



**Supplemental Earnings Presentation
Fourth Quarter & Full Year 2015
February 18, 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 Q4 2015 Results

- December 31, 2015 book value per common share of \$9.36.
- \$0.26 dividend per common share, representing an annualized dividend yield of 14.6%, using the closing price per common share of \$7.13 at December 31, 2015.
- GAAP net loss available to common stockholders of \$(3.6) million, or \$(0.02) per diluted common share.
- Core earnings⁽¹⁾ plus drop income⁽²⁾ of \$44.5 million (\$40.8 million core earnings and \$3.7 million drop income), or \$0.29 per diluted common share (\$0.27 core earnings and \$0.02 drop income).
- Interest rate spread net of hedge including drop income of 1.43%.⁽³⁾
- Net realized and unrealized loss on investments of \$(138.4) million.
- Net realized and unrealized gain on swap and cap contracts of \$92.0 million.
- Leverage ratio of 6.77 to 1 at December 31, 2015.
- Operating expenses of \$3.3 million, or 0.75% of average stockholders' equity.⁽⁴⁾
- Weighted-average amortized cost of Agency RMBS and U.S. Treasuries (collectively, "Debt Securities") of \$103.69.
- Constant Prepayment Rate ("CPR") of 8.1%.
- Repurchased 3,055,784 shares of the Company's common stock for an aggregate purchase price of approximately \$23.1 million at a weighted-average price of \$7.54 per share.
- The Company's duration gap extended to 0.74 at December 31, 2015 from 0.66 at September 30, 2015.

(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 18.

(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.

Summary Full Year 2015 Results

- Total dividends of \$1.10 per common share.
- GAAP net loss available to common stockholders of \$(25.6) million, or \$(0.17) per diluted common share.
- Core earnings plus drop income of \$176.8 million, (\$144.2 million core earnings and \$32.6 million drop income), or \$1.13 per diluted common share (\$0.92 core earnings and \$0.21 drop income).
- Interest rate spread, net of hedge including drop income, of 1.40%.
- Net realized and unrealized loss on investments of \$(116.1) million.
- Net realized and unrealized loss on swap and cap contracts of \$(54.9) million.
- Operating expenses of \$20.8 million or 1.12% of average stockholders' equity, a decrease from \$22.9 million or 1.19% for the year ended December 31, 2014.
- Repurchased 10,559,493 shares of the Company's common stock for an aggregate purchase price of approximately \$87.7 million at a weighted-average price of \$8.28 per share.

Key Balance Sheet & Performance Metrics

Key Balance Sheet Metrics (in thousands)	Three Months Ended				
	12/31/2014	3/31/2015	6/30/2015	9/30/2015	12/31/2015
Average settled Debt Securities ⁽¹⁾	\$ 12,550,072	\$ 12,653,266	\$ 13,219,744	\$ 13,099,727	\$ 12,811,091
Average total Debt Securities ⁽²⁾	\$ 14,328,079	\$ 14,810,062	\$ 14,711,932	\$ 13,928,756	\$ 13,424,661
Average repurchase agreements and FHLBC Advances ⁽³⁾	\$ 10,854,239	\$ 10,954,377	\$ 11,610,144	\$ 11,557,064	\$ 11,309,499
Average Debt Securities liabilities ⁽⁴⁾	\$ 12,632,246	\$ 13,111,173	\$ 13,102,332	\$ 12,386,093	\$ 11,923,069
Average stockholders' equity ⁽⁵⁾	\$ 1,960,831	\$ 1,981,424	\$ 1,893,445	\$ 1,790,420	\$ 1,739,317
Average common shares outstanding ⁽⁶⁾	161,930	160,523	157,334	155,702	153,183
Leverage ratio (at period end) ⁽⁷⁾	6.44	6.77	7.06	6.87	6.77
Book Value per common share (at period end)	\$ 10.50	\$ 10.53	\$ 9.62	\$ 9.59	\$ 9.36
Key Performance Metrics*					
Average yield on settled Debt Securities ⁽⁸⁾	2.66%	2.56%	2.44%	2.56%	2.68%
Average yield on total Debt Securities including drop income ⁽⁹⁾	2.68%	2.57%	2.42%	2.59%	2.67%
Average cost of funds ⁽¹⁰⁾	0.34%	0.35%	0.35%	0.42%	0.49%
Average cost of funds and hedge ⁽¹¹⁾	1.32%	1.36%	1.21%	1.28%	1.31%
Adjusted average cost of funds and hedge ⁽¹²⁾	1.13%	1.13%	1.08%	1.19%	1.24%
Interest rate spread net of hedge ⁽¹³⁾	1.34%	1.20%	1.23%	1.28%	1.37%
Interest rate spread net of hedge including drop income ⁽¹⁴⁾	1.55%	1.44%	1.34%	1.40%	1.43%
Operating expense ratio ⁽¹⁵⁾	1.02%	1.16%	1.27%	1.30%	0.75%
Total stockholder return on common equity ⁽¹⁶⁾	6.51%	3.14%	(5.98%)	2.39%	0.31%

(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 \$12.5 million, \$14.1 million, \$8.6 million, \$6.3 million, and \$3.7 million for Q4 2014, Q1, Q2, Q3 and Q4 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 repurchase agreement, FHLBC Advances and swap and cap 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.

