



# Q3 2014 STOCKHOLDER PRESENTATION

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OCTOBER 28, 2014

# SAFE HARBOR STATEMENT

## SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

This presentation contains statements that, to the extent they are not recitations of historical fact, constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 (the "Reform Act"). All such forward-looking statements are intended to be subject to the safe harbor protection provided by the Reform Act. Actual outcomes and results could differ materially from such forecasts due to the impact of many factors beyond the control of American Capital Agency Corp. ("AGNC"). All forward-looking statements included in this presentation are made only as of the date of this presentation and are subject to change without notice. Certain important factors that could cause actual results to differ materially from those contained in the forward-looking statements are included in our periodic reports filed with the Securities and Exchange Commission ("SEC"). Copies are available on the SEC's website at [www.sec.gov](http://www.sec.gov). AGNC disclaims any obligation to update such forward-looking statements unless required by law.

The following slides contain summaries of certain financial and statistical information about AGNC. They should be read in conjunction with our periodic reports that are filed from time to time with the SEC. Historical results discussed in this presentation are not indicative of future results.

# CAPITAL STOCK HIGHLIGHTS



TYPE / STOCK TICKER:  
**COMMON STOCK / AGNC**

EXCHANGE:  
**NASDAQ**

IPO PRICE:  
**\$20.00 PER SHARE**

NET ASSET VALUE <sup>2</sup>:  
**\$25.54 PER SHARE**

IPO DATE:  
**MAY 2008**

TOTAL DIVIDENDS PAID SINCE IPO <sup>1</sup>:  
**\$29.56 PER SHARE**

TOTAL EQUITY CAPITAL <sup>2</sup>:  
**\$9.0 B**



TYPE / NAME:

**8.000% SERIES A CUMULATIVE REDEEMABLE PREFERRED STOCK**

PREFERRED STOCK TICKER:  
**AGNCP**

PER ANNUM DIVIDEND RATE:  
**8.000% PAYABLE QUARTERLY**

EXCHANGE:  
**NASDAQ**

TOTAL DIVIDENDS PAID SINCE OFFERING <sup>1</sup>:  
**\$5.056 PER SHARE**

PUBLIC OFFERING PRICE PRICE:  
**\$25.00 PER SHARE**

SHARES OUTSTANDING:  
**6.9 MILLION**



TYPE / NAME:

**7.750% SERIES B CUMULATIVE REDEEMABLE PREFERRED STOCK**

PREFERRED STOCK TICKER:  
**AGNCB**

PER ANNUM DIVIDEND RATE:  
**7.750% PAYABLE QUARTERLY**

EXCHANGE:  
**NASDAQ**

TOTAL DIVIDENDS PAID SINCE OFFERING <sup>1</sup>:  
**\$0.84497 PER DEPOSITARY SHARE**

PUBLIC OFFERING PRICE PRICE:  
**\$25.00 PER DEPOSITARY SHARE <sup>3</sup>**

DEPOSITARY SHARES OUTSTANDING:  
**7.0 MILLION**



\* As of September 30, 2014 unless otherwise indicated

1. As of October 27, 2014
2. "Net Asset Value" and "Total Equity Capital" are net of the 8.000% Series A Cumulative Redeemable Preferred Stock ("Series A Preferred Stock") liquidation preference of \$173 million and the 7.750% Series B Cumulative Redeemable Preferred Stock ("Series B Preferred Stock") liquidation preference of \$175 million
3. Each depositary share outstanding represents a 1/1,000<sup>th</sup> interest in a share of Series B Preferred Stock

# Q3 2014 HIGHLIGHTS

- ◆ **\$(0.07) Comprehensive Loss per Share, Comprised of:**
  - ✓ \$0.54 net income per share
  - ✓ \$(0.61) other comprehensive loss (“OCI”) per share
    - Includes net unrealized losses on investments marked-to-market through OCI
- ◆ **\$0.85 Net Spread and Dollar Roll Income per Share <sup>1</sup>**
  - ✓ Includes \$0.43 per share of dollar roll income associated with a \$15.7 B average net long position in Agency MBS in the “to-be-announced” (“TBA”) market <sup>2</sup>
  - ✓ Includes \$(0.01) per share of estimated “catch-up” premium amortization cost due to change in projected constant prepayment rate (“CPR”) estimates
- ◆ **\$0.65 Dividend Declared per Share <sup>3</sup>**
  - ✓ 12.2% annualized dividend yield based on Sept 30, 2014 closing stock price of \$21.25 per share
- ◆ **\$25.54 Net Book Value per Share as of Sept 30, 2014**
  - ✓ Decreased \$(0.72) per share, or - 2.7%, from \$26.26 per share as of June 30, 2014
- ◆ **- 0.3% Economic Loss on Common Equity for the Quarter, or - 1.1% Annualized**
  - ✓ Comprised of \$0.65 dividend per share and \$(0.72) decrease in net book value per share

Note: Per share amounts included throughout this presentation are per common share, unless otherwise indicated

1. Represents a non-GAAP measure. Refer to the supplemental slides later in this presentation for a reconciliation and further discussion of non-GAAP measures
2. Dollar roll income is based on our net TBA position and is recognized in gain (loss) on derivative instruments and other securities, net
3. Dividends declared on AGNC’s common stock for 2014 are anticipated to represent ordinary income for shareholders when the final tax characterization of such dividends is determined and reported to shareholders on Form 1099-DIV after the end of the calendar year

## Q3 2014 OTHER HIGHLIGHTS

- ◆ **\$69.5 B Agency MBS Investment Portfolio as of Sept 30, 2014**
  - ✓ Includes \$17.7 B net long TBA mortgage position as of Sept 30, 2014
- ◆ **6.7x “At Risk” Leverage as of Sept 30, 2014** <sup>1,2</sup>
  - ✓ 4.8x leverage excluding net long TBA mortgage position as of Sept 30, 2014
- ◆ **10% Portfolio CPR for the Quarter**
  - ✓ 8% average projected portfolio life CPR as of Sept 30, 2014
- ◆ **1.90% Annualized Net Interest Rate Spread for the quarter, including TBA Dollar Roll Income** <sup>3</sup>

1. Leverage calculated as sum of Agency MBS repurchase agreements (“repo”), net payable/receivable for Agency securities not yet settled, and other debt divided by the sum of total stockholders’ equity less the fair value of investments in REIT equity securities. Leverage excludes U.S. Treasury repo
2. “At risk” leverage includes the components of “leverage,” plus our net TBA position (at cost)
3. Net interest rate spread and TBA dollar roll income calculated as the average asset yield, less average cost of funds (actual and implied). Average cost of funds includes Agency MBS repo, TBA implied cost of funds, other debt and periodic swap interest costs. Cost of funds exclude other supplemental hedges, such as swaptions, U.S. Treasury positions and U.S. Treasury repos

# MARKET INFORMATION

Security	9/30/13	12/31/13	3/31/14	6/30/14	9/30/14	Q3 2014 Δ Rate % / Price <sup>1</sup>	Security	9/30/13	12/31/13	3/31/14	6/30/14	9/30/14	Q3 2014 Δ Rate % / Price <sup>1</sup>
<b>Treasury Rates</b>							<b>Swap Rates</b>						
2 Yr UST	0.32%	0.38%	0.42%	0.46%	0.57%	+0.11% / -0.22	2 Yr Swap	0.46%	0.49%	0.55%	0.58%	0.82%	+0.24% / -0.48
3 Yr UST	0.63%	0.78%	0.90%	0.87%	1.04%	+0.17% / -0.49	3 Yr Swap	0.76%	0.88%	0.99%	1.00%	1.30%	+0.30% / -0.90
5 Yr UST	1.38%	1.74%	1.72%	1.63%	1.76%	+0.13% / -0.62	5 Yr Swap	1.54%	1.79%	1.80%	1.70%	1.93%	+0.23% / -1.11
10 Yr UST	2.61%	3.03%	2.72%	2.53%	2.49%	-0.04% / +0.35	10 Yr Swap	2.77%	3.09%	2.84%	2.63%	2.64%	+0.01% / -0.09
30 Yr UST	3.69%	3.96%	3.56%	3.36%	3.20%	-0.16% / +3.03	30 Yr Swap	3.66%	3.93%	3.54%	3.33%	3.19%	-0.14% / +2.75
<b>15 Year Fixed Rate Mortgages <sup>2</sup></b>							<b>30 Year Fixed Rate Mortgages <sup>2</sup></b>						
2.50%	100.61	99.00	99.92	101.59	100.55	-1.04	3.00%	97.70	95.11	96.53	98.77	98.59	-0.18
3.00%	103.53	102.05	102.72	103.88	102.98	-0.90	3.50%	101.83	99.48	100.59	102.92	102.23	-0.69
3.50%	105.58	104.58	104.83	105.98	105.11	-0.87	4.00%	104.86	103.11	103.94	106.11	105.41	-0.70
4.00%	106.25	105.94	105.78	106.17	105.69	-0.48	4.50%	106.80	106.06	106.69	108.30	107.91	-0.39

- ◆ The yield curve flattened during Q3 2014 as yields on longer term Treasury and swap rates rallied
- ◆ Mortgage spreads widened during the quarter leading to modestly larger price declines on Agency MBS relative to comparable duration Treasuries and swaps

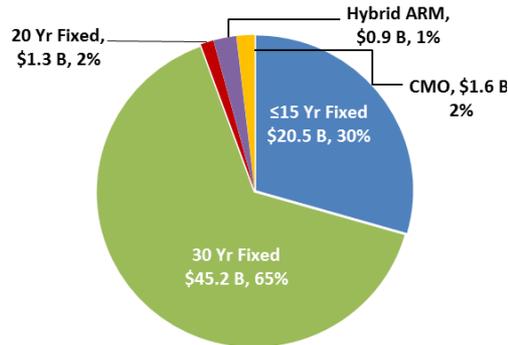


Note: Price information is provided for illustrative purposes only, is for generic instruments and is not meant to be reflective of securities held by AGNC. Prices can vary materially depending on the source

