
ARLINGTON

ASSET
INVESTMENT

Investor Presentation

Fourth Quarter 2020

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
Q4 2020 Financial Results and Portfolio Update	Slide 6
Additional Market Data and Financial Information	Slide 14

ARLINGTON | ASSET
INVESTMENT

COMPANY SNAPSHOT

Publicly Traded Capital

ARLINGTON | ASSET
INVESTMENT

Class A Common Stock

Ticker: AAIC
Exchange: NYSE

Market Capitalization: \$130 million ⁽¹⁾

ARLINGTON | ASSET
INVESTMENT

Senior Notes Due 2023

Ticker: AIW
Exchange: NYSE

Per Annum Interest Rate: 6.625%
Current Strip Yield per Annum: 7.14%⁽¹⁾⁽²⁾
Maturity Date: May 1, 2023

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: 7.91%⁽¹⁾⁽²⁾

ARLINGTON | ASSET
INVESTMENT

Senior Notes Due 2025

Ticker: AIC
Exchange: NYSE

Per Annum Interest Rate: 6.75%
Current Strip Yield per Annum: 7.36%⁽¹⁾⁽²⁾
Maturity Date: March 15, 2025

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: 9.34%⁽¹⁾⁽²⁾

Company Snapshot

NYSE Ticker	AAIC
Share Price (2/12/21)	\$3.89
Book Value Per Common Share (12/31/20)	\$6.31
GAAP Net Income per Diluted Share (Q4 '20)	\$0.32
Non-GAAP Core Operating Income per Diluted Share (Q4 '20) ⁽¹⁾	\$0.12
Mortgage Investment Portfolio (12/31/20) ⁽²⁾	\$1,063 million
Investable Capital (12/31/20) ⁽³⁾	\$319 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
 - **Mortgage Credit Investments**
 - ▶ Includes MBS or mortgage loans secured by residential or commercial real property
 - **MSR Related Assets**
 - ▶ Financing receivables with a mortgage servicing counterparty for which the investment return is based upon the performance of a pool of MSRs

(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 \$11.0 million in a variable interest entity with gross assets and liabilities of \$104.9 million and \$93.9 million, respectively, that is consolidated for GAAP financial reporting purposes.

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



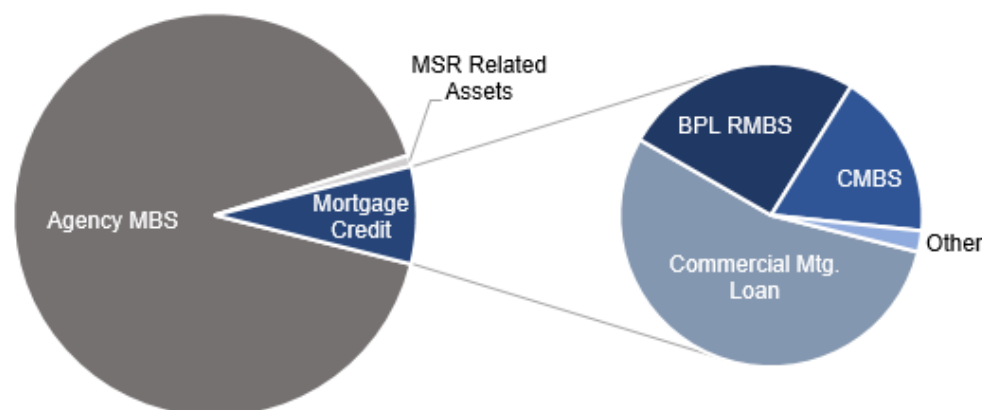
Q4 2020 FINANCIAL RESULTS AND PORTFOLIO UPDATE

Q4 2020 Financial Highlights

- ▶ **\$0.32 GAAP net income per diluted common share**
- ▶ **\$0.12 non-GAAP core operating income ⁽¹⁾ per diluted common share**
 - Increase from \$0.03 per diluted common share in Q3 2020
 - Includes \$0.08 per diluted common share from the consolidation of a trust that holds residential business purpose mortgage loans
 - Short duration asset for which the contribution to core operating income is expected to decline in the first and second quarters of 2021
- ▶ **\$6.31 book value per common share as of December 31, 2020**
 - Increase of 6.6% from \$5.92 as of September 30, 2020
- ▶ **2.4 to 1 “at risk” leverage ratio ⁽²⁾ as of December 31, 2020**
 - Increase from 1.5 to 1 as of September 30, 2020
- ▶ **0.5 million shares of common stock repurchased for \$1.5 million**
 - Average purchase price of \$2.83 per share
 - Represents 1.5% of common stock outstanding as of September 30, 2020
- ▶ **Established a strategic relationship to invest in the economics of mortgage servicing rights (“MSRs”)**