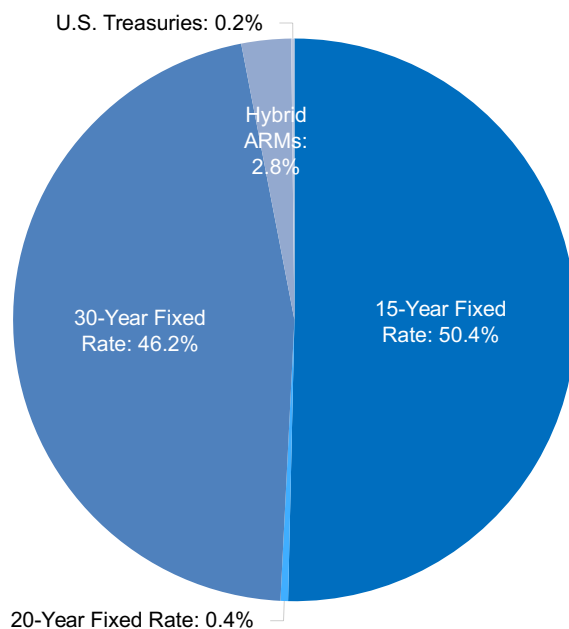
Q4 2015: Market Data & Commentary

Security Type	12/31/2014	3/31/2015	6/30/2015	9/30/2015	12/31/2015	Q4 2015 Δ to Q3 2015
15-Year Fannie Mae Fixed Rate MBS Prices						
3.0%	\$ 103.98	\$ 104.83	\$ 103.48	\$ 104.17	\$ 103.08	\$ (1.09)
3.5%	\$ 105.70	\$ 106.11	\$ 105.36	\$ 105.64	\$ 104.77	\$ (0.87)
4.0%	\$ 106.02	\$ 105.64	\$ 104.95	\$ 104.73	\$ 104.17	\$ (0.56)
4.5%	\$ 105.08	\$ 104.73	\$ 104.33	\$ 103.73	\$ 103.52	\$ (0.21)
30-Year Fannie Mae Fixed Rate MBS Prices						
3.5%	\$ 104.30	\$ 105.11	\$ 102.89	\$ 104.39	\$ 103.23	\$ (1.16)
4.0%	\$ 106.77	\$ 106.95	\$ 105.83	\$ 106.73	\$ 105.86	\$ (0.87)
4.5%	\$ 108.61	\$ 109.11	\$ 108.05	\$ 108.45	\$ 108.05	\$ (0.40)
U.S. Treasuries Rates						
2-Yr UST	0.66%	0.56%	0.64%	0.63%	1.05%	0.42 %
5-Yr UST	1.65%	1.37%	1.65%	1.36%	1.76%	0.40 %
7-Yr UST	1.97%	1.71%	2.08%	1.74%	2.09%	0.35 %
10-Yr UST	2.17%	1.92%	2.35%	2.04%	2.27%	0.23 %
Swap Rates						
2-Yr Swap	0.90%	0.81%	0.90%	0.75%	1.18%	0.43 %
5-Yr Swap	1.77%	1.53%	1.79%	1.38%	1.74%	0.36 %
7-Yr Swap	2.04%	1.79%	2.15%	1.70%	1.95%	0.25 %
10-Yr Swap	2.28%	2.02%	2.46%	2.00%	2.20%	0.20 %
30- and 15-Year Par Priced Fannie Mae to Swap Spreads						
30-Yr to 7-Yr Swap	0.79%	0.86%	0.95%	1.10%	1.05%	(0.05)%
15-Yr to 5-Yr Swap	0.31%	0.42%	0.50%	0.72%	0.57%	(0.15)%

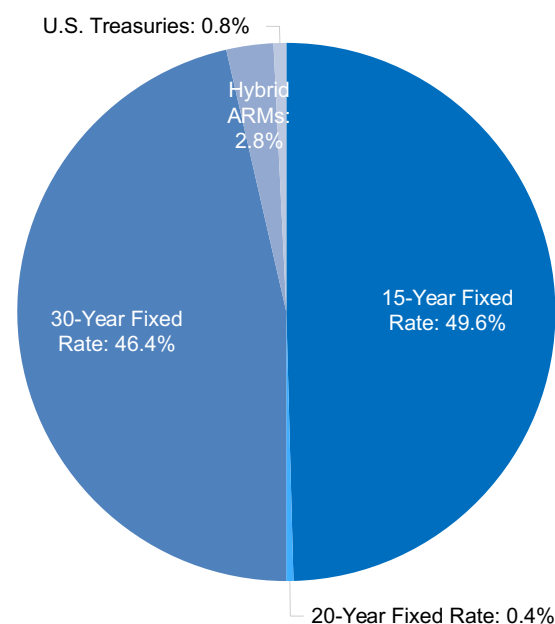
- Agency RMBS prices fell during the Fourth Quarter of 2015 (the "Fourth Quarter"). Prices at December 31, 2015 were near the lower end of the range for the year.
- At the end of the Fourth Quarter, the yield on 10-year U.S. Treasuries rose to 2.27%, or 23 basis points ("bps") higher than at the end of the Third Quarter of 2015 (the "Third Quarter"), and 10 bps higher than at the beginning of 2015.
- During the Fourth Quarter the spread between the 2- and 10-year Treasuries flattened by 19 bps. The short-end of the yield curve steepened over the course of 2015, while the long-end generally flattened.

