

---

ARLINGTON

ASSET  
INVESTMENT

---

**Investor Presentation**

Second Quarter 2021

# Information Related to Forward-Looking Statements

---

Statements concerning interest rates, portfolio allocation, financing costs, portfolio hedging, prepayments, dividends, book value, utilization of loss carryforwards, any change in long-term tax structures (including any REIT election), use of equity raise proceeds and any other guidance on present or future periods constitute forward-looking statements that are subject to a number of factors, risks and uncertainties that might cause actual results to differ materially from stated expectations or current circumstances. These factors include, but are not limited to, the uncertainty and economic impact of the ongoing coronavirus (COVID-19) pandemic and the measures taken by the government to address it, including the impact on our business, financial condition, liquidity and results of operations due to a significant decrease in economic activity and disruptions in our financing operations, among other factors, changes in interest rates, increased costs of borrowing, decreased interest spreads, credit risks underlying the Company's assets, especially related to the Company's mortgage credit investments, changes in political and monetary policies, changes in default rates, changes in prepayment rates and other assumptions underlying our estimates related to our projections of future core earnings, changes in the Company's returns, changes in the use of the Company's tax benefits, the Company's ability to qualify and maintain qualification as a REIT, changes in the agency MBS asset yield, changes in the Company's monetization of net operating loss carryforwards, changes in the Company's investment strategy, changes in the Company's ability to generate cash earnings and dividends, preservation and utilization of the Company's net operating loss and net capital loss carryforwards, impacts of changes to and changes by Fannie Mae and Freddie Mac, actions taken by the U.S. Federal Reserve, the Federal Housing Finance Agency and the U.S. Treasury, availability of opportunities that meet or exceed the Company's risk adjusted return expectations, ability and willingness to make future dividends, ability to generate sufficient cash through retained earnings to satisfy capital needs, and general economic, political, regulatory and market conditions. These and other material risks are described in the Company's most recent Annual Report on Form 10-K and any other documents filed by the Company with the SEC from time to time, which are available from the Company and from the SEC, and you should read and understand these risks when evaluating any forward-looking statement. All forward-looking statements speak only as of the date on which they are made. New risks and uncertainties arise over time, and it is not possible to predict those events or how they may affect the Company. Except as required by law, the Company is not obligated to, and does not intend to, update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

# Contents

---

SECTION	SLIDE NUMBER
Company Snapshot	Slide 3
Q2 2021 Financial Results and Portfolio Update	Slide 6
Additional Financial Information and Market Data	Slide 14

---

ARLINGTON

ASSET  
INVESTMENT

---

**COMPANY SNAPSHOT**

# Publicly Traded Capital

ARLINGTON | ASSET INVESTMENT

## Class A Common Stock

Ticker: AAIC  
Exchange: NYSE

Market Capitalization: \$124 million <sup>(1)</sup>

ARLINGTON | ASSET INVESTMENT

## Senior Notes Due 2025

Ticker: AIC  
Exchange: NYSE

Per Annum Interest Rate: 6.75%  
Current Strip Yield per Annum: 6.55%<sup>(1)(2)</sup>  
Maturity Date: March 15, 2025

ARLINGTON | ASSET INVESTMENT

## Series B Cumulative Perpetual Redeemable Preferred Stock

Ticker: AAIC PrB  
Exchange: NYSE

Per Annum Dividend Rate:  
7.00% Payable Quarterly  
Current Strip Yield per Annum: 7.04%<sup>(1)(2)</sup>

ARLINGTON | ASSET INVESTMENT

## Senior Notes Due 2026

Ticker: AAIN  
Exchange: NYSE

Per Annum Interest Rate: 6.00%  
Current Strip Yield per Annum: 6.31%<sup>(1)(2)</sup>  
Maturity Date: August 1, 2026

ARLINGTON | ASSET INVESTMENT

## Series C Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock

Ticker: AAIC PrC  
Exchange: NYSE

Per Annum Dividend Rate:  
8.25% Payable Quarterly  
Current Strip Yield per Annum: 8.28%<sup>(1)(2)</sup>

# Company Snapshot

NYSE Ticker	AAIC
Share Price (8/2/21)	\$3.84
Book Value Per Common Share (6/30/21)	\$5.94
GAAP Net Loss per Diluted Share (Q2 '21)	\$0.24
Non-GAAP Core Operating Income per Diluted Share (Q2 '21) <sup>(1)</sup>	\$0.07
Mortgage Investment Portfolio (6/30/21) <sup>(2)</sup>	\$930 million
Investable Capital (6/30/21) <sup>(3)</sup>	\$302 million

## Arlington Asset Investment Corp. Summary

- ▶ Real estate investment trust (“REIT”)
- ▶ Internally-managed
- ▶ Selectively and opportunistically allocate investable capital primarily in mortgage assets with flexibility to invest in other asset classes
  - **Agency MBS**
    - ▶ Highly liquid residential MBS that carry a credit guarantee from Fannie Mae, Freddie Mac or Ginnie Mae
  - **MSR Related Assets**
    - ▶ Financing receivables with a mortgage servicing counterparty for which the investment return is based upon the performance of a pool of mortgage servicing rights (“MSRs”)
  - **Mortgage Credit Investments**
    - ▶ Includes MBS or mortgage loans secured by residential or commercial real property

(1) A reconciliation of non-GAAP core operating income to GAAP net income (loss) available (attributable) to common stock is provided on slide 17.