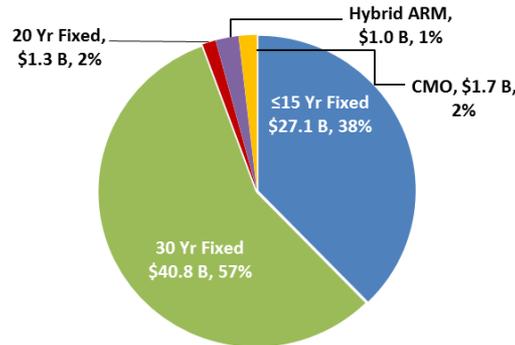
1. UST and Swap data from Bloomberg; Change in Treasury and swap prices derived from Constant Maturity Treasury and Constant Maturity Swap and DV01 from JPM
2. Source: Barclays

# Q3 2014 PORTFOLIO UPDATE

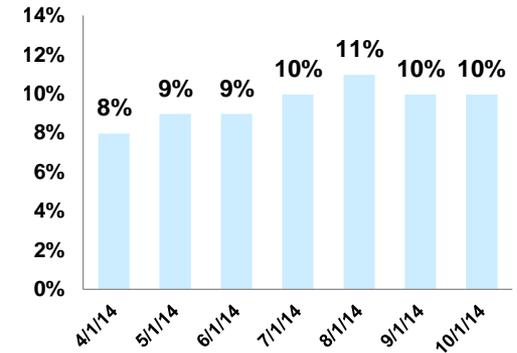
As of 9/30/14  
 \$69.5 B Portfolio  
 MBS (\$51.8 B, 75%) & Net TBA Position (\$17.7 B, 25%)



As of 6/30/14  
 \$71.9 B Portfolio  
 MBS (\$53.5 B, 74%) & Net TBA Position (\$18.4 B, 26%)



AGNC Actual CPR <sup>1</sup>



## ≤15 Year - \$20.5 B Portfolio (30% of Total) as of 9/30/14

(\$ In Millions)					Oct '14	Life
Coupon	FMV	%	% LLB/ HARP <sup>2</sup>	WALA <sup>3</sup>	1 M Actual CPR <sup>1</sup>	Forecast CPR <sup>4</sup>
≤ 2.5%	\$6,413	31%	39%	23	7%	8%
3.0%	4,561	22%	75%	31	8%	8%
3.5%	6,008	30%	83%	40	12%	9%
≥4.0%	5,763	28%	89%	46	14%	11%
<b>≤15 Year MBS</b>	<b>22,745</b>	<b>111%</b>	<b>70%</b>	<b>35</b>	<b>10%</b>	<b>9%</b>
<b>Net Short TBA</b>	<b>(2,282)</b>	<b>(11)%</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<b>Total ≤15 Year</b>	<b>\$20,463</b>	<b>100%</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>

## 30 Year - \$45.2 B Portfolio (65% of Total) as of 9/30/14

(\$ In Millions)					Oct '14	Life
Coupon	FMV	%	% LLB/ HARP <sup>2</sup>	WALA <sup>3</sup>	1 M Actual CPR <sup>1</sup>	Forecast CPR <sup>4</sup>
≤ 3.0%	\$1,640	4%	10%	16	5%	5%
3.5%	9,440	21%	96%	27	7%	6%
4.0%	10,994	24%	74%	26	9%	7%
≥4.5%	3,058	7%	85%	48	14%	9%
<b>30 Year MBS</b>	<b>25,132</b>	<b>56%</b>	<b>79%</b>	<b>29</b>	<b>8%</b>	<b>7%</b>
<b>Net Long TBA</b>	<b>20,030</b>	<b>44%</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<b>Total 30 Year</b>	<b>\$45,162</b>	<b>100%</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>



1. Wtd/avg actual 1 month annualized CPR released at the beginning of the month based on the securities held as of the preceding month-end. Excludes net TBA position
2. Lower loan balance ("LLB") defined as pools backed by original loan balances of up to \$150 K. HARP defined as pools backed by 100% refinance loans with original LTVs ≥ 80%
3. WALA represents the weighted average loan age presented in months. Excludes net TBA position
4. Average projected life CPR as of Sept 30, 2014. Excludes net TBA position

# FINANCING SUMMARY

OUR FINANCING POSITION IS VERY STRONG, WITH SIGNIFICANT ACCESS TO ATTRACTIVE REPO FUNDING ACROSS A WIDE RANGE OF COUNTERPARTIES AND FINANCING TERMS

- ◆ Average repo cost remained unchanged as of Sept 30, 2014 at 0.41%
- ◆ Repo counterparties totaled 36 as of Sept 30, 2014
- ◆ 152 weighted average days to maturity as of Sept 30, 2014, a decrease from 170 days as of June 30, 2014

<b>Repurchase Agreements <sup>1</sup></b>				
As of Sept 30, 2014 - \$ in millions				
Months to Maturity	Repo Outstanding %	Repo Outstanding \$	Interest Rate	Average Days to Maturity
≤ 1	35%	\$15,024	0.33%	15
> 1 to ≤ 3	32%	14,149	0.39%	57
> 3 to ≤ 6	14%	6,042	0.46%	144
> 6 to ≤ 9	6%	2,760	0.48%	216
> 9 to ≤ 12	3%	1,290	0.51%	314
> 12 to ≤ 24	6%	2,555	0.59%	452
> 24 to ≤ 36	0%	100	0.68%	853
> 36 to ≤ 48	2%	752	0.63%	1,325
> 48 to ≤ 60	2%	900	0.68%	1,634
<b>Total / Wtd Avg</b>	<b>100%</b>	<b>\$43,572</b>	<b>0.41%</b>	<b>152</b>
<b>As of June 30, 2014</b>				
<b>Total / Wtd Avg</b>	<b>100%</b>	<b>\$47,518</b>	<b>0.41%</b>	<b>170</b>

# HEDGING SUMMARY

OUR HEDGES ARE DESIGNED TO MITIGATE BOOK VALUE FLUCTUATIONS DUE TO INTEREST RATE CHANGES AND ARE NOT DESIGNED TO PROTECT AGAINST MARKET VALUE FLUCTUATIONS IN OUR ASSETS CAUSED BY CHANGES IN THE SPREAD BETWEEN OUR INVESTMENTS AND OTHER BENCHMARK RATES, SUCH AS SWAP AND TREASURY RATES, WHICH IS THEREFORE A RISK THAT IS INHERENT TO OUR BUSINESS <sup>1</sup>

◆ Our hedge portfolio totaled \$48.3 B and covered 76% of our repo, other debt and net TBA position as of Sept 30, 2014, compared to 88% as of June 30, 2014

✓ **Interest Rate Swaps**

- \$40.2 B notional pay fixed swaps
- Net decrease of \$7.7 B from prior quarter
- Terminated \$9.8 B of swaps with an average remaining maturity of 1.4 years
- Covered 63% of repo, other debt and net TBA position as of Sept 30, 2014

✓ **Payer Swaptions**

- \$6.2 B notional payer swaptions
- Net decrease of \$1.5 B from prior quarter

✓ **Receiver Swaptions**

- \$2.5 B notional receiver swaptions
- Net increase of \$0.8 B from prior quarter

✓ **Treasury Securities and Futures**

- \$4.4 B net short treasury position market value
- Net decrease of \$1.3 B from prior quarter

## Hedge Portfolio Summary

As of Sept 30, 2014 - \$ in Millions

	Notional/ Market Value 9/30/2014	Duration 9/30/2014 <sup>2</sup>	Net Hedge Gains/ (Losses) Q3 2014 <sup>3</sup>	Net Hedge Gains/ (Losses) Per Share Q3 2014
Swaps	\$(40,225)	(5.4)	\$94	\$0.27
Payer Swaptions	(6,150)	(1.3)	(12)	(0.03)
Receiver Swaptions	2,500	1.0	(2)	(0.01)
Treasury Securities	(3,529)	(9.7)	(52)	(0.15)
Treasury Futures	(909)	(6.3)	--	--
<b>Total / Q3 2014 <sup>4</sup></b>	<b>\$(48,313)</b>	<b>(3.8)</b>	<b>\$28</b>	<b>\$0.08</b>
<b>As of June 30, 2014 / Q2 2014</b>				
<b>Total / Q2 2014 <sup>4</sup></b>	<b>\$(59,560)</b>	<b>(3.7)</b>	<b>\$(682)</b>	<b>\$(1.93)</b>

1. The amount of interest rate protection provided by our hedge portfolio may vary considerably based on management judgment, asset composition and general market conditions

2. Duration is a model estimate of interest rate sensitivity measured in years as of a point in time (see supplemental slides at the end of this presentation for additional information)

3. Net hedge gains/losses in the table above exclude periodic swap costs (a component of net spread income), TBA dollar roll income/loss and mark-to-market gains/losses on our net TBA position

4. Total duration is expressed in asset units

# MANAGING DURATION RISK <sup>1</sup>

GIVEN THE COMPOSITION OF OUR PORTFOLIO AND THE CURRENT LEVEL OF INTEREST RATES, PREPAYMENT RISK EXCEEDS EXTENSION RISK

Duration Gap Sensitivity <sup>2,3</sup>				
As of Sept 30, 2014				
	Rates - 100 bps	Duration 9/30/2014	Rates + 100 bps	Rates + 200 bps
Mortgage Assets: <sup>4</sup>				
30-Year MBS	3.3	5.7	7.0	7.3
15-Year MBS	2.9	4.1	4.5	4.6
<b>Total Mortgage Assets</b>	<b>3.1</b>	<b>5.1</b>	<b>6.1</b>	<b>6.3</b>
Liabilities, Swaps and Treasuries	(4.2)	(4.0)	(3.9)	(3.8)
<b>Net Duration Gap without Swaptions</b>	<b>(1.1)</b>	<b>1.1</b>	<b>2.2</b>	<b>2.5</b>
Swaptions	0.2	(0.1)	(0.2)	(0.3)
<b>Net Duration Gap with Swaptions</b>	<b>(0.9)</b>	<b>1.0</b>	<b>2.0</b>	<b>2.2</b>
As of June 30, 2014				
<b>Net Duration Gap with Swaptions</b>	<b>(0.9)</b>	<b>1.0</b>	<b>1.7</b>	<b>1.8</b>

