



Supplemental Earnings Presentation
First Quarter 2014
April 22, 2014

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, including information relating to the Company's Agency RMBS prices, refinance activity, and governmental actions 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, the likelihood that proposed legislation is made law and the anticipated impact thereof, actions by the U.S. government or any agency thereof, including the Federal Reserve, and the effects of such actions 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.

Q1 2014 Summary Results



- March 31, 2014 book value per common share of \$9.68
 - Increased \$0.44 per common share from \$9.24 as of December 31, 2013
- \$0.32 dividend per common share representing an annualized dividend yield of 15.5% using the closing share price of \$8.26 on March 31, 2014
- March 31, 2014 leverage ratio of 6.32:1
- GAAP net income available to common shares of \$125.5 million, or \$0.78 per diluted common share
- Core Earnings⁽¹⁾ plus Drop Income⁽²⁾ of \$56.7 million, or \$0.35 per diluted common share (\$0.28 Core Earnings and \$0.07 Drop Income)
- Weighted average amortized cost of Agency RMBS and U.S. Treasury Securities of \$102.53
- Operating expenses of 1.25% of average stockholders' equity
- Interest rate spread net of hedge including Drop Income of 1.89%⁽³⁾
- 8.23% common book value total return for the quarter⁽⁴⁾
- 15.79% common stock market value total return for the quarter⁽⁵⁾
- \$13.3 billion investment portfolio as of March 31, 2014, at fair value
 - Includes \$1.6 billion of forward settling transactions as of March 31, 2014
- Constant Prepayment Rate ("CPR") of 5.6% for the quarter
 - CPR of 7.6% for the month of April 2014

(1) Core Earnings is defined as net income (loss) available to common shares excluding net realized and unrealized gain (loss) on investments, net realized gain (loss) on termination of swap and cap contracts and net unrealized gain (loss) on swap and cap contracts. A reconciliation to net income (loss) can be found on page 16.

(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) Refer to tickmark 13 on page 3 for a description of the calculation of this metric.

(4) Includes dividends.

(5) Includes dividends and assumes the reinvestments of all dividends.

Key Balance Sheet/Performance Metrics



Key Balance Sheet Metrics (in thousands)	Three months ended				
	3/31/2013	6/30/2013	9/30/2013	12/31/2013	3/31/2014
Average settled Debt Securities ⁽¹⁾	\$ 16,259,127	\$ 16,090,148	\$ 14,143,340	\$ 13,024,294	\$ 12,472,238
Average total Debt Securities ⁽²⁾	\$ 20,392,934	\$ 20,060,439	\$ 16,135,672	\$ 14,293,267	\$ 13,454,972
Average repurchase agreements ⁽³⁾	\$ 14,107,740	\$ 13,871,404	\$ 12,180,713	\$ 11,384,159	\$ 10,867,627
Average Debt Securities liabilities ⁽⁴⁾	\$ 18,241,547	\$ 17,841,695	\$ 14,173,045	\$ 12,653,132	\$ 11,850,361
Average stockholders' equity ⁽⁵⁾	\$ 2,357,333	\$ 2,321,128	\$ 1,977,424	\$ 1,896,360	\$ 1,861,121
Average common shares outstanding ⁽⁶⁾	174,864	174,145	170,351	163,850	161,831
Leverage ratio (at period end) ⁽⁷⁾	7.75:1	7.54:1	6.45:1	6.97:1	6.32:1
Key Performance Metrics*					
Average yield on settled Debt Securities ⁽⁸⁾	1.80%	2.03%	2.42%	2.82%	2.71%
Average yield on total Debt Securities including drop income ⁽⁹⁾	1.97%	2.27%	2.67%	2.93%	2.85%
Average cost of funds and hedge ⁽¹⁰⁾	1.05%	1.17%	1.17%	1.15%	1.04%
Adjusted average cost of funds and hedge ⁽¹¹⁾	0.81%	0.91%	1.01%	1.04%	0.96%
Interest rate spread net of hedge ⁽¹²⁾	0.75%	0.86%	1.25%	1.67%	1.67%
Interest rate spread net of hedge including drop income ⁽¹³⁾	1.16%	1.36%	1.66%	1.89%	1.89%
Operating expense ratio ⁽¹⁴⁾	0.94%	0.98%	1.13%	0.89%	1.25%
Common book value total return (%) ⁽¹⁵⁾	(0.90%)	(18.10%)	2.35%	(5.35%)	8.23%

The table above includes calculations of the Company's Agency RMBS, U.S. Treasury Securities and Agency Debenture portfolio ("Debt Securities")

- (1) The average settled Debt Securities is calculated by averaging the month end cost basis of settled Debt Securities during the period.
- (2) The average total Debt Securities is calculated by averaging the month end cost basis of total Debt Securities during the period.
- (3) The average repurchase agreements are calculated by averaging the month end repurchase agreements balance during the period.
- (4) The average Debt Securities liabilities are calculated by adding the average month end repurchase agreements balance 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 balance 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 \$27.3 million, \$32.3 million, \$22.1 million, \$12.8 million and \$11.6 million for Q1, Q2, Q3, and Q4 2013, and Q1 2014, respectively.
- (10) The average cost of funds and hedge for the period is calculated by dividing interest expense by average repurchase agreements.
- (11) The adjusted average cost of funds and hedge for the period is calculated by dividing interest expense by average Debt Securities liabilities.
- (12) 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.
- (13) 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.
- (14) The operating expense ratio for the period is calculated by dividing operating expenses by average stockholders' equity.
- (15) Not computed on annualized basis.

