



1Q 2014 Stockholder Supplement
May 7, 2014

Safe Harbor Notice



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) that 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 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 the commercial mortgage business; our ability to consummate any contemplated investment opportunities; changes in government regulations affecting our business; our ability to maintain our qualification as a REIT for federal income tax purposes; our ability to maintain our exemption from registration under the Investment Company Act of 1940, as amended; risks associated with the businesses of our subsidiaries, including the investment advisory business of our wholly-owned subsidiary and risks associated with the broker-dealer business of our wholly-owned subsidiary.

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.

1Q14 Financial Overview



Unaudited

Income Statement

- GAAP net loss of \$203.4 million, or \$0.23 loss per average common share, resulting in an annualized GAAP loss on average equity of (6.52%)
- Core earnings⁽¹⁾ of \$239.7 million, or \$0.23 per average common share, generating an annualized core return on average equity of 7.68%
- Declared a \$0.30 dividend per common share

Balance Sheet

- Common stock book value per share of \$12.30
- End of period total debt to equity of 5.2x⁽²⁾
- End of period capital ratio of 15.2%⁽³⁾ and net capital ratio of 15.4%⁽⁴⁾
- Weighted average days to maturity on repurchase agreements of 187 days

Portfolio

- Annualized yield on average interest-earning assets⁽⁵⁾ of 3.21% and annualized interest rate spread of 0.90% during the quarter
- End of period Investment Securities⁽⁶⁾ of \$77.8 billion
- End of period commercial real estate debt and preferred equity of \$1.6 billion with a weighted-average yield of 9.13% at quarter end
- End of period commercial real estate held for investment of \$36.6 million⁽⁷⁾ with a net equity yield of 11.69%⁽⁸⁾

- (1) Core earnings exclude net gains (losses) on trading assets and disposal of investments, unrealized gains (losses) on interest rate swaps and Agency interest-only mortgage-backed securities, and realized gains (losses) on termination of interest rate swaps
- (2) Leverage includes repurchase agreements, Convertible Senior Notes and non-recourse securitized debt of consolidated VIE, loan participation and mortgages payable.
- (3) Total stockholders' equity divided by total assets.
- (4) Total stockholders' equity divided by total assets less the net balances of U.S. Treasury securities and U.S. Treasury securities sold, not yet purchased, reverse repurchase agreements and repurchase agreements, and securities borrowed and securities loaned.
- (5) Includes Investment Securities, U.S. Treasury Securities, securities borrowed, commercial real estate debt and preferred equity, corporate debt, reverse repurchase agreements and cash and cash equivalents.
- (6) Investment Securities include Agency mortgage-backed securities and Agency debentures.
- (7) Does not include \$3.7 million of Real Estate Held-for-Sale at March 31, 2014.
- (8) Based on GAAP net income, excluding depreciation and amortization expense, utilizing average net equity for the quarter ended March 31, 2014.

Strategy Overview



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Portfolio Positioning

- Federal Reserve on track to end QE by year end, but forward guidance regarding lift off on Fed Funds continues to suggest mid to late 2015.
- During the first quarter of 2014, increased leverage and added \$10.5 billion of Investment Securities⁽¹⁾ and disposed of \$5.0 billion of Investment Securities resulting in a realized gain of \$80.7 million
- The Commercial team has executed first securitization during 1Q14 and the commercial portfolio now represents 12% of stockholders' equity, net of securitized debt (15% gross)

Market Opportunities

- Expected levered return on equity of 12% to 14% on purchase of Agency mortgage-backed securities ("Agency MBS") in current market environment
- Expected unlevered return on equity of 4% to 6% for commercial first mortgages pre-securitization with opportunity to hold subordinated tranches yielding 10%+ post-securitization and 9% to 10% unlevered return on equity through commercial mezzanine investments
- Although pay-ups on specified pools have appreciated modestly due to greater demand for call protection, pricing remains reasonable. To-be-announced ("TBA") dollar rolls in production coupons continue to remain attractive as low levels of Agency MBS issuance in 2014 has created a financing advantage for TBAs.

Liability and Interest Rate Management

- Selectively increase leverage (5.2x⁽²⁾) at end of 1Q14) as opportunities are presented, which will result in a modest decrease in notional amount of interest rate swaps as a percentage of repurchase agreements.
- Selectively utilize derivatives and short TBA contracts to hedge against spikes in volatility, higher interest rates and Agency MBS spread widening.

(1) Includes Agency mortgage-backed securities and Agency debentures.

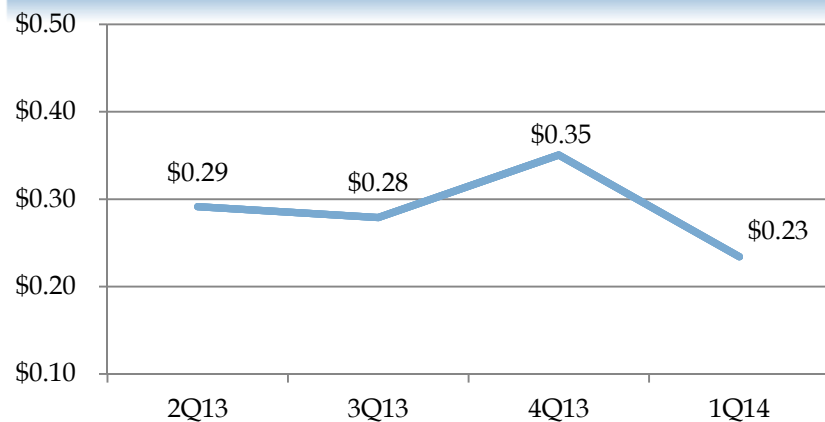
(2) Leverage includes repurchase agreements, Convertible Senior Notes and non-recourse securitized debt of consolidated VIE, loan participation and mortgages payable.



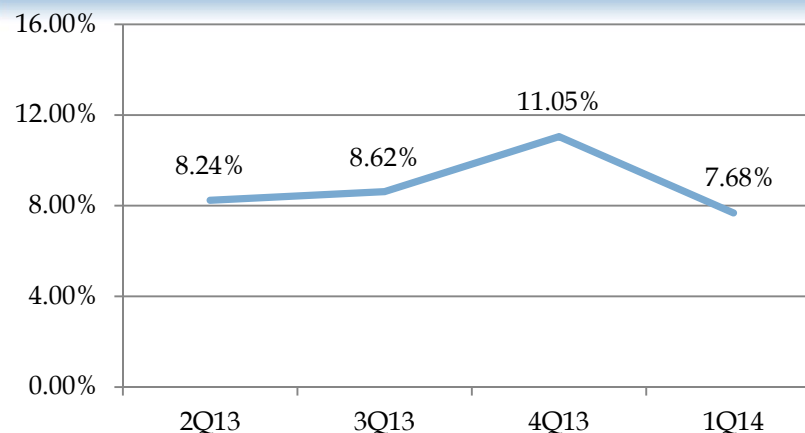
Last Four Quarters Financial Performance

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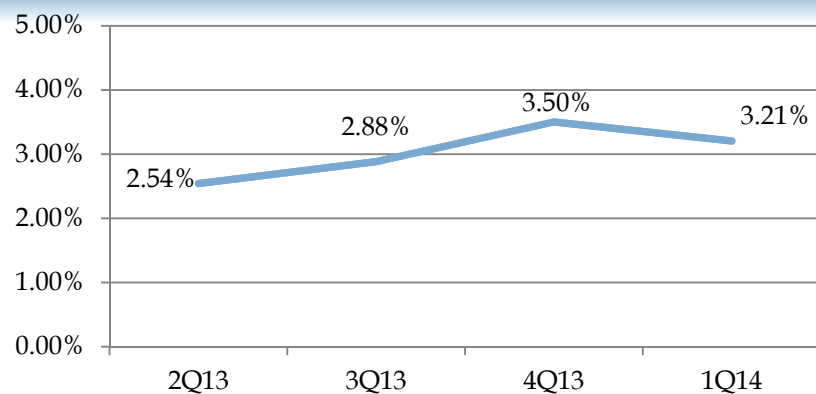
Core EPS⁽¹⁾