- ◆ Moderate portfolio rebalancing actions on an ongoing basis should allow us to further mitigate our interest rate risk exposure

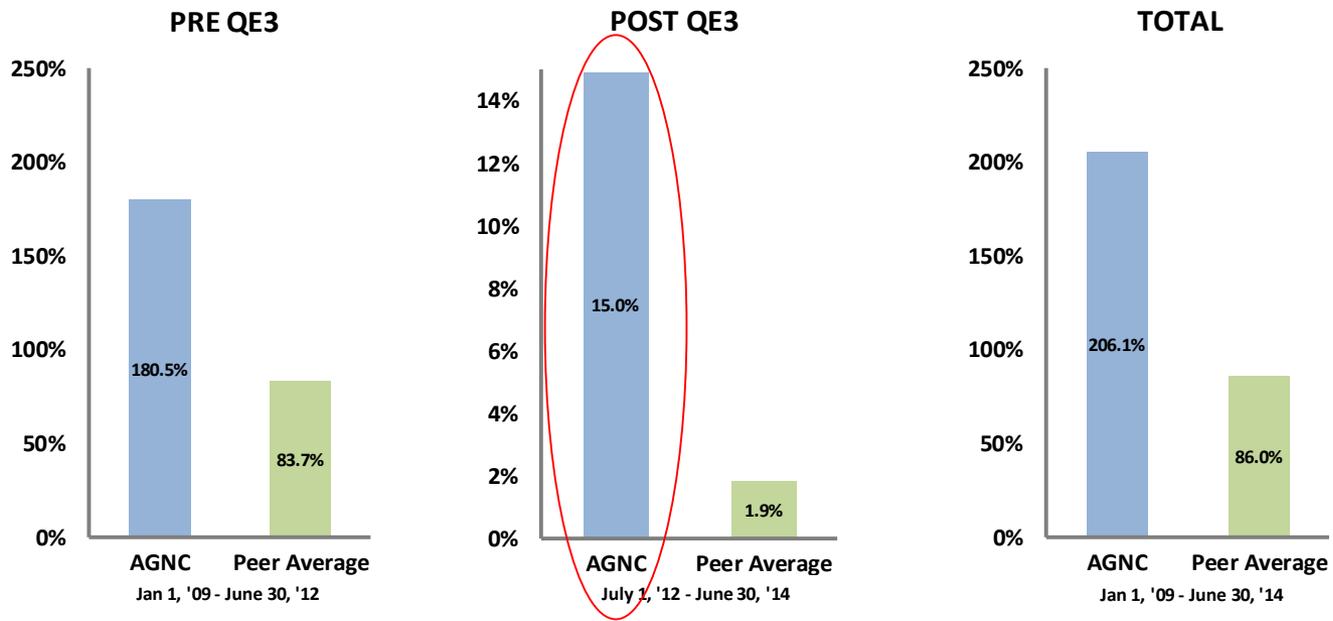
# SUPPLEMENTAL SLIDES

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# TOTAL ECONOMIC RETURNS: PRE AND POST QE3

AGNC'S ECONOMIC RETURN SINCE INCEPTION AND THROUGH THE QE3 PERIOD HAS OUTPERFORMED ITS PEER GROUP DUE IN PART TO AGNC'S ACTIVE APPROACH TO PORTFOLIO MANAGEMENT

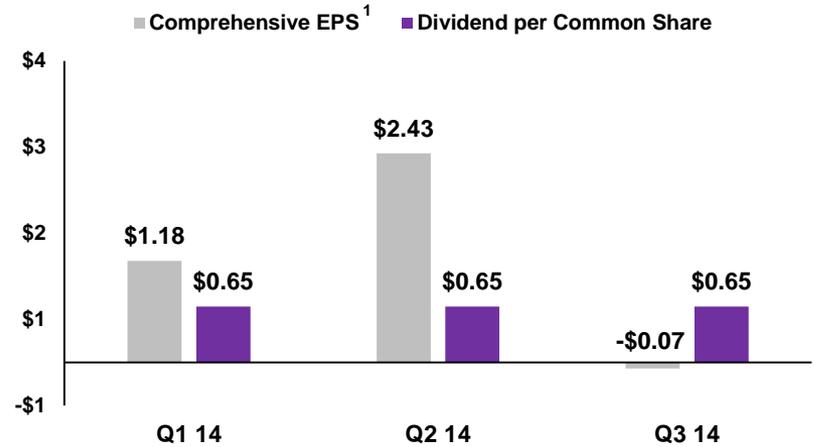
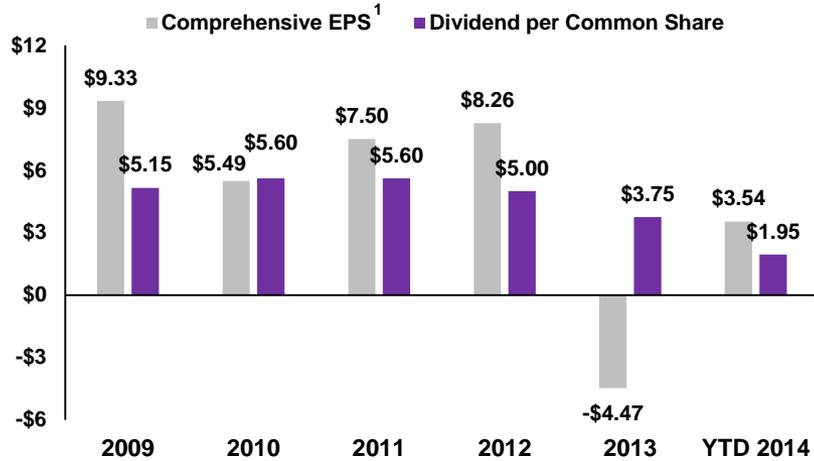
**AGNC vs. Peer Group Average  
Total Historical Economic Returns  
Jan 1, 2009 – June 30, 2014 <sup>1</sup>**



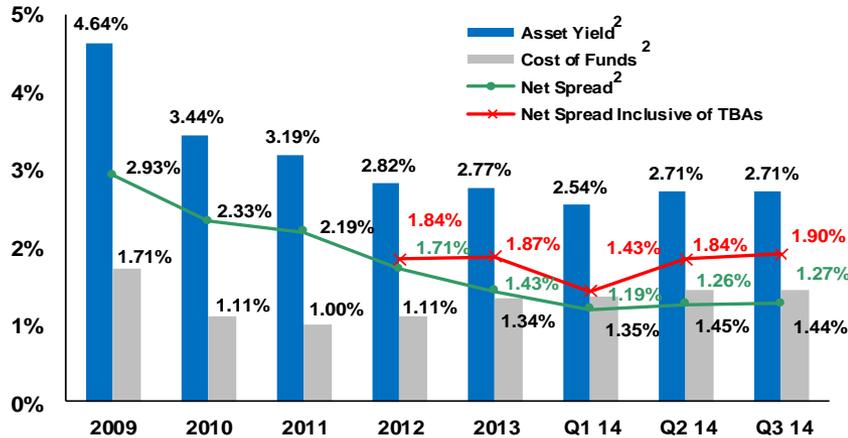
1. Economic return on common equity represents the sum of the change in net asset value per common share and dividends declared on common stock during the period over the beginning net asset value per common share. Peer group average consists of HTS, CMO, NLY, ANH, CYS and ARR on an unweighted basis

# AGNC HISTORICAL OVERVIEW

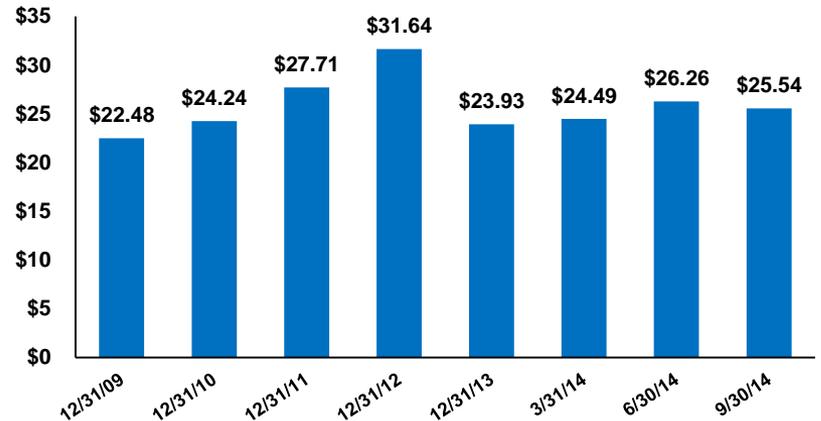
## Earnings and Dividends per Common Share