* All percentages are annualized.

1st Quarter Market Commentary:

- U.S. Treasury curve flattened 35 basis points between the 2 year and 10 year.
- Refinancing has decreased from 77% of gross supply in February 2013 to 47% as of February 2014 and is expected to drop further.
- The U.S. Federal Reserve (the “Fed”) continues to dominate the mortgage market accounting for \$1.63 trillion as of March 2014, comprising approximately 30% of Agency RMBS.
- The Fed’s tapering of mortgage backed securities and U.S. Treasuries has commenced and been widely discussed in the markets.

Security	3/31/2013	6/30/2013	9/30/2013	12/31/2013	3/31/2014	Q1 2014 Δ
15 Year Fannie Mae Fixed Rate Mortgage Prices						
3.0%	\$ 105.14	\$ 102.83	\$ 103.55	\$ 102.02	\$ 102.73	\$ 0.71
3.5%	\$ 105.98	\$ 104.20	\$ 105.55	\$ 104.58	\$ 104.83	\$ 0.25
4.0%	\$ 106.98	\$ 105.42	\$ 106.23	\$ 105.92	\$ 105.80	\$ (0.12)
4.5%	\$ 107.64	\$ 105.98	\$ 106.30	\$ 106.45	\$ 106.02	\$ (0.43)

30 Year Fannie Mae Fixed Rate Mortgage Prices						
3.0%	\$ 103.05	\$ 97.70	\$ 97.80	\$ 94.98	\$ 96.61	\$ 1.63
3.5%	\$ 105.55	\$ 101.48	\$ 101.92	\$ 99.36	\$ 100.67	\$ 1.31
4.0%	\$ 106.58	\$ 104.17	\$ 104.92	\$ 103.02	\$ 103.98	\$ 0.96
4.5%	\$ 107.70	\$ 105.83	\$ 106.86	\$ 105.98	\$ 106.73	\$ 0.75

Treasury Rates						
2 YR UST	0.24%	0.36%	0.32%	0.38%	0.42%	0.04%
5 YR UST	0.76%	1.39%	1.38%	1.74%	1.72%	(0.02%)
10 YR UST	1.85%	2.49%	2.61%	3.03%	2.72%	(0.31%)

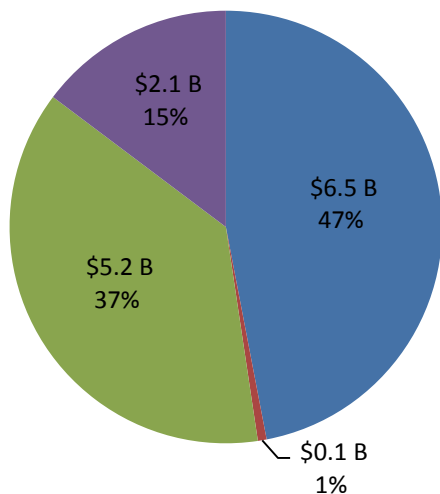
Swap Rates						
2 YR Swap	0.42%	0.51%	0.46%	0.49%	0.55%	0.06%
5 YR Swap	0.95%	1.57%	1.54%	1.79%	1.80%	0.01%
10 YR Swap	2.01%	2.70%	2.77%	3.09%	2.84%	(0.25%)

30 and 15 Year Par Priced Fannie Mae to Swap Spreads						
FNCL to 7 YR Swap	1.18%	1.17%	1.13%	1.13%	1.09%	(0.04%)
FNCL to 4 YR Swap	0.98%	1.23%	1.24%	1.34%	1.09%	(0.25%)

Source: Bloomberg

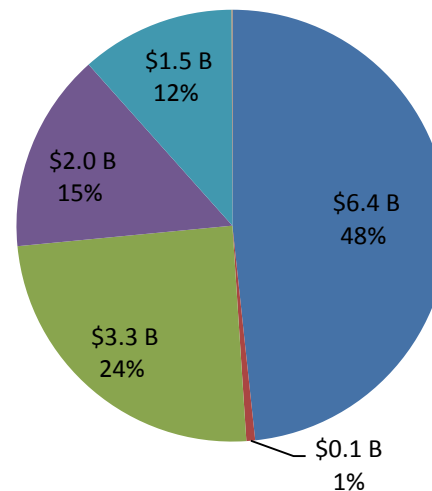
Agency RMBS and U.S. Treasury Portfolio at Fair Value

As of 12/31/2013
\$13.9 B Agency RMBS Portfolio



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

As of 3/31/2014
\$13.3 B Agency RMBS and U.S. Treasury Portfolio



<i>(dollars in thousands)</i>	12/31/2013	3/31/2014	\$ Delta	% Delta
15 Year Fixed Rate	\$ 6,510,958	\$ 6,432,461	\$ (78,497)	1%
20 Year Fixed Rate	90,795	87,371	(3,424)	0%
30 Year Fixed Rate	5,214,548	3,263,950	(1,950,598)	-13%
Agency Hybrid ARMs	2,042,547	1,986,641	(55,906)	0%
U.S. Treasury Securities	-	1,537,312	1,537,312	12%
Total	\$ 13,858,848	\$ 13,307,735	\$ (551,113)	0%