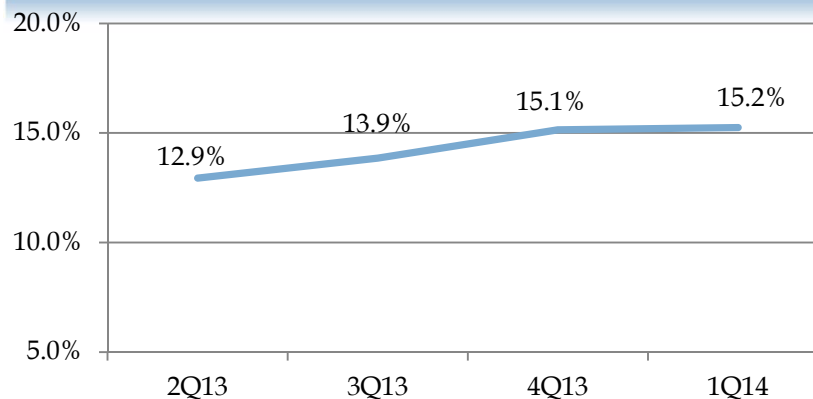
Annualized Core Return on Equity



Annualized Yield on Average Interest-Earning Assets⁽²⁾



Capital Ratio⁽³⁾



- (1) Core earnings exclude net gains (losses) on trading assets and disposal of investments, unrealized gains (losses) on interest rate swaps and Agency interest-only mortgage-backed securities, realized gains (losses) on termination of interest rate swaps, net loss on extinguishment of the 4% Convertible Senior Notes, impairment losses and loss on previously held equity interest in CreXus Investment Corp.
- (2) Includes Investment Securities, U.S. Treasury Securities, securities borrowed, commercial real estate debt and preferred equity, corporate debt, reverse repurchase agreements and cash and cash equivalents. Average interest-earning assets reflects the average amortized cost of our investments during the period.
- (3) Total stockholders' equity divided by total assets.



Summary Balance Sheet and Applicable Information

Unaudited, numbers in thousands except per share amounts

| | For the quarters ended | | |
|--|------------------------|----------------------|----------------------|
| | March 31, 2014 | December 31, 2013 | March 31, 2013 |
| Investment Securities ⁽¹⁾ | \$77,758,647 | \$73,358,834 | \$112,226,950 |
| Commercial real estate investments | 1,680,519 | 1,644,101 | - |
| Corporate debt, held for investment | 145,394 | 117,687 | 66,539 |
| <u>Total Investment Securities⁽¹⁾ and commercial investment portfolio⁽²⁾</u> | <u>\$79,584,560</u> | <u>\$75,120,622</u> | <u>\$112,293,489</u> |
| Total assets | \$82,414,777 | \$81,922,460 | \$125,501,856 |
| Repurchase agreements | \$64,543,949 | \$61,781,001 | \$100,322,942 |
| Convertible Senior Notes | 827,486 | 825,262 | 824,902 |
| Securitized debt of consolidated VIE | 260,700 | - | - |
| Mortgages payable | 19,317 | 19,332 | - |
| Participation sold | 13,963 | 14,065 | - |
| <u>Total debt</u> | <u>\$65,665,415</u> | <u>\$62,639,660</u> | <u>\$101,147,844</u> |
| <u>Total liabilities</u> | <u>\$69,850,065</u> | <u>\$69,517,405</u> | <u>\$110,195,487</u> |
| Cumulative redeemable preferred stock | \$913,059 | \$913,059 | \$913,059 |
| Common equity ⁽³⁾ | 11,651,653 | 11,491,996 | 14,393,310 |
| <u>Total stockholders' equity</u> | <u>\$12,564,712</u> | <u>\$12,405,055</u> | <u>\$15,306,369</u> |
| Total debt to total stockholders' equity ⁽⁴⁾ | 5.2x | 5.0x | 6.6x |
| Capital ratio ⁽⁵⁾ | 15.2% | 15.1% | 12.2% |
| Net capital ratio ⁽⁶⁾ | 15.4% | 15.9% | 13.0% |
| Common stock book value per share | \$12.30 | \$12.13 | \$15.19 |
| Total common stock shares outstanding | 947,489 | 947,433 | 947,293 |

(1) Includes Agency mortgage-backed securities and Agency debentures.

(2) Includes commercial real estate debt and preferred equity and corporate debt.

(3) Includes common stock, additional paid-in capital, accumulated other comprehensive income (loss) and accumulated deficit.

(4) Leverage includes repurchase agreements, Convertible Senior Notes and non-recourse securitized debt of consolidated VIE, loan participation and mortgages payable.

(5) Total stockholders' equity divided by total assets.

(6) Total stockholders' equity divided by total assets less the net balances of U.S. Treasury securities and U.S. Treasury securities sold, not yet purchased, reverse repurchase agreements and repurchase agreements, and securities borrowed and securities loaned.

Summary Income Statement and Applicable Information



Unaudited, dollars in thousands except per share amounts

| | For the quarters ended | | |
|--|------------------------|----------------------|-------------------|
| | March 31, 2014 | December 31, 2013 | March 31, 2013 |
| Total interest income | \$655,901 | \$771,249 | \$737,217 |
| Total economic interest expense ⁽¹⁾ | 385,406 | 379,575 | 403,066 |
| Economic net interest income ⁽¹⁾ | \$270,495 | \$391,674 | \$334,151 |
| GAAP Net income (loss) | (\$203,351) | \$1,028,749 | \$870,278 |
| GAAP Net income (loss) available (related) to common shareholders | (221,343) | 1,010,757 | 852,286 |
| GAAP Earnings per common share | (\$0.23) | \$1.07 | \$0.90 |
| Core earnings (loss) ⁽²⁾ | \$239,744 | \$350,106 | \$296,403 |
| Core earnings (loss) available (related) to common shareholders ⁽²⁾ | 221,752 | 332,114 | 278,411 |
| Core earnings per common share ⁽²⁾ | \$0.23 | \$0.35 | \$0.29 |
| Dividends declared per common share | \$0.30 | \$0.30 | \$0.45 |
| Annualized GAAP return on average equity | (6.52%) | 32.46% | 22.29% |
| Annualized core return on average equity ⁽²⁾ | 7.68% | 11.05% | 7.59% |
| Annualized core return on average equity ⁽²⁾ per unit of leverage | 1.47% | 2.19% | 1.15% |
| Annualized yield on average interest-earning assets ⁽³⁾ | 3.21% | 3.50% | 2.37% |
| Annualized cost of funds on average interest-bearing liabilities | 2.31% | 2.07% | 1.46% |
| Annualized interest rate spread | 0.90% | 1.43% | 0.91% |
| Weighted average three-month constant prepayment rate (CPR) | 6% | 7% | 19% |

(1) Includes realized gains (losses) on interest rate swaps.

(2) Core earnings exclude net gains (losses) on trading assets and disposal of investments, unrealized gains (losses) on interest rate swaps and Agency interest-only mortgage-backed securities, realized gains (losses) on termination of interest rate swaps, and net loss on extinguishment of the 4% Convertible Senior Notes.

(3) Average interest earning assets reflects the average amortized cost of our investments during the period.