Investment Portfolio Allocation as of December 31, 2020

Asset Allocation



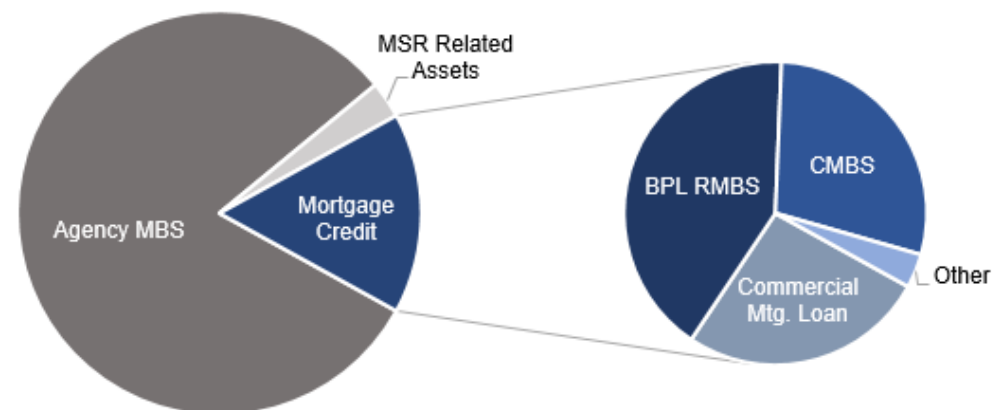
(Dollars in thousands)	Fair Value	% of Total
Agency MBS Investments	\$ 970,880	91%

Mortgage Credit Investments:		
Commercial mortgage loan	\$ 45,000	4%
Business purpose residential MBS ⁽¹⁾	21,129	2%
Commercial MBS	14,730	1%
Other	1,850	—
Total Mortgage Credit Investments	\$ 82,709	8%

MSR Related Assets	\$ 9,346	1%
--------------------	----------	----

Total Mortgage Investments	\$ 1,062,935	100%
----------------------------	--------------	------

Investable Capital Allocation



(Dollars in thousands)	Capital ⁽²⁾	% of Total	Leverage ⁽³⁾
Agency MBS Investments	\$ 258,742	81%	2.8

Mortgage Credit Investments:			
Commercial mortgage loan	\$ 13,500	4%	2.3
Business purpose residential MBS	21,129	7%	—
Commercial MBS	14,730	5%	—
Other	1,850	1%	—
Total Mortgage Credit Investments	\$ 51,209	16%	0.6

MSR Related Assets	\$ 9,346	3%	—
--------------------	----------	----	---

Total Mortgage Investments	\$ 319,297	100%	2.4
----------------------------	------------	------	-----

(1) Reflects the Company's net investment of \$11,049 in a variable interest entity with gross assets and liabilities of \$104,997 and \$93,948, 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

Allocated Investable Capital ⁽¹⁾ as of Quarter End	\$258.7 million
Investable Capital Allocation %	81%
Leverage Ratio as of Quarter End ⁽²⁾	2.8x
Q4 Weighted Average Constant Prepayment Rate	7.29%
Q4 Weighted Average GAAP Asset Yield	1.80%
Q4 Levered Return (Including TBAs) Based on Cost ⁽³⁾	9.19%

Agency MBS Investment Portfolio as of December 31, 2020

(Dollars in thousands)

Specified Agency MBS				
Coupon Rate	UPB	Fair Value	Allocation	
1.5%	\$ 168,853	\$ 170,748	18%	
2.0%	483,891	505,157	52%	
2.5%	184,557	196,804	20%	
3.0%	90,723	98,157	10%	
5.5%	12	14	—	
Total	\$ 928,036	\$ 970,880	100%	

Repo Financing				
Balance	Collateral Fair Value	Wtd. Avg. Interest Rate	Wtd. Avg. Days to Maturity	
\$ 623,712	\$ 656,154	0.21%	14.0	

Interest Rate Swap Hedge				
Maturity	Notional	Fixed Pay Rate	Floating Receive Rate	Years to Maturity
< 3 years	\$ 200,000	0.10%	0.06%	2.9
3 to <10 years	75,000	0.74%	0.22%	9.5
	\$ 275,000	0.28%	0.10%	4.7

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.