(2) Reflects the Company's net investment of \$11.8 million in a variable interest entity with gross assets and liabilities of \$40.4 million and \$28.6 million, respectively, that is consolidated for GAAP financial reporting purposes.

(3) Investable capital represents shareholders' equity plus long-term unsecured debt.

---

ARLINGTON

ASSET  
INVESTMENT

---

**Q2 2021 FINANCIAL RESULTS AND PORTFOLIO UPDATE**

# Q2 2021 Financial Highlights

- ▶ **\$0.24 GAAP net loss per diluted common share**
- ▶ **\$0.07 non-GAAP core operating income <sup>(1)</sup> per diluted common share**
  - Increase from \$0.03 per diluted common share in Q1 2021 due primarily to an increase in the volume of MSR related assets, agency MBS and mortgage credit investments
- ▶ **\$5.94 book value per common share as of June 30, 2021**
  - Decrease of 2.9% from \$6.12 as of March 31, 2021
- ▶ **2.2 to 1 “at risk” leverage ratio <sup>(2)</sup> as of June 30, 2021**
- ▶ **Increased capital allocated to MSR related assets to 25% through the strategic relationship established with a licensed, GSE approved servicer**
- ▶ **Repurchased 0.9 million shares, or 2.6%, of common stock at an average price of \$4.06 per share**
  - Subsequent to June 30, 2021, repurchased an additional 0.4 million shares, or 1.1%, of common stock at an average price of \$3.96 per share
- ▶ **In July, extended the maturity and reduced the cost of Senior Notes**
  - On July 15, completed a public offering of \$37.8 million in principal amount of 6.00% Senior Notes due 2026
  - On July 7, announced the redemption of all outstanding \$23.8 million in principal amount of 6.625% Senior Notes due 2023

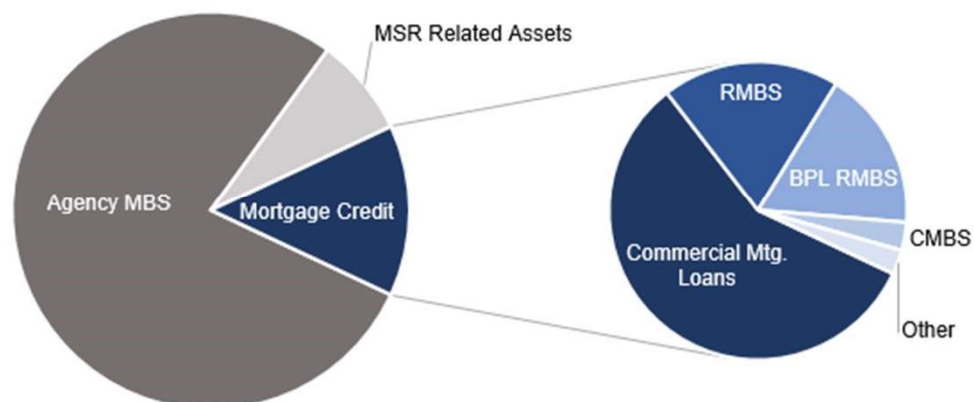
(1) A reconciliation of non-GAAP core operating income to GAAP net income (loss) available (attributable) to common stock is provided on slide 17.

(2) Calculated the ratio of the sum of repurchase agreement financing, net payable or receivable for unsettled securities, net contractual forward price of TBA commitments less cash and cash equivalents compared to investable capital. Investable capital is calculated as the sum of stockholders' equity and long-term unsecured debt.

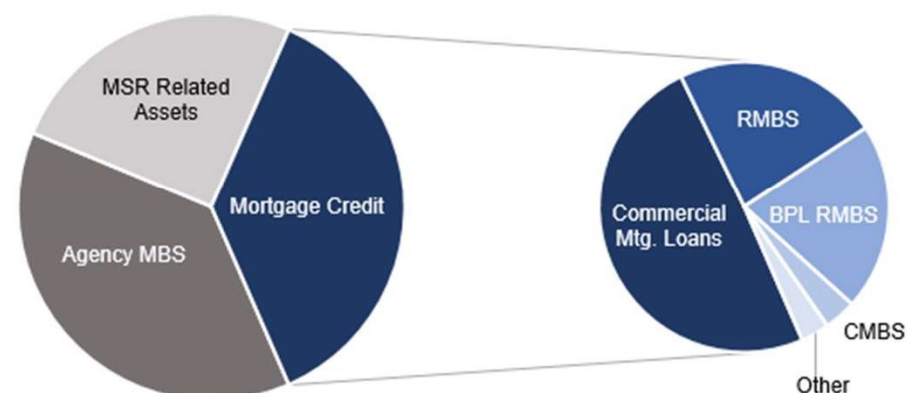


# Investment Portfolio Allocation as of June 30, 2021

## Asset Allocation



## Investable Capital Allocation



(Dollars in thousands)	Fair Value	% of Total
Agency MBS Investments	\$ 725,709	78%

Mortgage Credit Investments:		
Commercial mortgage loans	\$ 74,685	8%
Residential MBS	\$ 24,995	3%
Business purpose residential MBS	22,731	2%
Commercial MBS	3,915	—
Other	3,425	—
<b>Total Mortgage Credit Investments</b>	<b>\$ 129,751</b>	<b>14%</b>