Components of Economic Net Interest Income



Unaudited, dollars in thousands

| | For the quarters ended | | |
|---|------------------------|----------------------|-------------------|
| | March 31, 2014 | December 31, 2013 | March 31, 2013 |
| Interest income: | | | |
| Investment Securities | \$614,419 | \$721,670 | \$723,750 |
| Commercial investment portfolio ⁽¹⁾ | 39,486 | 37,702 | 1,070 |
| U.S. Treasury securities | 1,329 | 8,125 | 5,996 |
| Securities loaned | 114 | 2,087 | 2,612 |
| Reverse repurchase agreements | 500 | 1,587 | 3,636 |
| Other | 53 | 78 | 153 |
| <u>Total interest income</u> | <u>\$655,901</u> | <u>\$771,249</u> | <u>\$737,217</u> |
| Economic interest expense ⁽²⁾ : | | | |
| Repurchase agreements | \$103,131 | \$111,038 | \$157,064 |
| Realized losses on interest rate swaps ⁽³⁾ | 260,435 | 242,182 | 225,476 |
| Convertible Senior Notes | 18,897 | 17,788 | 15,813 |
| U.S. Treasury Securities sold, not yet purchased | 1,076 | 6,684 | 2,788 |
| Securities borrowed | 95 | 1,718 | 1,925 |
| Securitized debt of consolidated VIE | 1,611 | - | - |
| Participation sold | 161 | 165 | - |
| <u>Total economic interest expense⁽²⁾</u> | <u>\$385,406</u> | <u>\$379,575</u> | <u>\$403,066</u> |
| <u>Economic net interest income⁽²⁾</u> | <u>\$270,495</u> | <u>\$391,674</u> | <u>\$334,151</u> |

(1) Includes commercial real estate debt and preferred equity and corporate debt.

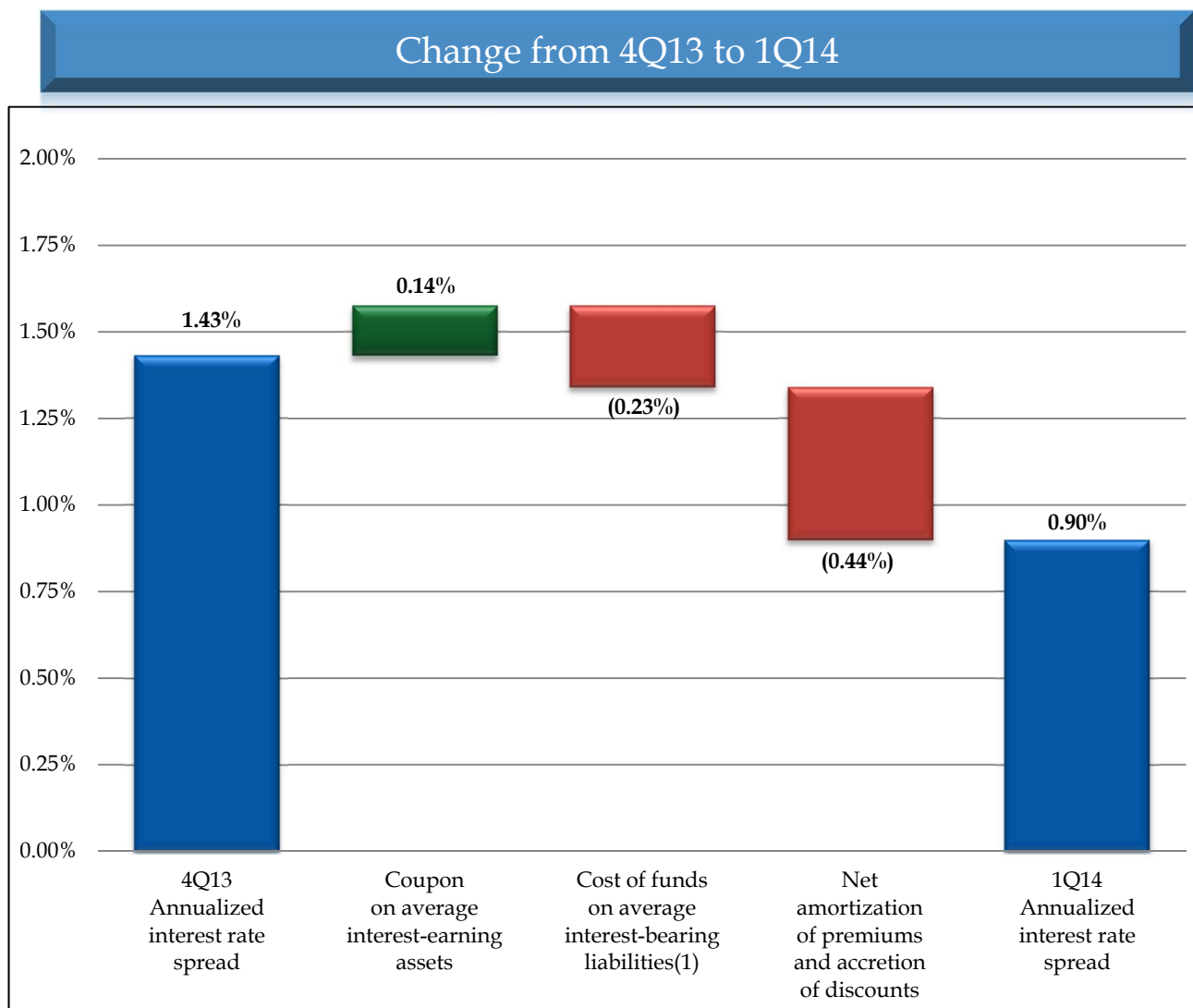
(2) Includes realized gains (losses) on interest rate swaps.

(3) Interest expense related to the Company's interest rate swaps is recorded in Realized gains (losses) on interest rate swaps on the Consolidated Statements of Comprehensive Income (Loss).

