



Supplemental Earnings Presentation
Fourth Quarter & Full Year 2014
February 17, 2015

Forward-Looking Statements



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, 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.

Summary Q4 2014 Results



Summary Q4 2014 Results

- Total stockholder return on common equity of 6.51% for the quarter.⁽¹⁾
- December 31, 2014 book value per common share of \$10.50.
- \$0.30 dividend per common share, representing an annualized dividend yield of 13.8%, using the closing price per common share of \$8.72 on December 31, 2014.
- GAAP net income available to common stockholders of \$106.4 million, or \$0.66 per diluted common share.
- Core earnings⁽²⁾ plus drop income⁽³⁾ of \$50.1 million (\$37.6 million core earnings and \$12.5 million drop income), or \$0.31 per diluted common share (\$0.23 core earnings and \$0.08 drop income).
- \$14.6 billion investment portfolio as of December 31, 2014, which included \$1.4 billion of forward settling to-be-announced (“TBA”) securities.
- Weighted-average amortized cost of Agency RMBS of \$103.98.
- At December 31, 2014, the leverage ratio was 6.44:1.
- Interest rate spread net of hedge including drop income of 1.55%.⁽⁴⁾
- Operating expenses of 1.02% of average stockholders’ equity.⁽⁵⁾
- Constant Prepayment Rate (“CPR”) of 8.7% for the quarter.
- Duration gap of 0.66 at December 31, 2014, compared to 1.16 at September 30, 2014.

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

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

(3) 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.

(4) 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.

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

Summary Full Year 2014 Results



Summary Full Year 2014 Results

- Total stockholder return on common equity of 27.06% for the full year.
- Total dividends of \$1.24 per common share.
- GAAP net income available to common stockholders of \$404.8 million, or \$2.50 per diluted common share.
- Core earnings plus drop income of \$209.7 million (core earnings of \$149.0 million and drop income of \$60.7 million), or \$1.29 per diluted common share (\$0.92 Core Earnings and \$0.37 drop income).
- Net realized and unrealized gains on investments of \$366.3 million.
- Interest rate spread net of hedge including drop income of 1.70%.
- Operating expenses of 1.19% of average stockholders' equity.

Key Balance Sheet & Performance Metrics



Key Balance Sheet Metrics (in thousands)	Three Months Ended				
	12/31/2013	3/31/2014	6/30/2014	9/30/2014	12/31/2014
Average settled Debt Securities ⁽¹⁾	\$13,024,294	\$12,472,238	\$11,599,873	\$11,837,201	\$12,550,072
Average total Debt Securities ⁽²⁾	\$14,293,267	\$13,454,972	\$13,711,749	\$14,138,849	\$14,328,079
Average repurchase agreements ⁽³⁾	\$11,384,159	\$10,867,627	\$ 9,981,049	\$10,189,360	\$10,854,239
Average Debt Securities liabilities ⁽⁴⁾	\$12,653,132	\$11,850,361	\$12,092,925	\$12,491,008	\$12,632,246
Average stockholders' equity ⁽⁵⁾	\$ 1,896,360	\$ 1,861,121	\$ 1,916,575	\$ 1,937,700	\$ 1,960,831
Average common shares outstanding ⁽⁶⁾	163,850	161,831	162,031	162,008	161,930
Leverage ratio (at period end) ⁽⁷⁾	6.97:1	6.32:1	6.35:1	6.63:1	6.44:1
Book Value per common share (at period end)	\$ 9.24	\$ 9.68	\$ 10.31	\$ 10.14	\$ 10.50
Key Performance Metrics *					
Average yield on settled Debt Securities ⁽⁸⁾	2.82%	2.71%	2.48%	2.61%	2.66%
Average yield on total Debt Securities including drop income ⁽⁹⁾	2.93%	2.85%	2.67%	2.67%	2.68%
Average cost of funds ⁽¹⁰⁾	0.41%	0.35%	0.30%	0.30%	0.34%
Average cost of funds and hedge ⁽¹¹⁾	1.15%	1.04%	1.08%	1.31%	1.32%
Adjusted average cost of funds and hedge ⁽¹²⁾	1.04%	0.96%	0.89%	1.07%	1.13%
Interest rate spread net of hedge ⁽¹³⁾	1.67%	1.67%	1.40%	1.30%	1.34%
Interest rate spread net of hedge including drop income ⁽¹⁴⁾	1.89%	1.89%	1.78%	1.60%	1.55%
Operating expense ratio ⁽¹⁵⁾	0.89%	1.25%	1.26%	1.25%	1.02%
Total stockholder return on common equity ⁽¹⁶⁾	(5.35%)	8.23%	9.81%	1.26%	6.51%

(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 ("repo borrowings") are calculated by averaging the month-end repo borrowings balance during the period.