MSR Related Assets	\$ 74,652	8%
--------------------	-----------	----

<b>Total Mortgage Investments</b>	<b>\$ 930,112</b>	<b>100%</b>
-----------------------------------	-------------------	-------------

(Dollars in thousands)	Capital <sup>(1)</sup>	% of Total	Leverage <sup>(2)</sup>
Agency MBS Investments	\$ 118,409	39%	5.4

Mortgage Credit Investments:			
Commercial mortgage loans	\$ 53,754	18%	0.4
Residential MBS	24,995	8%	—
Business purpose residential MBS	22,731	8%	—
Commercial MBS	3,915	1%	—
Other	3,425	1%	—
<b>Total Mortgage Credit Investments</b>	<b>\$ 108,820</b>	<b>36%</b>	<b>0.2</b>

MSR Related Assets	\$ 74,652	25%	—
--------------------	-----------	-----	---

<b>Total Mortgage Investments</b>	<b>\$ 301,881</b>	<b>100%</b>	<b>2.2</b>
-----------------------------------	-------------------	-------------	------------

(1) Reflects the Company's net investment of \$11,849 in a variable interest entity with gross assets and liabilities of \$40,413 and \$28,564, respectively, that is consolidated for GAAP financial reporting purposes.

(2) Investable capital is calculated as the Company's GAAP shareholders' equity plus long-term unsecured debt. Investable capital allocated to mortgage credit assets is calculated as mortgage credit securities plus loans less the secured debt collateralized by such assets. Remaining investable capital is allocated to Agency MBS.

(3) Calculated as [short-term secured financing collateralized by MBS +/- net payable (receivable) for unsettled securities – allocated cash] divided by the allocated investable capital.

# Agency MBS Investments

<b>Allocated Investable Capital <sup>(1)</sup> as of Quarter End</b>	<b>\$118.4 million</b>
<b>Investable Capital Allocation %</b>	<b>39%</b>
<b>Leverage Ratio as of Quarter End <sup>(2)</sup></b>	<b>5.4x</b>
<b>Q2 Weighted Average Constant Prepayment Rate</b>	<b>6.34%</b>
<b>Q2 Weighted Average GAAP Asset Yield</b>	<b>1.62%</b>
<b>Q2 Levered Return (Including TBAs) Based on Cost <sup>(3)</sup></b>	<b>11.89%</b>

## Agency MBS Investment Portfolio as of June 30, 2021

(Dollars in thousands)

Specified Agency MBS			
Coupon Rate	UPB	Fair Value	Allocation
2.0%	\$ 466,229	\$ 472,763	65%
2.5%	242,469	252,933	35%
5.5%	11	13	—
<b>Total</b>	<b>\$ 708,709</b>	<b>\$ 725,709</b>	<b>100%</b>

Repo Financing			
Balance	Collateral Fair Value <sup>(4)</sup>	Wtd. Avg. Interest Rate	Wtd. Avg. Days to Maturity
\$ 673,655	\$ 710,630	0.09%	13.6

Interest Rate Swap Hedge				
Maturity	Notional	Fixed Pay Rate	Floating Receive Rate	Years to Maturity
< 3 years	\$ 200,000	0.10%	0.04%	2.4
3 to < 7 years	75,000	0.89%	0.19%	6.5
7 to < 10 years	250,000	1.12%	0.17%	9.4
	<b>\$ 525,000</b>	<b>0.70%</b>	<b>0.12%</b>	<b>6.3</b>

- 1) Investable capital is calculated as the Company's GAAP shareholders' equity plus long-term unsecured debt. Investable capital allocated to mortgage credit assets and MSR related assets is calculated as mortgage credit assets or MSR related assets less the secured debt collateralized by such assets, respectively. Remaining investable capital is allocated to Agency MBS.
- 2) Calculated as [short-term secured financing collateralized by MBS +/- net payable (receivable) for unsettled securities – allocated cash] divided by the allocated investable capital.
- 3) Calculated as the sum of GAAP net interest income attributable to agency MBS, TBA dollar roll income, and interest rate swap net income (expense) divided by the weighted average amortized cost basis of agency MBS net of the weighted average balance of agency MBS repurchase agreement financing for the period, annualized.
- 4) Includes \$34,456 at sale price of unsettled agency MBS sale commitments which are included in "sold securities receivable" on the balance sheet.

# MSR Related Assets

<b>Allocated Investable Capital <sup>(1)</sup> as of Quarter End</b>	<b>\$74.7 million</b>
<b>Investable Capital Allocation %</b>	<b>25%</b>
<b>Leverage Ratio as of Quarter End</b>	<b>0.0x</b>
<b>Q2 Weighted Average GAAP Asset Yield</b>	<b>10.68%</b>

## MSR Related Assets as of June 30, 2021

(Dollars in thousands)

### Underlying MSR:

Holder of Loans	UPB	Note Rate	Servicing Fee	WA Loan Age	Price	Multiple (Price / Servicing Fee)	Receivable Fair Value
Fannie Mae	\$ 6,838,328	2.94%	0.26%	9 months	1.04%	4.08	\$ 74,652