Change in Annualized Interest Rate Spread



Unaudited

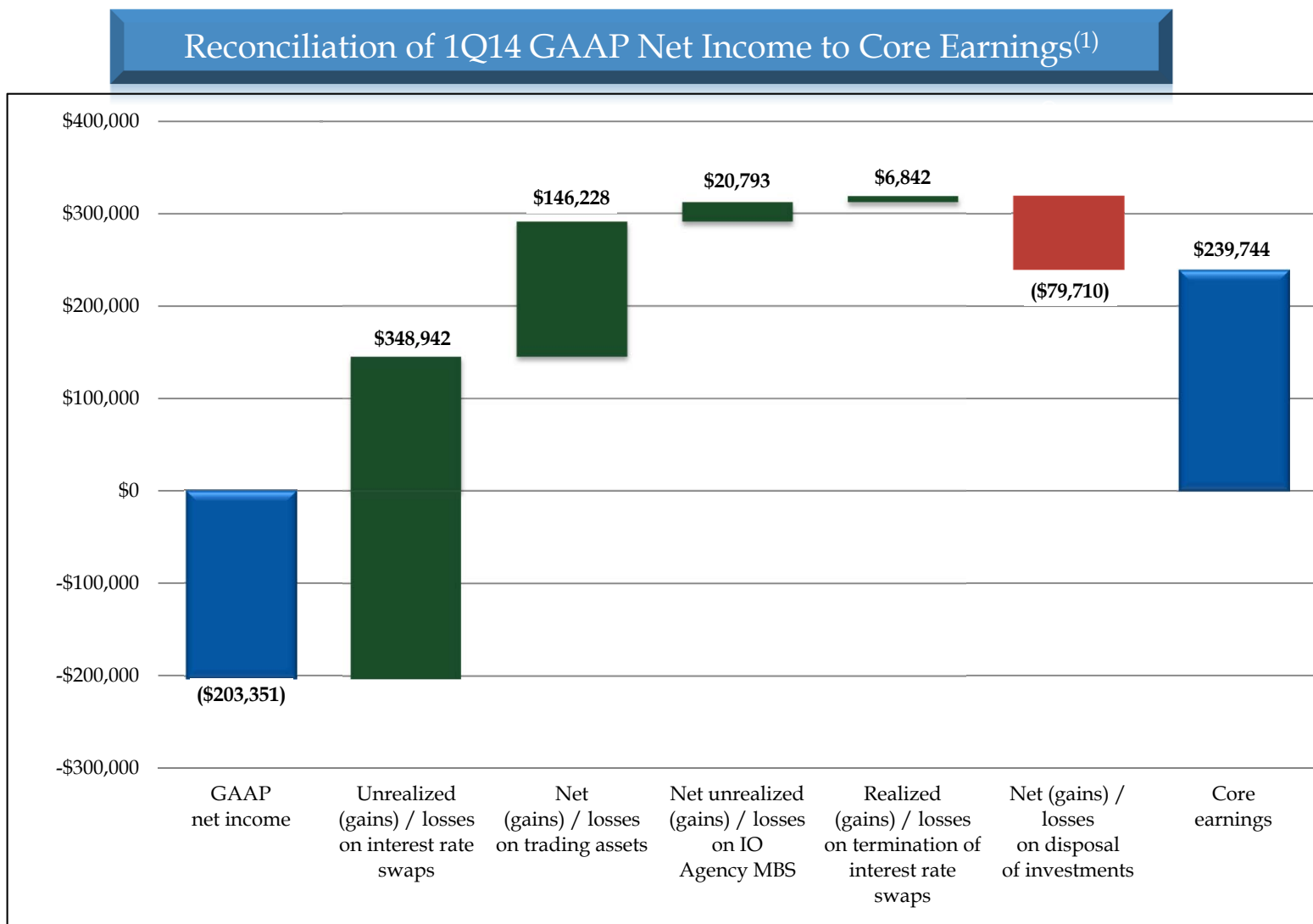


Note: Graph shows relative changes in contribution from 4Q13 to 1Q14. For example, coupon on average interest-earning assets increased annualized interest rate spread by 0.14% more in 1Q14 versus 4Q13.
(1) Includes realized gains (losses) on interest rate swaps.

Reconciliation to Core Earnings



Unaudited, dollars in thousands

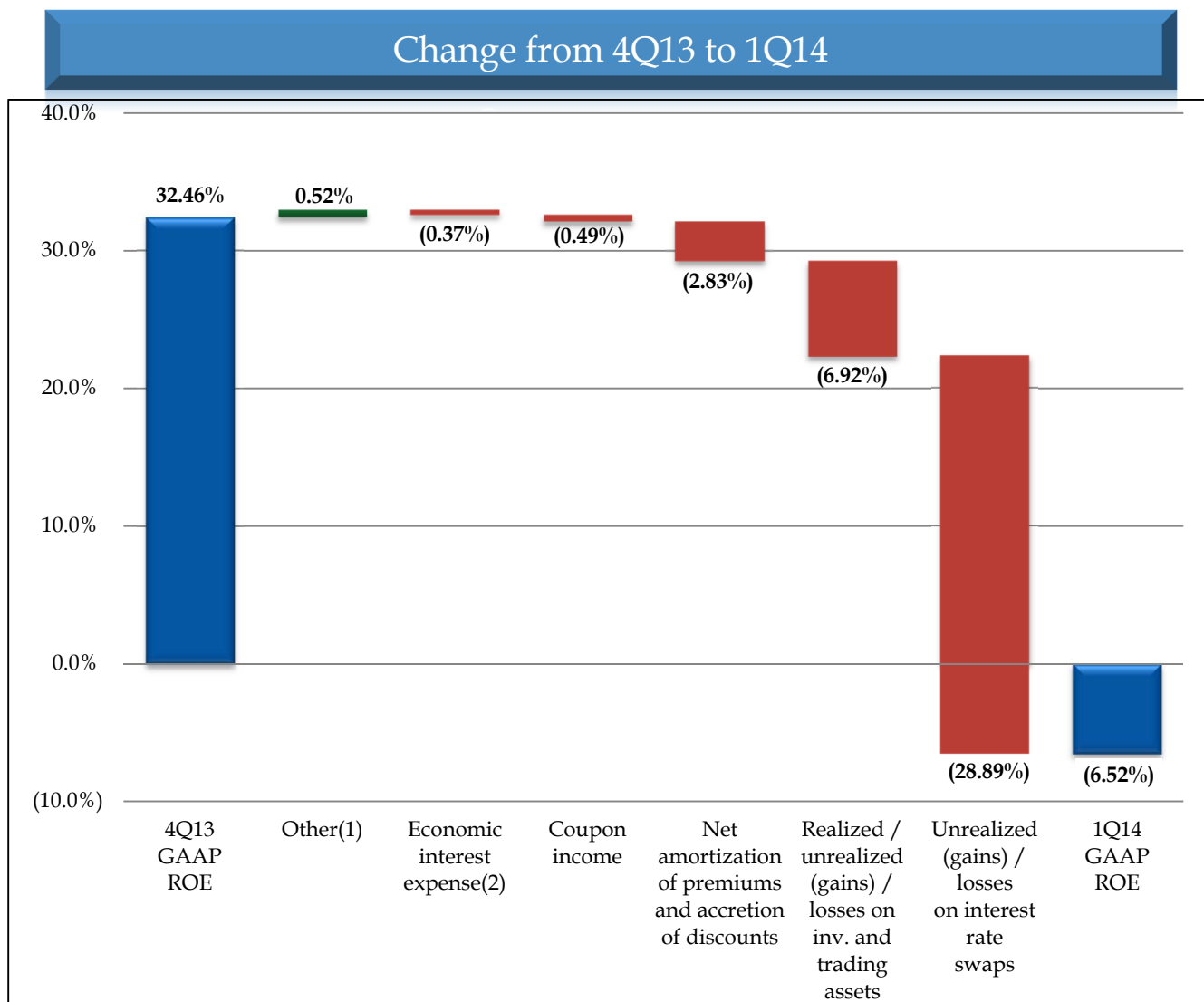


(1) Core earnings exclude net gains (losses) on trading assets and disposal of investments, unrealized gains (losses) on interest rate swaps and Agency interest-only mortgage-backed securities, and realized gains (losses) on termination of interest rate swaps.

Change in Annualized GAAP Return on Average Equity



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Note: Graph shows relative changes in contribution from 4Q13 to 1Q14. For example, unrealized gains/losses on interest rate swaps decreased annualized ROE by 28.89% more in 1Q14 versus 4Q13.