(4) The average Debt Securities liabilities are calculated by adding the average month-end repo borrowings 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 repo borrowings 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 \$12.8 million, \$11.6 million, \$19.4 million, \$17.2 million, and \$12.5 million for Q4 2013, and Q1, Q2, Q3 and Q4 2014, respectively.

(10) The average cost of funds for the period is calculated by dividing repurchase agreement interest expense by average repo borrowings.

(11) The average cost of funds and hedge for the period is calculated by dividing total interest expense by average repo borrowings.

(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. Not computed on an annualized basis.

* All percentages are annualized.

Q4 2014: Market Data & Commentary



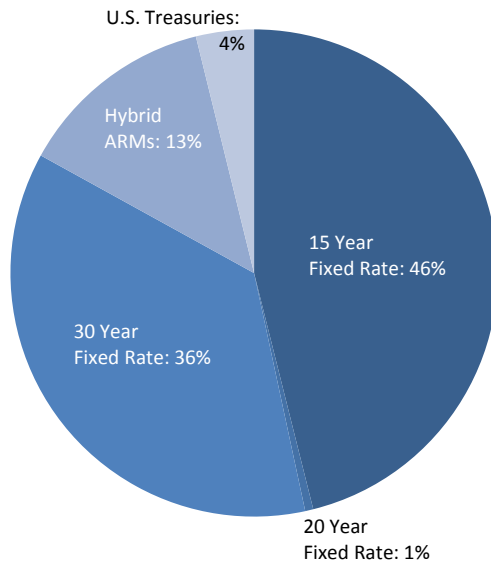
Security Type	12/31/2013	3/31/2014	6/30/2014	9/30/2014	12/31/2014	Q4 2014 Δ
15-Year Fannie Mae Fixed Rate MBS Prices						
3.0%	\$ 102.02	\$ 102.73	\$ 103.80	\$ 103.08	\$ 103.98	\$ 0.90
3.5%	\$ 104.58	\$ 104.83	\$ 105.95	\$ 105.17	\$ 105.70	\$ 0.53
4.0%	\$ 105.92	\$ 105.80	\$ 106.14	\$ 105.98	\$ 106.02	\$ 0.04
4.5%	\$ 106.45	\$ 106.02	\$ 106.11	\$ 105.70	\$ 105.08	\$ (0.62)
30-Year Fannie Mae Fixed Rate MBS Prices						
4.0%	\$ 103.02	\$ 103.98	\$ 106.02	\$ 105.45	\$ 106.77	\$ 1.32
4.5%	\$ 105.98	\$ 106.73	\$ 108.23	\$ 107.95	\$ 108.61	\$ 0.66
U.S. Treasuries Rates						
2-Yr UST	0.38%	0.42%	0.46%	0.57%	0.66%	0.09%
5-Yr UST	1.74%	1.72%	1.63%	1.76%	1.65%	(0.11%)
7-Yr UST	2.45%	2.30%	2.13%	2.20%	1.97%	(0.23%)
10-Yr UST	3.03%	2.72%	2.53%	2.49%	2.17%	(0.32%)
30-Yr UST	3.97%	3.56%	3.36%	3.20%	2.75%	(0.45%)
Swap Rates						
2-Yr Swap	0.49%	0.55%	0.58%	0.82%	0.90%	0.08%
5-Yr Swap	1.79%	1.80%	1.70%	1.93%	1.77%	(0.16%)
7-Yr Swap	2.48%	2.36%	2.18%	2.30%	2.04%	(0.26%)
10-Yr Swap	3.09%	2.84%	2.63%	2.64%	2.28%	(0.36%)
30- and 15-Year Par Priced Fannie Mae to Swap Spreads						
30-Yr to 7-Yr Swap	1.13%	1.09%	1.00%	0.89%	0.79%	(0.10%)
15-Yr to 5-Yr Swap	0.90%	0.72%	0.54%	0.45%	0.31%	(0.14%)

- Agency RMBS prices rose during the fourth quarter of 2014 and in 2014 as a whole; prices at December 31, 2014 were at or near their highs for the year.
- In the fourth quarter of 2014, the yield on 10-year U.S. Treasuries fell 32 basis points ("bps"); the yield on 10-year U.S. Treasuries ended the year at 2.17%, or 86 bps below the start of the year at 3.03%.
- The spread between the 2- and 10-year U.S. Treasuries flattened by 41 bps in the fourth quarter.
- This was one of the strongest rallies of interest rates in the U.S. in several years.