Portfolio at Fair Value

September 30, 2015
\$13.8B Portfolio



December 31, 2015
\$13.0B Portfolio



<i>(dollars in thousands)</i>	9/30/2015	12/31/2015	\$ Change	Absolute % Change	Relative % Change
15-Year Fixed Rate	\$ 6,938,160	\$ 6,458,865	\$ (479,295)	-3%	-1%
20-Year Fixed Rate	59,824	56,102	(3,722)	0%	0%
30-Year Fixed Rate	6,361,473	6,045,212	(316,261)	-2%	0%
Hybrid ARMs	392,576	367,817	(24,759)	0%	0%
U.S. Treasuries	25,266	99,711	74,445	1%	1%
Total	\$ 13,777,299	\$ 13,027,707	\$ (749,592)	-4%	0%

Portfolio Detail as of December 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%	\$ 4,840,936	\$ 4,994,705	\$ 103.16	\$ 283	16	7.2%	3.46
TBA 3.0%	222,600	229,310	103.33	n/a	n/a	n/a	3.66
3.5%	1,014,790	1,064,726	103.15	220	41	9.8%	3.05
4.0%	140,196	148,692	101.13	169	58	14.8%	2.84
4.5%	20,152	21,432	102.51	243	71	14.7%	2.45
Subtotal	6,238,674	6,458,865	103.12	270	22	7.9%	3.38
20-Year Agency Mortgage Securities							
4.5%	51,664	56,102	102.79	215	65	16.4%	2.95
30-Year Agency Mortgage Securities							
3.5%	2,741,525	2,830,295	103.70	328	7	3.3%	4.88
TBA 3.5%	250,000	256,739	102.39	n/a	n/a	n/a	5.15
4.0%	2,321,917	2,461,698	105.20	277	16	9.6%	4.01
TBA 4.0%	323,000	341,611	105.80	n/a	n/a	n/a	3.70
4.5%	143,081	154,869	106.78	283	56	16.3%	3.65
Subtotal	5,779,523	6,045,212	104.44	304	12	6.2%	4.44
Hybrid ARMs							
3.0% ⁽⁴⁾	356,991	367,817	102.80	315	33	17.7%	2.48
U.S. Treasuries							
0.9%	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
As of September 30, 2015							
15-Year Agency	\$ 6,631,889	\$ 6,938,160	\$ 103.24	\$ 271	19	9.4%	3.12
20-Year Agency	54,794	59,824	102.85	217	62	18.1%	3.04
30-Year Agency	5,999,972	6,361,473	104.80	298	12	9.8%	3.99
Hybrid ARMs	377,163	392,576	102.81	315	30	17.3%	2.30
U.S. Treasuries	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

- (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 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
≤ 3 Years	\$ 4,250,000	\$11,881	(1.79)	0.98	0.38	≤ 3 Years	\$ —	\$ —	—	—
> 3 to ≤ 5 Years	2,800,000	12,840	(4.05)	1.56	0.34	> 3 to ≤ 5 Years	2,500,000	61,343	(2.39)	1.28
> 5 to ≤ 7 Years	900,000	690	(6.13)	1.93	0.45	> 5 to ≤ 7 Years	—	—	—	—
Subtotal / Wtd. Avg	\$ 7,950,000	\$25,411	(3.08)	1.29	0.41	Subtotal / Wtd. Avg	\$ 2,500,000	\$61,343	(2.39)	1.28
Total / Wtd. Avg							\$ 10,450,000	\$86,754	(2.91)	n/a

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
Total / Wtd. Avg	\$ 7,500,000	\$(65,125)	(3.29)	1.31	0.32	Total / Wtd. Avg	\$ 2,500,000	\$53,803	(2.18)	1.28
Total / Wtd. Avg							\$ 10,000,000	\$(11,322)	(3.02)	n/a

