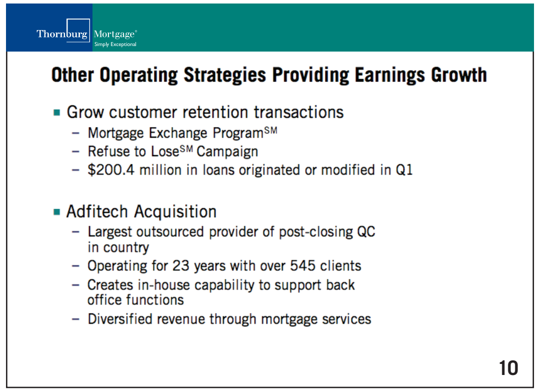
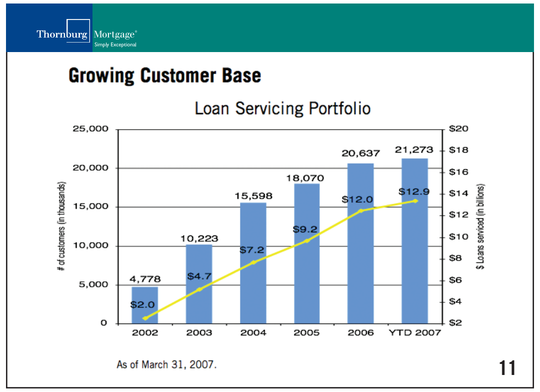
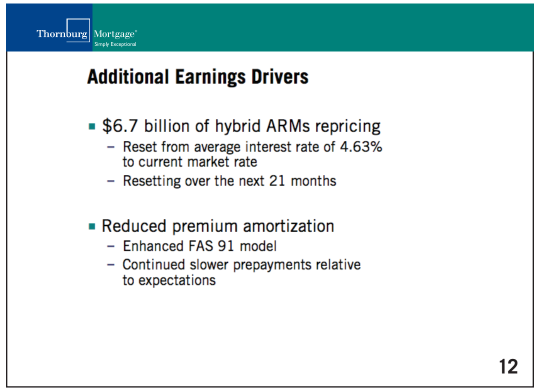


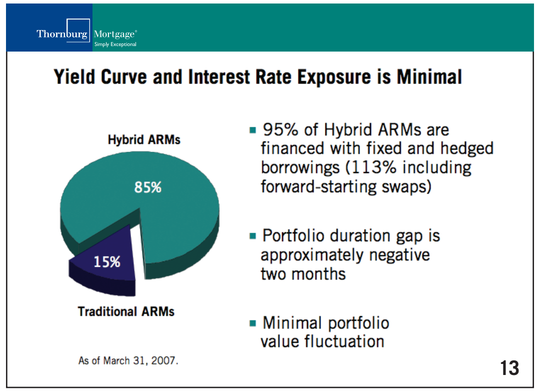
We purchased Adfitech in 2006 to support our growing loan origination business. As a top provider of post-closing quality control, Adfitech helps us diversify our revenue sources as well as providing back office operational support.



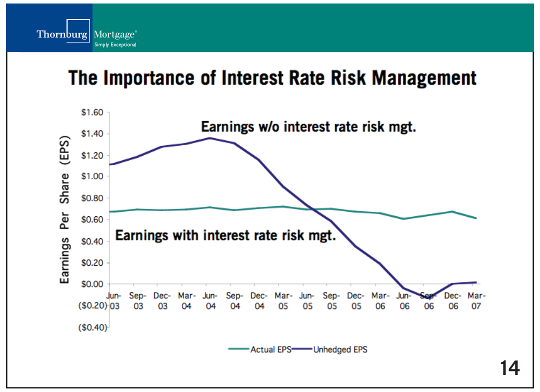
As our loan portfolio continues to grow so does our customer base. Since we retain all of the loans we purchase or originate, our servicing income continues to grow as well.