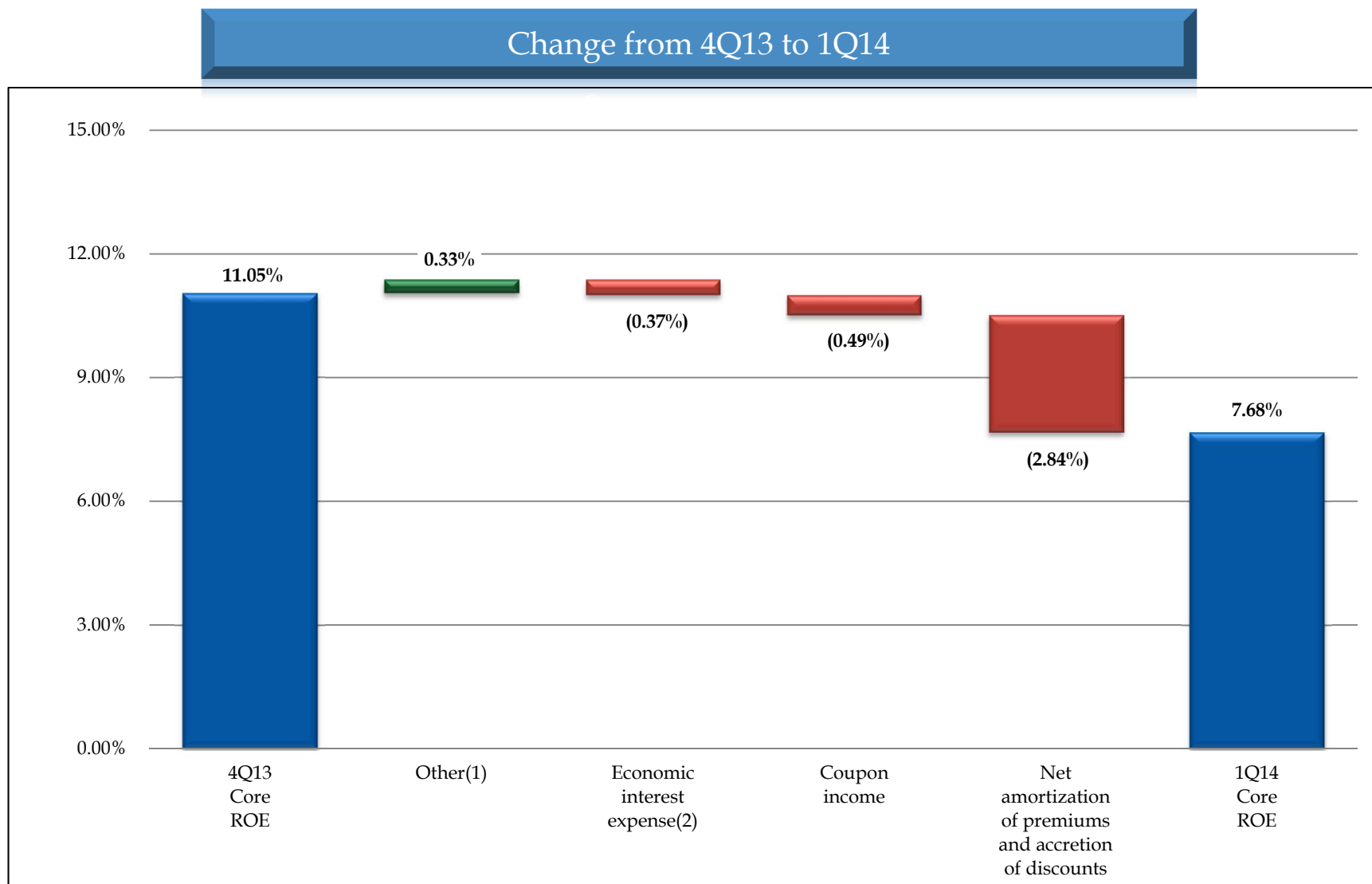
(1) Other includes realized gains (losses) on termination of interest rate swaps, investment advisory income, dividend income from affiliates, other income (loss), general and administrative expenses, and income taxes.

(2) Includes realized gains (losses) on interest rate swaps.

Change in Annualized Core Return on Average Equity



Unaudited



Note: Graph shows relative changes in contribution from 4Q13 to 1Q14. For example, economic interest expense decreased annualized core ROE by 0.37% more in 1Q14 versus 4Q13.

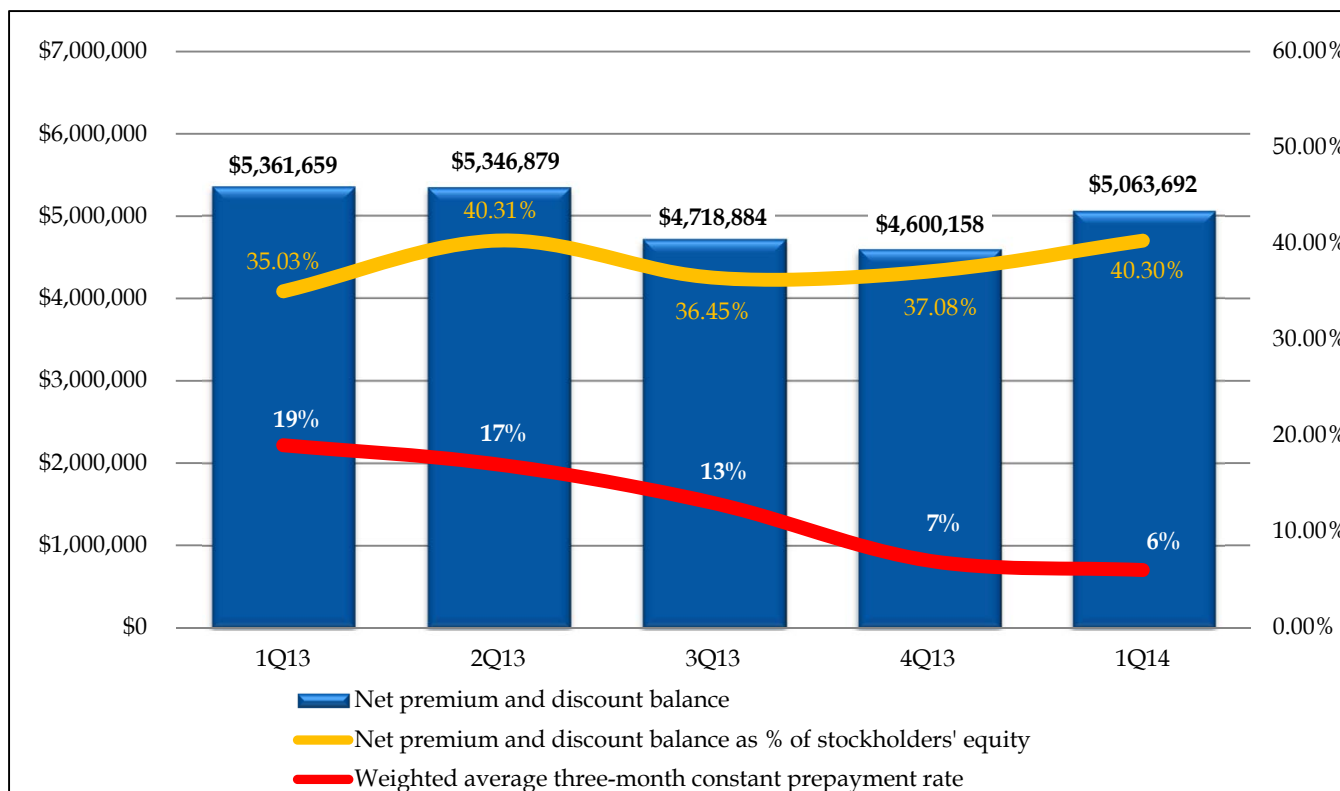
(1) Other includes investment advisory income, dividend income from affiliates, other income (loss), general and administrative expenses, and income taxes.

(2) Includes realized gains (losses) on interest rate swaps.

Agency MBS and Debentures Portfolio Net Premium and Discount Balance and Constant Prepayment Rate



