# Q4 2013 Stockholder Presentation

## February 4, 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. 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

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Type / Stock Ticker:
**Common Stock / AGNC**

Exchange:
**NASDAQ**

IPO Date:
**May 2008**

IPO Price:
**$20.00 Per Share**

Total Dividends Paid Since IPO[1]:
**$27.61 Per Share**

Net Asset Value[2]:
**$23.93 Per Share**

Total Equity Capital[2]:
**$8.5 Billion**

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Type / Name:
**8.000% Series A Cumulative Redeemable Preferred Stock**

Preferred Stock Ticker:
**AGNCP**

Exchange:
**NASDAQ**

Issue Date / Call Date / Maturity Date:
**April 2012 / April 2017 / Perpetual**

Public Offering Price:
**$25.00 Per Share**

Per Annum Dividend Rate:
**8.000% Payable Quarterly**

Total Dividends Paid Since Offering[1]:
**$3.556 Per Share**

Shares Outstanding[2]:
**6.9 Million**



1. As of January 28, 2014
2. As of December 31, 2013. "Net Asset Value" and "Total Equity Capital" are net of the 8.000% Series A Cumulative Redeemable Preferred Stock ("Series A Preferred Stock") aggregate liquidation preference of $173 million

# Q4 2013 HIGHLIGHTS

- **$(0.99) Comprehensive Income/(Loss) per Common Share, Comprised of:**
  - ✓ $(0.28) net loss per common share
  - ✓ $(0.71) other comprehensive income/(loss) ("OCI") per common share
    - Includes net unrealized losses on investments marked-to-market through OCI
- **$0.75 Net Spread and Dollar Roll Income/(Loss) per Common Share [1]**
  - ✓ Includes $(0.02) per common share of estimated net carry loss (also known as "dollar roll income/(loss)") associated with average net short position in agency mortgage backed securities ("MBS") in the "to-be-announced" ("TBA") market [2]
  - ✓ Includes $0.07 per common share of estimated "catch-up" premium amortization benefit due to change in projected constant prepayment rate ("CPR") estimates
- **$0.65 Estimated Taxable Income per Common Share**
- **$0.65 Dividend Declared per Common Share**
- **$0.59 Estimated Undistributed Taxable Income per Common Share as of Dec 31, 2013**
- **$23.93 Net Book Value per Common Share as of Dec 31, 2013**
  - ✓ Decreased $(1.34) per common share, or -5%, from $25.27 per common share as of Sept 30, 2013
- **-2.7% Economic Return on Common Equity for the Quarter, or -10.8% Annualized**
  - ✓ Comprised of $0.65 dividend per common share and $(1.34) decrease in net book value per common share

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1. Net spread and dollar roll income/(loss) are non-GAAP measures. Please refer to the supplemental slides later in this presentation for a reconciliation and further discussion of non-GAAP measures
2. Dollar roll income/(loss) is net of short TBAs used for hedging purposes and is recognized in gain (loss) on derivative instruments and other securities, net. Dollar roll income/(loss) excludes the impact of other hedge costs