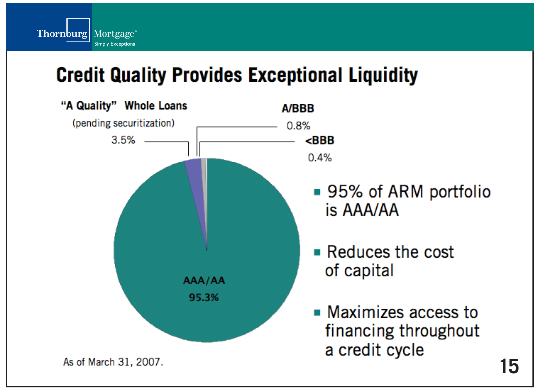
As Thornburg Mortgage's Hybrid ARM assets reset over the next 21 months, these lower interest rate assets will be replaced with current market rates of interest. As that happens, our portfolio spread should improve.



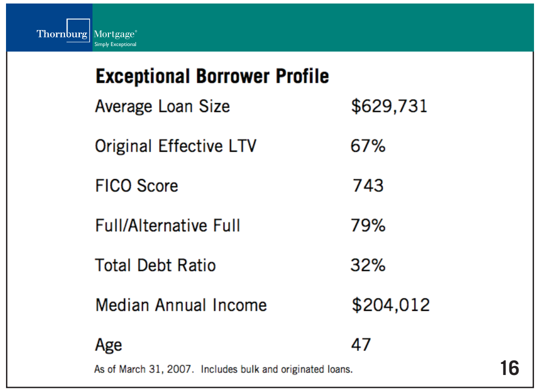
By closely matching the duration of our hedged borrowings and our hybrid ARMs, we limit the impact that future changes in interest rates have on our earnings. This, in part, is why our performance has been consistent.



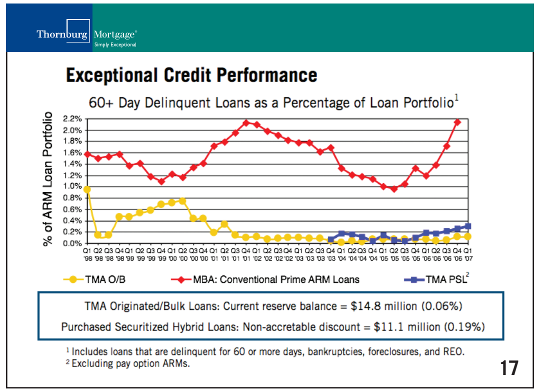
As a result of our disciplined approach to interest rate risk, our earnings have remained relatively stable, relative to what our earnings would be had we not been so disciplined.



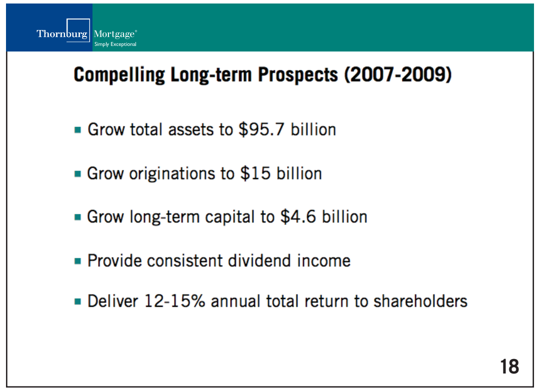
By focusing only on high credit quality assets, we keep our credit losses and financing costs low. It also creates significant portfolio liquidity, which ensures our access to financing through a credit cycle.