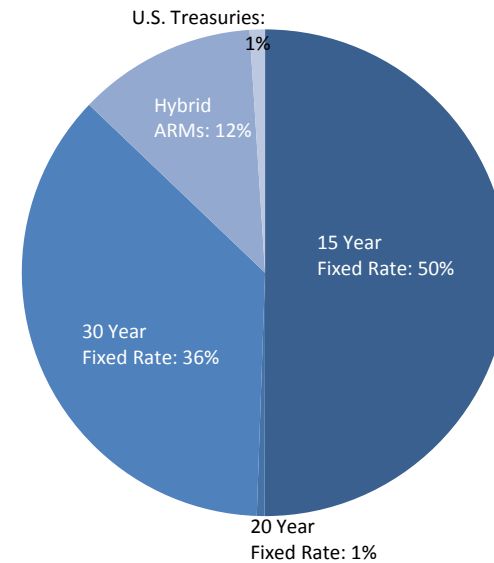
Portfolio at Fair Value



September 30, 2014
\$14.5B Portfolio



December 31, 2014
\$14.6B Portfolio



<i>(dollars in thousands)</i>	9/30/2014	12/31/2014	\$ Change	Absolute % Change	Relative % Change
15-Year Fixed Rate	\$ 6,670,579	\$ 7,305,921	\$ 635,342	4%	4%
20-Year Fixed Rate	78,005	74,216	(3,789)	0%	0%
30-Year Fixed Rate	5,267,793	5,341,699	73,906	1%	0%
Hybrid ARMs	1,901,530	1,730,620	(170,910)	-1%	-1%
U.S. Treasuries	556,150	149,051	(407,099)	-3%	-3%
Total	\$14,474,057	\$14,601,507	\$ 127,450	1%	0%

Portfolio Detail as of December 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%	\$ 4,889,226	\$ 5,089,402	\$ 102.94	\$ 272	13	7.7 %	3.74
TBA 3.0%	299,000	310,785	103.73	n/a	n/a	n/a	3.80
3.5%	1,462,563	1,547,892	103.50	234	27	8.5	3.12
TBA 3.5%	125,000	132,051	105.52	n/a	n/a	n/a	3.04
4.0%	183,538	196,242	101.22	175	46	10.6	2.47
4.5%	27,359	29,549	102.73	249	59	8.9	1.73
Subtotal	6,986,686	7,305,921	103.09	261	17	8.0	3.56
20-Year Agency Mortgage Securities							
4.5%	67,839	74,216	102.94	220	53	15.5	1.58
30-Year Agency Mortgage Securities							
4.0%	3,679,782	3,936,261	105.24	287	8	5.0	3.88
TBA 4.0%	974,000	1,039,232	106.00	n/a	n/a	n/a	3.44
4.5%	336,961	366,206	107.72	280	28	11.9	2.08
Subtotal	4,990,743	5,341,699	105.56	286	9	5.4	3.67
Hybrid ARMs							
2.6% ⁽⁴⁾	1,685,685	1,730,620	103.41	333	29	13.6	2.93
U.S. Treasuries							
1.5%	150,000	149,051	99.72	n/a	n/a	n/a	4.74
Total	\$13,880,953	\$14,601,507	\$ 103.98	\$ 279	16	8.1 %	3.52

As of September 30, 2014							
15-Year Agency	\$ 6,422,985	\$ 6,670,579	\$ 102.89	\$ 253	17	8.5 %	4.08
20-Year Agency	71,568	78,005	102.98	221	50	15.4	2.25
30-Year Agency	4,987,788	5,267,793	105.13	294	8	5.9	5.42
Hybrid ARMs	1,857,254	1,901,530	103.48	336	27	15.5	3.44
U.S. Treasuries	560,000	556,150	99.31	n/a	n/a	n/a	4.73
Total	\$13,899,595	\$14,474,057	\$ 103.63	\$ 281	16	9.2 %	4.49

- (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) CPR represents the 3-month CPR of the Company's Agency RMBS held at December 31, 2014 and September 30, 2014. 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, 2014										
Interest Rate Swaps						Interest Rate Caps				
Maturity	Notional Amount (in 000's)	Fair Value (in 000's)	Duration ⁽¹⁾	Pay Rate	Receive Rate	Maturity	Notional Amount (in 000's)	Fair Value (in 000's)	Duration ⁽¹⁾	Cap Rate
≤ 3 Years	\$ 2,750,000	\$ 22,580	(2.65)	0.87	0.23	≤ 3 Years	\$ -	\$ -	-	-
> 3 to ≤ 5 Years	2,800,000	10,528	(3.11)	1.33	0.23	> 3 to ≤ 5 Years	800,000	26,996	(2.55)	1.34
> 5 to ≤ 7 Years	2,100,000	(8,505)	(4.50)	2.35	0.24	> 5 to ≤ 7 Years	1,700,000	80,678	(3.20)	1.25
Subtotal / Wtd Avg	\$ 7,650,000	\$ 24,603	(3.33)	1.44	0.23	Subtotal / Wtd Avg	\$ 2,500,000	\$ 107,674	(2.99)	1.28
Total / Wtd Avg							\$ 10,150,000	\$ 132,277	(3.25)	n/a

