



Third Quarter 2016 Financial Summary
November 2, 2016

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This presentation, other written or oral communications, and our public documents to which we refer contain or incorporate by reference certain forward-looking statements which are based on various assumptions (some of which are beyond our control) and may be identified by reference to a future period or periods or by the use of forward-looking terminology, such as "may," "will," "believe," "expect," "anticipate," "continue," or similar terms or variations on those terms or the negative of those terms. Actual results could differ materially from those set forth in forward-looking statements due to a variety of factors, including, but not limited to, changes in interest rates; changes in the yield curve; changes in prepayment rates; the availability of mortgage-backed securities ("MBS") and other securities for purchase; the availability of financing and, if available, the terms of any financings; changes in the market value of our assets; changes in business conditions and the general economy; our ability to grow our commercial business; our ability to grow our residential mortgage credit business; credit risks related to our investments in credit risk transfer securities, residential mortgage-backed securities and related residential mortgage credit assets, commercial real estate assets and corporate debt; risks related to investments in mortgage servicing rights and ownership of a servicer; any potential business disruption following the acquisition of Hatteras Financial Corp.; our ability to consummate any contemplated investment opportunities; changes in government regulations affecting our business; our ability to maintain our qualification as a REIT; and our ability to maintain our exemption from registration under the Investment Company Act of 1940, as amended. For a discussion of the risks and uncertainties which could cause actual results to differ from those contained in the forward-looking statements, see "Risk Factors" in our most recent Annual Report on Form 10-K and any subsequent Quarterly Reports on Form 10-Q. We do not undertake, and specifically disclaim any obligation, to publicly release the result of any revisions which may be made to any forward-looking statements to reflect the occurrence of anticipated or unanticipated events or circumstances after the date of such statements, except as required by law.

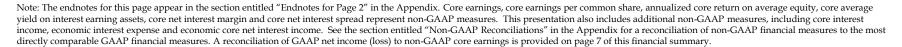
Non-GAAP Financial Measures

This presentation includes certain non-GAAP financial measures. The non-GAAP financial measures should not be viewed in isolation and are not a substitute for financial measures computed in accordance with GAAP. Please see the section entitled "Non-GAAP Reconciliations" in the attached Appendix for a reconciliation to the most directly comparable GAAP financial measures. A reconciliation of GAAP net income (loss) to non-GAAP core earnings is provided on page 7 of this financial summary.

3Q 2016 Financial Snapshot

Unaudited, dollars in thousands except per share amounts

	For the quarters ended		
	September 30,	June 30,	
	2016	2016	
Income Statement			
GAAP net income per common share	\$0.70	(\$0.32	
Annualized return on average equity	23.55%	(9.60%	
Core earnings (1) per common share	\$0.29	\$0.29	
Annualized core return on average equity	10.09%	9.73%	
Balance Sheet			
Common stock book value per share	\$11.83	\$11.50	
Leverage at period end (2)	5.3x	5.3>	
Economic leverage at period end ⁽³⁾	6.1x	6.1>	
Capital ratio ⁽⁴⁾	13.3%	13.29	
<u>Portfolio</u>			
Agency mortgage-backed securities and debentures	\$73,476,105	\$64,862,992	
Mortgage servicing rights	492,169		
Residential credit portfolio (5)	2,439,704	1,717,870	
Commercial real estate investments (6)	6,033,576	6,168,723	
Corporate debt	716,831	669,612	
Total Residential Investment Securities and commercial investment portfolio	\$83,158,385	\$73,419,197	
Net interest margin	1.40%	1.15%	
Average yield on interest earning assets	2.70%	2.48%	
Net interest spread	1.13%	0.80%	
Core net interest margin (7)	1.42%	1.54%	
Core average yield on interest earning assets (8)	2.72%	2.95%	
Core net interest spread	1.15%	1.27%	
Other Information			
Annualized operating expenses as a % of average assets (9)	0.25%	0.249	
Annualized operating expenses as a % of average equity (9)	1.64%	1.629	
Expense ratio (9)(10)	14.0%	14.39	