Agency RMBS and U.S. Treasury Table as of March 31, 2014



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%	\$ 4,941,237	\$ 5,080,928	\$ 102.65	\$ 266	10	4.1 %	4.7
3.5%	1,035,396	1,085,911	102.47	268	30	9.4	3.6
4.0%	218,050	230,950	101.29	175	37	13.0	3.1
4.5%	32,486	34,672	102.90	247	50	23.3	2.3
Subtotal	6,227,169	6,432,461	102.58	262	15	5.6	4.4
20 Year Agency Mortgage Securities							
4.5%	81,294	87,371	103.04	224	44	11.5	2.9
30 Year Agency Mortgage Securities							
3.0%	92,267	88,948	103.87	422	17	1.5	7.0
3.5%	231,614	232,929	99.97	280	9	2.6	7.4
4.0%	2,631,968	2,734,860	103.22	315	8	3.6	6.5
4.5%	194,126	207,213	107.03	287	35	11.4	4.4
Subtotal	3,149,975	3,263,950	103.24	315	11	4.1	6.5
Agency Hybrid ARMs							
2.6% ⁽⁴⁾	1,946,543	1,986,641	103.55	337	22	9.5	4.0
U.S. Treasury Securities							
1.5%	1,550,000	1,537,312	99.61	n/a	n/a	n/a	4.6
Total	\$12,954,981	\$13,307,735	\$ 102.53	\$ 289	15	6.1	4.9

- (1) TBAs 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) The CPR represents the 3 month CPR of the Company's Agency RMBS held at March 31, 2014. The CPR experienced by the Company during the period may differ. Securities with no prepayment history are excluded from this calculation.
- (3) Duration essentially measures the market price volatility of financial instruments as interest rates change. 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) Coupon represents the weighted average coupon of Agency Hybrid ARMs.

Interest Rate Swaps & Caps

- Hedging activity for the first quarter included the termination of one interest rate swap with a notional amount of \$500 million and a maturity of February 2015.
- The combination of interest rate swaps and caps totaled \$9.7 billion and covered 97% of our repurchase agreements at March 31, 2014, compared to 91% at December 31, 2013.

Interest Rate Swaps					
As of March 31, 2014					
Maturity	Notional Amount (in 000's)	Fair Value (in 000's)	Duration ⁽¹⁾	Pay Rate	Receive Rate
≤ 3 Years	550,000	(12,320)	(2.24)	1.71	0.24
> 3 to ≤ 5 Years	5,250,000	51,823	(3.41)	1.02	0.24
Total / Wtd Avg	5,800,000	39,503	(3.30)	1.09	0.24

As of December 31, 2013					
Total / Wtd Avg	\$ 6,300,000	\$ 31,546	(3.33)	1.17	0.24

Interest Rate Caps				
As of March 31, 2014				
Maturity	Notional Amount (in 000's)	Fair Value (in 000's)	Duration ⁽¹⁾	Cap Rate
≤ 3 Years	500,000	165	(0.10)	1.40
> 3 to ≤ 5 Years	-	-	-	-
> 5 to ≤ 7 Years	3,400,000	204,087	(2.78)	1.40
Total / Wtd Avg	3,900,000	204,252	(2.44)	1.40

As of December 31, 2013				
Total / Wtd Avg	\$ 3,900,000	\$ 234,703	(2.50)	1.40

(1) Duration essentially measures the market price volatility of financial instruments as interest rates change. 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.

Sensitivity Analysis and Duration Gap

Interest Rate Sensitivity ⁽¹⁾

As of March 31, 2014

Interest Rate Change (bps)	Net Duration Gap	Projected Change in the Fair Value of Our Assets	Projected Change in Stockholders' Equity
-75	1.01	1.0%	7.7%
-50	1.19	0.9%	6.6%
-25	1.38	0.6%	4.4%
0	1.52	0.0%	0.0%
25	1.60	(0.7%)	(4.8%)
50	1.63	(1.3%)	(9.8%)
75	1.63	(2.0%)	(14.9%)

Net Duration Gap ⁽²⁾

As of March 31, 2014

Investment Type	Duration	Notional / Face Value
Interest rate swaps	(3.30)	\$ 5,800,000
Interest rate caps	(2.44)	3,900,000
Agency RMBS and U.S. Treasuries	4.88	12,954,981
Net Duration Gap	1.52	\$ 22,654,981
Leverage	6.32:1	

As of December 31, 2013

Net Duration Gap	1.62
Leverage	6.97:1

(1) The interest rate sensitivity analysis shows the estimated impact interest rate changes would have on net duration gap, using DV01 methodology, the projected change in the fair value of our interest rate sensitive investments and stockholders' equity assuming a static portfolio and that rates instantaneously fall 25, 50 and 75 basis points and rise 25, 50 and 75 basis points.

(2) Calculated as a weighted average of the total portfolio, including the aggregate notional on interest rate swaps and caps, using DV01 methodology.