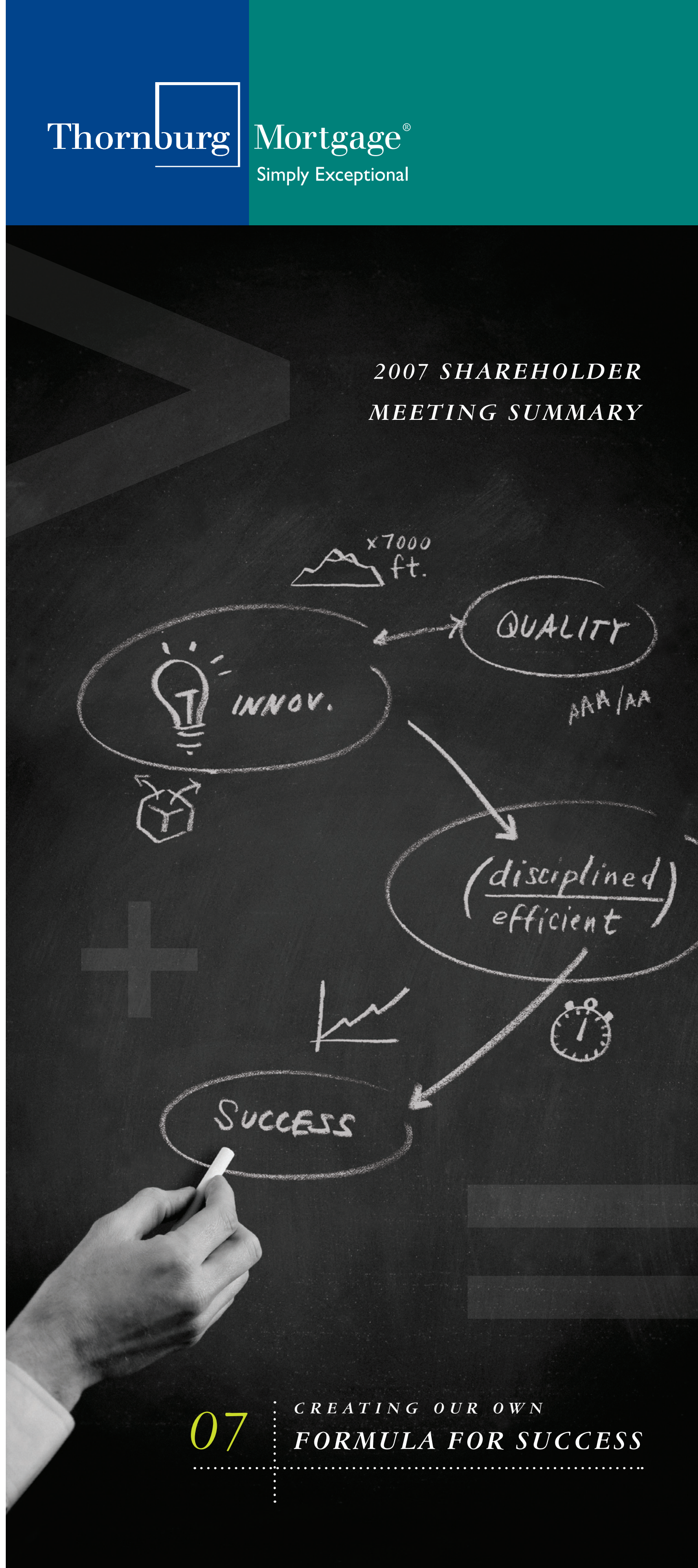
When considering the loans we make and the credit performance characteristics of these loans, our borrowers are exceptional.



Our exceptional borrowers lead to exceptional credit performance in our loan portfolio. Our 60-day delinquency ratio is a mere 0.11% and we have not experienced a loss in 21 quarters.



With our diversified business model, strong capital position and attainable business objectives, we feel very good about our prospects for the future.



DEAR FELLOW SHAREHOLDERS:

Our annual shareholder meeting was held on Thursday, April 19, 2007 in Santa Fe, New Mexico, where our corporate headquarters is located. Shareholder representation at the meeting both in person and by proxy was outstanding, and we enjoyed meeting many of you in person. Approximately 114.1 million shares of common stock of the company were issued, outstanding and eligible to vote at the meeting, and 94% of those shares were represented at the meeting.

The business items on the agenda included the re-election of four Class I Directors. The nominees for Class I directors were Anne-Drue M. Anderson, David A. Ater, Larry A. Goldstone and Ike Kalangis. They were re-elected to serve for three-year terms and until their successors are duly elected and qualified. An overwhelming majority of shareholders voted for the re-election of all four nominees.