Last Five Quarters Summary Data



Unaudited, dollars in thousands

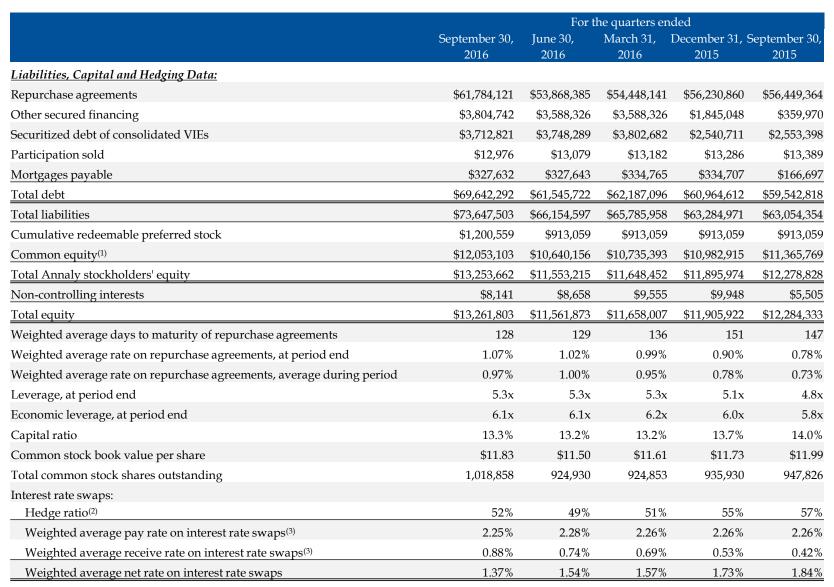
		For the quarters ended							
	September 30,	June 30,	March 31,	December 31,	September 30,				
	2016	2016	2016	2015	2015				
Portfolio-Related Data:									
Agency mortgage-backed securities and debentures	\$73,476,105	\$64,862,992	\$65,596,859	\$65,870,262	\$66,219,755				
Mortgage servicing rights	\$492,169	-	-	-	-				
Residential credit portfolio	\$2,439,704	\$1,717,870	\$1,658,674	\$1,363,232	\$820,764				
Commercial real estate investments (1)	\$6,033,576	\$6,168,723	\$6,385,579	\$5,075,191	\$4,976,251				
Corporate debt	\$716,831	\$669,612	\$639,481	\$488,508	\$424,974				
Total Residential Investment Securities and commercial investment portfolio	\$83,158,385	\$73,419,197	\$74,280,593	\$72,797,193	\$72,441,744				
Total assets	\$86,909,306	\$77,716,470	\$77,443,965	\$75,190,893	\$75,338,687				
Average TBA position	\$17,280,237	\$14,592,236	\$15,110,947	\$14,366,749	\$14,210,373				
Residential investment securities:									
% Fixed-rate	81%	92%	93%	93%	93%				
% Adjustable-rate	19%	8%	7%	7%	7%				
Weighted average experienced CPR, for the period (2)	15.9%	12.7%	8.8%	9.7%	11.5%				
Weighted average projected long-term CPR, as of period end (2)	14.4%	13.0%	11.8%	8.8%	9.2%				
Net premium and discount balance in Residential Investment Securities	\$4,920,750	\$4,626,548	\$4,741,900	\$4,951,252	\$4,827,791				
Net premium and discount balance as % of stockholders' equity	37.13%	40.05%	40.71%	41.62%	39.32%				

⁽¹⁾ Includes consolidated variable interest entities ("VIEs") and loans held for sale.

⁽²⁾ The current quarter change in constant prepayment rate ("CPR") measures also reflects the change in portfolio mix due to the Company's acquisition of Hatteras Financial Corp (The "Hatteras Acquisition").

Last Five Quarters Summary Data (cont'd)

Unaudited, dollars in thousands except per share amounts



⁽¹⁾ Consists of common stock, additional paid in capital, accumulated other comprehensive income (loss) and accumulated deficit.

²⁾ Measures total notional balances of interest rate swaps, interest rate swaptions and futures relative to repurchase agreements and to be announced ("TBA") notional outstanding.

Excludes forward starting swaps; weighted average fixed rate on forward starting pay fixed swaps was 1.44% and 2.04% as of December 31, 2015 and September 30, 2015, respectively; weighted average fixed rate on forward starting receive fixed swaps was 1.38% as of June 30, 2016. There were no forward starting swaps as of September 30, 2016 or March 31, 2016.

Last Five Quarters Summary Data (cont'd)