Repurchase Agreements					
As of March 31, 2014					
Original Days to Maturity	Repo Outstanding (in 000's)	Repo Outstanding Percentage	Interest Rate	Weighted Average	
				Remaining Days to Maturity	Original Days to Maturity
≤ 30 Days	\$ 2,461,498	25%	0.25%	11	25
>30 to ≤ 60 Days	2,625,501	26%	0.28%	19	47
> 60 Days	4,927,049	49%	0.36%	73	113
Total	\$ 10,014,048	100%	0.31%	43	74

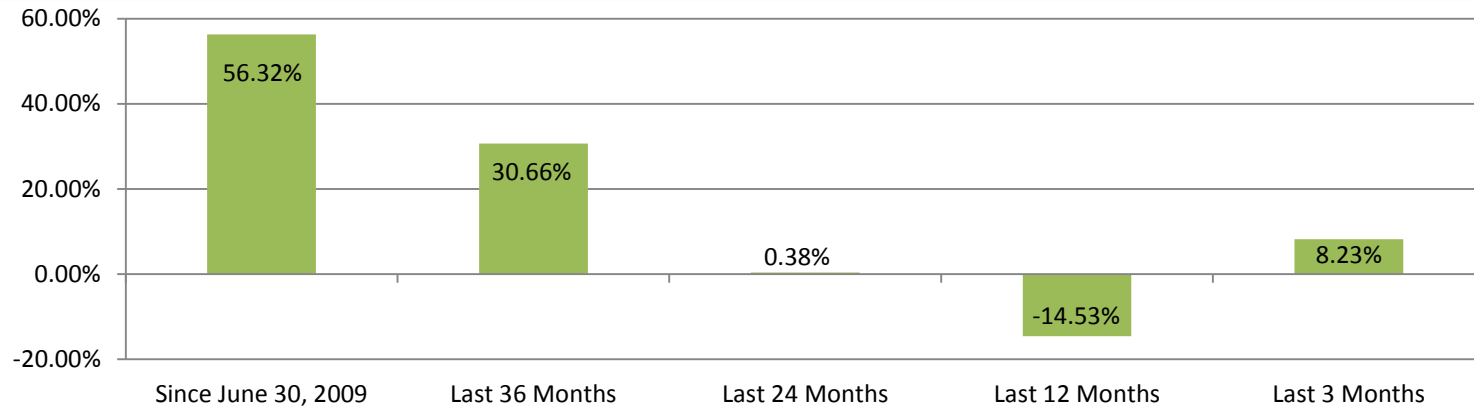
As of December 31, 2013					
Total/ Wtd Avg	\$ 11,206,950	100%	0.41%	40	94

Counterparty Region	Number of Counterparties	Percent of Repo Exposure
North America	13	48%
Europe	8	31%
Asia	5	21%
Total	26	100%

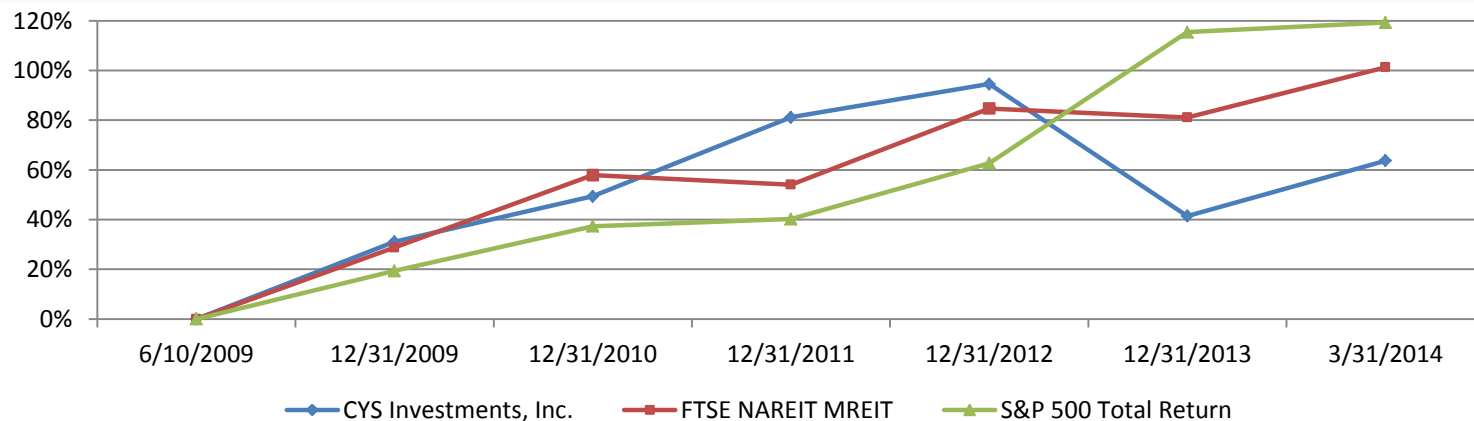
- Haircuts have been stable during the quarter, with U.S. Treasuries ranging from 0%-2% and Agency RMBS ranging from 3%-7%.
- No material change to repo capacity during the quarter.
- We had repurchase agreements in place with 38 counterparties and indebtedness outstanding with 26 counterparties as of March 31, 2014.