As of September 30, 2014										
Interest Rate Swaps						Interest Rate Caps				
Maturity	Notional Amount (in 000's)	Fair Value (in 000's)	Duration ⁽¹⁾	Pay Rate	Receive Rate	Maturity	Notional Amount (in 000's)	Fair Value (in 000's)	Duration ⁽¹⁾	Cap Rate
Total / Wtd Avg	\$ 7,650,000	\$ 62,160	(3.48)	1.39	0.23	Total / Wtd Avg	\$ 2,500,000	\$ 138,063	(3.18)	1.28
Total / Wtd Avg							\$ 10,150,000	\$ 200,223	(3.41)	n/a

- In the fourth quarter, the Company terminated one \$500 million notional swap with a maturity date of April 2017, replacing it with a seven-year swap cancelable in one year with a maturity date of December 2021, and also replaced a \$500 million notional seven-year cancelable swap with another seven-year cancelable swap with a lower pay rate.
- At December 31, 2014, the Company had \$1.8 billion notional seven-year swaps, cancelable at its option, at dates from June 2015 to December 2015.
- The combination of interest rate swaps and caps that totaled \$10.15 billion covered 90% of the Company's repurchase agreements at December 31, 2014, compared to \$10.15 billion and 99% coverage at September 30, 2014.

(1) Duration measures the market price volatility of financial instruments as interest rates change, using DV01 methodology. We generally calculate duration using various third-party financial models and empirical data. Different models and methodologies can produce different duration figures for the same securities. Analytics provided by The Yield Book® software.

Sensitivity Analysis and Duration Gap



Interest Rate Sensitivity* ⁽¹⁾ As of December 31, 2014				
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	6.88% ⁽²⁾	0.13%	1.09%	0.16
-50	5.50% ⁽²⁾	0.24%	1.91%	0.30
-25	2.75% ⁽²⁾	0.22%	1.71%	0.49
0.0%	0.0%	0.00%	0.00%	0.66
25	(6.88%)	(0.31%)	(2.30%)	0.91
50	(13.75%)	(0.73%)	(5.47%)	1.12
75	(20.63%)	(1.22%)	(9.10%)	1.24

Net Duration Gap* ⁽³⁾ As of December 31, 2014		
Investment Type	Duration	Notional/ Face Value (in 000's)
Interest rate swaps	(3.33)	\$ 7,650,000
Interest rate caps	(2.99)	2,500,000
Agency RMBS and U.S. Treasuries	3.52	13,880,953
Net Duration Gap	0.66	
Leverage	6.44:1	

As of September 30, 2014		
Investment Type	Duration	Notional/ Face Value (in 000's)
Interest rate swaps	(3.48)	\$ 7,650,000
Interest rate caps	(3.18)	2,500,000
Agency RMBS and U.S. Treasuries	4.49	13,899,595
Net Duration Gap	1.16	
Leverage	6.63:1	

- The yield curve flattened considerably in the fourth quarter of 2014, continuing a trend throughout 2014, and volatility returned to the bond market after several quarters of low volatility.
- Low net Agency RMBS issuance and significant purchases of Agency RMBS by the Federal Reserve and foreign buyers continued to be important drivers of solid Agency RMBS performance during the fourth quarter of 2014.
- Shortening duration of Agency RMBS and impact of our hedges combined to narrow our duration gap to 0.66 in the fourth quarter of 2014.

(1) The interest rate sensitivity analysis shows the estimated impact interest rate changes would have on net income, the fair value of the Company's investments, stockholders' equity and net duration gap, using DV01 methodology, and assuming a static portfolio with rates suddenly falling or rising 25, 50 and 75 bps.

(2) Given the low level of interest rates at December 31, 2014, we reduced 3-month LIBOR and our repo borrowing rates by 10, 20 and 25 basis points for the down 25, 50 and 75 basis point 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 on our interest rate swaps and caps, using DV01 methodology.

Financing Summary



Repo Borrowings Collateralized with Agency RMBS As of December 31, 2014						
Original Days to Maturity	Repo Borrowings (in 000's)	Repo Borrowings Outstanding %	Interest Rate	Weighted Average		
				Remaining Days to Maturity	Original Days to Maturity	
Agency RMBS						
≤ 30 Days	\$ 1,608,723	14%	0.35%	17	19	
> 30 to ≤ 60 Days	1,638,947	15%	0.36%	20	38	
> 60 Days	7,893,810	71%	0.36%	33	96	
Total/ Wtd Avg	11,141,480	100%	0.36%	29	76	
As of September 30, 2014						
Total/ Wtd Avg	9,849,569	100%	0.33%	44	74	