Unaudited, dollars in thousands except per share amounts



		For	the quarters ende	ed	
	September 30,	June 30,	March 31,	December 31,	September 30,
	2016	2016	2016	2015	2015
Performance-Related Data:					
Total interest income	\$558,668	\$457,118	\$388,143	\$576,580	\$450,726
Total interest expense	\$174,154	\$152,755	\$147,447	\$118,807	\$110,297
Net interest income	\$384,514	\$304,363	\$240,696	\$457,773	\$340,429
Total core interest income	\$562,559	\$542,701	\$556,551	\$558,508	\$533,862
Total economic interest expense (1)	\$277,254	\$261,056	\$270,571	\$254,074	\$248,041
Economic core net interest income (1)	\$285,305	\$281,645	\$285,980	\$304,434	\$285,821
GAAP net income (loss)	\$730,880	(\$278,497)	(\$868,080)	\$669,666	(\$627,491)
GAAP net income (loss) available (related) to common shareholders	\$708,413	(\$296,104)	(\$885,910)	\$652,047	(\$645,286)
GAAP earnings per common share	\$0.70	(\$0.32)	(\$0.96)	\$0.69	(\$0.68)
Core earnings	\$312,893	\$282,176	\$291,757	\$311,133	\$300,737
Core earnings available to common shareholders	\$290,090	\$264,184	\$273,765	\$293,141	\$282,745
Core earnings per average common share	\$0.29	\$0.29	\$0.30	\$0.31	\$0.30
Dividends declared per common share	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30
Total common and preferred dividends declared	\$325,091	\$295,471	\$295,448	\$298,771	\$302,340
Annualized return on average equity	23.55%	(9.60%)	(29.47%)	22.15%	(20.18%)
Annualized return on average equity per unit of economic leverage	3.86%	(1.57%)	(4.75%)	3.69%	(3.48%)
Annualized core return on average equity	10.09%	9.73%	9.91%	10.30%	9.67%
Annualized core return on average equity per unit of economic leverage	1.65%	1.60%	1.60%	1.72%	1.67%
Net interest margin	1.40%	1.15%	0.79%	1.80%	1.27%
Core net interest margin	1.42%	1.54%	1.54%	1.71%	1.65%
Average yield on interest earning assets	2.70%	2.48%	2.09%	3.15%	2.48%
Core average yield on interest earning assets	2.72%	2.95%	3.00%	3.05%	2.94%
Average cost of interest bearing liabilities	1.57%	1.68%	1.73%	1.68%	1.65%
Net interest spread	1.13%	0.80%	0.36%	1.47%	0.83%
Core net interest spread	1.15%	1.27%	1.27%	1.37%	1.29%

Includes interest expense on interest rate swaps used to hedge cost of funds. Excludes interest expense on interest rate swaps used to hedge TBA dollar rolls.

Components of Economic Net Interest Income

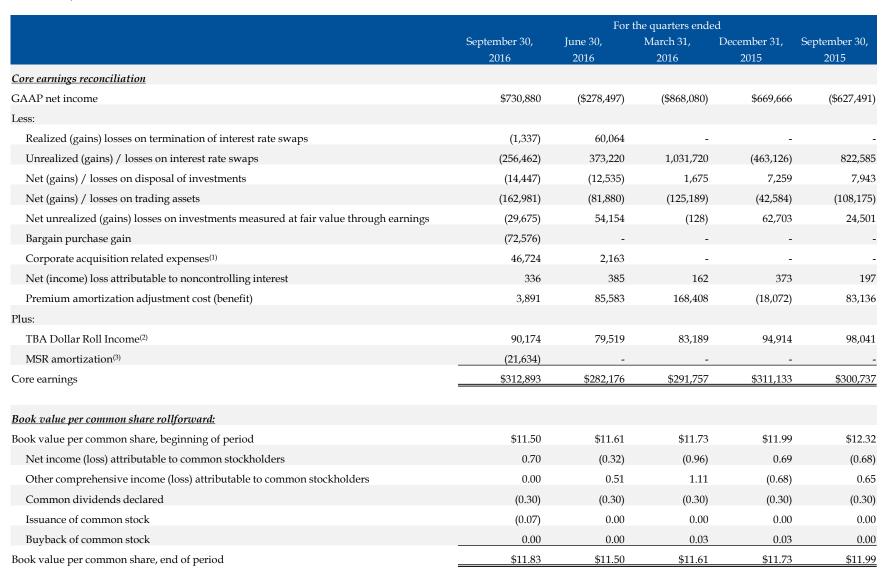


Unaudited, dollars in thousands

	For the quarters ended					
	September 30,	December 31,	September 30,			
	2016	2016	2016	2015	2015	
Interest income:						
Residential Investment Securities	\$493,226	\$394,850	\$315,717	\$515,195	\$399,702	
Residential loans	1,608	-	-	-	-	
Commercial investment portfolio	61,240	59,578	70,187	60,835	50,204	
Reverse repurchase agreements	2,594	2,690	2,239	550	820	
Total interest income	\$558,668	\$457,118	\$388,143	\$576,580	\$450,726	
Economic interest expense:						
Repurchase agreements	\$154,083	\$136,176	\$132,891	\$112,529	\$103,823	
Interest expense on swaps used to hedge cost of funds(1)	103,100	108,301	123,124	135,267	137,744	
Securitized debt of consolidated VIEs	12,046	11,226	9,033	5,597	6,111	
Participation sold	157	157	158	160	161	
Other	7,868	5,196	5,365	521	202	
Total economic interest expense	\$277,254	\$261,056	\$270,571	\$254,074	\$248,041	
Economic net interest income	\$281,414	\$196,062	\$117,572	\$322,506	\$202,685	
Premium amortization adjustment cost (benefit)	3,891	85,583	168,408	(18,072)	83,136	
Economic core net interest income	\$285,305	\$281,645	\$285,980	\$304,434	\$285,821	

Reconciliations and Changes in Key Metrics





⁽¹⁾ Represents transaction costs incurred in connection with the Hatteras Acquisition.