- ▶ AAIC has a strategic relationship with a licensed, GSE approved mortgage servicer that enables us to garner the economic return of an investment in an MSR purchased by the servicer
- ▶ For an MSR purchased by our partner, AAIC:
  - i. purchases the excess servicing spread entitling the Company to servicing fees in excess of 12.5 basis points; and
  - ii. funds the balance of the MSR in exchange for an unsecured right to payment equal to the underlying base servicing fee of 12.5 basis points less the costs of servicing and any proceeds from the sale of the underlying MSR, less a monthly oversight fee and an annual incentive fee, if earned
- ▶ At our option, we can direct our partner to leverage our capital

1) Investable capital is calculated as the Company's GAAP shareholders' equity plus long-term unsecured debt. Investable capital allocated to mortgage credit assets and MSR related assets is calculated as mortgage credit assets or MSR related assets less the secured debt collateralized buy such assets, respectively. Remaining investable capital is allocated to Agency MBS.

# Mortgage Credit Investments

<b>Allocated Investable Capital <sup>(1)</sup> as of Quarter End</b>	<b>\$108.8 million</b>
<b>Investable Capital Allocation %</b>	<b>36%</b>
<b>Leverage Ratio as of Quarter End <sup>(2)(3)</sup></b>	<b>0.2x</b>

## Mortgage Credit Investment Portfolio as of June 30, 2021

(Dollars in thousands)

Asset Category	UPB	Fair Value <sup>(4)</sup>	Market Price	Asset Allocation	Repo Financing	Invested Capital	Capital Allocation	Leverage Ratio
Commercial mortgage loan	\$ 74,685	\$ 74,685	\$ 100.00	58%	\$ 20,931	\$ 53,754	49%	0.4
Residential MBS	27,481	24,995	90.59	19%	—	24,995	23%	—
Business purpose loan residential MBS <sup>(3)</sup>	24,593	22,731	93.70	18%	—	22,731	21%	—
Small balance commercial MBS	6,000	3,915	64.73	3%	—	3,915	4%	—
Other	5,061	3,425	67.67	3%	—	3,425	3%	—
<b>Total</b>	<b>\$ 137,820</b>	<b>\$ 129,751</b>	<b>\$ 94.28</b>	<b>100%</b>	<b>\$ 20,931</b>	<b>\$ 108,820</b>	<b>100%</b>	<b>0.2</b>

### Commercial Mortgage Loan Repo Financing

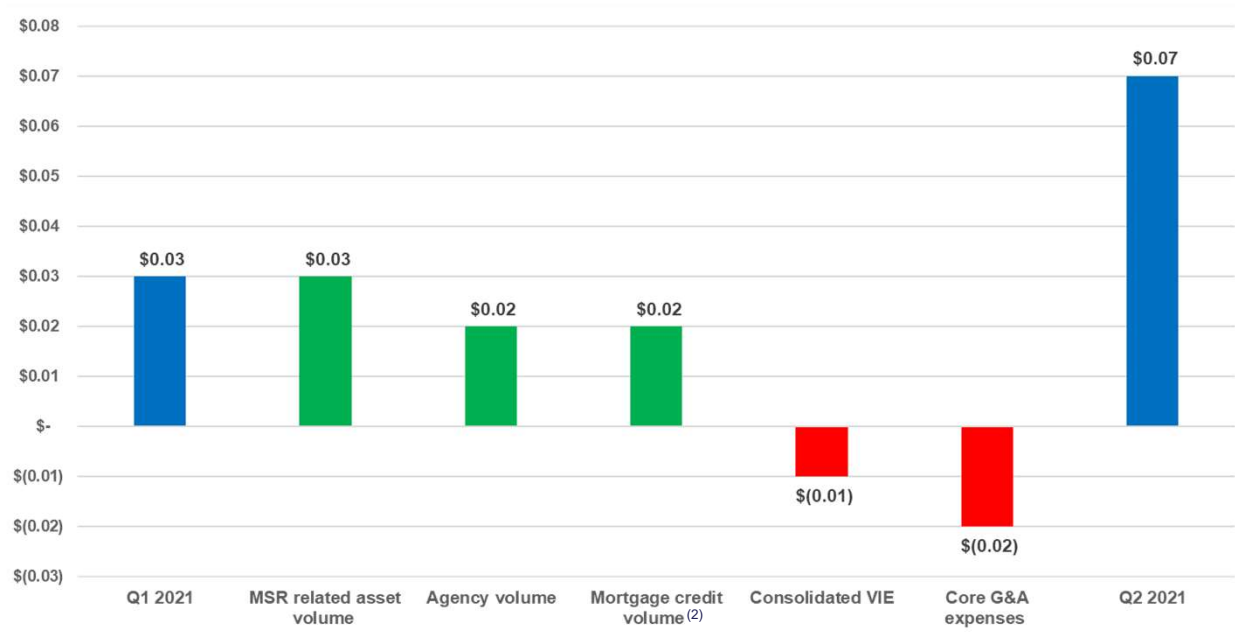
Balance	Collateral Fair Value	Interest Rate	Days to Maturity
\$ 20,931	\$ 29,901	2.59%	307

- 1) Investable capital is calculated as the Company's GAAP shareholders' equity plus long-term unsecured debt. Investable capital allocated to mortgage credit assets and MSR related assets is calculated as mortgage credit assets or MSR related assets less the secured debt collateralized buy such assets, respectively. Remaining investable capital is allocated to Agency MBS.
- 2) Calculated as [short-term secured financing collateralized by mortgage credit investments +/- net payable (receivable) for unsettled securities - allocated cash] divided by the allocated investable capital. Reflects the Company's net investment in a consolidated VIE on a net basis.
- 3) Reflects the Company's net investment of \$11,849 in a variable interest entity with gross assets and liabilities of \$40,413 and \$28,564, respectively, that is consolidated for GAAP financial reporting purposes on a net basis.
- 4) For mortgage credit investments in securities, includes contractual accrued interest receivable.