After completion of the business portion of the meeting, a presentation was given that reported on the company's accomplishments in 2006, its continued success in the first quarter of 2007 and its strategic goals for the next three years. We have included the same presentation here as a means to keep you informed as to the progress of your company.

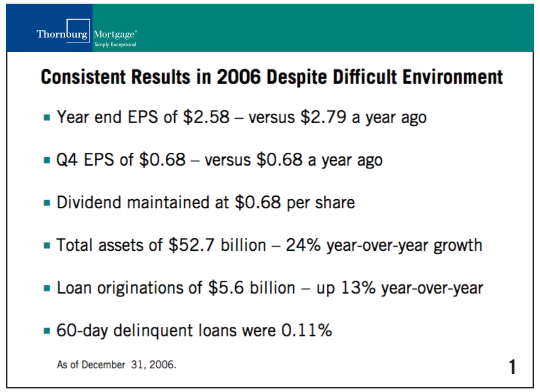
On behalf of everyone at the company, we thank you, our shareholders, for your continued support and look forward to providing you with positive results for the remainder of 2007 and beyond.

SINCERELY,

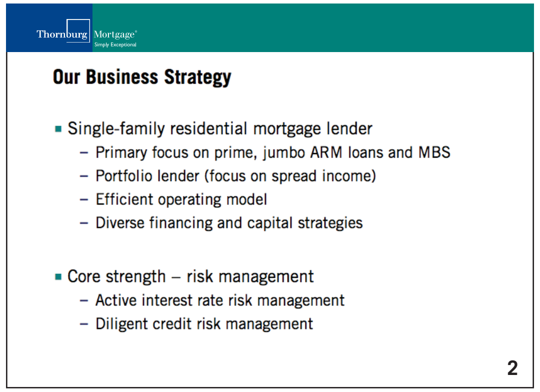
Garrett Thornburg
Chairman and
Chief Executive Officer

Larry A. Goldstone
President and
Chief Operating Officer

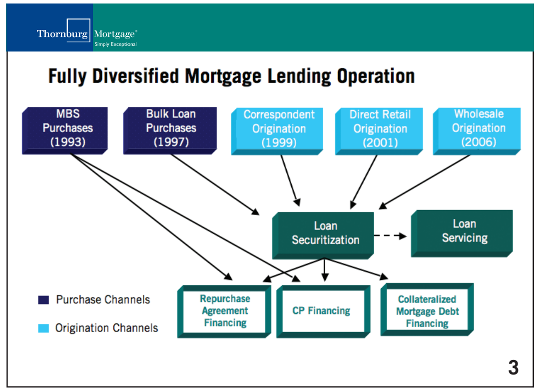
Certain matters discussed in this presentation may constitute forward-looking statements within the meaning of the federal securities laws. These forward-looking statements are based on current expectations, estimates and projections, and are not guarantees of future performance, events or results. Actual results and developments could differ materially from those expressed in or contemplated by the forward-looking statements due to a number of factors, including general economic conditions, interest rates, the availability of ARM securities and loans for acquisition and other risk factors discussed in the company's SEC reports, including its most recent annual report on Form 10-K. The company does not undertake to update, revise or correct any of the forward-looking information.



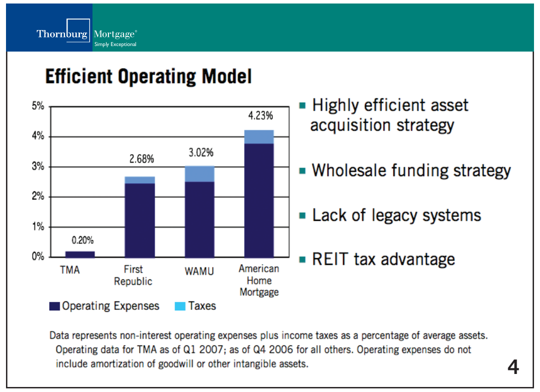
Thornburg Mortgage performed very well in 2006, despite the persistent flat yield curve and competitive environment. Thornburg Mortgage again delivered consistent results that our shareholders have come to expect.