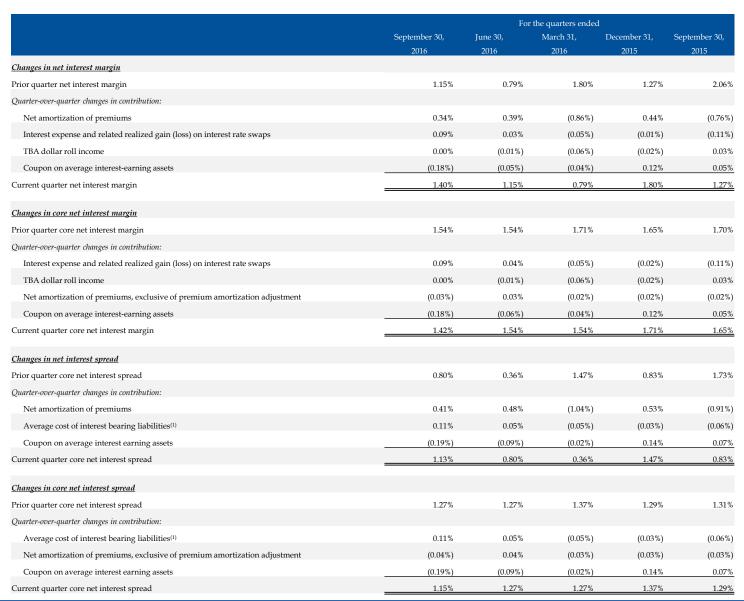


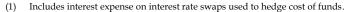
⁽²⁾ Represents a component of Net gains (losses) on trading assets.

⁽³⁾ Represents a component of Net unrealized gains (losses) on investments measured at fair value through earnings.

Changes in Key Metrics



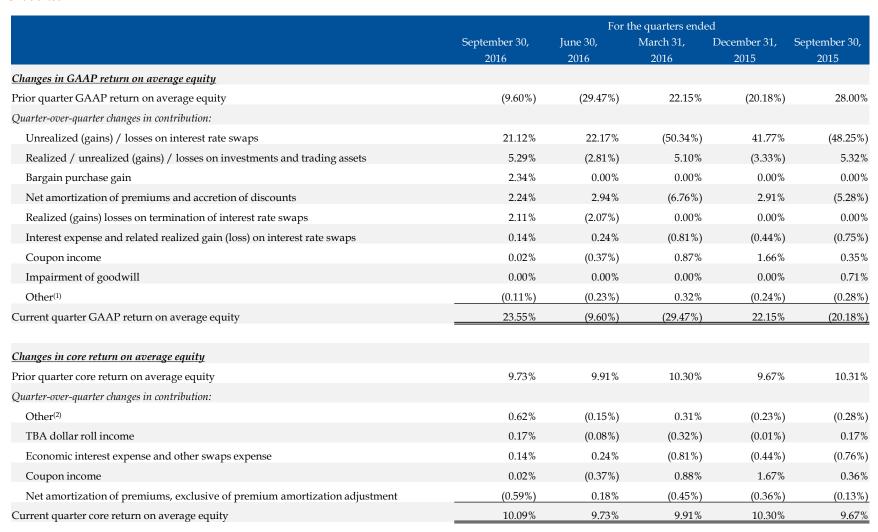






Changes in Key Metrics





⁽¹⁾ Includes investment advisory income, other income (loss), general and administrative expenses and income taxes.

⁽²⁾ Includes investment advisory income, other income (loss), mortgage servicing rights ("MSR") amortization (a component of Net unrealized gains (losses) on financial instruments measured at fair value through earnings), general and administrative expenses (excluding corporate acquisition related expenses) and income taxes.