Mortgage Credit Investments

Allocated Investable Capital ⁽¹⁾ as of Quarter End	\$51.2 million
Investable Capital Allocation %	16%
Leverage Ratio as of Quarter End ⁽²⁾⁽³⁾	0.6x

Mortgage Credit Investment Portfolio as of December 31, 2020

(Dollars in thousands)

Asset Category	UPB	Fair Value ⁽⁴⁾	Fair Value / UPB	Asset Allocation	Repo Financing	Invested Capital	Capital Allocation	Leverage Ratio
Commercial mortgage loan	\$ 45,000	\$ 45,000	\$ 100.00	54%	\$ 31,500	\$ 13,500	26%	2.3
Business purpose loan residential MBS ⁽³⁾	24,577	21,129	85.53	26%	—	21,129	41%	—
Small balance commercial MBS	20,690	14,730	70.71	18%	—	14,730	29%	—
Other	2,680	1,850	70.00	2%	—	1,850	4%	—
Total	\$ 92,947	\$ 82,709	\$ 88.79	100%	\$ 31,500	\$ 51,209	100%	0.6

Commercial Mortgage Loan Repo Financing

Balance	Collateral Fair Value	Interest Rate	Days to Maturity
\$ 31,500	\$ 45,000	3.00%	315

- 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 \$11,049 in a variable interest entity with gross assets and liabilities of \$104,997 and \$93,948, 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.

MSR Related Assets

Allocated Investable Capital ⁽¹⁾ as of Quarter End	\$9.3 million
Investable Capital Allocation %	3%
Leverage Ratio as of Quarter End	0.0x
Expected Asset Yield	10%

MSR Related Assets as of December 31, 2020

(Dollars in thousands)

Underlying MSR:

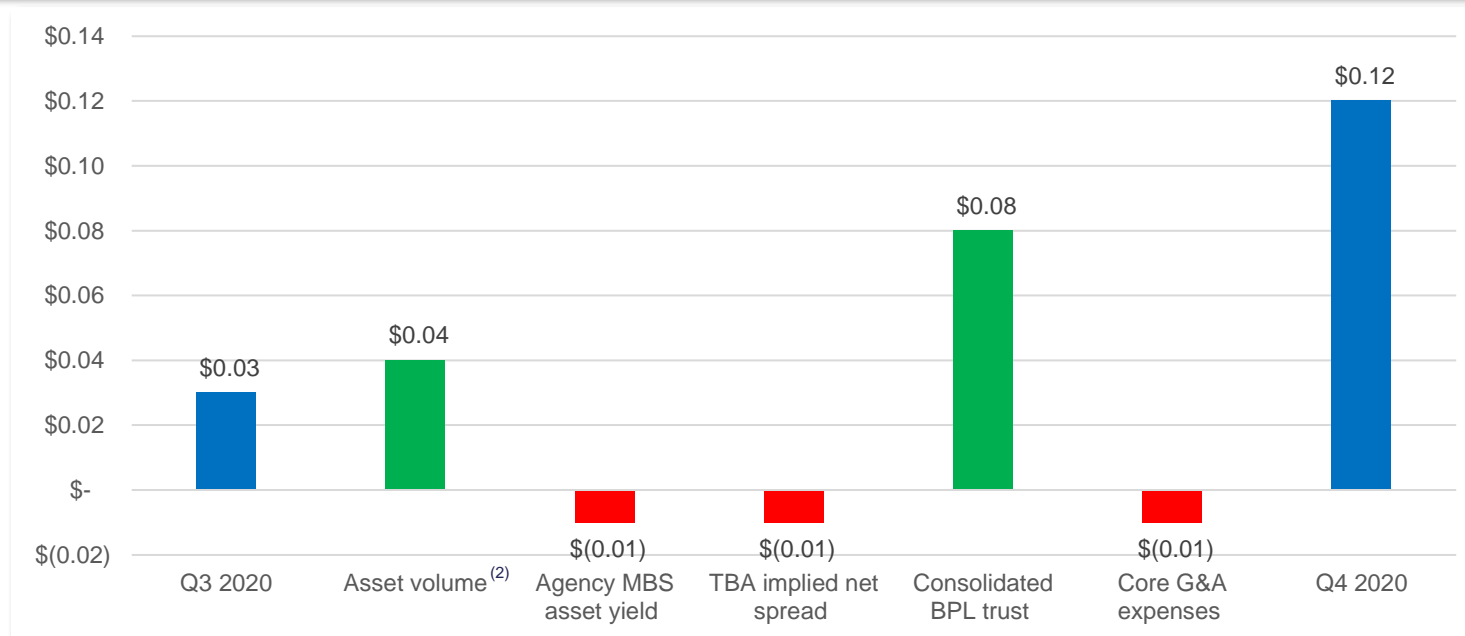
Holder of Serviced Mortgage Loans	UPB of Serviced Mortgage Loans	Weighted Average Servicing Fee	Implied MSR Multiple	Implied MSR Price / UPB	MSR Financing Receivable Fair Value
Fannie Mae	\$ 1,116,056	0.28%	3.0x	\$ 0.84	\$ 9,346