- In the Fourth Quarter, the Company added \$0.75 billion notional of 5-year swaps with a weighted-average pay rate of 1.52%, and terminated \$0.30 billion notional of swaps with a weighted-average pay rate of 2.26%.
- Interest rate swaps and caps totaled \$10.45 billion, and covered 94% of the Company's repurchase agreements and FHLBC Advances at December 31, 2015, compared to \$10.00 billion and 88% coverage at September 30, 2015.
- During the Fourth Quarter, swap spreads continued to tighten, even turning negative compared to U.S. Treasuries in November 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 December 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	5.56%	⁽²⁾⁽³⁾	0.34%	2.66%	(0.16)
-50	4.45%	⁽²⁾⁽³⁾	0.39%	2.99%	0.13
-25	2.22%	⁽²⁾⁽³⁾	0.26%	2.05%	0.44
—	—%		—%	—%	0.74
25	(5.56)%	⁽²⁾	(0.39)%	(2.99)%	1.02
50	(11.12)%	⁽²⁾	(0.89)%	(6.87)%	1.25
75	(16.67)%	⁽²⁾	(1.48)%	(11.43)%	1.42

Net Duration Gap ⁽⁴⁾ 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		

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		

- The Company's duration gap extended to 0.74 at December 31, 2015, compared to 0.66 at September 30, 2015, primarily due to a slight lengthening of the duration of the Company's existing Agency RMBS portfolio.

(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 December 31, 2015, we reduced 3-month LIBOR and our repo borrowing rates by 10, 25 and 35 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 December 31, 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	\$ 751,592	7%	0.49%	7	30
> 30 to ≤ 60 Days	2,507,201	24%	0.48%	9	43
> 60 Days	7,055,732	66%	0.54%	37	88
Subtotal	\$ 10,314,525	97%	0.52%	28	73
U.S. Treasuries					
≤ 30 Days	348,251	3%	(0.13)%	4	13
Total/ Wtd.-Avg.	\$ 10,662,776	100%	0.50%	27	71
As of September 30, 2015					
Total/ Wtd.-Avg.	\$ 10,927,681	100%	0.44%	25	44

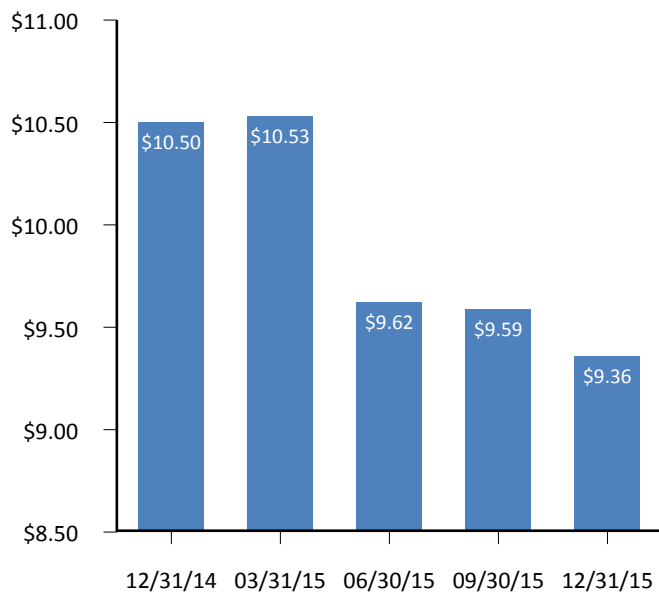
Long-Term FHLBC Advances As of December 31, 2015					
Original Days to Maturity	Long-Term FHLBC Advances Outstanding (000's)	Percentage of Total	Weighted-Average Interest Rate	Next Call Date	Weighted-Average Maturity Date
> 360 Days	\$ 425,000	100%	1.48%	May 2016	July 2018

Active Counterparties As of December 31, 2015			
Counterparty Region	Number of Counterparties	Outstanding Repo Borrowings and FHLB Advances	% of Total
North America	22	\$7,138,966	64.4%
Europe	8	\$2,418,480	21.8%
Asia	5	\$1,530,330	13.8%
Total	35	\$11,087,776	100.0%