Residential Investment Securities and TBA Derivative Overview as of September 30, 2016



Unaudited, dollars in thousands

Agency Fixed-Rate Securities (Pools)									
Weighted Avg.	Current		Weighted Avg.	Weighted Avg.	Weighted Avg.	Weighted Avg.	Estimated		
Years to Maturity	Face Value	0/0	Coupon	Amortized Cost	Fair Value	3-Month CPR	Fair Value		
<=15 years	\$7,588,745	13.6%	3.15%	103.8%	105.7%	12.3%	\$8,023,809		
20 years	5,626,694	10.1%	3.50%	104.3%	106.8%	16.6%	6,007,378		
>=30 years	42,497,808	76.3%	3.86%	106.2%	108.0%	14.9%	45,911,382		
Total/Weighted Avg.	\$55,713,247	100.0%	3.73%	105.70%	107.59%	14.7%	\$59,942,569		

TBA Purchase Contracts							
			Weighted Avg.	Implied Cost	Implied Market		
Type	Notional Value	%	Coupon	Basis	Value		
15-year	\$1,890,000	11.8%	2.50%	\$1,948,871	\$1,957,087		
30-year	14,060,000	88.2%	3.30%	14,722,325	14,772,922		
Total/Weighted Avg.	\$15,950,000	100.0%	3.21%	\$16,671,196	\$16,730,009		

Agency Adjustable-Rate Securities										
Weighted Avg.	Current		Weighted Avg.	Weighted Avg.	Weighted Avg.	Weighted Avg.	Estimated			
Months to Reset	Face Value	%	Coupon	Amortized Cost	Fair Value	3-Month CPR	Fair Value			
0 - 24 months	\$4,527,844	38.5%	2.85%	103.8%	105.0%	25.6%	\$4,754,870			
25 - 40 months	4,162,726	35.4%	2.54%	103.3%	103.3%	25.7%	4,298,752			
41 - 60 months	1,535,152	13.1%	2.60%	103.1%	103.1%	18.4%	1,582,059			
61 - 90 months	612,283	5.2%	2.83%	103.6%	103.8%	6.6%	635,525			
>90 months	922,628	7.8%	3.03%	102.7%	103.8%	19.4%	957,421			
Total/Weighted Avg.	\$11,760,633	100.0%	2.72%	103.4%	104.0%	23.2%	\$12,228,627			

Residential Investment Securities and TBA Derivative Overview as of September 30, 2016 (cont'd)



Unaudited, dollars in thousands

Agency Interest-Only Collateralized Mortgage-Backed Obligations									
	Current Notional		Weighted Avg.	Weighted Avg.	Weighted Avg.	Weighted Avg.	Estimated		
Type	Value	0/0	Coupon	Amortized Cost	Fair Value	3-Month CPR	Fair Value		
Interest-Only	\$4,942,802	57.7%	3.28%	13.3%	10.4%	14.9%	\$516,195		
Inverse Interest-Only	3,620,035	42.3%	5.58%	23.3%	21.8%	13.6%	788,714		
Total/Weighted Avg.	\$8,562,837	100.0%	4.26%	17.5%	15.2%	14.4%	\$1,304,909		

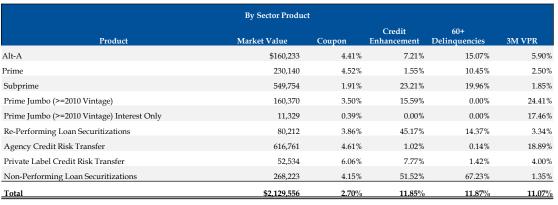
Mortgage Servicing Rights								
			Excess	Weighted Avg.				
	Unpaid Principal	Weighted Avg.	Servicing	Loan Age	Estimated			
Type	Balance	Coupon	Spread	(months)	Fair Value			
Total/Weighted Avg.	\$53,397,163	3.86%	0.23%	7.0	\$492,169			

Residential Credit Portfolio							
	Current Face/		Weighted Avg.	Weighted Avg.	Weighted Avg.	Estimated	
Sector	Notional Value	0/0 (1)	Coupon	Amortized Cost	Fair Value	Fair Value	
Credit Risk Transfer Securities	\$641,531	27.4%	4.73%	99.3%	104.3%	\$669,295	
Legacy	1,075,956	38.3%	2.92%	84.4%	86.8%	934,167	
NPL/RPL	347,105	14.3%	4.08%	99.9%	100.4%	348,435	
New Issue	161,275	6.8%	3.56%	100.4%	103.1%	166,330	
New Issue IO	935,395	0.5%	0.38%	1.8%	1.2%	11,329	
Residential Mortgage Loans	301,957	12.7%	3.45%	102.7%	102.7%	310,148	
Total/Weighted Avg	\$3,463,219	100.0%	2.77%	68.7%	70.4%	\$2,439,704	

(1) Weighted by fair value.