Historical Cumulative Return

Cumulative Common Book Value Total Return
June 2009 – March 2014



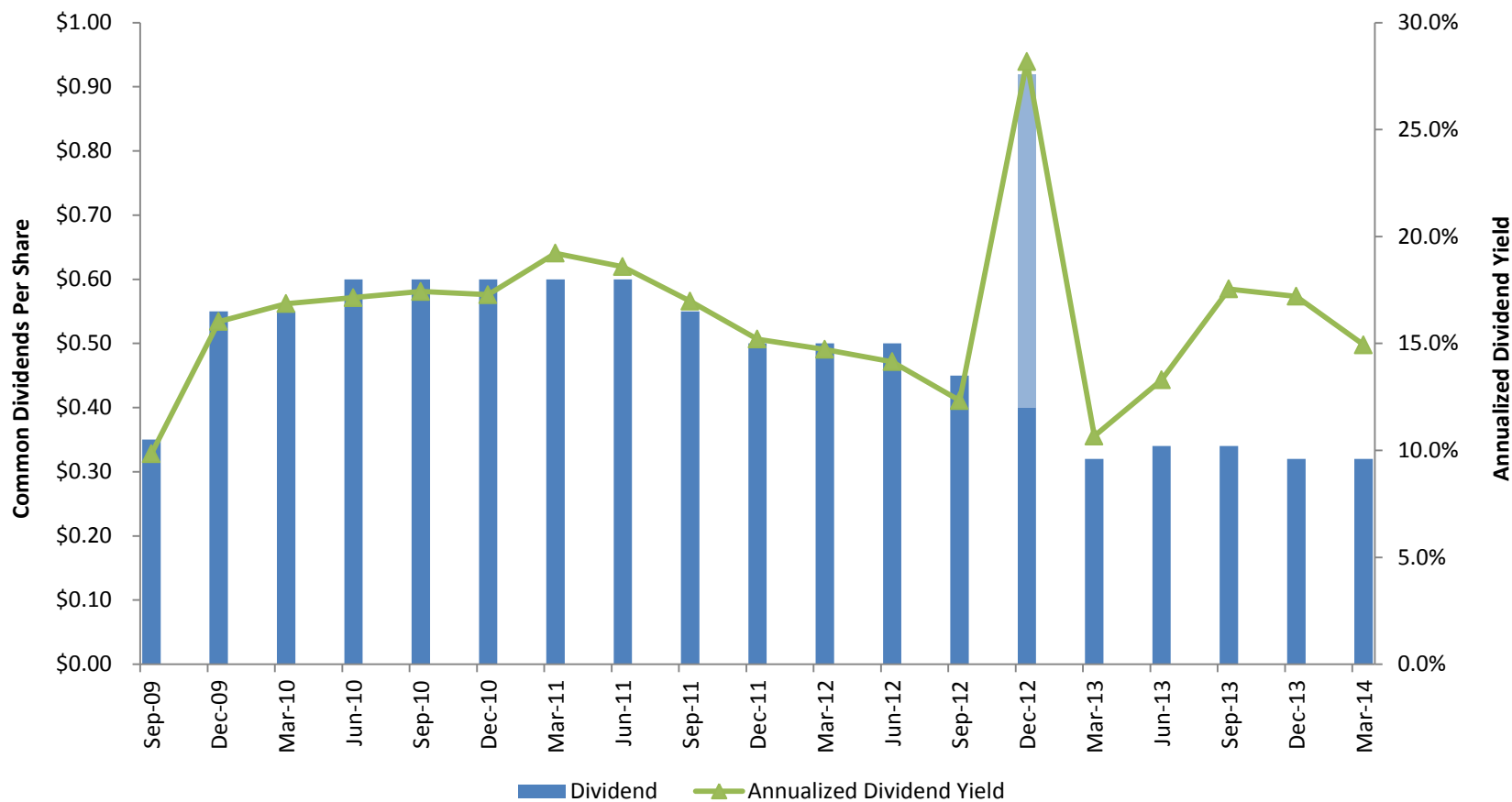
Cumulative Common Stock Market Value Total Return ⁽¹⁾
June 2009 – March 2014



(1) Includes dividends and assumes the reinvestment of all dividends

Historical Common Stock Dividends

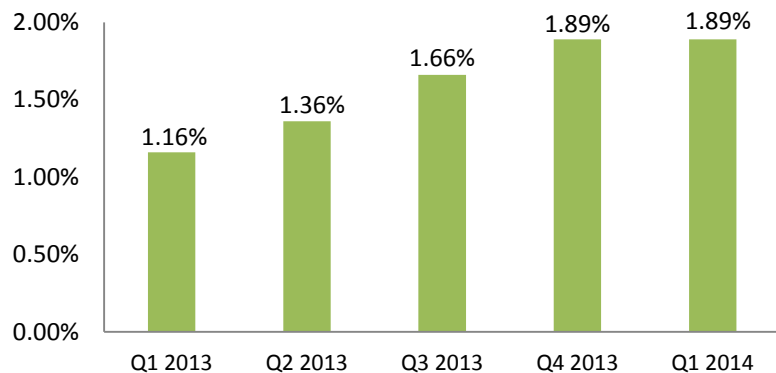
CYS Common Stock Dividends
September 2009 – March 2014



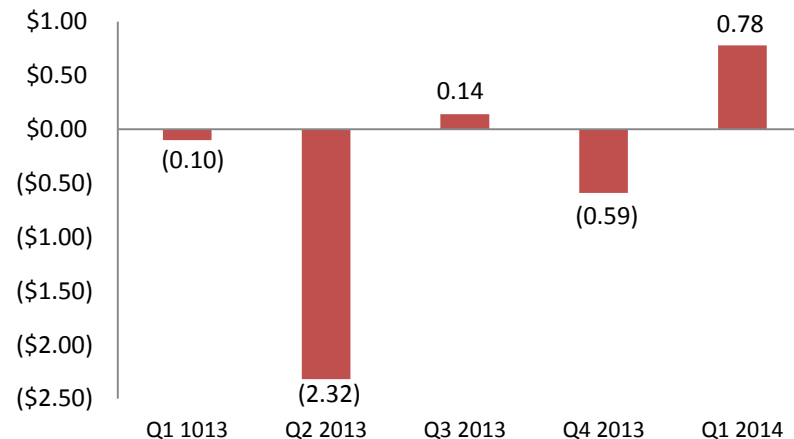
Note 1: the annualized dividend yield is calculated using the stock price on the declaration date.