## Net Spread



## Net Book Value Per Common Share<sup>3</sup>

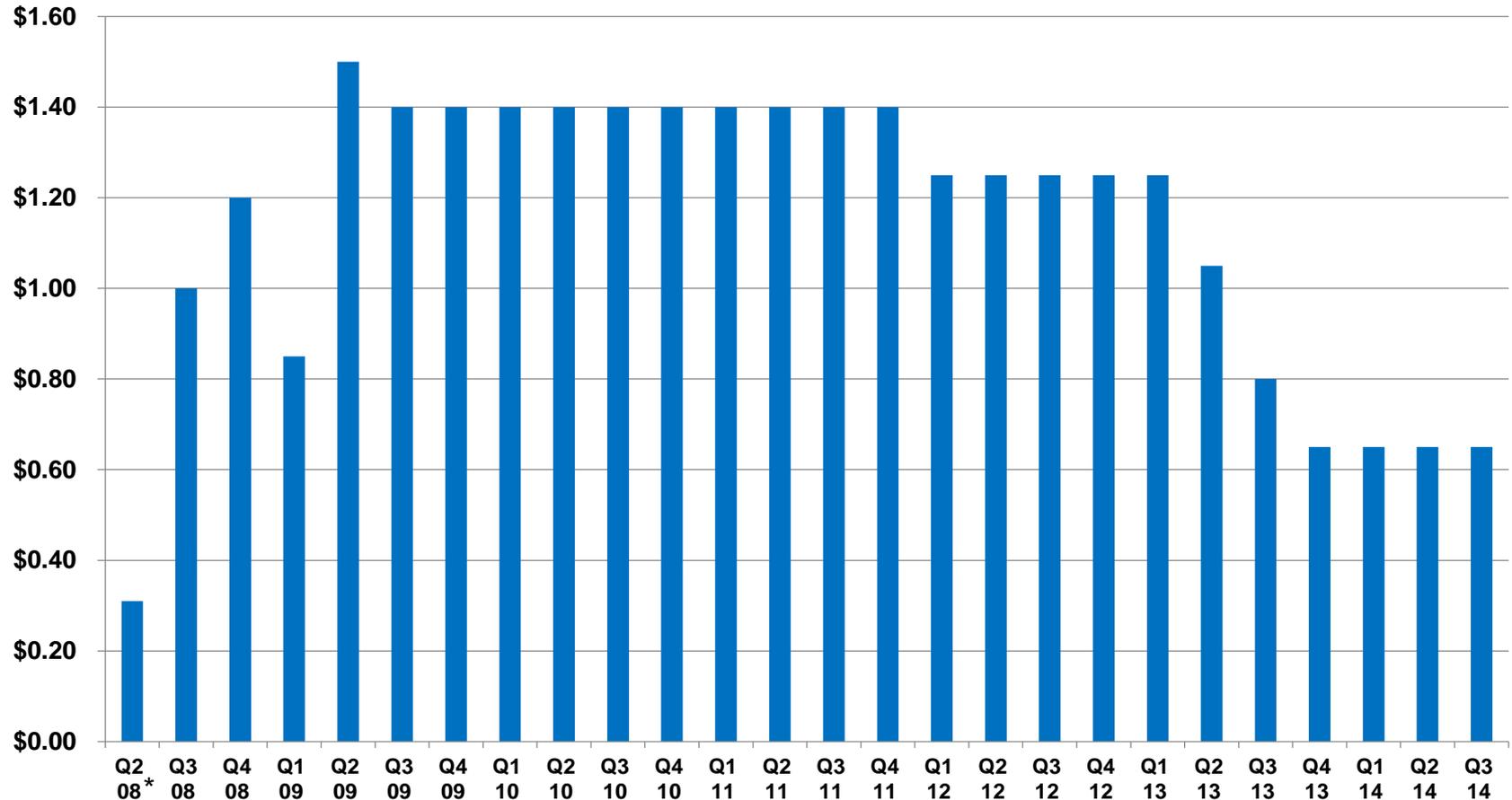


1. Comprehensive earnings per common share is a GAAP measure that consists of net income/loss per common share plus unrealized gains/losses on Agency MBS recognized in other comprehensive income, a separate component of equity
2. Represents average per quarter, excludes net dollar roll income/loss from our TBA mortgage position and other supplemental hedge costs such as swaption and short U.S. Treasury costs
3. Net book value per common share calculated as total stockholders' equity, less the Series A and B Preferred Stock liquidation preference, divided by total common shares outstanding

# AGNC HISTORICAL OVERVIEW

SINCE INCEPTION AGNC HAS PAID \$4.9 BILLION IN COMMON DIVIDENDS, OR \$29.56 PER COMMON SHARE

## Dividends per Common Share by Quarter

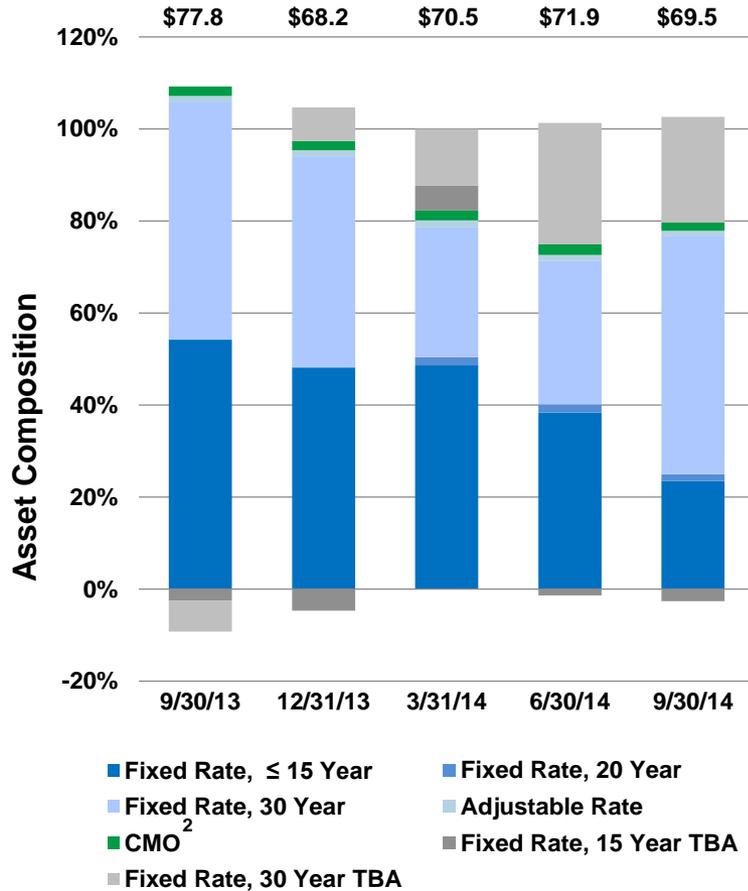


\* Reflects the dividend for the shortened "stub" period from the closing of the Company's initial public offering ("IPO") and concurrent private placement on May 20, 2008 through June 30, 2008

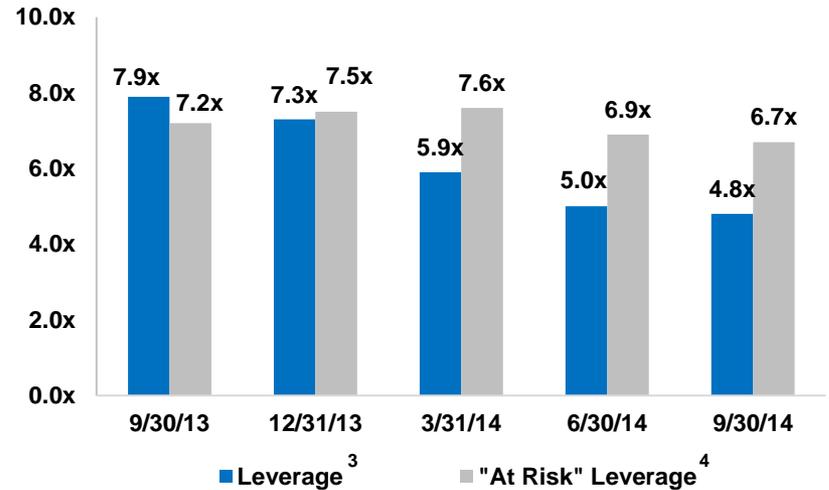
# AGNC HISTORICAL OVERVIEW

## Portfolio <sup>1</sup>

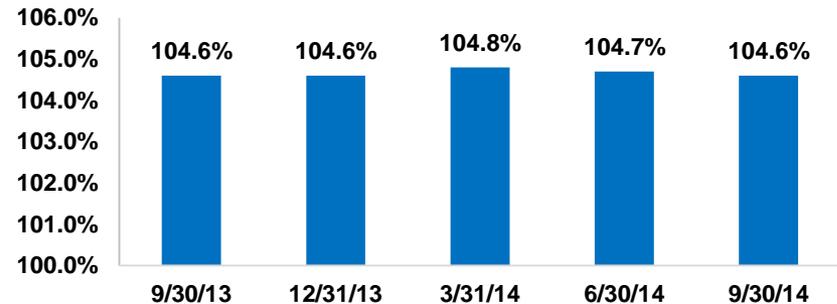
(\$ in Billions)



## Leverage



## Amortized Cost Basis



1. Amounts include the Company's net TBA mortgage position  
 2. Includes interest-only, inverse interest-only and principal-only securities  
 3. Leverage calculated as sum of Agency MBS repurchase agreements, net payable/receivable for Agency MBS not yet settled and other debt divided by the sum of total stockholders' equity less the fair value of investments in REIT equity securities. Leverage excludes U.S. Treasury repurchase agreements of \$1.8 B, \$1.2 B, \$0.1 B, \$2.3 B and \$4.1 B as of Sept 30, June 30 and Mar 31, 2014 and Dec 31 and Sept 30, 2013, respectively  
 4. "At risk" leverage includes the components of leverage plus our net TBA dollar roll position (at cost)

