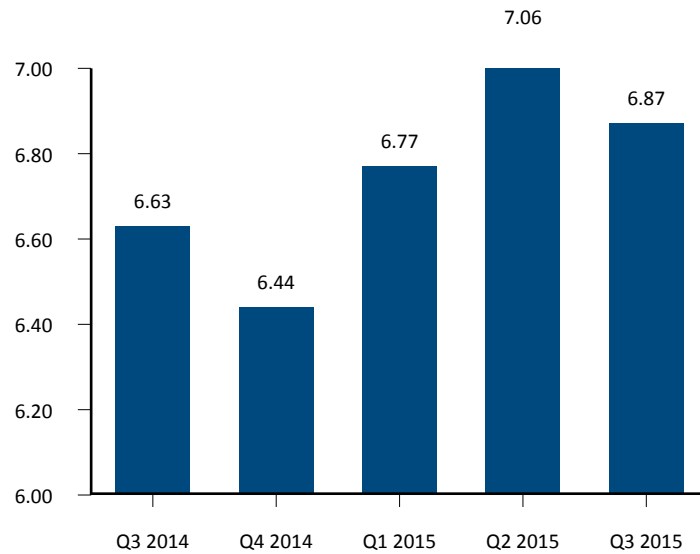


**Interest Rate Spread Net of Hedge Including Drop Income
September 2014 - September 2015**

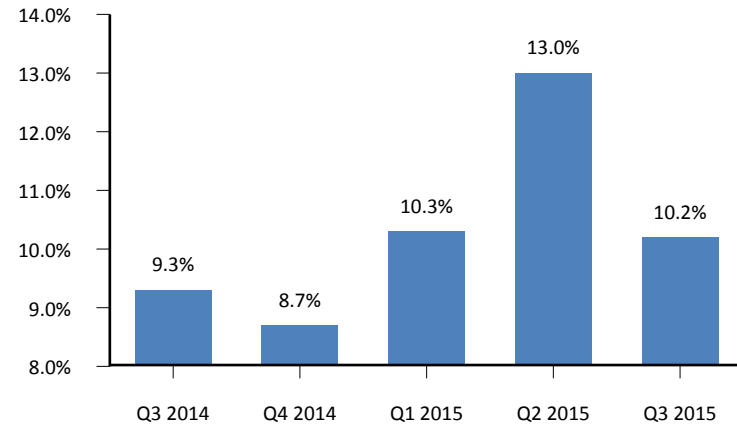


Historic Metrics: Leverage & Constant Prepayment Rate

Leverage
September 2014 - September 2015



Constant Prepayment Rate
September 2014 - September 2015



Consolidated Balance Sheets

(dollars in 000's, except per share data) (Unaudited)	9/30/2014	12/31/2014 ⁽¹⁾	03/31/2015	06/30/2015	9/30/2015
Assets:					
Investments in securities, at fair value	\$ 14,474,057	\$ 14,601,507	\$ 15,047,074	\$ 14,240,290	\$ 13,777,299
Other investments	6,945	8,025	18,229	41,028	50,028
Derivative assets, at fair value	203,657	148,284	91,604	101,852	53,995
Cash	10,370	4,323	7,170	49,919	28,622
Receivable for securities sold and principal repayments	214,578	83,643	345,006	907,661	247,207
Interest receivable	36,158	37,894	37,314	37,551	36,518
Receivable for cash pledged as collateral	—	11,104	37,216	25,509	71,655
Other assets	688	1,083	11,408	1,304	1,250
Total assets	\$ 14,946,453	\$ 14,895,863	\$ 15,595,021	\$ 15,405,114	\$ 14,266,574
Liabilities and stockholders' equity:					
Liabilities:					
Repurchase agreements	\$ 10,403,088	\$ 11,289,559	\$ 10,204,901	\$ 10,115,335	\$ 9,252,681
Short-term FHLBC advances	—	—	510,000	1,575,000	1,675,000
Long-term FHLBC advances, at fair value	—	—	—	75,011	425,737
Derivative liabilities, at fair value	3,434	16,007	38,502	19,778	65,317
Payable for securities purchased	2,519,002	1,505,481	2,767,042	1,732,668	980,615
Payable for cash received as collateral	16,212	72,771	48,229	25,104	38,641
Distribution payable	53,008	4,410	51,844	48,328	44,659
Accrued interest payable	28,874	27,208	31,422	26,311	18,453
Accrued expenses and other liabilities	5,109	5,259	2,445	3,473	5,647
Total liabilities	13,028,727	12,920,695	13,654,385	13,621,008	12,506,750
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, 158M, 157M and 155M shares issued and outstanding, respectively)	1,620	1,618	1,581	1,568	1,548
Additional paid in capital	2,049,507	2,049,152	2,012,697	2,002,339	1,987,501
Accumulated deficit	(399,301)	(341,502)	(339,542)	(485,701)	(495,125)
Total stockholders' equity:	1,917,726	1,975,168	1,940,636	1,784,106	1,759,824
Total liabilities and stockholders' equity:	\$ 14,946,453	\$ 14,895,863	\$ 15,595,021	\$ 15,405,114	\$ 14,266,574
Book value per common share	\$ 10.14	\$ 10.50	\$ 10.53	\$ 9.62	\$ 9.59