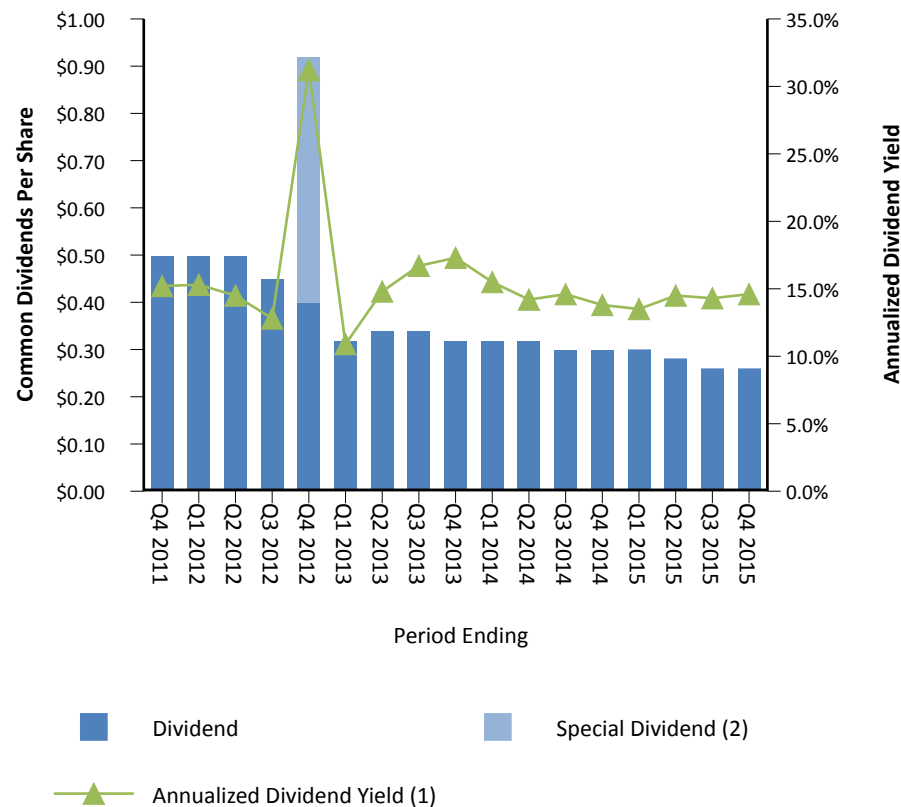
- During the Fourth Quarter, we had \$1.675 billion in short-term FHLBC advances, and \$0.425 billion in long-term FHLBC advances with a 3-year term callable in 1 year after the debt was incurred and every 6 months thereafter.
- During the Fourth Quarter, the Company did not experience any reduction in the availability of repo borrowings or FHLBC Advances. We had repo borrowings and FHLBC Advances outstanding with 35 counterparties, and had agreements in place with a total of 48 counterparties. *See our Form 10-K for the year ended December 31, 2015 for a discussion of Subsequent Events that have impacted our FHLBC Advances.*
- Our average cost of funds during the Fourth Quarter increased to 0.49% compared to 0.42% for the Third Quarter.

Historic Metrics: Book Value and Common Stock Dividends

**Book Value Per Common Share at quarter end
December 31, 2014 - December 31, 2015**



**CYS Common Stock Dividends
Q4 2011 - Q4 2015**

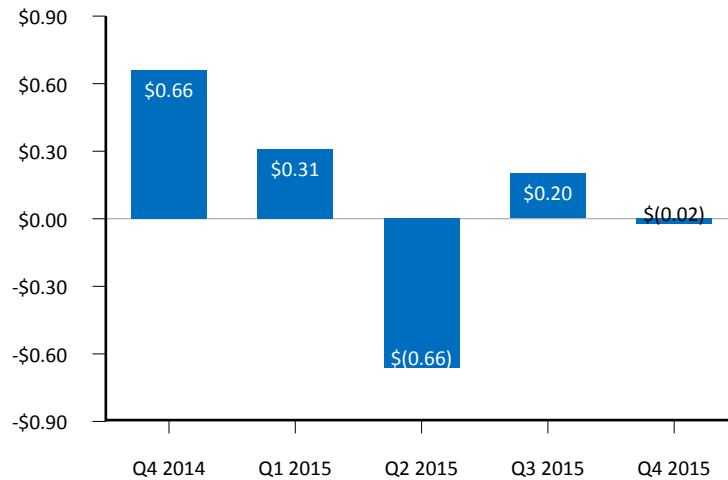


(1) The annualized dividend yield is calculated using the stock price at the quarter end.

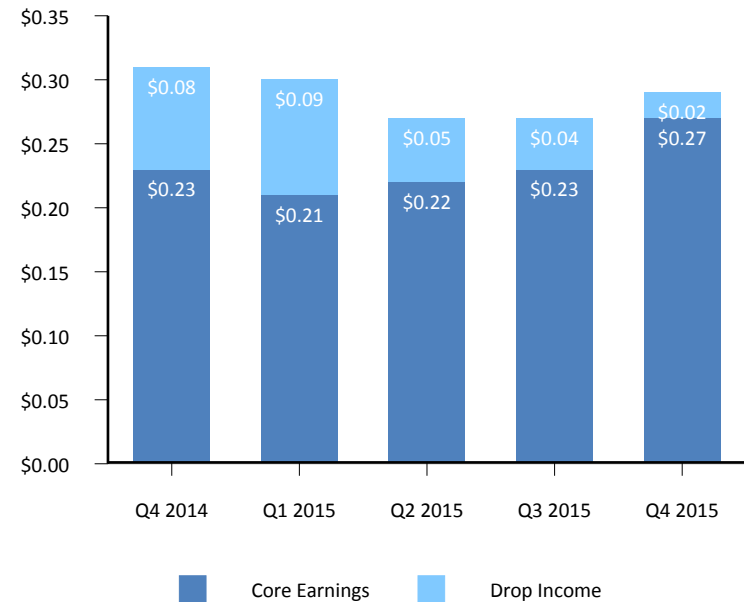
(2) The December 2012 dividend was composed of a \$0.40 quarterly cash dividend and a \$0.52 special cash dividend.