# Non-GAAP Core Operating Income <sup>(1)</sup>

(Unaudited, in thousands except per share amounts)	Q2 2021	Q1 2021	Q4 2020	Q3 2020
GAAP net interest income	\$ 5,087	\$ 3,758	\$ 6,414	\$ 3,778
TBA dollar roll income	1,778	836	1,156	319
Interest rate swap net interest income (expense)	(1,187)	(710)	(62)	(23)
Economic net interest income	5,678	3,884	7,508	4,074
Core general and administrative expenses	(2,653)	(2,134)	(2,668)	(2,375)
Preferred stock dividend	(723)	(723)	(733)	(726)
Income tax provision for TRS core operating income	(61)	(11)	—	—
<b>Non-GAAP core operating income</b>	<b>\$ 2,241</b>	<b>\$ 1,016</b>	<b>\$ 4,107</b>	<b>\$ 973</b>
<b>Non-GAAP core operating income per diluted common share</b>	<b>\$ 0.07</b>	<b>\$ 0.03</b>	<b>\$ 0.12</b>	<b>\$ 0.03</b>
<b>Weighted average diluted common shares outstanding</b>	<b>33,424</b>	<b>33,444</b>	<b>33,554</b>	<b>34,697</b>

## Non-GAAP Core Operating Income Per Diluted Share Rollforward – Q2 2021 vs. Q1 2021



- (1) Core operating income and economic net interest income are non-GAAP financial measures. These non-GAAP measures are used by management to evaluate the financial performance of the Company's long-term investment strategy and core business activities over periods of time as well as assist with the determination of the appropriate level of periodic dividends to stockholders. The Company believes that non-GAAP core operating income and economic net interest income assist investors in understanding and evaluating the financial performance of the Company's long-term investment strategy and core business activities over periods of time as well as its earnings capacity. A limitation of utilizing these non-GAAP financial measures is that the effect of accounting for "non-core" events or transactions in accordance with GAAP does, in fact, reflect the financial results of our business and these effects should not be ignored when evaluating and analyzing our financial results. The Company believes that net income and comprehensive income determined in accordance with GAAP should be considered in conjunction with non-GAAP core operating income and economic net interest income. A reconciliation of non-GAAP core operating income to GAAP net income (loss) available (attributable) to common stock is provided on slide 17.
- (2) Excludes the Company's net investment in its consolidated VIE.

# Book Value Per Share Rollforward

Q2 2021	
At March 31, 2021	\$ 6.12
Non-GAAP core operating income <sup>(1)</sup>	0.07
Agency MBS asset gain, net <sup>(2)(3)</sup>	0.21
Hedge loss, net <sup>(2)(4)</sup>	(0.45)
MSR related asset loss, net <sup>(2)(5)</sup>	(0.06)
Mortgage credit asset gain, net <sup>(2)</sup>	0.01
Repurchases of stock	0.05
Other, net	(0.01)
At June 30, 2021	\$ 5.94

(1) Calculated based upon weighted average diluted common shares outstanding for the period.

(2) Calculated based upon common shares outstanding as of the end of the period.

(3) Excludes TBA dollar roll income which is included in non-GAAP core operating income.

(4) Excludes net interest income earned or expense incurred from interest rate swap agreements which is included in non-GAAP core operating income.

(5) Net of income tax provision (benefit) for TRS investment gain (loss), net.

---

ARLINGTON

ASSET  
INVESTMENT

---

**ADDITIONAL FINANCIAL INFORMATION AND MARKET DATA**

# Balance Sheet

<i>(Unaudited, in thousands except per share amounts)</i>	June 30, 2021	March 31, 2021
<b>ASSETS</b>		
Cash and cash equivalents	\$ 2,349	\$ 48,198
Restricted cash of consolidated VIE	4,456	12,557
Interest receivable of consolidated VIE	179	309
Sold securities receivable	34,456	109,068
Agency MBS	725,709	515,674
Mortgage credit investments	117,902	61,319
Mortgage loans of consolidated VIE, at fair value	35,778	57,467
MSR financing receivables, at fair value	74,652	36,005
Derivative assets, at fair value	881	2,280
Deposits	16,554	25,421
Other assets	17,181	15,046
<b>Total assets</b>	<b>\$ 1,030,097</b>	<b>\$ 883,344</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Liabilities:		
Repurchase agreements	\$ 694,586	\$ 505,550
Secured debt of consolidated VIE, at fair value	28,465	58,654
Interest payable of consolidated VIE	99	201
Derivative liabilities, at fair value	2,327	4,267
Other liabilities	2,739	2,111
Long-term unsecured debt	73,129	73,074
<b>Total liabilities</b>	<b>801,345</b>	<b>643,857</b>
Common stockholders' equity	192,419	203,154
Preferred stock liquidation preference	36,333	36,333
<b>Total equity</b>	<b>228,752</b>	<b>239,487</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 1,030,097</b>	<b>\$ 883,344</b>
Shares outstanding (in thousands) <sup>(1)</sup>	32,411	33,169
Book value per common share <sup>(2)</sup>	\$ 5.94	\$ 6.12
"At risk" leverage ratio <sup>(3)</sup>	2.2	1.4
TBA net purchase commitment at cost	\$ 607	\$ 102,665
<b>Assets and liabilities of consolidated VIE:</b>		
Restricted cash	\$ 4,456	\$ 12,557
Mortgage loans, at fair value	35,778	57,467
Secured debt, at fair value	(28,465)	(58,654)
Interest receivable	179	309
Interest payable	(99)	(201)
<b>Net investment in consolidated VIE</b>	<b>\$ 11,849</b>	<b>\$ 11,478</b>