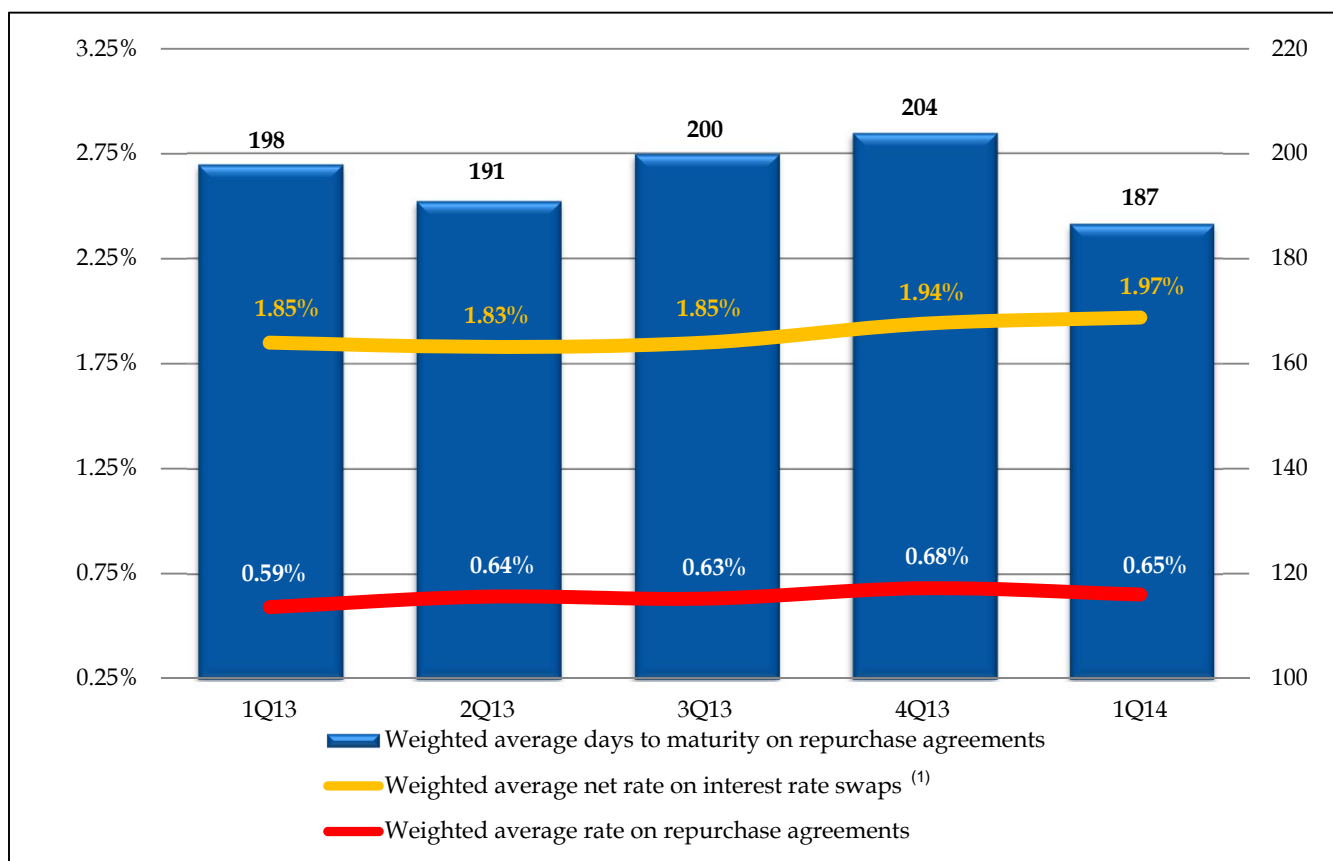
Unaudited, dollars in thousands



Interest Rate and Liability Management



Unaudited



(1) Excludes forward starting swaps.

Note: Interest rates do not take into consideration outstanding Convertible Senior Notes, securitized debt of consolidated VIE, loan participation or mortgages payable.

Hedges and Liabilities as of March 31, 2014



Unaudited, dollars in thousands

| Interest Rate Swaps | | | | |
|------------------------------|---------------------------------|--|--|--|
| Maturity | Current Notional ⁽¹⁾ | Weighted Avg. Pay Rate ⁽²⁾⁽³⁾ | Weighted Avg. Receive Rate ⁽²⁾⁽⁴⁾ | Weighted Avg. Years to Maturity ⁽²⁾ |
| 0 to <3 years | \$24,516,550 | 1.78% | 0.17% | 1.84 |
| >=3 to <6 years | 8,723,500 | 2.07% | 0.19% | 4.60 |
| >= 6 to <10 years | 17,179,700 | 2.49% | 0.23% | 7.83 |
| Greater than 10 years | 6,290,000 | 3.66% | 0.18% | 21.09 |
| Total / Weighted Avg. | \$56,709,750 | 2.16% | 0.19% | 5.31 |

| Interest Rate Swaptions | | | | | |
|-------------------------|-----------------------------|-----------------------------------|---------------------------------------|--|------------------------------------|
| Type | Current Underlying Notional | Weighted-Avg. Underlying Pay Rate | Weighted-Avg. Underlying Receive Rate | Weighted Avg. Underlying Years to Maturity | Weighted Avg. Months to Expiration |
| Long | \$4,100,000 | 3.14% | 3M LIBOR | 10.04 | 4.70 |
| Short | - | - | - | - | - |

| Repurchase Agreements | | |
|------------------------------|---------------------|--------------------|
| Maturity | Principal Balance | Weighted Avg. Rate |
| Within 30 days | \$18,373,653 | 0.32% |
| 30 to 59 days | 17,122,926 | 0.43% |
| 60 to 89 days | 3,842,791 | 0.42% |
| 90 to 119 days | 6,941,938 | 0.55% |
| Over 120 days ⁽⁵⁾ | 18,262,641 | 1.26% |
| Total / Weighted Avg. | \$64,543,949 | 0.65% |

(1) Notional amount includes \$3.1 billion in forward starting pay fixed swaps, offset by \$1.4 billion in forward starting receive fixed swaps.

(2) Excludes forward starting swaps.

(3) Weighted average fixed rate on forward starting pay fixed swaps was 3.00%.

(4) Weighted average fixed rate on forward starting receive fixed swaps was 1.18%.

(5) Of the total repurchase agreements, approximately 14% have a remaining maturity over one year.



Agency MBS and Debentures Overview as of March 31, 2014

Unaudited, dollars in thousands

| Agency Fixed-Rate Securities | | | | | | | | |
|--|-----------------------|---------------|-------------------------|---------------------------------|-----------------------------|--------------------|------------------------------|-------------------------|
| Weighted Avg. Years to Maturity | Current Face Value | % | Weighted Avg. Coupon | Weighted Avg. Amortized Cost | Weighted Avg. Fair Value | Subject to HARP | Weighted Avg. 3-Month CPR | Estimated Fair Value |
| <=15 years | \$7,436,652 | 11.4% | 3.23% | 103.7% | 103.6% | 2.5% | 4.3% | \$7,701,562 |
| 20 years | 5,193,943 | 7.9% | 3.55% | 105.0% | 103.1% | 0.2% | 4.7% | 5,353,720 |
| >=30 years | 52,427,318 | 80.3% | 3.89% | 106.2% | 102.8% | 3.4% | 5.3% | 53,884,634 |
| Callables | 265,798 | 0.4% | 2.79% | 99.6% | 89.7% | 0.0% | 0.0% | 238,512 |
| Total/Weighted Avg.⁽¹⁾ | \$65,323,711 | 100.0% | 3.78% | 105.8% | 102.8% | 3.1% | 5.2% | \$67,178,428 |

| Agency Adjustable-Rate Securities | | | | | | | | |
|--|-----------------------|---------------|-------------------------|---------------------------------|-----------------------------|--------------------|------------------------------|-------------------------|
| Weighted Avg. Months to Reset | Current Face Value | % | Weighted Avg. Coupon | Weighted Avg. Amortized Cost | Weighted Avg. Fair Value | Subject to HARP | Weighted Avg. 3-Month CPR | Estimated Fair Value |
| 0 - 24 months | \$1,975,168 | 36.0% | 2.66% | 100.2% | 105.4% | 98.9% | 10.8% | \$2,081,177 |
| 25 - 40 months | 285,128 | 5.2% | 5.15% | 100.6% | 106.7% | 58.9% | 26.4% | 303,879 |
| 41 - 60 months | 94,556 | 1.7% | 5.37% | 100.2% | 106.6% | 80.8% | 28.0% | 100,594 |
| 61 - 90 months | 325,725 | 5.9% | 3.85% | 103.1% | 105.6% | 0.0% | 17.4% | 343,848 |
| >90 months | 485,073 | 8.9% | 3.29% | 102.2% | 103.0% | 0.0% | 8.1% | 499,348 |
| Step-Ups | 2,319,950 | 42.3% | 2.26% | 99.9% | 93.5% | 0.0% | 0.0% | 2,169,747 |
| Total/Weighted Avg.⁽¹⁾ | \$5,485,600 | 100.0% | 2.79% | 100.4% | 100.3% | 69.4% | 13.0% | \$5,498,593 |

(1) Weighted averages for percentages subject to HARP and three-month CPR exclude Callables and Step-up securities.