Historic Metrics: GAAP Net Income & Core+Drop

**GAAP Net Income (Loss) Per Common Share Basic & Diluted
Q4 2014 - Q4 2015**



**Core Earnings⁽¹⁾ Plus Drop Income Per Diluted Common Share
Q4 2014 - Q4 2015**

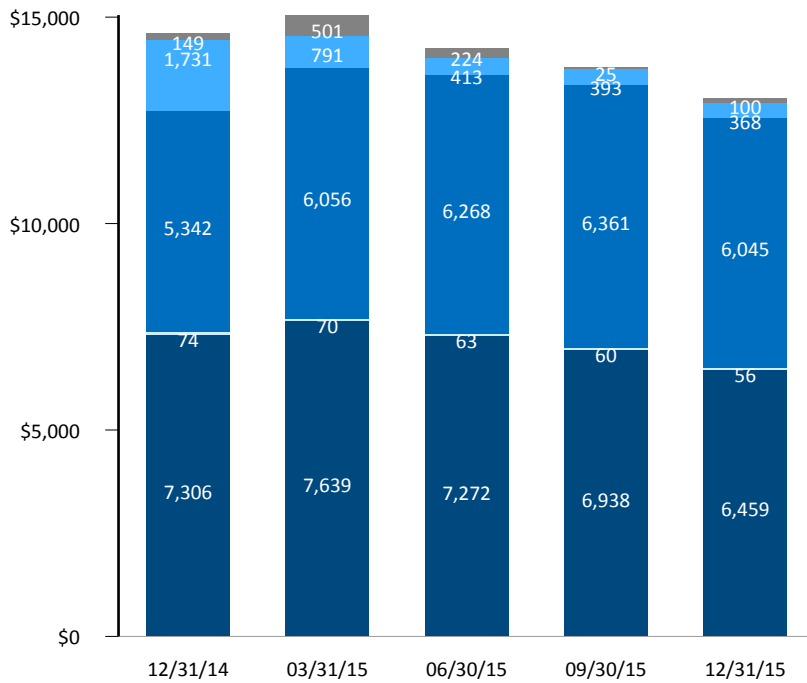


(1) Reconciliation of the non-GAAP measure Core Earnings can be found on page 18.

Historic Metrics: Portfolio & Interest Rate Spread

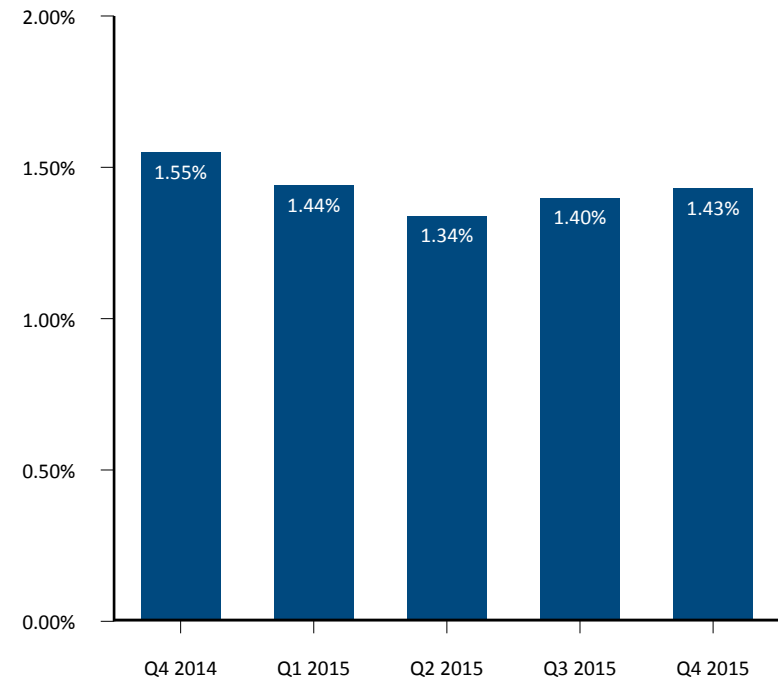
**Debt Securities Portfolio at Fair Value at Quarter-End
December 31, 2014 - December 31, 2015**

(dollars in millions)



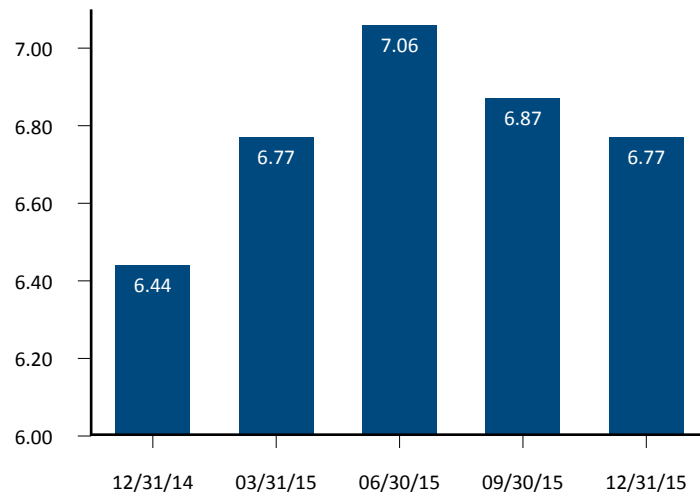
- 15-Year Agency Mortgage Securities
- 20-Year Agency Mortgage Securities
- 30-Year Agency Mortgage Securities
- Agency Hybrid ARMs
- U.S. Treasury Securities