Note 2: the December 2012 dividend was composed of \$0.40 quarterly cash dividend and \$0.52 special cash dividend.

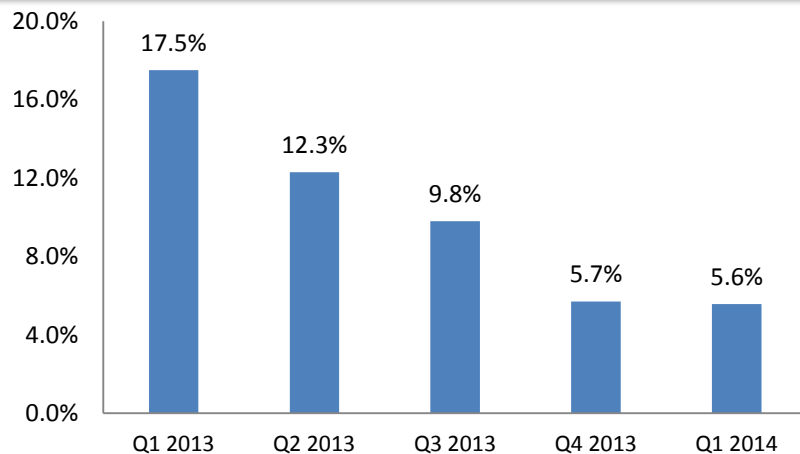
Interest Rate Spread Net of Hedge Including Drop Income



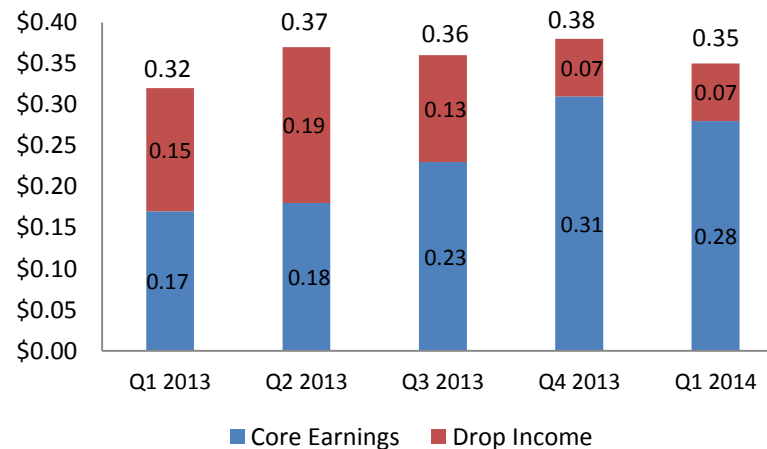
GAAP Net Income (Loss) per Common Share Basic & Diluted



Constant Prepayment Rate



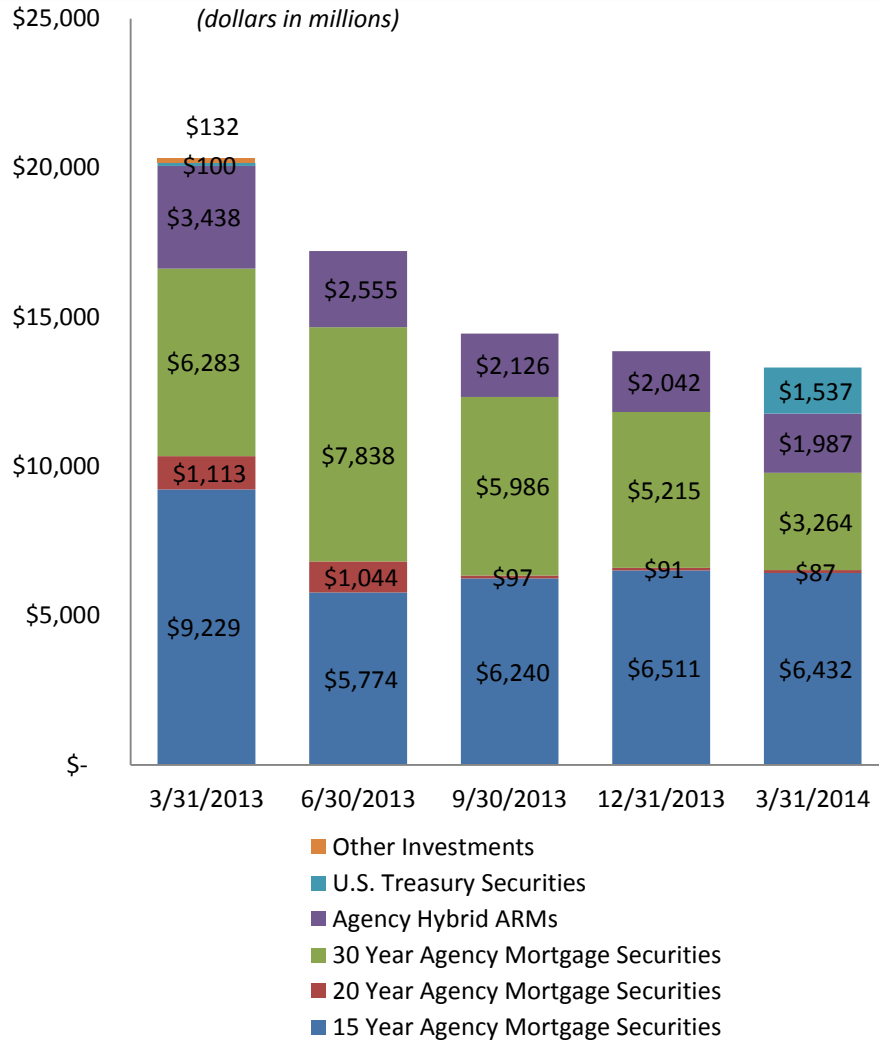
Core Earnings⁽¹⁾ plus Drop Income per Diluted Common Share