# Q4 2013 Other Highlights

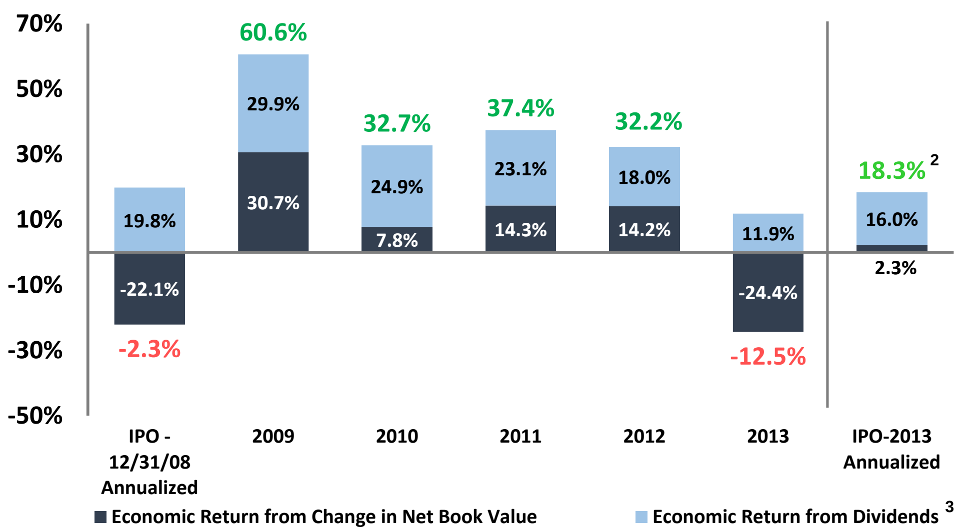
- **$68.2 Billion Agency MBS Investment Portfolio as of Dec 31, 2013**
  - ✓ Includes $2.3 billion net long TBA mortgage position as of Dec 31, 2013
- **$237 Million Investment in Mortgage REIT Equity Securities as of Dec 31, 2013**
  - ✓ Consists of common stock investments across the agency mortgage REIT sector
  - ✓ Increased to approximately $400 million as of January 31, 2014
- **7.5x "At Risk" Leverage as of Dec 31, 2013 [1,2]**
  - ✓ 7.3x leverage excluding net long TBA mortgage position as of Dec 31, 2013
  - ✓ Increase of 0.3x from Sept 30, 2013 "at risk" leverage of 7.2x
- **7.5x Average "At Risk" Leverage during the Quarter**
  - ✓ 7.6x average leverage for the quarter excluding average net TBA mortgage position
- **8% Actual Portfolio CPR for the Quarter**
  - ✓ 7% average projected portfolio life CPR as of Dec 31, 2013
  - ✓ Excludes net TBA mortgage position
- **1.39% Annualized Net Interest Rate Spread as of Dec 31, 2013 [3]**
  - ✓ Increase from 1.37% annualized net interest rate spread as of Sept 30, 2013
  - ✓ Excludes net TBA mortgage position
- **1.56% Annualized Net Interest Rate Spread and TBA Dollar Roll Income/(Loss) for the Quarter [3]**
  - ✓ Includes -1 bps of estimated TBA dollar roll loss
  - ✓ Includes 14 bps of "catch-up" premium amortization benefit due to change in projected CPR estimates
- **28.2 Million Shares of Common Stock Repurchased during the Quarter**
  - ✓ Represents 7% of common shares outstanding as of Sept 30, 2013
  - ✓ $20.82 per share average repurchase price, net of expenses
  - ✓ Existing share repurchase authorization increased by $1 billion to $2 billion for total repurchases of outstanding shares of common stock since the inception of the buyback program through Dec 31, 2014

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 calculated as the average asset yield, less average cost of funds. Average cost of funds includes agency MBS repo, other debt and periodic swap interest costs. Net interest rate spread and cost of funds exclude other supplemental hedges, such as swaptions, U.S. Treasury positions and U.S. Treasury repos.

# 2013 Full Year Highlights

- **-12.5% Economic Return on Common Equity, Comprised of:**
  - ✓ $3.75 dividends per common share
  - ✓ $(7.71) decrease in net book value per share
- **$(4.47) Comprehensive Loss per Common Share, Comprised of:**
  - ✓ $3.28 net income per common share
  - ✓ $(7.75) OCI per common share
- **$2.48 Estimated Taxable Income per Common Share**
  - ✓ Estimated undistributed taxable income decreased from $2.18 per common share as of Dec 31, 2012 to $0.59 per common share as of Dec 31, 2013
- **57.5 Million Shares of Common Stock Issued during the Year**
  - ✓ $31.33 per share offering price, net of expenses
- **40.3 Million Shares of Common Stock Repurchased during the Year**
  - ✓ $21.25 per share average repurchase price, net of expenses

AGNC Annual Economic Returns IPO – 2013 [1]



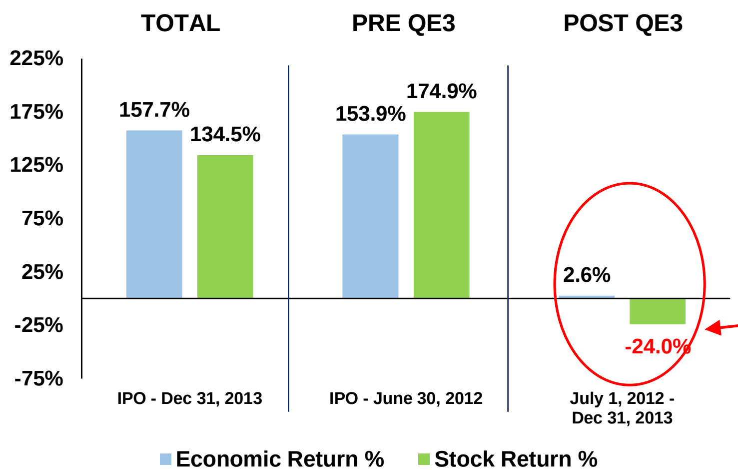



1. May 14, 2008 IPO date
2. The total economic return for the period of IPO - 2013 was 157.7%
3. Economic return from dividends represents dividends per common share divided by beginning net book value per common share

# Economic And Total Stock Return Comparison

## Since the onset of QE3, the decline in AGNC's price to book ratio to 81% has driven a substantial divergence between actual portfolio performance and total stock return