**Interest Rate Spread Net of Hedge Including Drop Income
Q4 2014 - Q4 2015**

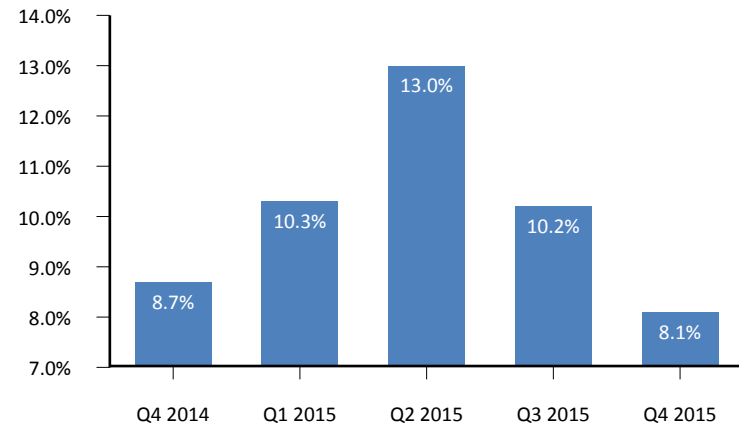


Historic Metrics: Leverage & Constant Prepayment Rate

Leverage at Quarter-End
December 31, 2014 - December 31, 2015



Average Constant Prepayment Rate
Q4 2014 - Q4 2015



Consolidated Balance Sheets

(dollars in 000's, except per share data) (Unaudited)	12/31/2014 ⁽¹⁾	03/31/2015	06/30/2015	9/30/2015	12/31/2015 ⁽¹⁾
Assets:					
Investments in securities, at fair value	\$ 14,601,507	\$ 15,047,074	\$ 14,240,290	\$ 13,777,299	\$ 13,027,707
Other investments	8,025	18,229	41,028	50,028	50,028
Derivative assets, at fair value	148,284	91,604	101,852	53,995	100,778
Cash	4,323	7,170	49,919	28,622	9,982
Receivable for securities sold and principal repayments	83,643	345,006	907,661	247,207	1,084,844
Interest receivable	37,894	37,314	37,551	36,518	34,563
Receivable for cash pledged as collateral	11,104	37,216	25,509	71,655	21,751
Other assets	1,083	11,408	1,304	1,250	1,051
Total assets	\$ 14,895,863	\$ 15,595,021	\$ 15,405,114	\$ 14,266,574	\$ 14,330,704
Liabilities and stockholders' equity:					
Liabilities:					
Repurchase agreements	\$ 11,289,559	\$ 10,204,901	\$ 10,115,335	\$ 9,252,681	\$ 8,987,776
Short-term FHLBC advances	—	510,000	1,575,000	1,675,000	1,675,000
Long-term FHLBC advances, at fair value	—	—	75,011	425,737	423,701
Derivative liabilities, at fair value	16,007	38,502	19,778	65,317	14,024
Payable for securities purchased	1,505,481	2,767,042	1,732,668	980,615	1,475,974
Payable for cash received as collateral	72,771	48,229	25,104	38,641	18,534
Distribution payable	4,410	51,844	48,328	44,659	4,410
Accrued interest payable	27,208	31,422	26,311	18,453	32,588
Accrued expenses and other liabilities	5,259	2,445	3,473	5,647	4,083
Total liabilities	12,920,695	13,654,385	13,621,008	12,506,750	12,636,090
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, 158M, 157M, 155M and 152M shares issued and outstanding, respectively)	1,618	1,581	1,568	1,548	1,517
Additional paid in capital	2,049,152	2,012,697	2,002,339	1,987,501	1,946,419
Accumulated deficit	(341,502)	(339,542)	(485,701)	(495,125)	(519,222)
Total stockholders' equity:	1,975,168	1,940,636	1,784,106	1,759,824	1,694,614
Total liabilities and stockholders' equity:	\$ 14,895,863	\$ 15,595,021	\$ 15,405,114	\$ 14,266,574	\$ 14,330,704
Book value per common share	\$ 10.50	\$ 10.53	\$ 9.62	\$ 9.59	\$ 9.36

(1) Derived from audited consolidated financial statements.