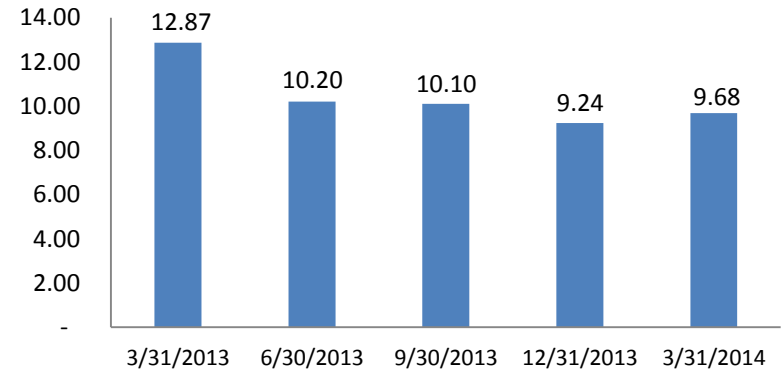
(1) A reconciliation of the non-GAAP measure Core Earnings can be found on page 16.

Historical Overview, Continued

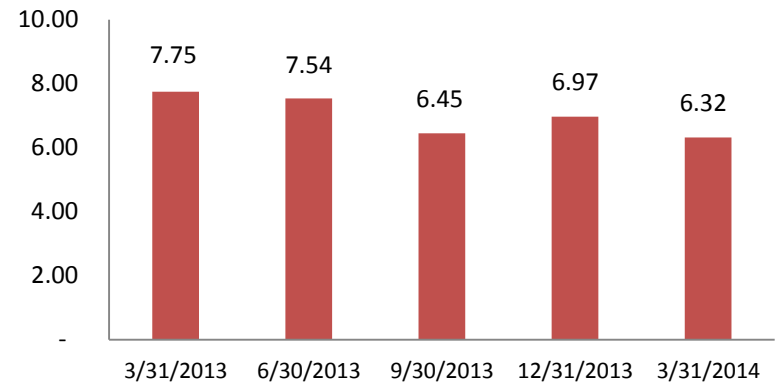
Debt Securities Portfolio at Fair Value⁽¹⁾



Book Value Per Common Share



Leverage



(1) Includes Collateralized Loan Obligations in other investments at 3/31/13.

Consolidated Balance Sheets



(in 000's, except per share data) (Unaudited)	As of				
	3/31/2013	6/30/2013	9/30/2013	12/31/2013 ⁽¹⁾	3/31/2014
Assets:					
Investments in securities, at fair value (including pledged assets of \$14,587,741, \$14,696,745, \$12,407,463, \$11,835,975, and \$10,484,331, respectively)	\$ 20,301,944	\$ 17,218,204	\$ 14,456,252	\$ 13,865,793	\$ 13,314,680
Derivative assets, at fair value	135,427	365,067	267,409	295,707	261,522
Cash and cash equivalents	13,463	11,302	10,597	4,992	13,396
Receivable for securities sold and principal repayments	414,936	4,583,565	744,491	429,233	3,582
Interest receivable	44,817	44,212	38,773	36,731	33,984
Other assets	542	1,175	892	608	334
Total assets	20,911,129	22,223,525	15,518,414	14,633,064	13,627,498
Liabilities and stockholders' equity:					
Liabilities:					
Repurchase agreements	13,760,475	13,809,319	11,735,071	11,206,950	10,014,048
Derivative liabilities, at fair value	58,464	54,242	49,537	29,458	17,767
Payable for securities purchased	4,657,501	6,126,222	1,656,724	1,556,821	1,641,598
Payable for cash received as collateral	32,471	106,742	35,488	37,938	37,956
Distribution payable	57,115	62,530	61,149	4,410	56,258
Accrued interest payable (including accrued interest on repurchase agreements of \$4,164, \$3,293, \$2,865, \$7,204, and \$3,079, respectively)	21,584	24,810	15,139	24,613	14,982
Accrued expenses and other liabilities	1,443	3,007	5,219	4,218	1,616
Total liabilities	18,589,053	20,186,872	13,558,327	12,864,408	11,784,225
Stockholders' equity:					
Preferred stock, \$25.00 par value, 50,000 shares authorized:					
7.75% Series A Cumulative Redeemable Preferred Stock (3,000 shares issued and outstanding, \$75,000 aggregate liquidation preference)	\$ 72,369	\$ 72,369	\$ 72,369	\$ 72,369	\$ 72,369
7.50% Series B Cumulative Redeemable Preferred Stock (0, 8,000, 8,000, 8,000, and 8,000, respectively, shares issued and outstanding, \$200,000 aggregate liquidation preference)	-	193,550	193,550	193,531	193,531
Common Stock, \$0.01 par value, 500,000 shares authorized (174,600, 172,781, 166,880, 161,650, and 162,024 shares issued and outstanding, respectively)	1,746	1,728	1,669	1,616	1,620
Additional paid in capital	2,230,457	2,212,529	2,167,393	2,046,530	2,047,508
Retained earnings (accumulated deficit)	17,504	(443,523)	(474,894)	(545,390)	(471,755)
Total stockholders' equity:	\$ 2,322,076	\$ 2,036,653	\$ 1,960,087	\$ 1,768,656	\$ 1,843,273
Total liabilities and stockholders' equity:	\$ 20,911,129	\$ 22,223,525	\$ 15,518,414	\$ 14,633,064	\$ 13,627,498
Book value per common share	\$ 12.87	\$ 10.20	\$ 10.10	\$ 9.24	\$ 9.68