Residential Credit Investments Detail as of September 30, 2016 (1)





Market Value By Sector and Payment Structure									
Product	Senior	Subordinate	Total						
Alt-A	\$83,319	\$76,914	\$160,233						
Prime	37,779	192,361	230,140						
Subprime	189,236	360,517	549,753						
Prime Jumbo (>=2010 Vintage)	149,870	10,500	160,370						
Prime Jumbo (>=2010 Vintage) Interest Only	11,329	-	11,329						
Re-Performing Loan Securitizations	80,212	-	80,212						
Agency Credit Risk Transfer	-	616,762	616,762						
Private Label Credit Risk Transfer	-	52,534	52,534						
Non-Performing Loan Securitizations	264,735	3,488	268,223						
Total	\$816,480	\$1,313,076	\$2,129,556						

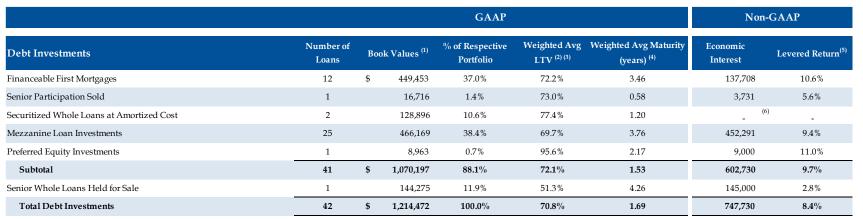
Market Value By Sector and Bond Coupon										
Product	ARM	Fixed	Floater	Interest Only	Total					
Alt-A	\$18,628	\$99,947	\$41,658	\$ -	\$160,233					
Prime	107,269	122,871	-	-	230,140					
Subprime	-	60,675	489,078	-	549,753					
Prime Jumbo (>=2010 Vintage)	-	149,870	10,500	-	160,370					
Prime Jumbo (>=2010 Vintage) Interest Only	-	-	-	11,329	11,329					
Re-Performing Loan Securitizations	-	80,212	-	-	80,212					
Agency Credit Risk Transfer	-	-	616,762	-	616,762					
Private Label Credit Risk Transfer	-	-	52,534	-	52,534					
Non-Performing Loan Securitizations	_	268,223	-	-	268,223					
Total	\$125,897	\$781,798	\$1,210,532	\$11,329	\$2,129,556					

(1) Excludes Residential Mortgage Loans.



Commercial Real Estate Overview as of September 30, 2016





Securitized Whole Loans at Fair Value and CMBS	Number of Loans	1	air Value	% of Respective Portfolio	Weighted Avg LTV	Weighted Avg Maturity (years)	Economic Interest	Levered Return ⁽⁵⁾
Securitized Whole Loans at Fair Value	79	\$	3,953,150	91.5%	76.8%	6.43	- (6	-
AAA CMBS	11		365,927	8.5%	29.8%	1.20	52,045	11.6%
B Piece CMBS	-		-	-	-	-	420,042	7.6%
Total Securitized Whole Loans at Fair Value and CMBS	90	\$	4,319,077	100.0%	72.8%	5.99	472,087	8.1%
Total Debt & Securitized Whole Loans at Fair Value and CMBS	132	\$	5,533,549	100.0%	72.3%	5.04	1,219,817	8.3%

Equity Investments	Number of Properties	Во	ook Value	% of Respective Portfolio
Real Estate Held for Investment	27	\$	440,683	88.1%
Investment in Unconsolidated Joint Ventures	7		59,345	11.9%
Total Equity Investments	34	\$	500,027	100.0%
Total		\$	6,033,576	

onomic nterest	Levered Return ⁽⁵⁾
\$ 166,988	11.3%
67,243	9.0%
\$ 234,231	10.6%
\$ 1,454,048	8.6%

- (1) Book values include unamortized net origination fees.
- Total weighted based on book value.
- (3) Based on an internal valuation or the most recent third party appraisal, which may be prior to loan origination/purchase date, and on an "as is" basis at the time of underwriting.
- 4) Maturity dates assume all of the borrowers' extension options are exercised.
- (5) Levered Return Debt Investments, Securitized Whole Loans at Fair Value and commercial mortgage-backed securities ("CMBS"): represents the current coupon plus fees amortized over initial loan term, less any related financing costs. Levered return Equity Investments: is based on projected year 1 cash-on-cash returns for 2015 acquisitions.
- (6) Economic interest in securitized whole loans is reflected in B Piece CMBS.