- ▶ Entered a strategic relationship with a licensed, GSE approved mortgage servicer that enables AAIC 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
- ▶ We have committed to a minimum \$25 million capital investment for a three-year period ending December 31, 2023
- ▶ At our option, we can direct our partner to leverage our capital

Non-GAAP Core Operating Income ⁽¹⁾

(Unaudited, in thousands except per share amounts)	Full Year	Q4 2020	Q3 2020	Q2 2020	Q1 2020
GAAP net interest income	\$ 23,098	\$ 6,414	\$ 3,778	\$ 3,765	\$ 9,141
TBA dollar roll income	1,750	1,156	319	170	105
Interest rate swap net interest income (expense)	501	(62)	(23)	(6)	592
Economic net interest income	25,349	7,508	4,074	3,929	9,838
Core general and administrative expenses	(10,627)	(2,668)	(2,375)	(2,734)	(2,850)
Preferred stock dividend	(2,991)	(733)	(726)	(758)	(774)
Non-GAAP core operating income	\$ 11,731	\$ 4,107	\$ 973	\$ 437	\$ 6,214
Non-GAAP core operating income per diluted common share	\$ 0.33	\$ 0.12	\$ 0.03	\$ 0.01	\$ 0.17
Weighted average diluted common shares outstanding	35,426	33,554	34,697	36,666	36,817

Non-GAAP Core Operating Income Per Diluted Share Rollforward – Q4 2020 vs. Q3 2020



(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

Q4 2020		
At September 30, 2020	\$	5.92
Non-GAAP core operating income ⁽¹⁾		0.12
Investment gain, net ⁽¹⁾⁽²⁾		0.21
Repurchases of stock		0.05
Other, net		0.01
At December 31, 2020	\$	6.31

(1) Calculated based upon common shares outstanding as of the beginning of the period.

(2) Excludes TBA dollar roll income and net interest income earned or expense incurred from interest rate swap agreements, which are included in non-GAAP core operating income.