# BALANCE SHEETS

(\$ in millions, except per share data, unaudited except 12/31/13)	9/30/14	6/30/14	3/31/14	12/31/13	9/30/13
Agency Securities, at Fair Value	\$50,420	\$52,174	\$54,960	\$64,482	\$83,805
Agency Securities Transferred to Consolidated Variable Interest Entities, at Fair Value	1,310	1,377	1,417	1,459	1,204
U.S. Treasury Securities, at Fair Value	1,214	1,247	196	3,822	4,823
REIT Equity Securities, at Fair Value	66	202	352	237	--
Cash and Cash Equivalents	1,708	1,747	1,726	2,143	2,129
Restricted Cash	794	783	269	101	77
Derivative Assets, at Fair Value	462	593	686	1,194	1,246
Receivable for Securities Sold	905	1,872	799	652	1,807
Receivable under Reverse Repurchase Agreements	5,258	6,621	6,685	1,881	1,808
Other Assets	211	238	228	284	372
<b>Total Assets</b>	<b>\$62,348</b>	<b>\$66,854</b>	<b>\$67,318</b>	<b>\$76,255</b>	<b>\$97,271</b>
Repurchase Agreements	\$45,327	\$48,714	\$49,729	\$63,533	\$82,473
Debt of Consolidated Variable Interest Entities, at Fair Value	796	844	874	910	736
Payable for Securities Purchased	1,150	558	324	118	979
Derivative Liabilities, at Fair Value	510	583	417	422	1,015
Dividends Payable	236	235	232	235	311
Obligation to Return Securities Borrowed under Reverse Repurchase Agreements, at Fair Value	4,742	6,094	6,658	1,848	1,801
Accounts Payable and Other Accrued Liabilities	230	215	270	492	71
<b>Total Liabilities</b>	<b>52,991</b>	<b>57,243</b>	<b>58,504</b>	<b>67,558</b>	<b>87,386</b>
Preferred Equity at Aggregate Liquidation Preference	348	348	173	173	173
Common Equity	9,009	9,263	8,641	8,524	9,712
<b>Total Stockholders' Equity</b>	<b>9,357</b>	<b>9,611</b>	<b>8,814</b>	<b>8,697</b>	<b>9,885</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$62,348</b>	<b>\$66,854</b>	<b>\$67,318</b>	<b>\$76,255</b>	<b>\$97,271</b>
<b>Other Supplemental Data:</b>					
<b>Net TBA Long/(Short), at Fair Value <sup>1</sup></b>	<b>\$17,748</b>	<b>\$18,384</b>	<b>\$14,102</b>	<b>\$2,119</b>	<b>\$(7,256)</b>
<b>Leverage <sup>2</sup></b>	<b>4.8x</b>	<b>5.0x</b>	<b>5.9x</b>	<b>7.3x</b>	<b>7.9x</b>
<b>"At Risk" Leverage <sup>3</sup></b>	<b>6.7x</b>	<b>6.9x</b>	<b>7.6x</b>	<b>7.5x</b>	<b>7.2x</b>
<b>Net Book Value Per Common Share <sup>4</sup></b>	<b>\$25.54</b>	<b>\$26.26</b>	<b>\$24.49</b>	<b>\$23.93</b>	<b>\$25.27</b>



1. TBAs are reported in derivative assets/liabilities in the above balance sheet at their net carrying value (fair value less cost basis)
2. Leverage calculated as sum of Agency MBS repurchase agreements, net payable/receivable for Agency MBS not yet settled and debt of consolidated variable interest entities ("other debt") divided by the sum of total stockholders' equity less the fair value of investments in REIT equity securities. Leverage excludes U.S. Treasury repurchase agreements of \$1.8 B, \$1.2 B, \$0.1 B, \$2.3 B and \$4.1 B as of Sept 30, June 30, and Mar 31, 2014 and Dec 31 and Sept 30, 2013, respectively
3. "At risk" leverage includes the components of leverage plus our net TBA dollar roll position (at cost)
4. Net book value per common share calculated as stockholders' equity, less the Series A and Series B Preferred Stock liquidation preference, divided by total common shares outstanding

# INCOME STATEMENTS

(\$ in millions, except per share data) (Unaudited)	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013
Interest Income	\$357	\$385	\$399	\$542	\$558
Interest Expense	(88)	(95)	(108)	(120)	(145)
<b>Net Interest Income</b>	<b>269</b>	<b>290</b>	<b>291</b>	<b>422</b>	<b>413</b>
Gain (Loss) on Sale of Agency Securities, Net	14	22	(19)	(667)	(733)
(Loss) Gain on Derivative Instruments and Other Securities, Net	(51)	(244)	(378)	184	(339)
<b>Total Other Loss, Net</b>	<b>(37)</b>	<b>(222)</b>	<b>(397)</b>	<b>(483)</b>	<b>(1,072)</b>
Management Fee	(30)	(30)	(29)	(31)	(35)
General and Administrative Expense	(5)	(6)	(6)	(6)	(7)
<b>Total Operating Expenses</b>	<b>(35)</b>	<b>(36)</b>	<b>(35)</b>	<b>(37)</b>	<b>(42)</b>
Income (Loss) before Income Tax Provision	197	32	(141)	(98)	(701)
Income Tax Provision, Net	--	--	--	(3)	--
<b>Net Income (Loss)</b>	<b>197</b>	<b>32</b>	<b>(141)</b>	<b>(101)</b>	<b>(701)</b>
Dividend on Preferred Stock	(7)	(5)	(3)	(3)	(3)
<b>Net Income (Loss) Available (Attributable) to Common Shareholders</b>	<b>\$190</b>	<b>\$27</b>	<b>\$(144)</b>	<b>\$(104)</b>	<b>\$(704)</b>
<b>Net Income (Loss)</b>	<b>\$197</b>	<b>\$32</b>	<b>\$(141)</b>	<b>\$(101)</b>	<b>\$(701)</b>
Unrealized (Loss) Gain on Available-for-Sale Securities, Net	(253)	790	521	(311)	833
Unrealized Gain on Derivative Instruments, Net	38	40	43	46	47
<b>Other Comprehensive (Loss) Income</b>	<b>(215)</b>	<b>830</b>	<b>564</b>	<b>(265)</b>	<b>880</b>
<b>Comprehensive (Loss) Income</b>	<b>(18)</b>	<b>862</b>	<b>423</b>	<b>(366)</b>	<b>179</b>
Dividend on Preferred Stock	(7)	(5)	(3)	(3)	(3)
<b>Comprehensive (Loss) Income (Attributable) Available to Common Shareholders</b>	<b>\$(25)</b>	<b>\$857</b>	<b>\$420</b>	<b>\$(369)</b>	<b>\$176</b>
<b>Weighted Average Common Shares Outstanding – Basic and Diluted</b>	<b>352.8</b>	<b>352.8</b>	<b>354.8</b>	<b>373.0</b>	<b>390.6</b>
<b>Net Income (Loss) per Common Share</b>	<b>\$0.54</b>	<b>\$0.08</b>	<b>\$(0.41)</b>	<b>\$(0.28)</b>	<b>\$(1.80)</b>
<b>Comprehensive (Loss) Income per Common Share</b>	<b>\$(0.07)</b>	<b>\$2.43</b>	<b>\$1.18</b>	<b>\$(0.99)</b>	<b>\$0.45</b>
<b>Dividends Declared per Common Share</b>	<b>\$0.65</b>	<b>\$0.65</b>	<b>\$0.65</b>	<b>\$0.65</b>	<b>\$0.80</b>



Note: Amounts may not total due to rounding

# RECONCILIATION OF GAAP NET INTEREST INCOME TO NET SPREAD AND DOLLAR ROLL INCOME/LOSS<sup>1</sup>

(\$ in millions, except per share data) (Unaudited)	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013
<b>Interest Income</b>	<b>\$357</b>	<b>\$385</b>	<b>\$399</b>	<b>\$542</b>	<b>\$558</b>
<b>Interest Expense:</b>					
Repurchase Agreements and Other Debt	(50)	(55)	(65)	(74)	(98)
Interest Rate Swap Periodic Costs <sup>2</sup>	(38)	(40)	(43)	(46)	(47)
<b>Total Interest Expense</b>	<b>(88)</b>	<b>(95)</b>	<b>(108)</b>	<b>(120)</b>	<b>(145)</b>
<b>Net Interest Income</b>	<b>269</b>	<b>290</b>	<b>291</b>	<b>422</b>	<b>413</b>
Other Interest Rate Swap Periodic Costs <sup>3,4</sup>	(82)	(87)	(83)	(104)	(131)
Dividend on REIT Equity Securities <sup>4</sup>	2	6	10	5	--
TBA Dollar Roll Income (Loss), Net <sup>4</sup>	152	138	48	(5)	(12)
<b>Adjusted Net Interest and Dollar Roll Income</b>	<b>341</b>	<b>347</b>	<b>266</b>	<b>318</b>	<b>270</b>
<b>Total Operating Expenses</b>	<b>(35)</b>	<b>(36)</b>	<b>(35)</b>	<b>(37)</b>	<b>(42)</b>
<b>Net Spread and Dollar Roll Income</b>	<b>306</b>	<b>311</b>	<b>231</b>	<b>281</b>	<b>228</b>
Dividend on Preferred Stock	(7)	(5)	(3)	(3)	(3)
<b>Net Spread and Dollar Roll Income Available to Common Shareholders</b>	<b>299</b>	<b>306</b>	<b>228</b>	<b>278</b>	<b>225</b>
Estimated "Catch Up" Premium Amortization Cost (Benefit) due to Change in CPR Forecast	3	--	25	(28)	12
<b>Net Spread and Dollar Roll Income, Excluding "Catch Up" Amortization Available to Common Shareholders</b>	<b>\$302</b>	<b>\$306</b>	<b>\$253</b>	<b>\$250</b>	<b>\$237</b>
<b>Weighted Average Common Shares Outstanding – Basic and Diluted</b>	<b>352.8</b>	<b>352.8</b>	<b>354.8</b>	<b>373.0</b>	<b>390.6</b>
<b>Net Spread and Dollar Roll Income per Common Share</b>	<b>\$0.85</b>	<b>\$0.87</b>	<b>\$0.64</b>	<b>\$0.75</b>	<b>\$0.58</b>
<b>Net Spread and Dollar Roll Income, Excluding "Catch Up" Amortization per Common Share</b>	<b>\$0.86</b>	<b>\$0.87</b>	<b>\$0.71</b>	<b>\$0.67</b>	<b>\$0.61</b>