Middle Market Lending Overview as of September 30, 2016





Loan Size Dispersion					
Loan Size		Amount	Percentage		
\$0 - \$20 million	\$	126,210	17.6%		
\$20 - \$40 million		215,270	30.0%		
\$40 - \$60 million		229,951	32.1%		
greater than \$60 million		145,400	20.3%		
Total	\$	716,831	100.0%		

88,828

628,003

716,831

\$

Total

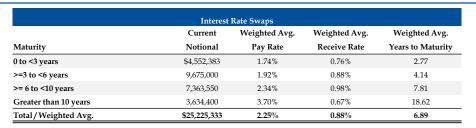
Loan Tenor Dispersion					
Remaining Term		Amount	Percentage		
One year or less	\$	-	0.0%		
One to three years		-	0.0%		
Three to five years		438,092	61.1%		
Greater than five years		278,739	38.9%		
Total	\$	716,831	100.0%		

Lien Position	Amount	
First lien loans	\$ 466,099	65.0%
Second lien loans	161,904	22.6%
Second lien notes	84,448	11.8%
Subordinated notes	4,380	0.6%
Total	\$ 716,831	100.0%



Hedging and Liabilities as of September 30, 2016





Futures Positions						
	Notional	Notional				
	Long	Short	Weighted Avg.			
Type	Positions	Positions	Years to Maturity ⁽¹⁾			
2-year Swap Equivalent Eurodollar Contracts	-	(14,991,375)	2.00			
U.S. Treasury Futures - 5 year	-	(1,247,200)	4.42			
Total	-	(\$16,238,575)	2.19			

Interest Rate Swaptions						
	Current	Weighted-Avg.	Weighted-Avg.	Weighted Avg.	Weighted Avg.	
	Underlying	Underlying	Underlying	Underlying	Months to	
Type	Notional	Pay Rate	Receive Rate	Years to Maturity	Expiration	
Long	\$950,000	1.08%	3M LIBOR	2.24	2.77	
Short	(\$200,000)	3M LIBOR	1.54%	10.25	2.77	

	Repurchase Agreements & FHLB Advances	
	Principal	Weighted Avg.
Maturity	Balance	Rate
Within 30 days	\$26,508,338	0.99%
30 to 59 days	5,200,350	0.86%
60 to 89 days	6,173,598	0.85%
90 to 119 days	5,309,103	0.79%
Over 120 days ⁽²⁾	22,181,058	1.27%
Total/Weighted Avg.	\$65,372,447	1.04%

	Principal	Weigh	ted Average
	Balance	Rate (3)	Days to Maturity(4)
Repurchase agreements	\$61,784,121	0.97%	128
Other secured financing	3,804,742	0.83%	1,560
Securitized debt of consolidated VIEs	3,695,502	1.29%	2,434
Participation sold	12,908	4.81%	213
Mortgages payable	330,946	4.42%	2,881
Total indebtedness	\$69,628,219		

⁽¹⁾ Weighted average years to maturity for futures positions are based off of the Treasury contracts cheapest to deliver.

Approximately 16% of the total repurchase agreements and FHLB advances have a remaining maturity over one year. The combined weighted average days to maturity for repurchase agreements and FHLB advances was 206 days.

Represents the quarterly average rate.

Determined based on estimated weighted-average lives of the underlying debt instruments.

Quarter-Over-Quarter Interest Rate and MBS Spread Sensitivity





Assumptions:

- The interest rate sensitivity and spread sensitivity are based on the portfolios as of September 30, 2016 and June 30, 2016.
- The interest rate sensitivity reflects instantaneous parallel shifts in rates.
- The spread sensitivity shifts mortgage-backed securities spreads instantaneously and reflects exposure to mortgage-backed securities basis risk.
- All tables assume no active management of the portfolio in response to rate or spread changes.

Interest Rate Sensitivity

interest Rate Sens		As of September 30, 2016		e 30, 2016
Interest Rate Change (bps)	Estimated Percentage Change in Portfolio Value ⁽¹⁾	e Estimated Change as a % of NAV ⁽¹⁾⁽²⁾	Estimated Percentage Change in Portfolio Value ⁽¹⁾	Estimated Change as a % of NAV ⁽¹⁾⁽²⁾
(75)	0.5%	3.1%	0.3%	1.8%
(50)	0.4%	2.3%	0.3%	1.7%
(25)	0.2%	1.3%	0.2%	1.0%
25	(0.3%)	(1.7%)	(0.2%)	(1.3%)
50	(0.6%)	(3.8%)	(0.5%)	(3.2%)
75	(1.1%)	(6.6%)	(0.9%)	(5.6%)

MBS Spread Sensitivity

	As of Septe	As of September 30, 2016		ne 30, 2016
MBS Spread Shock (bps)	Estimated Change ir Portfolio Market Value	n Estimated Change as a % of NAV ⁽¹⁾⁽²⁾	Estimated Change ir Portfolio Market Value	n Estimated Change as a % of NAV ⁽¹⁾⁽²⁾
(25)	1.3%	8.2%	1.3%	7.8%
(15)	0.8%	4.9%	0.8%	4.7%
(5)	0.3%	1.6%	0.3%	1.6%
5	(0.3%)	(1.6%)	(0.3%)	(1.5%)
15	(0.8%)	(4.8%)	(0.8%)	(4.6%)
25	(1.3%)	(8.0%)	(1.3%)	(7.7%)

Scenarios include Residential Investment Securities and derivative instruments.