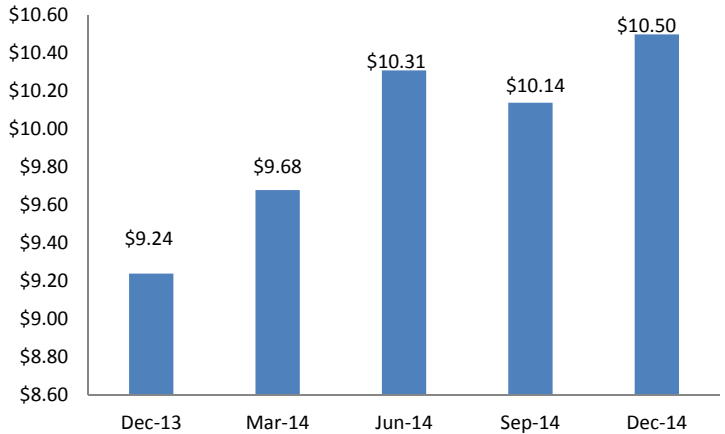
Active Counterparties As of December 31, 2014		
Counterparty Region	Number of Counterparties	Agreement Funding
North America	18	51.9%
Europe	9	30.2%
Asia	5	17.9%
Total	32	100%

- In the fourth quarter of 2014, the availability of repo financing to the Company remained stable, having repo borrowings outstanding with 32 counterparties, and with 45 total repo counterparties.
- Our weighted-average repo borrowing rate increased from 0.33% at September 30, 2014 to 0.36% at December 31, 2014.
- Haircuts have also been stable during the fourth quarter of 2014, with U.S. Treasuries ranging from 0%-2%, and Agency RMBS from 3%-7%.

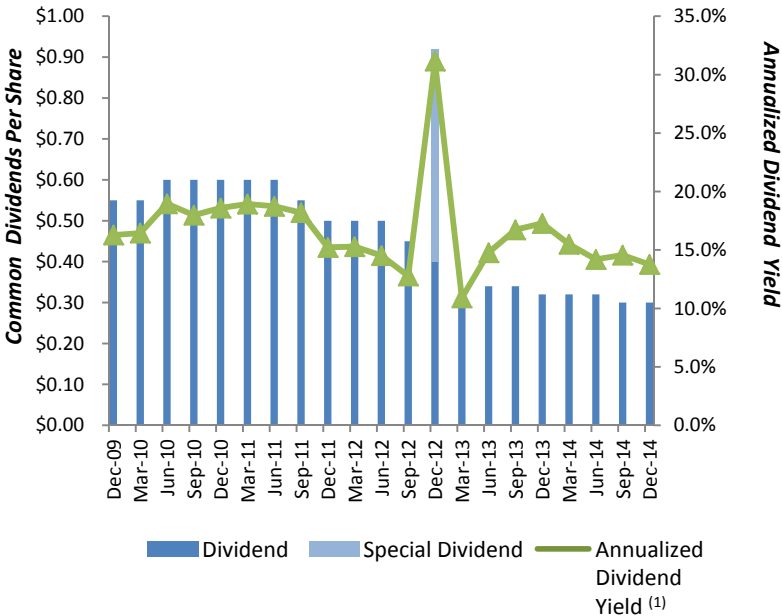
Note: The Company had repo borrowings collateralized with U.S. Treasuries of approximately \$149 million with a weighted-average interest rate of (0.27)% as of December 31, 2014, and \$556 million of U.S. Treasuries with a weighted-average interest rate of (2.20)% as of September 30, 2014.

Book Value and Common Stock Dividends

**Book Value Per Common Share
Dec 2013 - Dec 2014**



**CYS Common Stock Dividends
Dec 2009 - Dec 2014**

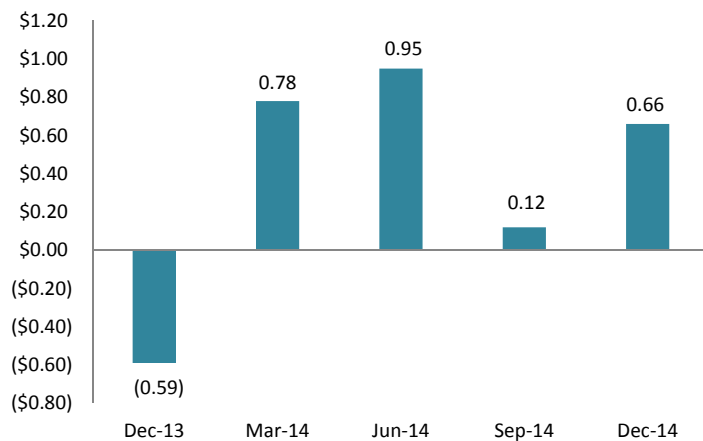


(1) The annualized dividend yield is calculated using the stock price at the quarter end.
 (2) The December 2012 dividend was composed of a \$0.40 quarterly cash dividend and a \$0.52 special cash dividend.