Note: Amounts may not total due to rounding

1. Table includes non-GAAP financial measures. Please refer to additional information regarding non-GAAP financial measures at the end of this presentation
2. Voluntarily discontinued hedge accounting under GAAP as of Sept 30, 2011. Accumulated OCI on de-designated interest rate swaps is being amortized on a straight-line basis over the remaining swap terms into interest expense. All other periodic interest costs, termination fees and mark-to-market adjustments associated with interest rate swaps are reported in other income (loss), net pursuant to GAAP
3. Other interest rate swap periodic costs represent periodic interest costs on the Company's interest rate swap portfolio in excess of amortized amounts reclassified from accumulated OCI into interest expense. Other interest rate swap periodic costs exclude interest rate swap termination fees and mark-to-market adjustments on interest rate swaps
4. Reported in gain (loss) on derivative instruments and other securities, net in the accompanying income statement

# RECONCILIATION OF GAAP NET INCOME TO ESTIMATED TAXABLE INCOME <sup>1</sup>

(\$ in millions, except per share data) (Unaudited)	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013
<b>Net Income (Loss)</b>	<b>\$197</b>	<b>\$32</b>	<b>\$(141)</b>	<b>\$(101)</b>	<b>\$(701)</b>
<b>Book to Tax Differences:</b>					
Premium Amortization, Net	(7)	(5)	31	(21)	(6)
Realized Loss (Gain), Net	136	5	36	(92)	(255)
Capital Loss (Carryforward)/Excess over Capital Gains <sup>2</sup>	(246)	(310)	(102)	936	849
Unrealized Loss (Gain), Net	12	384	346	(480)	229
Other	--	(1)	--	2	--
<b>Total Book to Tax Differences</b>	<b>(105)</b>	<b>73</b>	<b>311</b>	<b>345</b>	<b>817</b>
<b>Estimated REIT Taxable Income</b>	<b>92</b>	<b>105</b>	<b>170</b>	<b>244</b>	<b>116</b>
Dividend on Preferred Stock	(7)	(5)	(3)	(3)	(3)
<b>Estimated REIT Taxable Income, net of Preferred Stock Dividend</b>	<b>\$85</b>	<b>\$100</b>	<b>\$167</b>	<b>\$241</b>	<b>\$113</b>
<b>Weighted Average Common Shares Outstanding – Basic and Diluted</b>	<b>352.8</b>	<b>352.8</b>	<b>354.8</b>	<b>373.0</b>	<b>390.6</b>
<b>Estimated REIT Taxable Income per Common Share</b>	<b>\$0.24</b>	<b>\$0.28</b>	<b>\$0.47</b>	<b>\$0.65</b>	<b>\$0.29</b>
<b>Cumulative Common Stock Dividend Distributions (in Excess of)/Below Estimated Cumulative REIT Taxable Income, net of Preferred Stock Dividends</b>	<b>\$(0.37)</b>	<b>\$0.04</b>	<b>\$0.42</b>	<b>\$0.59</b>	<b>\$0.57</b>
<b>Beginning Cumulative Non-Deductible Capital Losses</b>	<b>\$1,373</b>	<b>\$1,683</b>	<b>\$1,785</b>	<b>\$849</b>	<b>\$ --</b>
Capital Loss (Carryforward)/Excess over Capital Gains	(246)	(310)	(102)	936	849
<b>Ending Cumulative Non-Deductible Capital Losses</b>	<b>\$1,127</b>	<b>\$1,373</b>	<b>\$1,683</b>	<b>\$1,785</b>	<b>\$849</b>
<b>Ending Cumulative Non-Deductible Capital Losses per Common Share</b>	<b>\$3.19</b>	<b>\$3.89</b>	<b>\$4.77</b>	<b>\$5.01</b>	<b>\$2.21</b>

Taxable income determines our minimum REIT distribution requirement. Our “Earnings and Profits” (or “E&P”) determines the character of our dividends for shareholders (i.e., whether our distributions are characterized as dividend income or a return of capital for shareholders). E&P is a tax measure that generally conforms to taxable income, however, the utilization of net capital loss carry forwards does not reduce our current year E&P. Therefore, although we anticipate that our 2014 dividends will exceed our current year taxable income, we do not anticipate that our 2014 dividends will exceed our current year E&P, and as such we anticipate that our 2014 dividend distributions will likely represent ordinary dividend income for shareholders when the final tax characterization of our dividends is determined and reported to shareholders on Form 1099-DIV after the end of the year.



Amounts may not total due to rounding

- Table includes non-GAAP financial measures. Please refer to information regarding non-GAAP financial measures at the end of this presentation
- Capital losses in excess of capital gains are not deductible from ordinary taxable income, but may be carried forward for up to five years and applied against future net capital gains. As of Sept 30, 2014, \$1.1 B of capital losses were available through Dec 2018

# NET BOOK VALUE ROLL FORWARD

(In millions, except per share data) (Unaudited)	Q3 2014		
	Balance	Common Shares Outstanding	Net Book Value per Common Share
<b>Beginning Net Common Equity <sup>1</sup></b>	<b>\$9,263</b>	<b>352.8</b>	<b>\$26.26</b>
Net Income	197		
Other Comprehensive Loss	(215)		
Dividend on Common Stock	(229)		
Dividend on Preferred Stock	(7)		
<b>Ending Net Common Equity</b>	<b>9,009</b>	<b>352.8</b>	<b>\$25.54</b>
Series A Preferred Stock Liquidation Preference	173		
Series B Preferred Stock Liquidation Preference	175		
<b>Ending Total Stockholders' Equity</b>	<b>\$9,357</b>		

# BUSINESS ECONOMICS – PORTFOLIO ADJUSTED

Q3 2014 (unaudited)	Unadjusted Repo Funded Assets	Adjusted Repo Funded Assets	Adjusted Dollar Roll Funded Assets	Total Adjusted Repo and Dollar Roll Funded Assets
<b>Asset Yield</b>	2.71%	2.71%	3.53%	2.89%
Cost of Funds: <sup>1</sup>				
Cost of Funds – Repo / Implied Dollar Roll Financing	(0.41)%	(0.41)%	0.35%	(0.23)%
Cost of Funds – Swap <sup>2</sup>	(1.03)%	(0.73)%	(0.89)%	(0.76)%
<b>Total Cost of Funds</b>	<b>(1.44)%</b>	<b>(1.14)%</b>	<b>(0.54)%</b>	<b>(0.99)%</b>
<b>Net Interest Rate Spread</b>	<b>1.27%</b>	<b>1.57%</b>	<b>2.99%</b>	<b>1.90%</b>
<b>Leverage <sup>3</sup></b>	<b>5.0x</b>	<b>5.0x</b>	<b>1.7x</b>	<b>6.7x</b>
Leveraged Net Interest Rate Spread	6.32%			12.72%
Plus Asset Yield	2.71%			2.89%
<b>Gross Return on Equity (“ROE”) Before Expenses and Other Income</b>	<b>9.03%</b>			<b>15.61%</b>
Management Fees as a % of Equity	(1.26)%			(1.26)%
Other Operating Expenses as a % of Equity	(0.23)%			(0.23)%
<b>Total Operating Expenses as a % of Equity</b>	<b>(1.49)%</b>			<b>(1.49)%</b>
<b>Net Spread Income ROE</b>	<b>7.54%</b>			<b>14.12%</b>
Other Miscellaneous <sup>4</sup>	(1.18)%			(1.18)%
Realized Other Income	2.39%			(4.19)%
Unrealized Other Loss	(0.52)%			(0.52)%
<b>Net Income ROE</b>	<b>8.23%</b>			<b>8.23%</b>
Other Comprehensive Income	(9.01)%			(9.01)%
<b>Comprehensive Income ROE</b>	<b>(0.78)%</b>			<b>(0.78)%</b>
Comprehensive Income on Preferred Equity in Excess of Preferred Dividend	(0.33)%			(0.33)%
<b>Net Comprehensive Income ROE Available to Common Shareholders</b>	<b>(1.11)%</b>			<b>(1.11)%</b>

1. Cost of funds and net interest rate spread exclude other supplemental hedges, such as swaptions and U.S. Treasury positions, and U.S. Treasury repos
2. Swap costs are allocated to repo funded and dollar roll funded assets on a duration weighted basis
3. Average leverage excludes stockholders’ equity allocated to investment in REIT equity securities
4. Other miscellaneous reflects the impact of differences between the use of daily averages used for investment securities and repurchase agreements and the month-end average used for stockholders’ equity, cash and cash equivalents, restricted cash, other non investment assets and liabilities, and other immaterial rounding differences