(1) Derived from audited financial statements

Consolidated Statements of Operations



(in 000's, except per share data) (Unaudited)	Three Months Ended				
	March 31, 2013	June 30, 2013	September 30, 2013	December 31, 2013 ⁽¹⁾	March 31, 2014
Interest income:					
Interest income from Agency RMBS	\$ 72,101	\$ 80,991	\$ 85,599	\$ 91,739	\$ 80,186
Other interest income	960	520	-	4	4,181
Total interest income	73,061	81,511	85,599	91,743	84,367
Interest expense	36,987	40,746	35,713	32,814	28,346
Net interest income	36,074	40,765	49,886	58,929	56,021
Other income (loss):					
Net realized gain (loss) on investments	46,680	(211,418)	(407,728)	(22,650)	16,670
Net unrealized gain (loss) on investments	(125,491)	(444,877)	423,509	(167,671)	89,234
Net realized gain (loss) on termination of swap and cap contracts	8,630	7,329	25,707	(10,891)	(9,323)
Net unrealized gain (loss) on swap and cap contracts	23,417	215,546	(55,243)	54,633	(16,240)
Other income	40	40	37	-	119
Total other income (loss)	(46,724)	(433,380)	(13,718)	(146,579)	80,460
Expenses:					
Compensation and benefits	3,320	3,425	3,453	2,401	3,629
General, administrative and other	2,233	2,246	2,144	1,813	2,165
Total expenses	5,553	5,671	5,597	4,214	5,794
Net income (loss)	\$ (16,203)	\$ (398,286)	\$ 30,571	\$ (91,864)	\$ 130,687
Dividends on preferred stock	(1,453)	(3,995)	(5,203)	(5,203)	(5,203)
Net income (loss) available to common shares	\$ (17,656)	\$ (402,281)	\$ 25,368	\$ (97,067)	\$ 125,484
Net income (loss) per common share basic & diluted	\$ (0.10)	\$ (2.32)	\$ 0.14	\$ (0.59)	\$ 0.78

(1) Derived from audited financial statements

Non-GAAP Measure/Reconciliation



(in 000's, except per share data) (Unaudited)	Three Months Ended				
	March 31, 2013	June 30, 2013	September 30, 2013	December 31, 2013	March 31, 2014
NET INCOME (LOSS) AVAILABLE TO COMMON SHARES	\$ (17,656)	\$ (402,281)	\$ 25,368	\$ (97,067)	\$ 125,484
Net realized (gain) loss on investments	(46,680)	211,418	407,728	22,650	(16,670)
Net unrealized (gain) loss on investments	125,491	444,877	(423,509)	167,671	(89,234)
Net realized (gain) loss on termination of swap and cap contracts	(8,630)	(7,329)	(25,707)	10,891	9,323
Net unrealized (gain) loss on swap and cap contracts	(23,417)	(215,546)	55,243	(54,633)	16,240
Core Earnings	<u>\$ 29,108</u>	<u>\$ 31,139</u>	<u>\$ 39,123</u>	<u>\$ 49,512</u>	<u>\$ 45,143</u>
Core Earnings per Average Share	\$ 0.17	\$ 0.18	\$ 0.23	\$ 0.31	\$ 0.28

Core Earnings:

Core Earnings represents a non-GAAP financial measure and is defined as net income (loss) available to common shares excluding net realized gain (loss) on investments, net unrealized gain (loss) on investments, net realized gain (loss) on termination of swap and cap contracts and net unrealized gain (loss) on swap and cap contracts. Management uses Core Earnings to evaluate the effective yield of the portfolio. 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 primary limitation associated with Core Earnings as a measure of the Company's financial performance over any period is that it excludes the effects of net realized and unrealized gain (loss) on investments and swap and cap contracts. In addition, the Company's presentation of Core Earnings may not be comparable to similarly-titled measures of other companies, which may use different calculations. As a result, Core Earnings should not be considered as a substitute for the Company's GAAP net income (loss) as a measure of our financial performance or any measure of our liquidity under GAAP.



Supplemental Earnings Presentation
First Quarter 2014
April 22, 2014