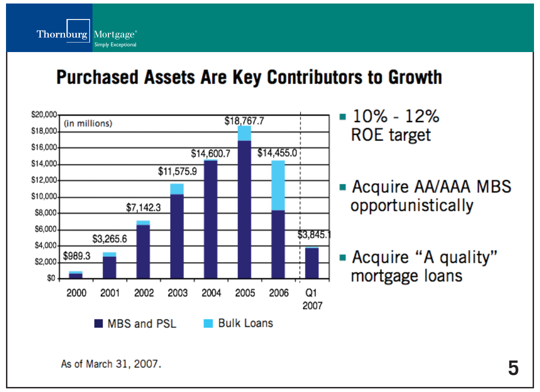
Our unique approach to the mortgage business has allowed us to consistently deliver attractive dividend income and steady growth for our shareholders while effectively managing interest rate risk and credit risk.



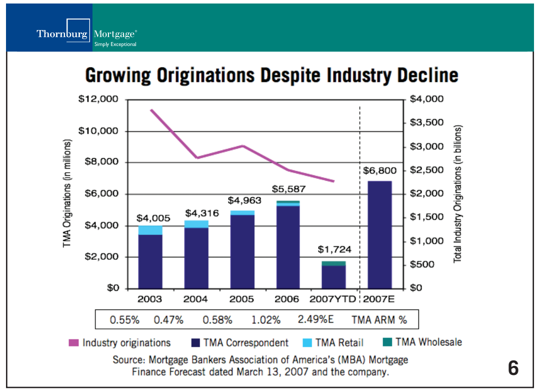
Acquiring assets through multiple channels increases our access to the best-yielding mortgage assets and keeps our acquisition costs low.



While our profitability is generated very much like a bank's profitability, our approach to the mortgage business is unique and highly efficient. Our cost structure is far lower than those of traditional mortgage portfolio lenders.

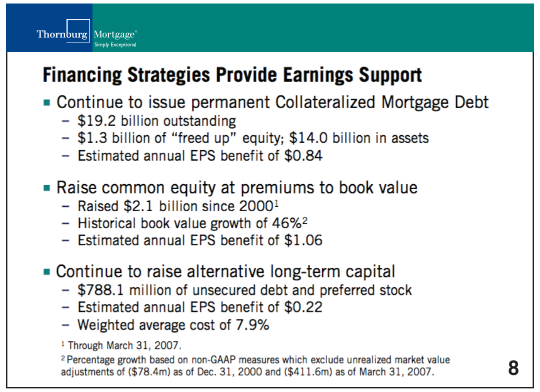


We purchase high-quality assets to grow our balance sheet. In 2006, we increased our purchases of loans by purchasing $6.1 billion of bulk loans and securitizing them in-house, helping us maintain our earnings in 2006.

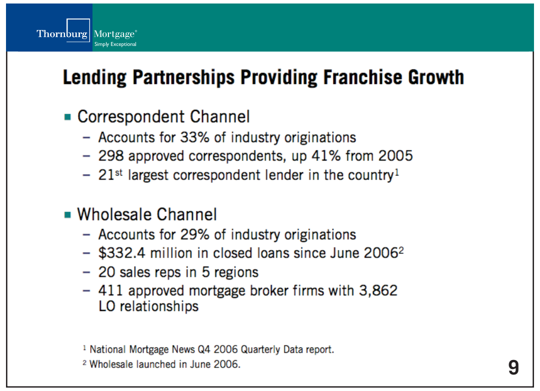


Since 2002, we have grown our origination business, on average, 25% year-over-year. Despite declining industry-wide originations, first quarter loan production was up by 20% year-over-year.

Our focus on servicing our lending partners, on state-of-the-art mortgage technology and on sophisticated borrowers sets us apart from the traditional mortgage lender.



In this challenging business environment we have supplemented our core spread lending business with strategies designed to support earnings growth.



Our correspondent and wholesale (broker) partnerships are important in helping us grow our lending business and customer relationships. These loans are underwritten with the same stringent standards that we require for all of our loans.