ARLINGTON | ASSET
INVESTMENT

ADDITIONAL MARKET DATA AND FINANCIAL INFORMATION

Balance Sheet

(Unaudited, in thousands except per share amounts)			December 31, 2020	September 30, 2020
ASSETS				
Cash and cash equivalents	\$	28,796	\$	8,877
Restricted cash of consolidated VIE		11,169		8,658
Interest receivable		1,668		1,589
Interest receivable of consolidated VIE		545		665
Sold securities receivable		—		43,703
Agency MBS		970,880		617,170
Mortgage credit investments		71,660		116,352
Mortgage loans of consolidated VIE, at fair value		93,283		123,680
MSR financing receivable, at fair value		9,346		—
Derivative assets, at fair value		258		1,181
Deposits		6,306		2,252
Other assets		18,478		21,208
Total assets	\$	1,212,389	\$	945,335
LIABILITIES AND STOCKHOLDERS' EQUITY				
Liabilities:				
Repurchase agreements	\$	655,212	\$	508,739
Secured debt of consolidated VIE, at fair value		93,627		121,894
Derivative liabilities, at fair value		221		852
Purchased securities payable		139,013		—
Other liabilities		4,698		3,433
Interest payable of consolidated VIE		321		416
Long-term unsecured debt		73,027		73,115
Total liabilities		966,119		708,449
Common stockholders' equity		209,937		200,188
Preferred stock liquidation preference		36,333		36,698
Total equity		246,270		236,886
Total liabilities and stockholders' equity	\$	1,212,389	\$	945,335
Shares outstanding (in thousands) ⁽¹⁾				
		33,287		33,801
Book value per common share ⁽²⁾	\$	6.31	\$	5.92
"At risk" leverage ratio ⁽³⁾		2.4		1.5
Assets and liabilities of consolidated VIE:				
Restricted cash	\$	11,169	\$	8,658
Mortgage loans, at fair value		93,283		123,680
Secured debt, at fair value		(93,627)		(121,894)
Interest receivable		545		665
Interest payable		(321)		(416)
Net investment in consolidated VIE	\$	11,049	\$	10,693

(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>	Full Year	Q4 2020	Q3 2020	Q2 2020	Q1 2020
Interest income					
Agency mortgage-backed securities	\$ 32,728	\$ 3,015	\$ 2,808	\$ 3,517	\$ 23,388
Mortgage credit investments	7,605	1,863	2,217	2,083	1,442
Mortgage loans of consolidated VIE	4,305	4,305	—	—	—
Interest and other income	1,376	314	385	534	143
Total interest income	46,014	9,497	5,410	6,134	24,973
Interest expense					
Short-term secured debt	16,742	526	470	1,154	14,592
Long-term unsecured debt	4,771	1,154	1,162	1,215	1,240
Secured debt of consolidated VIE	1,403	1,403	—	—	—
Total interest expense	22,916	3,083	1,632	2,369	15,832
Net interest income	23,098	6,414	3,778	3,765	9,141
Investment gain (loss), net	(78,199)	8,120	3,952	9,797	(100,068)
General and administrative expenses					
Compensation and benefits	7,241	1,712	1,774	1,897	1,858
Other general and administrative expenses	5,374	1,361	1,197	1,431	1,385
Total general and administrative expenses	12,615	3,073	2,971	3,328	3,243
Net income (loss)	(67,716)	11,461	4,759	10,234	(94,170)
Dividend on preferred stock	(2,991)	(733)	(726)	(758)	(774)
Net income (loss) available (attributable) to common stock	\$ (70,707)	\$ 10,728	\$ 4,033	\$ 9,476	\$ (94,944)
Basic earnings (loss) per common share	\$ (2.00)	\$ 0.32	\$ 0.12	\$ 0.26	\$ (2.59)
Diluted earnings (loss) per common share	\$ (2.00)	\$ 0.32	\$ 0.12	\$ 0.26	\$ (2.59)
Weighted-average common shares outstanding (in thousands):					
Basic	35,343	33,415	34,655	36,618	36,711
Diluted	35,343	33,554	34,697	36,666	36,711