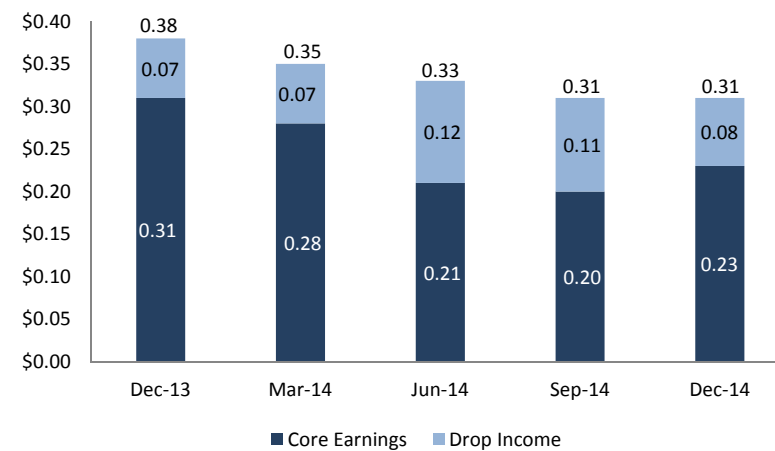
Historic Metrics: GAAP Net Income & Core+Drop



**GAAP Net Income (Loss) per Common Share
Dec 2013 - Dec 2014**



**Core Earnings⁽¹⁾ plus Drop Income
Dec 2013 - Dec 2014**

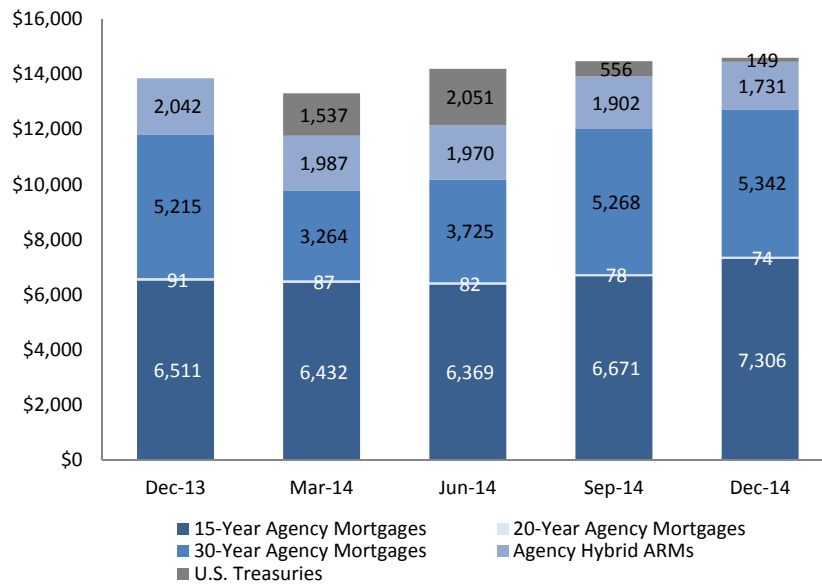


(1) A reconciliation of the non-GAAP measure Core Earnings can be found on page 17.

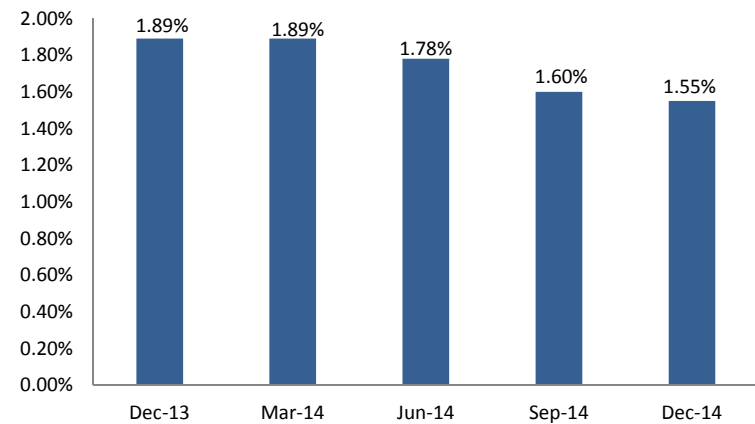
Historic Metrics: Portfolio & Interest Rate Spread