(1) Derived from audited consolidated financial statements.

Consolidated Statements of Operations

(in 000's, except per share data) (Unaudited)	Three Months Ended				
	9/30/2014	12/31/2014	3/31/2015	6/30/2015	9/30/2015
Interest income:					
Interest income from Agency RMBS	\$ 74,052	\$ 82,338	\$ 80,060	\$ 79,579	\$ 83,816
Other interest income	3,080	1,261	790	953	166
Total interest income	77,132	83,599	80,850	80,532	83,982
Interest expense:					
Repurchase agreement and short-term FHLBC advances interest expense	7,657	9,156	9,642	10,157	10,893
Long-term FHLBC advances interest expense	—	—	—	105	1,368
Swap and cap interest expense	25,789	26,650	27,468	24,992	24,681
Total interest expense	33,446	35,806	37,110	35,254	36,942
Net interest income	43,686	47,793	43,740	45,278	47,040
Other income (loss):					
Net realized gain (loss) on investments	40,470	42,305	18,253	9,435	(10,332)
Net unrealized gain (loss) on investments	(112,085)	99,135	75,689	(176,899)	106,154
Net realized gain (loss) on termination of swap and cap contracts	—	(9,133)	(2,568)	(2,300)	(11,576)
Net unrealized gain (loss) on swap and cap contracts	58,909	(63,570)	(74,800)	33,347	(89,021)
Net unrealized gain (loss) on long-term FHLBC advances	—	—	—	(11)	(726)
Other income	50	50	40	118	300
Total other income (loss)	(12,656)	68,787	16,614	(136,310)	(5,201)
Expenses:					
Compensation and benefits	3,767	2,997	3,554	3,712	3,655
General, administrative and other	2,278	2,027	2,203	2,293	2,157
Total expenses	6,045	5,024	5,757	6,005	5,812
Net income (loss)	\$ 24,985	\$ 111,556	\$ 54,597	\$ (97,037)	\$ 36,027
Dividends on preferred stock	(5,203)	(5,203)	(5,203)	(5,203)	(5,203)
Net income (loss) available to common stockholders	\$ 19,782	\$ 106,353	\$ 49,394	\$ (102,240)	\$ 30,824
Net income (loss) per common share	\$ 0.12	\$ 0.66	\$ 0.31	\$ (0.66)	\$ 0.20

Non-GAAP Measure/Reconciliation

(in 000's, except per share data) (Unaudited)	Three Months Ended				
	9/30/2014	12/31/2014	3/31/2015	6/30/2015	9/30/2015
Net income (loss) available to common stockholders	\$ 19,782	\$ 106,353	\$ 49,394	\$ (102,240)	\$ 30,824
Net realized (gain) loss on investments	(40,470)	(42,305)	(18,253)	(9,435)	10,332
Net unrealized (gain) loss on investments	112,085	(99,135)	(75,689)	176,899	(106,154)
Net realized (gain) loss on termination of swap and cap contracts	—	9,133	2,568	2,300	11,576
Net unrealized (gain) loss on swap and cap contracts	(58,909)	63,570	74,800	(33,347)	89,021
Net unrealized (gain) loss on long-term FHLBC advances	—	—	—	11	726
Core earnings	<u>\$ 32,488</u>	<u>\$ 37,616</u>	<u>\$ 32,820</u>	<u>\$ 34,188</u>	<u>\$ 36,325</u>
Core earnings per average share	<u>\$ 0.20</u>	<u>\$ 0.23</u>	<u>\$ 0.21</u>	<u>\$ 0.22</u>	<u>\$ 0.23</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
Third Quarter 2015
October 23, 2015