⁽²⁾ Net asset value ("NAV") represents book value of common equity.





Endnotes for Page 2

- The state of the s
- 1. Core earnings is defined as net income (loss) excluding gains or losses on disposals of investments and termination of interest rate swaps, unrealized gains or losses on interest rate swaps and investments measured at fair value through earnings, net gains and losses on trading assets, impairment losses, net income (loss) attributable to noncontrolling interest, the premium amortization adjustment resulting from the quarter-over-quarter change in estimated long-term CPR, corporate acquisition related expenses and certain other non-recurring gains or losses, and inclusive of dollar roll income (a component of Net gains (losses) on trading assets) and realized amortization of MSRs (a component of Net unrealized gains (losses) on investments measured at fair value through earnings).
- 2. For purposes of calculating the Company's leverage ratio, debt consists of repurchase agreements, other secured financing, Convertible Senior Notes, securitized debt, participation sold and mortgages payable. Securitized debt, participation sold and mortgages payable are non-recourse to the Company.
- 3. Computed as the sum of recourse debt, TBA derivative notional outstanding and net forward purchases of investments divided by total equity. Recourse debt consists of repurchase agreements, other secured financing and Convertible Senior Notes.
- 4. The ratio of total equity to total assets (inclusive of total market value of TBA derivatives and exclusive of consolidated VIEs associated with B Piece commercial mortgage-backed securities).
- 5. Comprised of non-Agency mortgage-backed securities, credit risk transfer securities and residential mortgage loans.
- 6. Includes consolidated VIEs and loans held for sale.
- 7. Represents the sum of the Company's annualized economic core net interest income (inclusive of interest expense on interest rate swaps used to hedge cost of funds) plus TBA dollar roll income (less interest expense on swaps used to hedge dollar roll transactions) divided by the sum of its average interest-earning assets plus average outstanding TBA derivative balances.
- 8. Represents annualized core interest income divided by average interest earning assets. Interest earning assets reflects the average amortized cost of our investments during the period.
- 9. Excludes transaction costs incurred in connection with the Company's acquisition of Hatteras Financial Corp.
- 10. Represents general and administrative expenses divided by core earnings before general and administrative expenses.

Non-GAAP Reconciliations

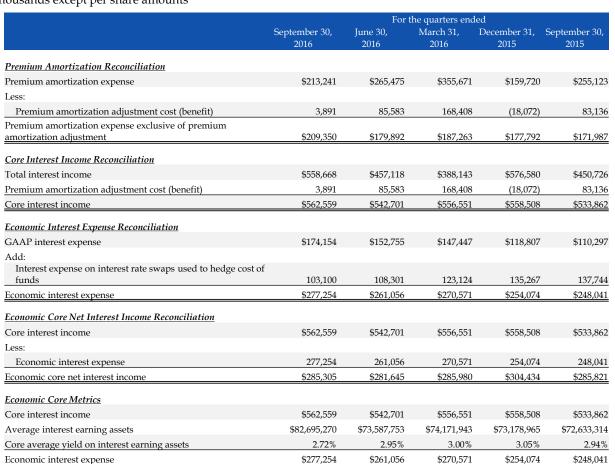
Average interest bearing liabilities

Core net interest spread

Core net interest margin

Average cost of interest bearing liabilities





To supplement its consolidated financial statements, which are prepared and presented in accordance with U.S. generally accepted accounting principles ("GAAP"), the Company provides non-GAAP financial measures. These measures should not be considered a substitute for, or superior to, financial measures computed in accordance with GAAP. These non-GAAP measures provide additional detail to enhance investor understanding of the Company's period-over-period operating performance and business trends, as well as for assessing the Company's performance versus that of industry peers. Reconciliations of these non-GAAP financial measures to their most directly comparable GAAP results are provided above. A reconciliation of GAAP net income (loss) to non-GAAP core earnings for the quarters ended September 30, 2016, June 30, 2016, March 31, 3016, December 31, 2015 and September 30, 2015, is provided on page 7 of this financial summary.

\$70,809,712

1.57%

1.15%

1.42%

\$62,049,474

1.68%

1.27%

1.54%

\$62,379,695

1.73%

1.27%

1.54%

\$60,516,996

1.68%

1.37%

1.71%

\$59,984,298

1.65%

1.29%

1.65%