(1) Represents shares of common stock outstanding plus vested restricted stock units convertible into common stock less unvested restricted common stock.

(2) Book value per common share is calculated as total equity less the preferred stock liquidation preference divided by common shares outstanding.

(3) Calculated as the sum of repurchase agreement financing, plus (less) any net payable (receivable) for unsettled securities, plus the net contractual forward price of TBA commitments, less cash compared to shareholders' equity plus long-term unsecured debt.



# Statement of Comprehensive Income

<i>(Unaudited, in thousands except per share amounts)</i>	Q2 2021		Q1 2021		Q4 2020		Q3 2020	
Interest income								
Agency mortgage-backed securities	\$	2,984	\$	2,784	\$	3,015	\$	2,808
Mortgage credit investments		1,770		1,269		1,863		2,217
Mortgage loans of consolidated VIE		776		1,687		4,305		—
MSR financing receivables		1,390		358		—		—
Interest and other income		125		161		314		385
Total interest income		7,045		6,259		9,497		5,410
Interest expense								
Short-term secured debt		403		488		526		470
Long-term unsecured debt		1,150		1,151		1,154		1,162
Secured debt of consolidated VIE		405		862		1,403		—
Total interest expense		1,958		2,501		3,083		1,632
Net interest income		5,087		3,758		6,414		3,778
Investment gain (loss), net		(9,032)		(6,763)		8,120		3,952
General and administrative expenses								
Compensation and benefits		1,841		1,395		1,712		1,774
Other general and administrative expenses		1,349		1,242		1,361		1,197
Total general and administrative expenses		3,190		2,637		3,073		2,971
Net income (loss)		(7,135)		(5,642)		11,461		4,759
Income tax provision (benefit)		(76)		398		—		—
Dividend on preferred stock		(723)		(723)		(733)		(726)
<b>Net income (loss) available (attributable) to common stock</b>	<b>\$</b>	<b>(7,782)</b>	<b>\$</b>	<b>(6,763)</b>	<b>\$</b>	<b>10,728</b>	<b>\$</b>	<b>4,033</b>
Basic earnings (loss) per common share	\$	(0.24)	\$	(0.20)	\$	0.32	\$	0.12
Diluted earnings (loss) per common share	\$	(0.24)	\$	(0.20)	\$	0.32	\$	0.12
Weighted-average common shares outstanding (in thousands):								
Basic		33,066		33,181		33,415		34,655
Diluted		33,066		33,181		33,554		34,697