Non-GAAP Core Operating Income Reconciliation ⁽¹⁾

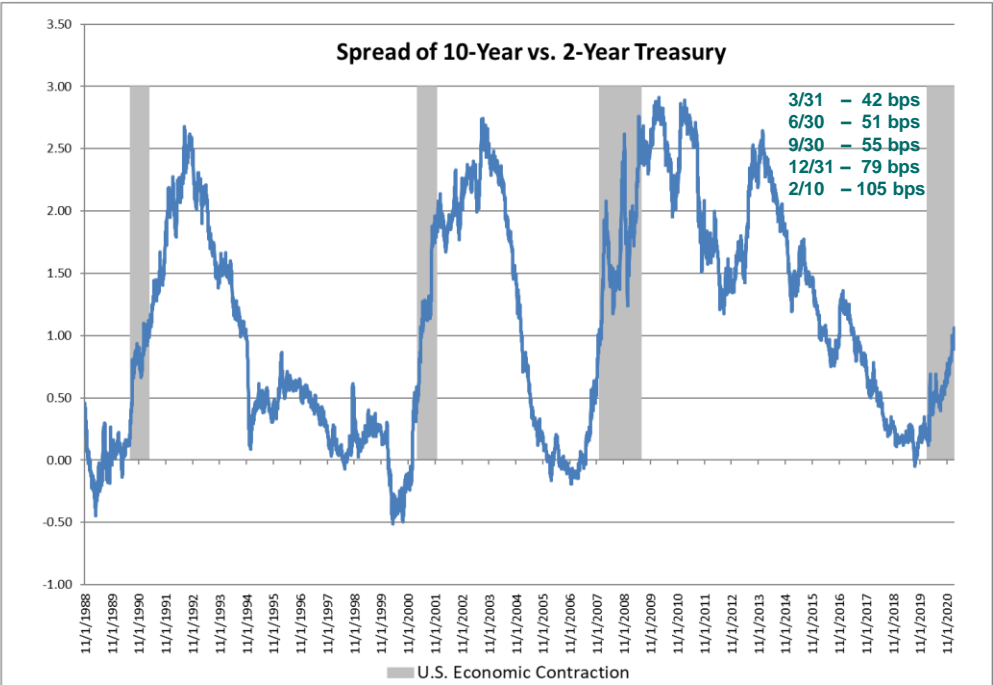
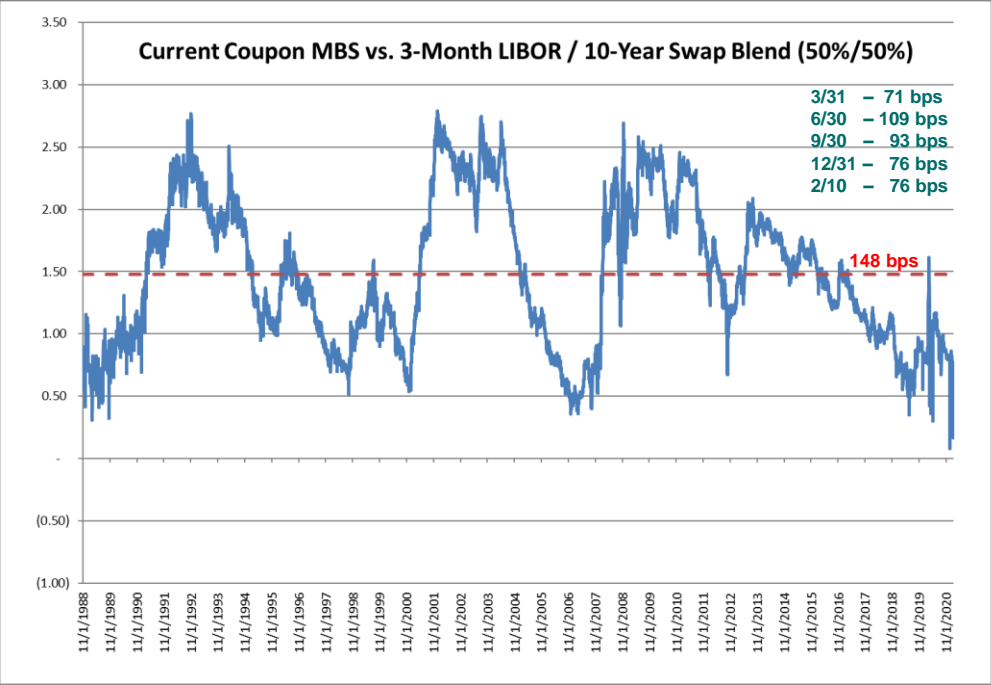
Reconciliation of GAAP Net Income to Non-GAAP Core Operating Income

<i>(Unaudited, in thousands)</i>	Full Year	Q4 2020	Q3 2020	Q2 2020	Q1 2020
Net income (loss) available (attributable) to common stock	\$(70,707)	\$ 10,728	\$ 4,033	\$ 9,476	\$(94,944)
Add (less):					
Total investment (gain) loss, net	78,199	(8,120)	(3,952)	(9,797)	100,068
Stock-based compensation expense	1,988	405	596	594	393
Add back:					
TBA dollar roll income	1,750	1,156	319	170	105
Interest rate swap net interest income (expense)	501	(62)	(23)	(6)	592
Non-GAAP core operating income	\$ 11,731	\$ 4,107	\$ 973	\$ 437	\$ 6,214