**Economic Return vs. Total Stock Return**
**IPO - Dec 31, 2013 [1,2]**




**Post QE3**
**Change in Book Value vs. Change in Stock Price**

| | Net Book Value | Stock Price | Price/Book Ratio |
|---|---|---|---|
| Jun 30, 2012 | $29.41 | $33.61 | 114% |
| Dec 31, 2013 | $23.93 | $19.29 | 81% |
| **Change** | **($5.48)** | **($14.32)** | **-33 %** |
| Dividend | $6.25 | $6.25 | -- |
| Total | $0.77 | $(8.07) | -- |
| **Return %** | **2.6%** | **-24.0%** | **--** |

- **Economic return is the combination of dividends plus the change in net book value per common share, while total stock return is the combination of dividends plus the change in stock price per common share [1]**
- **Since the inception of QE3, AGNC has generated a 2.6% economic return for common shareholders inclusive of dividends of $6.25 per common share and a $(5.48) decline in book value per common share**
- **During the same period, the total stock return was -24.0% as the stock price dropped considerably more than the change in net book value**

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1. May 14, 2008 IPO date
2. Economic return and total stock return do not assume reinvestment of dividends

# MARKET INFORMATION

| Security | 12/31/12 | 3/31/13 | 6/30/13 | 9/30/13 | 12/31/13 | Q4 2013 Δ | FY 2013 Δ |
|---|---|---|---|---|---|---|---|
| Treasury Rates | | | | | | | |
| 2 Yr UST | 0.25% | 0.24% | 0.36% | 0.32% | 0.38% | +0.06% | +0.13% |
| 5 Yr UST | 0.72% | 0.77% | 1.39% | 1.38% | 1.74% | +0.36% | +1.02% |
| 10 Yr UST | 1.76% | 1.85% | 2.49% | 2.61% | 3.03% | +0.42% | +1.27% |
| 30 Year Fixed Rate Mortgages | | | | | | | |
| 3.00% | 104.84 | 103.11 | 97.72 | 97.70 | 95.11 | -2.59 | -9.73 |
| 3.50% | 106.66 | 105.58 | 101.50 | 101.83 | 99.48 | -2.35 | -7.18 |
| 4.00% | 107.22 | 106.61 | 104.16 | 104.86 | 103.11 | -1.75 | -4.11 |
| 4.50% | 108.03 | 107.73 | 105.82 | 106.80 | 106.06 | -0.74 | -1.97 |
| 5.00% | 108.33 | 108.34 | 107.65 | 108.45 | 108.80 | +0.35 | +0.47 |
| 5.50% | 108.64 | 109.08 | 108.65 | 109.03 | 110.05 | +1.02 | +1.41 |
| 6.00% | 109.22 | 109.56 | 108.78 | 109.39 | 111.09 | +1.70 | +1.87 |

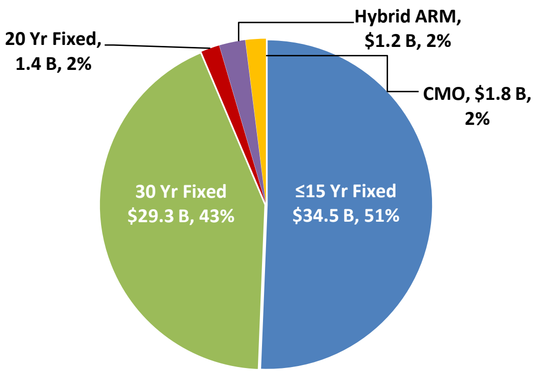
| Security | 12/31/12 | 3/31/13 | 6/30/13 | 9/30/13 | 12/31/13 | Q4 2013 Δ | FY 2013 Δ |
|---|---|---|---|---|---|---|---|
| Swap Rates | | | | | | | |
| 2 Yr Swap | 0.39% | 0.42% | 0.51% | 0.46% | 0.49% | +0.03% | +0.10% |
| 5 Yr Swap | 0.86% | 0.95% | 1.57% | 1.54% | 1.79% | +0.25% | +0.93% |
| 10 Yr Swap | 1.84% | 2.01% | 2.70% | 2.77% | 3.09% | +0.32% | +1.25% |
| 15 Year Fixed Rate Mortgages | | | | | | | |
| 2.50% | 104.61 | 103.75 | 100.45 | 100.61 | 99.00 | -1.61 | -5.61 |
| 3.00% | 105.61 | 105.17 | 102.82 | 103.53 | 102.05 | -1.48 | -3.56 |
| 3.50% | 106.14 | 106.03 | 104.20 | 105.58 | 104.58 | -1.00 | -1.56 |
| 4.00% | 107.00 | 107.00 | 105.32 | 106.25 | 105.94 | -0.31 | -1.06 |
| 4.50% | 107.55 | 107.67 | 106.00 | 106.25 | 106.44 | +0.19 | -1.11 |