# Non-GAAP Core Operating Income Reconciliation <sup>(1)</sup>

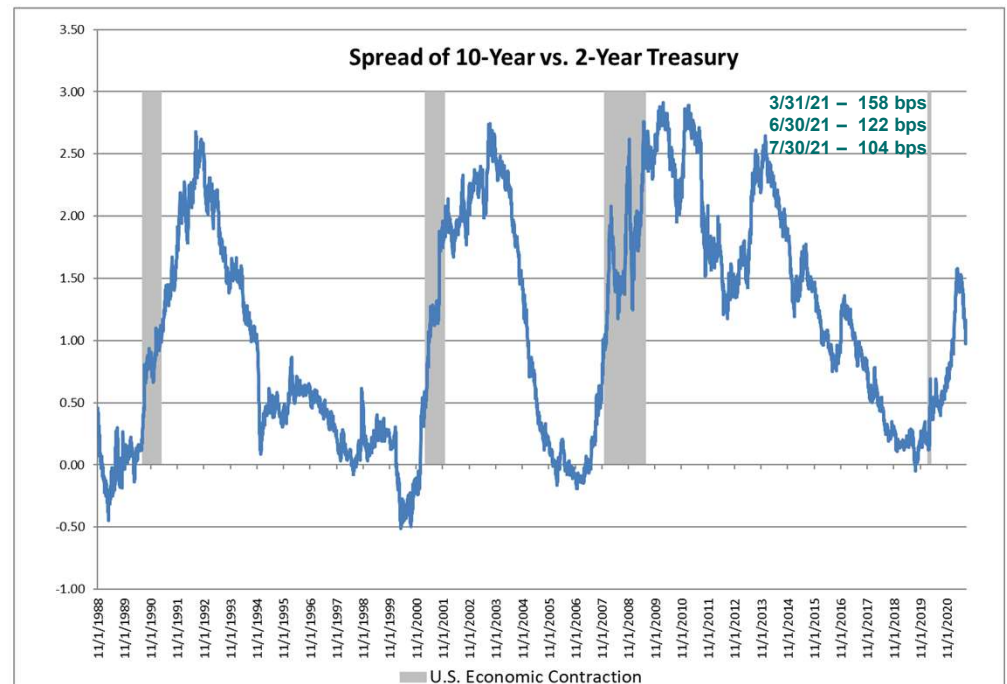
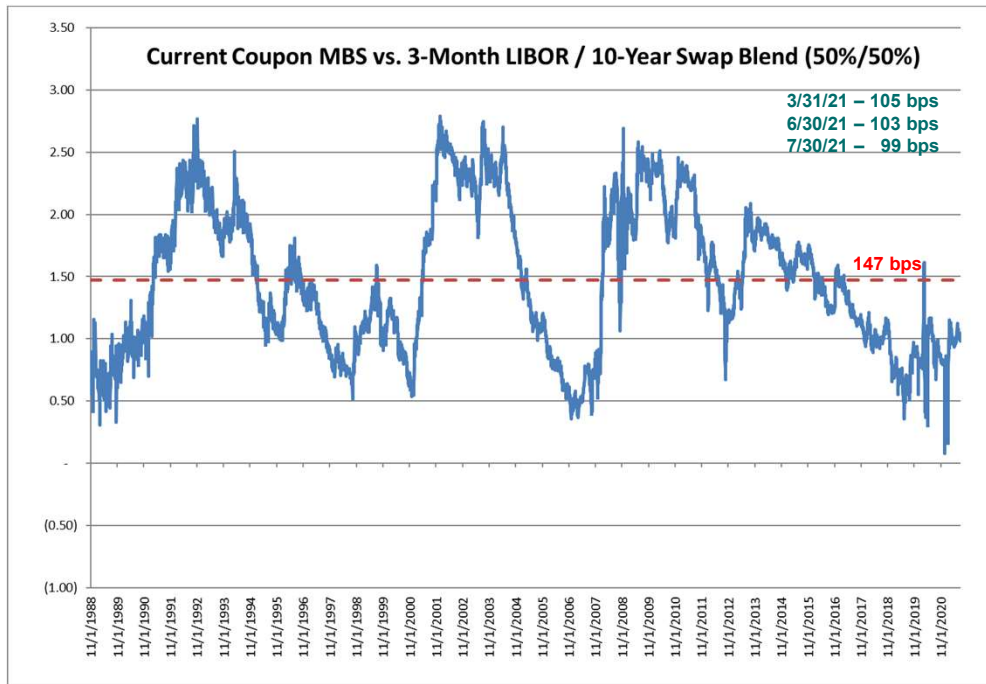
## Reconciliation of GAAP Net Income to Non-GAAP Core Operating Income

<i>(Unaudited, in thousands)</i>	Q2 2021	Q1 2021	Q4 2020	Q3 2020
Net income (loss) available (attributable) to common stock	\$ (7,782)	\$ (6,763)	\$ 10,728	\$ 4,033
<i>Add (less):</i>				
Total investment (gain) loss, net	9,032	6,763	(8,120)	(3,952)
Stock-based compensation expense	537	503	405	596
Income tax provision (benefit) for TRS investment gain (loss)	(137)	387	—	—
<i>Add back:</i>				
TBA dollar roll income	1,778	836	1,156	319
Interest rate swap net interest income (expense)	(1,187)	(710)	(62)	(23)
<b>Non-GAAP core operating income</b>	<b>\$ 2,241</b>	<b>\$ 1,016</b>	<b>\$ 4,107</b>	<b>\$ 973</b>

(1) Core operating income and economic net interest income are non-GAAP financial measures. These non-GAAP measures are used by management to evaluate the financial performance of the Company's long-term investment strategy and core business activities over periods of time as well as assist with the determination of the appropriate level of periodic dividends to stockholders. The Company believes that non-GAAP core operating income and economic net interest income assist investors in understanding and evaluating the financial performance of the Company's long-term investment strategy and core business activities over periods of time as well as its earnings capacity. A limitation of utilizing these non-GAAP financial measures is that the effect of accounting for "non-core" events or transactions in accordance with GAAP does, in fact, reflect the financial results of our business and these effects should not be ignored when evaluating and analyzing our financial results. The Company believes that net income and comprehensive income determined in accordance with GAAP should be considered in conjunction with non-GAAP core operating income and economic net interest income.