**Debt Securities Portfolio at Fair Value
Dec 2013 - Dec 2014**
(dollars in millions)

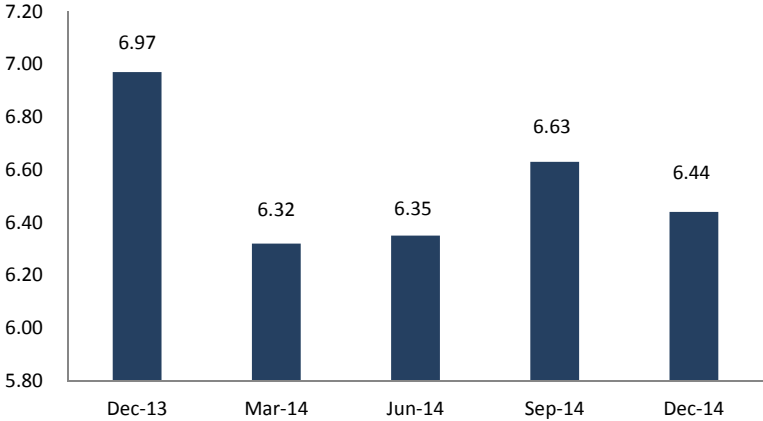


**Interest Rate Spread Net of Hedge
Including Drop Income Dec 2013 - Dec 2014**

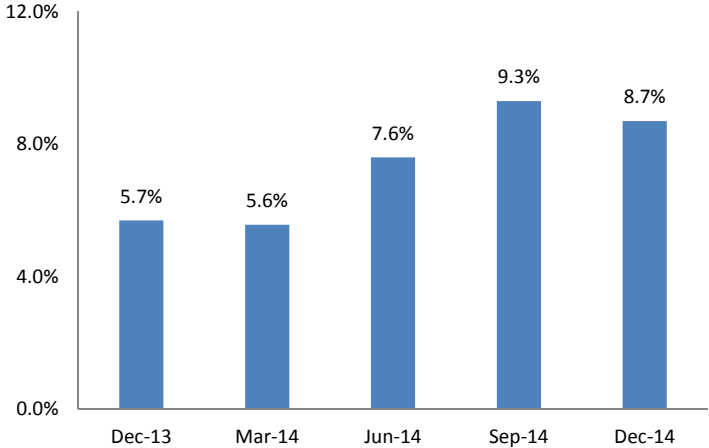


Historic Metrics Leverage & Constant Prepayment Rate

Leverage
Dec 2013 - Dec 2014



Constant Prepayment Rate
Dec 2013 - Dec 2014



Consolidated Balance Sheets



(dollars in 000's, except per share data) (Unaudited)	As of				
	12/31/2013 ⁽¹⁾	3/31/2014	6/30/2014	9/30/2014	12/31/2014 ⁽¹⁾
Assets:					
Investments in securities, at fair value	\$ 13,865,793	\$ 13,314,680	\$ 14,204,107	\$ 14,481,002	\$ 14,609,532
Derivative assets, at fair value	295,707	261,522	165,487	203,657	148,284
Cash	4,992	13,396	16,736	10,370	4,323
Receivable for securities sold and principal repayments	429,233	3,582	74,591	214,578	83,643
Receivable for cash pledged as collateral	-	-	-	-	11,104
Interest receivable	36,731	33,984	32,790	36,158	37,894
Other assets	608	334	986	688	1,083
Total assets	<u>\$ 14,633,064</u>	<u>\$ 13,627,498</u>	<u>\$ 14,494,697</u>	<u>\$ 14,946,453</u>	<u>\$ 14,895,863</u>
Liabilities and stockholders' equity:					
Liabilities:					
Repurchase agreements	\$ 11,206,950	\$ 10,014,048	\$ 9,873,837	\$ 10,403,088	\$ 11,289,559
Derivative liabilities, at fair value	29,458	17,767	19,799	3,434	16,007
Payable for securities purchased	1,556,821	1,641,598	2,562,827	2,519,002	1,505,481
Payable for cash received as collateral	37,938	37,956	12,944	16,212	72,771
Distribution payable	4,410	56,258	56,256	53,008	4,410
Accrued interest payable	24,613	14,982	20,284	28,874	27,208
Accrued expenses and other liabilities	4,218	1,616	3,034	5,109	5,259
Total liabilities	<u>\$ 12,864,408</u>	<u>\$ 11,784,225</u>	<u>\$ 12,548,981</u>	<u>\$ 13,028,727</u>	<u>\$ 12,920,695</u>
Stockholders' equity:					
Preferred stock, \$25.00 par value, 500 M shares authorized:					
7.75% Series A Cumulative Redeemable Preferred Stock (3M shares issued and outstanding)	\$ 72,369	\$ 72,369	\$ 72,369	\$ 72,369	\$ 72,369
7.50% Series B Cumulative Redeemable Preferred Stock (8M shares issued and outstanding)	193,531	193,531	193,531	193,531	193,531
Common Stock, \$0.01 par value, 500,000 shares authorized (162M, 162M, 162M, 162M and 162M shares issued and outstanding, respectively)					
	1,616	1,620	1,620	1,620	1,618
Additional paid in capital	2,046,530	2,047,508	2,048,619	2,049,507	2,049,152
Accumulated deficit	(545,390)	(471,755)	(370,423)	(399,301)	(341,502)
Total stockholders' equity:	<u>\$ 1,768,656</u>	<u>\$ 1,843,273</u>	<u>\$ 1,945,716</u>	<u>\$ 1,917,726</u>	<u>\$ 1,975,168</u>
Total liabilities and stockholders' equity:	<u>\$ 14,633,064</u>	<u>\$ 13,627,498</u>	<u>\$ 14,494,697</u>	<u>\$ 14,946,453</u>	<u>\$ 14,895,863</u>
Book value per common share	\$ 9.24	\$ 9.68	\$ 10.31	\$ 10.14	\$ 10.50