# FIXED RATE AGENCY SECURITIES – MBS AND NET TBA POSITION

## \$ IN MILLIONS – AS OF SEPT 30, 2014

MBS Coupon <sup>1</sup>	Par Value <sup>2</sup>	Market Value <sup>2</sup>	% Lower Loan Balance / HARP <sup>2,3,4</sup>	MBS Amortized Cost Basis <sup>5</sup>	MBS Average WAC <sup>5,6</sup>	MBS Average Age (Months) <sup>5</sup>	MBS Actual 1 Month CPR <sup>5,7</sup>	Duration (Years) <sup>2,8</sup>
<b>≤15 YR Mortgage Securities</b>								
≤ 2.5%	\$5,792	\$5,845	43%	102.1%	2.96%	23	7%	4.5
3.0%	4,778	4,937	69%	103.0%	3.49%	31	8%	4.4
3.5%	3,758	3,971	125%	103.5%	3.93%	40	12%	3.5
4.0%	4,824	5,159	89%	104.7%	4.40%	46	14%	2.9
4.5%	507	544	97%	105.1%	4.87%	49	17%	3.1
≥ 5.0%	7	7	26%	104.3%	6.47%	81	2%	2.6
<b>Subtotal</b>	<b>\$19,666</b>	<b>\$20,463</b>	<b>78%</b>	<b>103.3%</b>	<b>3.69%</b>	<b>35</b>	<b>10%</b>	<b>3.8</b>
<b>20 YR Mortgage Securities</b>								
≤ 3.0%	\$331	\$336	28%	99.2%	3.55%	16	5%	5.1
3.5%	718	747	63%	102.2%	4.05%	19	8%	4.2
4.0%	84	90	47%	104.7%	4.53%	37	11%	3.5
4.5%	105	114	99%	107.0%	4.89%	46	10%	2.6
≥ 5.0%	5	6	--%	106.2%	5.91%	76	31%	1.7
<b>Subtotal</b>	<b>\$1,243</b>	<b>\$1,293</b>	<b>55%</b>	<b>102.0%</b>	<b>4.04%</b>	<b>22</b>	<b>8%</b>	<b>4.2</b>
<b>30 YR Mortgage Securities</b>								
≤ 3.0%	\$4,759	\$4,687	3%	98.9%	3.58%	16	5%	7.3
3.5%	15,539	15,900	57%	105.5%	4.03%	27	7%	6.2
4.0%	20,706	21,831	37%	106.2%	4.37%	26	9%	5.2
4.5%	2,098	2,288	103%	106.8%	4.96%	42	13%	4.7
5.0%	188	209	65%	106.6%	5.45%	77	12%	4.1
≥ 5.5%	221	247	36%	109.4%	6.23%	93	23%	3.0
<b>Subtotal</b>	<b>\$43,511</b>	<b>\$45,162</b>	<b>44%</b>	<b>105.5%</b>	<b>4.27%</b>	<b>29</b>	<b>8%</b>	<b>5.7</b>
<b>Total Fixed <sup>8</sup></b>	<b>\$64,420</b>	<b>\$66,918</b>	<b>55%</b>	<b>104.4%</b>	<b>4.00%</b>	<b>31</b>	<b>9%</b>	<b>5.1</b>

1. The wtd/avg coupon on fixed rate securities held as of Sept 30, 2014 was 3.54%, excluding net long TBA mortgage position, and 3.59%, including net long TBA position

2. Excluding net long TBA position, total fixed-rate MBS as of Sept 30, 2014 had a par value of \$47,161, market value of \$49,170, LLB/HARP of 75% and avg duration of 4.81 years

3. Lower loan balance defined as pools backed by original loan balances of up to \$150 K. HARP defined as pools backed by 100% refinance loans with original LTVs ≥ 80%

4. Percentages in table can exceed 100% of total market value due to inclusion of TBA positions

5. Average MBS cost basis, WAC, Age and CPR exclude net TBA position

6. Average WAC represents the weighted average coupon of the underlying collateral

7. Actual 1 month annualized CPR published during Oct 2014 for Agency securities held as of Sept 30, 2014

8. Duration derived from models that are dependent on inputs and assumptions provided by third parties as well as by our investment team and, accordingly, actual results could differ materially from these estimates. Refer to the supplemental slide at the end of this presentation for additional information

# REPO COUNTERPARTY CREDIT RISK

## OUR REPO FUNDING IS WELL DIVERSIFIED BY COUNTERPARTY AND GEOGRAPHY

- ◆ Repo counterparties well diversified
- ◆ Maintained excess capacity with most of our counterparties
- ◆ Less than 4% of our equity is at risk with any one counterparty
- ◆ Less than 11% of our equity is at risk with the top 5 counterparties

Counterparty Region	Number of Counterparties	Percent of Repo Funding
North America	19	62%
Asia	5	13%
Europe	12	25%
Total	36	100%

Counterparty Region	Counterparty Rank	Counterparty Exposure as a % of NAV <sup>1,2</sup>
North America	1	2.22%
	2	1.69%
	3	1.68%
	4	1.65%
	5	1.22%
	6-19	8.20%
Asia	1	1.36%
	2	0.60%
	3	0.50%
	4	0.20%
	5	0.17%
Europe	1	3.28%
	2	1.33%
	3	0.42%
	4	0.36%
	5	0.27%
	6-12	1.29%

<b>Total Exposure</b>	26.44%
<b>Top 5 Exposure</b>	10.52%



Note: All figures as of Sept 30, 2014

1. Excludes \$0.8 B of other debt in connection with the consolidation of a structured transaction under GAAP
2. Counterparty exposure with regard to Agency collateral pledged under repo agreements. Amounts do not include exposure with regard to collateral pledged under derivative agreements, prime brokerage agreements and other debt

# HEDGE INSTRUMENTS

OUR PRIMARY OBJECTIVE IS NOT TO ELIMINATE RISK OR TO LOCK IN A PARTICULAR NET INTEREST MARGIN, BUT TO MAINTAIN OUR NET BOOK VALUE WITHIN REASONABLE BANDS OVER A RANGE OF INTEREST RATE SCENARIOS

## ◆ Interest Rate Swaps

- ✓ \$40.2 B notional pay fixed swap book as of Sept 30, 2014
  - \$3.6 B of swaps added during the quarter
    - 9.4 years average maturity, 2.73% average pay rate and 1.2 years average forward start date as of Sept 30, 2014
  - \$11.3 B of swaps terminated or expired during the quarter

## ◆ Payer Swaptions

- ✓ \$6.2 B notional payer swaptions as of Sept 30, 2014
  - \$1.5 B of payer swaptions added at a cost of \$7 MM
  - \$3.0 B payer swaptions expired or terminated for net realized losses of \$53 MM
  - 0.8 year average remaining option term, 4.9 years average underlying swap term

## ◆ Receiver Swaptions

- ✓ \$2.5 B notional receiver swaptions as of Sept 30, 2014
  - 0.3 year average remaining option term, 8.2 years average underlying swap term
- ✓ \$0.8 B notional receiver swaptions added at a cost of \$1 MM during the quarter



1. Notional amount includes forward starting swaps of \$13.2 B and \$11.7 B as of Sept 30, 2014 and June 30, 2014, respectively, with an average forward start date of 1.4 and 1.7 years, respectively and an average maturity of 8.3 years and 8.6 years from Sept 30, 2014 and June 30, 2014, respectively
2. Weighted average pay rate includes forward starting swaps. Excluding forward starting swaps, the weighted average pay rate was 1.82% and 1.61% as of Sept 30, 2014 and June 30, 2014, respectively
3. Weighted average receive rate excludes forward starting swaps
4. Weighted average maturity measured from period end through maturity date.

As of Sept 30, 2014 (\$ in Millions)

Interest Rate Swaps				
Years to Maturity	Notional Amount <sup>1</sup>	Pay Rate <sup>2</sup>	Receive Rate <sup>3</sup>	Average Maturity <sup>1,4</sup>
≤ 3 Years	\$9,350	1.69%	0.18%	1.8
> 3 to ≤ 5 Years	7,175	1.44%	0.23%	3.9
> 5 to ≤ 7 Years	5,200	2.31%	0.23%	5.8
> 7 to ≤ 10 Years	12,850	2.55%	0.23%	8.4
> 10 Years	5,650	3.25%	0.24%	13.2
<b>Total / Wtd Avg</b>	<b>\$40,225</b>	<b>2.22%</b>	<b>0.22%</b>	<b>6.4</b>

As of June 30, 2014

<b>Total / Wtd Avg</b>	<b>\$47,900</b>	<b>1.97%</b>	<b>0.20%</b>	<b>5.4</b>
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### Payer Swaptions

Expiration	Notional Amount	Cost	Market Value	Pay Rate	Swap Term (Years)
≤ 1 Year	\$4,600	\$90	\$42	2.96%	4.8
> 1 to ≤ 2 Years	1,550	42	19	3.89%	5.1
<b>Total / Wtd Avg</b>	<b>\$6,150</b>	<b>\$132</b>	<b>\$61</b>	<b>3.19%</b>	<b>4.9</b>

As of June 30, 2014

<b>Total / Wtd Avg</b>	<b>\$7,650</b>	<b>\$179</b>	<b>\$62</b>	<b>3.14%</b>	<b>5.6</b>
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### Receiver Swaptions

Expiration	Notional Amount	Cost	Market Value	Receive Rate	Swap Term (Years)
≤ 1 Year	\$2,500	\$10	\$9	2.08%	8.2

As of June 30, 2014

<b>Total / Wtd Avg</b>	<b>\$1,750</b>	<b>\$9</b>	<b>\$10</b>	<b>2.37%</b>	<b>10.0</b>
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# OTHER HEDGE AND DERIVATIVE INSTRUMENTS

WE CONTINUE TO USE A VARIETY OF HEDGING INSTRUMENTS TO MANAGE INTEREST RATE RISK

## ◆ Treasury Securities

- ✓ \$3.6 B net short treasury position market value

## ◆ Treasury Futures

- ✓ \$0.9 B short treasury futures market value

## ◆ TBA Mortgages

- ✓ \$17.7 B net long position market value

## ◆ Total Hedge Portfolio

- ✓ Positions actively managed
- ✓ 76% of our repo, other debt and net TBA position covered by swap, swaption and treasury positions as of Sept 30, 2014, compared to 88% as of June 30, 2014

As of Sept 30, 2014 (\$ in Millions)

Treasury Securities		
Maturity	Face Amount Net Long / (Short)	Market Value Net Long / (Short)
5 Year	\$235	\$233
7 Year	(617)	(621)
10 Year	(2,654)	(2,689)
30 Year	(440)	(452)
<b>Total</b>	<b>\$(3,476)</b>	<b>\$(3,529)</b>