Agency MBS and Debentures Overview as of March 31, 2014 (cont'd)



Unaudited, dollars in thousands

| Agency Fixed-Rate and Floating-Rate Collateralized Mortgage-Backed Obligations | | | | | | | | |
|--|-----------------------|---------------|-------------------------|---------------------------------|-----------------------------|--------------------|------------------------------|-------------------------|
| Type | Current Face Value | % | Weighted Avg. Coupon | Weighted Avg. Amortized Cost | Weighted Avg. Fair Value | Subject to HARP | Weighted Avg. 3-Month CPR | Estimated Fair Value |
| Fixed-Rate | \$3,915,576 | 100.0% | 3.27% | 102.8% | 99.1% | 3.7% | 7.1% | \$3,881,983 |
| Floating-Rate | - | - | - | - | - | - | - | - |
| Total/Weighted Avg. | \$3,915,576 | 100.0% | 3.27% | 102.8% | 99.1% | 3.7% | 7.1% | \$3,881,983 |

| Agency Interest-Only Collateralized Mortgage-Backed Obligations | | | | | | | | |
|---|---------------------------|---------------|-------------------------|---------------------------------|-----------------------------|--------------------|------------------------------|-------------------------|
| Type | Current Notional Value | % | Weighted Avg. Coupon | Weighted Avg. Amortized Cost | Weighted Avg. Fair Value | Subject to HARP | Weighted Avg. 3-Month CPR | Estimated Fair Value |
| Interest-Only | \$6,121,372 | 79.0% | 3.34% | 12.8% | 13.9% | 3.5% | 7.0% | \$853,353 |
| Inverse Interest-Only | 1,629,737 | 21.0% | 6.11% | 22.0% | 21.2% | 0.0% | 6.5% | 346,290 |
| Total/Weighted Avg. | \$7,751,109 | 100.0% | 3.92% | 14.7% | 15.5% | 2.8% | 6.9% | \$1,199,643 |

Quarter-Over-Quarter Interest Rate and MBS Spread Sensitivity



Unaudited

Assumptions:

- The interest rate sensitivity and spread sensitivity are based on the portfolios as of March 31, 2014 and December 31, 2013
- The interest rate sensitivities reflect instantaneous parallel shifts in rates
- The spread sensitivity shifts MBS spreads instantaneously and reflects exposure to MBS basis risk
- All tables assume no active management of the portfolio in response to rate or spread changes

Interest Rate Sensitivity

| Interest Rate Change (bps) | As of March 31, 2014 | | As of December 31, 2013 | |
|----------------------------|--|---|--|---|
| | Estimated Change in Portfolio Market Value | Estimated Change as a % of NAV ⁽¹⁾ | Estimated Change in Portfolio Market Value | Estimated Change as a % of NAV ⁽¹⁾ |
| -75 | 0.4% | 2.4% | 1.3% | 8.3% |
| -50 | 0.4% | 2.4% | 0.9% | 5.8% |
| -25 | 0.2% | 1.6% | 0.5% | 3.1% |
| 25 | -0.3% | -2.2% | -0.5% | -3.4% |
| 50 | -0.7% | -4.7% | -1.1% | -6.9% |
| 75 | -1.1% | -7.5% | -1.7% | -10.6% |

MBS Spread Sensitivity

| MBS Spread Shock (bps) | As of March 31, 2014 | | As of December 31, 2013 | |
|------------------------|--|---|--|---|
| | Estimated Change in Portfolio Market Value | Estimated Change as a % of NAV ⁽¹⁾ | Estimated Change in Portfolio Market Value | Estimated Change as a % of NAV ⁽¹⁾ |
| -25 | 1.3% | 9.0% | 1.5% | 9.8% |
| -15 | 0.8% | 5.4% | 0.9% | 5.8% |
| -5 | 0.3% | 1.8% | 0.3% | 1.9% |
| 5 | -0.3% | -1.8% | -0.3% | -2.0% |
| 15 | -0.8% | -5.3% | -0.9% | -5.8% |
| 25 | -1.3% | -8.8% | -1.5% | -9.6% |

(1) NAV includes common stock, additional paid-in capital, accumulated other comprehensive loss, and accumulated deficit.

Commercial Real Estate Overview as of March 31, 2014



Unaudited, dollars in thousands

| Debt Investment Positions | Number of Loans | Book Values (\$000's) ⁽¹⁾ | % of Portfolio | Yield ⁽²⁾ | Weighted Avg LTV ^{(2) (3)} | Weighted Avg Maturity (years) ^{(2) (4)} |
|--|-----------------|--------------------------------------|----------------|----------------------|-------------------------------------|--|
| Financeable Debt Investments | 2 | 77,490 | 5% | 3.76% | 69% | 4.67 |
| Securitized Investments | 10 | 399,541 | 24% | 5.76% | 73% | 3.80 |
| Balance Sheet Debt Investments: | | | | | | |
| Senior Debt Investments | 3 | 260,777 | 16% | 9.45% | 70% | 1.29 |
| B Note Debt Investments | 1 | 16,050 | 1% | 5.00% | 63% | 0.78 |
| Mezzanine Loan Investments | 33 | 642,111 | 39% | 11.11% | 75% | 4.52 |
| Preferred Equity Investments | 5 | 249,173 | 15% | 11.03% | 92% | 6.33 |
| Balance Sheet Debt Investment Subtotal: | 42 | 1,168,111 | 71% | 10.64% | 77% | 4.13 |
| Total | 54 | 1,645,142 | 100% | 9.13% | 76% | 4.08 |

| Equity Positions | Number of Properties | Book Value (\$000's) | % of Portfolio | Yield ⁽²⁾ |
|--|----------------------|----------------------|----------------|----------------------|
| Real Estate Held for Investment (5) | 3 | 36,569 | 100% | 11.69% |
| Total | 3 | 36,569 | 100% | 11.69% |

(1) Book values exclude net origination fees.

(2) Total weighted based on book value.

(3) Based on most recent third party appraisal, which may be prior to loan origination/purchase date.

(4) Maturity dates assume all of the borrowers' extension options are exercised.

(5) Yield based on GAAP net income, excluding depreciation and amortization expense, utilizing trailing twelve month operating results and net equity at March 31, 2014.

Last Five Quarters Summary Data



Unaudited, dollars in thousands

| | For the quarters ended | | | | |
|---|------------------------|----------------------|-----------------------|------------------|-------------------|
| | March 31, 2014 | December 31, 2013 | September 30, 2013 | June 30, 2013 | March 31, 2013 |
| <i>Portfolio-Related Data:</i> | | | | | |
| Investment Securities ⁽¹⁾ | \$77,758,647 | \$73,358,834 | \$83,031,687 | \$95,793,791 | \$112,226,950 |
| Commercial real estate investments | \$1,680,519 | \$1,644,101 | \$1,287,606 | \$1,005,560 | - |
| Corporate debt | \$145,394 | \$117,687 | \$75,988 | \$61,682 | \$66,539 |
| Total Investment Securities ⁽¹⁾ and commercial investment portfolio ⁽²⁾ | \$79,584,560 | \$75,120,622 | \$84,395,281 | \$96,861,033 | \$112,293,489 |
| Total assets | \$82,414,777 | \$81,922,460 | \$93,433,157 | \$102,468,584 | \$125,501,856 |
| Agency mortgage-backed securities and debentures: | | | | | |
| % Fixed-rate | 93% | 91% | 91% | 92% | 92% |
| % Adjustable-rate | 7% | 9% | 9% | 8% | 8% |
| Weighted-average three-month constant prepayment rate (CPR) | 6% | 7% | 13% | 17% | 19% |
| Net premium and discount balance in Agency MBS and debentures portfolio | \$5,063,692 | \$4,600,158 | \$4,718,884 | \$5,346,879 | \$5,361,659 |
| Net premium and discount balance as % of stockholder's equity | 40.30% | 37.08% | 36.45% | 40.31% | 35.03% |

(1) Includes Agency mortgage-backed securities and Agency debentures.