(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 December 31, 2020 ⁽¹⁾

	-100 bps	-50 bps	As of 12/31/2020	+50 bps	+100 bps
Common Stockholders' Equity	\$ 218,277	\$ 216,512	\$ 209,937	\$ 195,370	\$ 173,618
Percentage Change	4.0%	3.1%	-	-6.9%	-17.3%

Agency MBS Portfolio Net Duration Gap as of December 31, 2020

	Fair Value / Notional	Duration ⁽²⁾
Agency MBS	\$ 970,880	3.9
Net long agency TBA position	—	—
MSR financing receivable	9,346	(51.9)
Total interest rate sensitive assets	\$ 980,226	3.4
Agency MBS repo ⁽³⁾	\$ (623,712)	(0.1)
Interest rate swap agreements ⁽³⁾	\$ (275,000)	(4.7)
Total liabilities and hedges		(1.4)
Net duration gap		2.0

Agency MBS Spread Sensitivity as of December 31, 2020 ⁽⁴⁾

	-25 bps	-10 bps	As of 12/31/2020	+10 bps	+25 bps
Common Stockholders' Equity	\$ 224,483	\$ 215,755	\$ 209,937	\$ 204,119	\$ 195,391
Percentage Change	6.9%	2.8%	-	-2.8%	-6.9%

(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 6.0 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 December 31, 2020. 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 ⁽¹⁾⁽²⁾

	12/31/19	3/31/20	6/30/20	9/30/20	12/31/20	2020 Δ to 2019
30-Year FNMA Fixed Rate MBS						
2.0%	NM	NM	\$ 102.32	\$ 103.39	\$ 103.95	NM
2.5%	\$ 98.92	\$ 103.55	\$ 104.23	\$ 104.89	\$ 105.45	\$ 6.53
3.0%	\$ 101.39	\$ 104.86	\$ 105.30	\$ 104.77	\$ 104.80	\$ 3.41
3.5%	\$ 102.86	\$ 105.80	\$ 105.17	\$ 105.48	\$ 105.73	\$ 2.87
4.0%	\$ 104.02	\$ 106.77	\$ 105.95	\$ 106.64	\$ 106.80	\$ 2.78
4.5%	\$ 105.30	\$ 107.64	\$ 107.45	\$ 108.17	\$ 108.39	\$ 3.09
Investment Spreads						
FNMA Current Coupon vs. 10 Yr Swap Rate	82 bps	108 bps	93 bps	69 bps	42 bps	-40 bps
CMBS 2.0/3.0 BBB- vs. Swap Curve	280 bps	1100 bps	735 bps	500 bps	475 bps	195 bps
U.S. Treasury ("UST") Rates						
2 Yr UST	1.57%	0.25%	0.15%	0.13%	0.12%	-145 bps
5 Yr UST	1.69%	0.38%	0.29%	0.28%	0.36%	-133 bps
10 Yr UST	1.92%	0.67%	0.66%	0.68%	0.91%	-101 bps
2 Yr to 10 Yr UST Spread	35 bps	42 bps	51 bps	55 bps	79 bps	44 bps
Interest Rate Swap Rates						
2 Yr Swap	1.70%	0.49%	0.23%	0.22%	0.20%	-150 bps
5 Yr Swap	1.73%	0.52%	0.33%	0.35%	0.43%	-130 bps
10 Yr Swap	1.90%	0.72%	0.64%	0.71%	0.93%	-97 bps
2 Yr Swap to 2 Yr UST Spread	13 bps	24 bps	8 bps	9 bps	8 bps	-5 bps
10 Yr Swap to 10 Yr UST Spread	-2 bps	5 bps	-2 bps	3 bps	2 bps	4 bps
London Interbank Offered Rates ("LIBOR") and Secured Overnight Financing Rate ("SOFR")						
1 Month LIBOR	1.76%	0.99%	0.16%	0.15%	0.14%	-162 bps
3 Month LIBOR	1.91%	1.45%	0.30%	0.23%	0.24%	-167 bps
SOFR	1.55%	0.01%	0.10%	0.08%	0.07%	-148 bps