(1) Derived from audited financial statements.

Consolidated Statements of Operations



(in 000's, except per share data) (Unaudited)	Three Months Ended				
	December 31, 2013 ⁽¹⁾	March 31, 2014	June 30, 2014	September 30, 2014	December 31, 2014 ⁽¹⁾
Interest income:					
Interest income from Agency RMBS	\$ 91,739	\$ 80,186	\$ 65,420	\$ 74,052	\$ 82,338
Other interest income	4	4,181	6,558	3,080	1,261
Total interest income	91,743	84,367	71,978	77,132	83,599
Interest expense:					
Repurchase agreement interest expense	11,716	9,423	7,583	7,657	9,156
Swap and cap interest expense	21,098	18,923	19,456	25,789	26,650
Total interest expense	32,814	28,346	27,039	33,446	35,806
Net interest income	58,929	56,021	44,939	43,686	47,793
Other income (loss):					
Net realized gain (loss) on investments	(22,650)	16,670	33,118	40,470	42,305
Net unrealized gain (loss) on investments	(167,671)	89,234	157,479	(112,085)	99,135
Net realized gain (loss) on termination of swap and cap contracts	(10,891)	(9,323)	(6,004)	-	(9,133)
Net unrealized gain (loss) on swap and cap contracts	54,633	(16,240)	(65,181)	58,909	(63,570)
Other income	-	119	50	50	50
Total other income (loss)	(146,579)	80,460	119,462	(12,656)	68,787
Expenses:					
Compensation and benefits	2,401	3,629	3,712	3,767	2,997
General, administrative and other	1,813	2,165	2,308	2,278	2,027
Total expenses	4,214	5,794	6,020	6,045	5,024
Net income (loss)	\$ (91,864)	\$ 130,687	\$ 158,381	\$ 24,985	\$ 111,556
Dividends on preferred stock	(5,203)	(5,203)	(5,203)	(5,203)	(5,203)
Net income (loss) available to common stockholders	\$ (97,067)	\$ 125,484	\$ 153,178	\$ 19,782	\$ 106,353
Net income (loss) per common share basic & diluted	\$ (0.59)	\$ 0.78	\$ 0.95	\$ 0.12	\$ 0.66

(1) Derived from audited financial statements.

Non-GAAP Measure/Reconciliation



(in 000's, except per share data) (Unaudited)	Three Months Ended				
	December 31, 2013	March 31, 2014	June 30, 2014	September 30, 2014	December 31, 2014
Net income (loss) available to common stockholders	\$ (97,067)	\$ 125,484	\$ 153,178	\$ 19,782	\$ 106,353
Net realized (gain) loss on investments	22,650	(16,670)	(33,118)	(40,470)	(42,305)
Net unrealized (gain) loss on investments	167,671	(89,234)	(157,479)	112,085	(99,135)
Net realized (gain) loss on termination of swap and cap contracts	10,891	9,323	6,004	-	9,133
Net unrealized (gain) loss on swap and cap contracts	(54,633)	16,240	65,181	(58,909)	63,570
Core earnings	\$ 49,512	\$ 45,143	\$ 33,766	\$ 32,488	\$ 37,616
Core earnings per average share	\$ 0.31	\$ 0.28	\$ 0.21	\$ 0.20	\$ 0.23

Core earnings:

"Core earnings" represents a non-GAAP financial measure and is defined as net income (loss) available to common stockholders excluding net realized gain (loss) on investments, net unrealized gain (loss) on investments, net realized gain (loss) on termination of swaps and caps and net unrealized gain (loss) on swaps and caps. Management uses core earnings to evaluate the effective yield of the portfolio after interest and 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 and stockholders greater transparency and insight into the information used by the Company's management in its financial and operational decision making.

The primary limitation associated with core earnings as a measure of the Company's financial performance over any period is that it excludes the effects of net realized and unrealized gain (loss) on investments and swaps and caps. 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 its financial performance or any measure of its liquidity under GAAP.



Supplemental Earnings Presentation
Fourth Quarter & Full Year 2014
February 17, 2015