# Historical Agency MBS Spread and Yield Curve Data

## Historical Agency MBS Investment Spread and Yield Curve Data



# Book Value Sensitivity to Interest Rates and Spreads

## Interest Rate Sensitivity as of June 30, 2021 <sup>(1)</sup>

	-100 bps	-50 bps	As of 6/30/2021	+50 bps	+100 bps
Common Stockholders' Equity	\$ 165,816	\$ 186,317	\$ 192,419	\$ 189,371	\$ 180,851
Percentage Change	-13.8%	-3.2%		-1.6%	-6.0%

## Agency MBS Portfolio Net Duration Gap as of June 30, 2021

	Fair Value / Notional	Duration <sup>(2)</sup>
Agency MBS	\$ 725,709	5.5
MSR financing receivable	74,652	(20.0)
Total interest rate sensitive assets	\$ 800,361	3.1
Agency MBS repo <sup>(3)</sup>	\$ (673,655)	(0.1)
Interest rate swap agreements <sup>(3)</sup>	\$ (525,000)	(6.0)
Total liabilities and hedges		(4.0)
Net duration gap		(0.9)

## Agency MBS Spread Sensitivity as of June 30, 2021 <sup>(4)</sup>

	-25 bps	-10 bps	As of 6/30/2021	+10 bps	+25 bps
Common Stockholders' Equity	\$ 205,419	\$ 197,336	\$ 192,419	\$ 187,502	\$ 179,419
Percentage Change	6.8%	2.6%		-2.6%	-6.8%

(1) Interest rate sensitivity of MBS and TBA commitments is derived from The Yield Book, a third-party model. Interest rate sensitivity of MSR financing receivables is derived from an internal model. Actual results could differ significantly from these estimates. Interest rate sensitivity is based on assumptions resulting in certain limitations, including (i) an instantaneous shift in rates with no changes to the slope of the yield curve, (ii) the effect of negative interest rates, (iii) no changes in MBS spreads, and (iv) no changes to the investment or hedge portfolio. Excludes mortgage credit investments.

(2) Duration for agency MBS is derived from the Citi's "The Yield Book," a third-party model. Duration for MSR financing receivables is derived from an internal model. Duration is a measure of how much the price of an asset or liability is expected to change if interest rates move in a parallel manner and is dependent upon several subjective inputs and assumptions. Actual results could differ materially from these estimates. In addition, different models could generate materially different estimates using similar inputs and assumptions.

(3) Total liability and hedge duration is expressed in asset units. Excludes unsecured debt.

(4) Agency MBS spread sensitivity is derived from The Yield Book, a third-party model. Actual results could differ significantly from these estimates. The estimated change in book value reflects an assumed spread weighted average duration of 6.8 years, which is a model-based assumption that is dependent upon the size and composition of our portfolio as well as economic conditions present as of June 30, 2021. The agency MBS spread sensitivity is based on assumptions resulting in certain limitations, including (i) no changes in interest rates, and (ii) no changes to the investment or hedge portfolio.

# Market Data <sup>(1)(2)</sup>

	6/30/20	9/30/20	12/31/20	3/31/21	6/30/21	Q2 '21 Δ to Q1 '21
<b>30-Year FNMA Fixed Rate MBS</b>						
2.0%	\$ 102.32	\$ 103.39	\$ 103.95	\$ 99.67	\$ 100.97	\$ 1.30
2.5%	\$ 104.23	\$ 104.89	\$ 105.45	\$ 102.51	\$ 103.41	\$ 0.90
3.0%	\$ 105.30	\$ 104.77	\$ 104.80	\$ 104.13	\$ 104.22	\$ 0.09
3.5%	\$ 105.17	\$ 105.48	\$ 105.73	\$ 105.61	\$ 105.27	\$ (0.34)
4.0%	\$ 105.95	\$ 106.64	\$ 106.80	\$ 107.32	\$ 106.54	\$ (0.78)
4.5%	\$ 107.45	\$ 108.17	\$ 108.39	\$ 108.87	\$ 107.63	\$ (1.24)
<b>Investment Spreads</b>						
FNMA Current Coupon vs. 10 Yr Swap Rate	93 bps	69 bps	42 bps	26 bps	39 bps	13 bps
CMBS 2.0/3.0 BBB- vs. Swap Curve	735 bps	500 bps	475 bps	390 bps	345 bps	-45 bps
<b>U.S. Treasury ("UST") Rates</b>						
2 Yr UST	0.15%	0.13%	0.12%	0.16%	0.25%	9 bps
5 Yr UST	0.29%	0.28%	0.36%	0.94%	0.89%	-5 bps
10 Yr UST	0.66%	0.68%	0.91%	1.74%	1.47%	-27 bps
2 Yr to 10 Yr UST Spread	51 bps	55 bps	79 bps	158 bps	122 bps	-36 bps
<b>Interest Rate Swap Rates</b>						
2 Yr Swap	0.23%	0.22%	0.20%	0.29%	0.33%	4 bps
5 Yr Swap	0.33%	0.35%	0.43%	1.06%	0.96%	-10 bps
10 Yr Swap	0.64%	0.71%	0.93%	1.78%	1.44%	-34 bps
2 Yr Swap to 2 Yr UST Spread	8 bps	9 bps	8 bps	13 bps	8 bps	-5 bps
10 Yr Swap to 10 Yr UST Spread	-2 bps	3 bps	2 bps	4 bps	-3 bps	-7 bps
<b>London Interbank Offered Rates ("LIBOR") and Secured Overnight Financing Rate ("SOFR")</b>						
1 Month LIBOR	0.16%	0.15%	0.14%	0.11%	0.10%	-1 bps
3 Month LIBOR	0.30%	0.23%	0.24%	0.19%	0.15%	-4 bps
SOFR	0.10%	0.08%	0.07%	0.01%	0.05%	4 bps

(1) 30-Year FNMA fixed rate price information is provided for illustrative purposes only and represents generic FNMA TBA prices and is not meant to be reflective of securities held by the Company.

(2) Source: Bloomberg