(2) Includes commercial real estate debt and preferred equity and corporate debt.



Last Five Quarters Summary Data (cont'd)

Unaudited, dollars in thousands except per share amounts

| | March 31, 2014 | December 31, 2013 | For the quarters ended September 30, 2013 | June 30, 2013 | March 31, 2013 |
|---|-------------------|-------------------------|--|------------------|-------------------|
| <u>Liabilities, Capital and Hedging Data:</u> | | | | | |
| Repurchase agreements | \$64,543,949 | \$61,781,001 | \$69,211,309 | \$81,397,335 | \$100,322,942 |
| Convertible Senior Notes | \$827,486 | \$825,262 | \$824,512 | \$824,229 | \$824,902 |
| Securitized debt of consolidated VIE | \$260,700 | - | - | - | - |
| Mortgages payable | \$19,317 | \$19,332 | \$19,346 | \$19,361 | - |
| Participation sold | \$13,963 | \$14,065 | \$14,164 | \$14,324 | - |
| Total debt | \$65,665,415 | \$62,639,660 | \$70,069,331 | \$82,255,249 | \$101,147,844 |
| Total liabilities | \$69,850,065 | \$69,517,405 | \$80,487,433 | \$89,205,280 | \$110,195,487 |
| Cumulative redeemable preferred stock | \$913,059 | \$913,059 | \$913,059 | \$913,059 | \$913,059 |
| Common equity ⁽¹⁾ | \$11,651,653 | \$11,491,996 | \$12,032,665 | \$12,350,245 | \$14,393,310 |
| Total stockholders' equity | \$12,564,712 | \$12,405,055 | \$12,945,724 | \$13,263,304 | \$15,306,369 |
| Weighted average days to maturity of repurchase agreements | 187 | 204 | 200 | 191 | 198 |
| Weighted average rate on repurchase agreements | 0.65% | 0.68% | 0.63% | 0.64% | 0.59% |
| Total debt to total stockholders' equity ⁽²⁾ | 5.2x | 5.0x | 5.4x | 6.2x | 6.6x |
| Capital ratio ⁽³⁾ | 15.2% | 15.1% | 13.9% | 12.9% | 12.2% |
| Net capital ratio ⁽⁴⁾ | 15.4% | 15.9% | 14.8% | 13.3% | 13.0% |
| Common stock book value per share | \$12.30 | \$12.13 | \$12.70 | \$13.03 | \$15.19 |
| Total common stock shares outstanding | 947,489 | 947,433 | 947,305 | 947,483 | 947,293 |
| Interest rate swaps: | | | | | |
| Notional amount of interest rate swaps ⁽⁵⁾ and swaptions as a % of repurchase agreements | 94% | 92% | 85% | 63% | 48% |
| Weighted average pay rate on interest rate swaps ⁽⁶⁾⁽⁷⁾ | 2.16% | 2.14% | 2.06% | 2.05% | 2.08% |
| Weighted average receive rate on interest rate swaps ⁽⁶⁾⁽⁸⁾ | 0.19% | 0.20% | 0.21% | 0.22% | 0.23% |
| Weighted average net rate on interest rate swaps | 1.97% | 1.94% | 1.85% | 1.83% | 1.85% |

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

(2) Leverage includes repurchase agreements, Convertible Senior Notes and non-recourse securitized debt of consolidated VIE, loan participation and mortgages payable.

(3) Total stockholders' equity divided by total assets.

(4) Total stockholders' equity divided by total assets less the net balances of U.S. Treasury securities and U.S. Treasury securities sold, not yet purchased, reverse repurchase agreements and repurchase agreements, and securities borrowed and securities loaned.

(5) Notional amount includes \$3.1 billion in forward starting pay fixed swaps, offset by \$1.4 billion in forward starting receive fixed swaps, as of March 31, 2014.

(6) Excludes forward starting swaps.

(7) Weighted average fixed rate on forward starting pay fixed swaps was 3.00% as of March 31, 2014.

(8) Weighted average fixed rate on forward starting receive fixed swaps was 1.18% as of March 31, 2014.



Last Five Quarters Summary Data (cont'd)

Unaudited, dollars in thousands except per share amounts

| | For the quarters ended | | | | |
|--|------------------------|----------------------|-----------------------|------------------|-------------------|
| | March 31, 2014 | December 31, 2013 | September 30, 2013 | June 30, 2013 | March 31, 2013 |
| <u>Performance-Related Data:</u> | | | | | |
| Total interest income | \$655,901 | \$771,249 | \$697,160 | \$712,936 | \$737,217 |
| Total economic interest expense ⁽¹⁾ | \$385,406 | \$379,575 | \$373,385 | \$376,982 | \$403,066 |
| Economic net interest income ⁽¹⁾ | \$270,495 | \$391,674 | \$323,775 | \$335,954 | \$334,151 |
| GAAP Net income (loss) | (\$203,351) | \$1,028,749 | \$192,458 | \$1,638,213 | \$870,278 |
| GAAP Net income (loss) available (related) to common shareholders | (\$221,343) | \$1,010,757 | \$174,466 | \$1,620,221 | \$852,286 |
| GAAP Earnings per common share | (\$0.23) | \$1.07 | \$0.18 | \$1.71 | \$0.90 |
| Core earnings ⁽²⁾ | \$239,744 | \$350,106 | \$282,292 | \$294,158 | \$296,403 |
| Core earnings available to common shareholders ⁽²⁾ | \$221,752 | \$332,114 | \$264,300 | \$276,166 | \$278,411 |
| Core earnings per common share ⁽²⁾ | \$0.23 | \$0.35 | \$0.28 | \$0.29 | \$0.29 |
| Dividends declared per common share | \$0.30 | \$0.30 | \$0.35 | \$0.40 | \$0.45 |
| Total common and preferred dividends declared | \$302,239 | \$302,222 | \$349,549 | \$396,888 | \$444,165 |
| Annualized GAAP return on average equity | (6.52%) | 32.46% | 5.87% | 45.87% | 22.29% |
| Annualized core return on average equity ⁽²⁾ | 7.68% | 11.05% | 8.62% | 8.24% | 7.59% |
| Annualized core return on average equity ⁽²⁾ per unit of leverage | 1.47% | 2.19% | 1.59% | 1.33% | 1.15% |
| Annualized interest rate spread during the quarter: | | | | | |
| Annualized yield on average interest-earning assets ⁽³⁾ | 3.21% | 3.50% | 2.88% | 2.54% | 2.37% |
| Annualized cost of funds on average interest-bearing liabilities | 2.31% | 2.07% | 1.81% | 1.53% | 1.46% |
| Annualized interest rate spread | 0.90% | 1.43% | 1.07% | 1.01% | 0.91% |

(1) Includes realized gains (losses) on interest rate swaps.

(2) Core earnings excludes net gains (losses) on trading assets and disposal of investments, unrealized gains (losses) on interest rate swaps and Agency interest-only mortgage-backed securities, realized gains (losses) on termination of interest rate swaps, net loss on extinguishment of the 4% Convertible Senior Notes, impairment of goodwill and loss on previously held equity interest in CreXus Investment Corp.

(3) Average interest earning assets reflects the average amortized cost of our investments during the period.