Consolidated Statements of Operations

(in 000's, except per share data) (Unaudited)	Three Months Ended				
	12/31/2014	3/31/2015	6/30/2015	9/30/2015	12/31/2015
Interest income:					
Interest income from Agency RMBS	\$ 82,338	\$ 80,060	\$ 79,579	\$ 83,816	\$ 84,831
Other interest income	1,261	790	953	166	1,000
Total interest income	83,599	80,850	80,532	83,982	85,831
Interest expense:					
Repurchase agreement and short-term FHLBC advances interest expense	9,156	9,642	10,157	10,893	12,382
Long-term FHLBC advances interest expense	—	—	105	1,368	1,582
Total interest expense	9,156	9,642	10,262	12,261	13,964
Net interest income	74,443	71,208	70,270	71,721	71,867
Other income (loss):					
Net realized gain (loss) on investments	42,305	18,253	9,435	(10,332)	(3,704)
Net unrealized gain (loss) on investments	99,135	75,689	(176,899)	106,154	(134,708)
Net unrealized gain (loss) on long-term FHLBC advances	—	—	(11)	(726)	2,036
Other income	50	40	118	300	409
Subtotal	141,490	93,982	(167,357)	95,396	(135,967)
Swap and cap interest expense	(26,650)	(27,468)	(24,992)	(24,681)	(22,969)
Net realized and unrealized gain (loss) on swap and cap contracts	(72,703)	(77,368)	31,047	(100,597)	91,986
Net gain (loss) from swap and cap contracts	(99,353)	(104,836)	6,055	(125,278)	69,017
Total other income (loss)	42,137	(10,854)	(161,302)	(29,882)	(66,950)
Expenses:					
Compensation and benefits	2,997	3,554	3,712	3,655	1,200
General, administrative and other	2,027	2,203	2,293	2,157	2,069
Total expenses	5,024	5,757	6,005	5,812	3,269
Net income (loss)	\$ 111,556	\$ 54,597	\$ (97,037)	\$ 36,027	\$ 1,648
Dividends on preferred stock	(5,203)	(5,203)	(5,203)	(5,203)	(5,204)
Net income (loss) available to common stockholders	\$ 106,353	\$ 49,394	\$ (102,240)	\$ 30,824	\$ (3,556)
Net income (loss) per common share	\$ 0.66	\$ 0.31	\$ (0.66)	\$ 0.20	\$ (0.02)

Non-GAAP Measure/Reconciliation

Core Earnings:

(in 000's, except per share data) (Unaudited)	Three Months Ended				
	12/31/2014	3/31/2015	6/30/2015	9/30/2015	12/31/2015
Net income (loss) available to common stockholders	\$ 106,353	\$ 49,394	\$ (102,240)	\$ 30,824	\$ (3,556)
Net realized (gain) loss on investments	(42,305)	(18,253)	(9,435)	10,332	3,704
Net unrealized (gain) loss on investments	(99,135)	(75,689)	176,899	(106,154)	134,708
Net realized and unrealized (gain) loss on termination of swap and cap contracts	72,703	77,368	(31,047)	100,597	(91,986)
Net unrealized (gain) loss on long-term FHLBC advances	—	—	11	726	(2,036)
Core earnings	\$ 37,616	\$ 32,820	\$ 34,188	\$ 36,325	\$ 40,834
Core earnings per average share	\$ 0.23	\$ 0.21	\$ 0.22	\$ 0.23	\$ 0.27

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 and 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 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				
	12/31/2014	3/31/2015	6/30/2015	9/30/2015	12/31/2015
Net interest income	\$ 74,443	\$ 71,208	\$ 70,270	\$ 71,721	\$ 71,867
Swap and cap interest expense	26,650	27,468	24,992	24,681	22,969
Economic net interest income	<u>\$ 47,793</u>	<u>\$ 43,740</u>	<u>\$ 45,278</u>	<u>\$ 47,040</u>	<u>\$ 48,898</u>
Total interest expense	\$ 9,156	\$ 9,642	\$ 10,262	\$ 12,261	\$ 13,964
Swap and cap interest expense	26,650	27,468	24,992	24,681	22,969
Economic interest expense	<u>\$ 35,806</u>	<u>\$ 37,110</u>	<u>\$ 35,254</u>	<u>\$ 36,942</u>	<u>\$ 36,933</u>

Economic Net Interest Income and Economic Interest Expense:

Commencing with the Form 10-K for the year ended December 31, 2015, "Swap and cap interest expense", which up through September 30, 2015 was recognized in "Interest expense", and was a component of "Net interest income" in the Consolidated Statement of Operations, is now recognized in "Net gain (loss) from swap and cap contracts" in "Other income (loss)". This presentation change was made in order to record income, expenses and fair value changes related to derivatives in one line item in the financial statements, consistent with common practice of other companies that invest in similar assets and liabilities. As a result of this change, the caption "Net interest income" no longer includes the swap and cap interest expense. Therefore, we are presenting new non-GAAP measures, "economic interest expense", and "economic net interest income" to provide an equivalent measure to show our interest income net of borrowing and hedge expense. By providing users of our financial information with such measures in addition to the related GAAP measures, we believe it gives users greater transparency into the information used by our management in its financial and operational decision-making, and that it is meaningful information to consider related to the economic costs of financing our investment portfolio, inclusive of interest rate swaps and caps used to hedge against fluctuations in our borrowing costs.

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
Fourth Quarter & Full Year 2015
February 18, 2016**