As of June 30, 2014

Total	\$(4,738)	\$(4,847)
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## Net TBA Position

Term	Face Amount Net Long / (Short)	Market Value Net Long / (Short)
15 Year	\$(2,189)	\$(2,282)
30 Year	19,448	20,030
<b>Total</b>	<b>\$17,259</b>	<b>\$17,748</b>

As of June 30, 2014

Total	\$17,811	\$18,384
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# DURATION GAP INFORMATION

**DURATION GAP IS AN ESTIMATE OF THE DIFFERENCE IN THE INTEREST RATE PRICE SENSITIVITY OF OUR ASSETS RELATIVE TO OUR LIABILITIES AND HEDGES, EXCLUDING THE IMPACT OF NEGATIVE CONVEXITY AND LEVERAGE**

- ◆ **Our duration gap was positive 1.0 year as of Sept 30, 2014, unchanged from June 30, 2014**
- ◆ **The duration of our asset portfolio was 5.1 years as of Sept 30, 2014, unchanged from June 30, 2014**
- ◆ **The duration of our liability and hedge portfolio remained -4.1 years as of Sept 30, 2014, unchanged from June 30, 2014**

(\$ in Bs, duration in years)	Sept 30, 2014		June 30, 2014	
Asset	Market Value	Duration	Market Value	Duration
Fixed <sup>1</sup>	\$47.9	4.8	\$49.5	4.7
ARM	0.9	2.3	1.0	2.3
CMO <sup>2</sup>	2.2	6.6	2.2	6.6
Net TBA	17.7	6.0	18.4	6.1
REIT Equity Securities	0.1	10.0	0.2	10.0
<b>Total</b>	<b>\$68.7</b>	<b>5.1</b>	<b>\$71.3</b>	<b>5.1</b>
Liabilities & Hedges	Market Value / Notional	Duration	Market Value / Notional	Duration
Repo	\$(45.3)	-0.4	\$(48.7)	-0.5
Swaps	(40.2)	-5.4	(47.9)	-4.3
Preferred Stock	(0.3)	-7.8	(0.3)	-8.2
Payer Swaptions	(6.2)	-1.3	(7.7)	-0.7
Receiver Swaptions	(2.5)	1.0	1.8	1.7
TBA Options	(0.0)	0.0	(0.1)	-0.8
Treasury Securities	(3.5)	-9.7	(4.8)	-10.0
Treasury Futures	(0.9)	-6.3	(0.9)	-6.2
<b>Total <sup>3</sup></b>		<b>-4.1</b>		<b>-4.1</b>
<b>Net Duration Gap</b>		<b>1.0</b>		<b>1.0</b>

The estimated durations included in the table above are derived from models that are dependent on inputs and assumptions provided by third parties as well as by our investment team and, accordingly, actual results could differ materially from these estimates. In addition, different models could generate materially different estimates using similar inputs and assumptions. Management uses judgment to address the limitations and weaknesses inherent in model calculations as it seeks to balance the protection of book value with the generation of attractive returns. For example, we typically map lower loan balance and HARP securities to proxy securities within our models in order to derive durations and convexities that management believes are more consistent with how the prices of these securities would perform over larger interest rate movements. Other market participants could make materially different assumptions with respect to these and other judgments. Please also refer to the supplemental slide at the end of this presentation and our related disclosures in our 10-Ks and 10-Qs for a more complete discussion of duration (interest rate risk).



1. Fixed rate securities exclude securities from consolidated structured transactions
2. CMO balance includes interest-only, inverse interest-only and principal-only securities and consolidated structured transactions, net of consolidated other debt
3. Total liability and hedge duration is expressed in asset units

# NAV SENSITIVITY TO RATES AND MBS SPREADS

## BOTH CHANGES IN INTEREST RATES AND CHANGES TO MBS SPREADS RELATIVE TO TREASURY AND SWAP RATES CAN IMPACT THE MARKET VALUE OF OUR EQUITY

### ◆ Interest Rate Sensitivity

- ✓ Interest rate sensitivity is the sensitivity of our assets to changes in interest rates
  - The duration of a mortgage changes with interest rates and tends to increase when rates rise and decrease when rates fall
  - This “negative convexity” generally increases the interest rate exposure of a mortgage portfolio over what would be indicated by just our duration gap alone
- ✓ The estimated change in the market value of our asset portfolio, net of hedges, incorporates the dual effects of both duration and convexity and assumes no portfolio rebalancing actions taken

Interest Rate Sensitivity <sup>1</sup> As of Sept 30, 2014 (based on instantaneous parallel shift in interest rates)		
Interest Rate Shock (bps)	Estimated Change in Portfolio Market Value <sup>2</sup>	Estimated Change as a % of NAV <sup>3</sup>
-100	0.1%	1%
-50	0.4%	3%
+50	-0.7%	-5%
+100	-1.6%	-12%

### ◆ MBS Spread Sensitivity (“Basis Risk”)

- ✓ The MBS spread sensitivity is the sensitivity of our assets to changes in MBS spreads
- ✓ Our estimated spread sensitivity is based on model predictions and assumes a spread duration of 5.3 years, which is based on interest rates and MBS prices as of Sept 30, 2014
- ✓ The spread sensitivity is also sensitive to interest rates and increases as interest rates rise and prepayments slow

MBS Spread Sensitivity (“Basis Risk”) <sup>1</sup> As of Sept 30, 2014		
MBS Spread Shock (bps)	Estimated Change in Portfolio Market Value <sup>2</sup>	Estimated Change as a % of NAV <sup>3</sup>
-25	1.4%	11%
-10	0.6%	4%
+10	-0.6%	-4%
+25	-1.4%	-11%



1. Interest rate and MBS spread sensitivity are derived from models that are dependent on inputs and assumptions provided by third parties as well as by our investment team and, accordingly, actual results could differ materially from these estimates. Please also refer to the supplemental slide at the end of this presentation entitled “Duration Gap” for additional information
2. Estimated dollar change in value expressed as a percentage of the total market value of “at risk” assets
3. Estimated change as a percentage of NAV incorporates the impact of leverage

# DURATION GAP

- ◆ **The duration of an asset or liability measures how much its price is expected to change if interest rates move in a parallel manner**
  - ✓ For example, an instrument with a 1 year duration is expected to change 1% in price for a 100 bps move in rates
- ◆ **Duration gap is a measure of the difference in the interest rate exposure, or estimated price sensitivity, of our assets and our liabilities (including hedges)**
  - ✓ It is calculated using relatively complex models and different models can produce substantially different results. Furthermore, the actual duration of both assets and liabilities (including hedges) may differ materially from the model estimates
  - ✓ Duration and convexity calculations generally assume all rates move in a parallel fashion (2 yr rates, 10 yr rates, swap rates, treasury rates etc.) and this is typically not the case. As such, these calculations do not measure the “basis risk” or yield curve exposure, embedded in these positions
  - ✓ Higher leverage increases the exposure of our book value (or equity) to a given duration gap
- ◆ **The duration of mortgage assets also changes as interest rates move. The duration generally extends when interest rates rise and contracts when interest rates fall. This is called “negative convexity” and is generally driven by changes in prepayment expectations, which have historically been correlated with interest rates. Interest rate caps embedded in ARM securities also increase negative convexity**
  - ✓ Negative convexity generally increases the interest rate exposure of a mortgage portfolio significantly over what would be indicated by the duration gap alone
- ◆ **AGNC uses a risk management system and models provided by Blackrock Solutions to generate these calculations and as a tool for helping us to measure other exposures, including exposure to larger interest rate moves and yield curve changes**
  - ✓ Base models, settings and market inputs are provided by Blackrock
  - ✓ Blackrock periodically adjusts these models as new information becomes available
  - ✓ AGNC management makes adjustments to the Blackrock model for certain securities as needed
  - ✓ Please refer to our most recent Form 10-K and 10-Q filed with the SEC for additional information on risk measures
- ◆ **The inputs and results from these models are not audited by our independent auditors**

# USE OF NON-GAAP FINANCIAL INFORMATION

In addition to the results presented in accordance with GAAP, our results of operations discussed within this presentation include certain non-GAAP financial information, including “adjusted net interest expense” (defined as interest expense plus the periodic interest rate costs of our interest rate swaps reported in gain (loss) on derivatives and other securities, net in our consolidated statements of comprehensive income), “net spread and dollar roll income” (defined as interest income, TBA dollar roll income and dividends from REIT equity securities, net of adjusted net interest expense and operating expenses) and “estimated taxable income” and certain financial metrics derived from non-GAAP information, such as “cost of funds” and “net interest rate spread.”

By providing users of our financial information with such measures in addition to the related GAAP measures, we believe it gives users greater transparency into the information used by our management in its financial and operational decision-making and that it is meaningful information to consider related to: (i) the economic costs of financing our investment portfolio inclusive of interest rate swaps used to economically hedge against fluctuations in our borrowing costs, (ii) in the case of net spread and dollar roll income, our current financial performance without the effects of certain transactions that are not necessarily indicative of our current investment portfolio and operations, and (iii) in the case of estimated taxable income, information that is directly related to the amount of dividends we are required to distribute in order to maintain our REIT qualification status. However, because such measures are incomplete measures of our financial performance and involve differences from results computed in accordance with GAAP, they should be considered as supplementary to, and not as a substitute for, our results computed in accordance with GAAP. In addition, because not all companies use identical calculations, our presentation of such non-GAAP measures may not be comparable to other similarly-titled measures of other companies. Furthermore, estimated taxable income can include certain information that is subject to potential adjustments up to the time of filing our income tax returns, which occurs after the end of our fiscal year.

A reconciliation of GAAP net interest income to non-GAAP net spread and dollar roll income and a reconciliation of GAAP net income to non-GAAP estimated taxable income is included in this presentation.