Source: Barclays

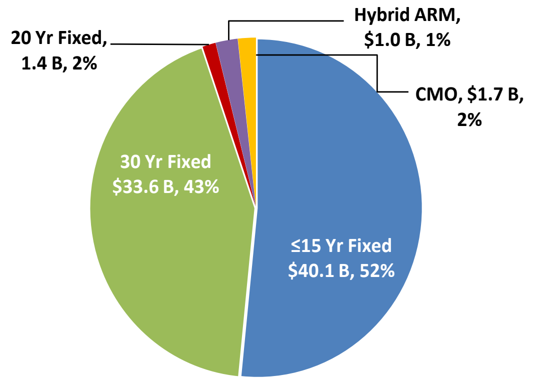
Note: Price information is provided for illustrative purposes only, is for generic instruments and is not meant to be reflective of securities held by AGNC. Prices can vary materially depending on the source

# Q4 2013 PORTFOLIO UPDATE

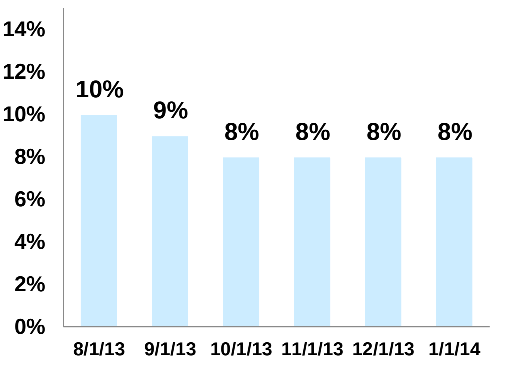
**As of 12/31/13**
**$68.2 B Portfolio**
**MBS ($65.9 B, 97%) & Net TBA Position ($2.3 B, 3%)**




**As of 9/30/13**
**$77.8 B Portfolio**
**MBS ($85.0 B, 109%) & Net TBA Position (-$7.3 B, -9%)**




**AGNC Actual CPR [1]**




**≤15 Year - $34.5 B Portfolio (51% of Total) as of 12/31/13**

| *($ In Millions)* | FMV | % | Coupon | WALA [4] | Jan'14 1 M Actual CPR [1] | Life Forecast CPR [5] |
|---|---|---|---|---|---|---|
| Lower Loan Bal [2] | $18,413 | 53% | 3.41% | 27 | 9% | 8% |
| HARP [3] | 2,740 | 8% | 3.14% | 18 | 7% | 7% |
| Other 2009-2013 | 17,509 | 51% | 3.02% | 24 | 9% | 7% |
| Other (Pre 2009) | 25 | 0% | 4.65% | 97 | 25% | 12% |
| **≤15 Year MBS** | **$38,687** | **112%** | **3.21%** | **25** | **9%** | **8%** |
| **Net Short TBA** | $(4,146) | (12)% | 2.92% | **N/A** | **N/A** | **N/A** |
| **Total ≤15 Year** | **$34,541** | **100%** | **3.25%** | **N/A** | **N/A** | **N/A** |

**30 Year - $29.3 B Portfolio (43% of Total) as of 12/31/13**

| *($ In Millions)* | FMV | % | Coupon | WALA [4] | Jan'14 1 M Actual CPR [1] | Life Forecast CPR [5] |
|---|---|---|---|---|---|---|
| Lower Loan Bal [2] | $9,728 | 33% | 3.76% | 24 | 6% | 6% |
| HARP [3] | 11,536 | 39% | 4.00% | 23 | 7% | 6% |
| Other 2009-2013 | 1,426 | 5% | 4.14% | 21 | 7% | 7% |
| Other (Pre 2009) | 225 | 1% | 5.63% | 100 | 22% | 20% |
| **30 Year MBS** | **$22,915** | **78%** | **3.92%** | **24** | **7%** | **6%** |
| **Net Long TBA** | $6,417 | 22% | 4.06% | **N/A** | **N/A** | **N/A** |
| **Total 30 Year** | **$29,332** | **100%** | **3.95%** | **N/A** | **N/A** | **N/A** |

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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
2. Lower loan balance defined as pools backed by original loan balance of up to $150 K. Wtd/avg original loan balance of $100K for ≤15-year and $95 K for 30-year securities as of Dec 31, 2013
3. HARP defined as pools backed by 100% refinance loans with original LTVs ≥80%. Wtd/avg original LTV of 106% for ≤15-year and 105% for 30-year securities as of Dec 31, 2013. Includes $1.1 B and $2.1 B of ≤15-year and 30-year securities, respectively, with >105 LTV pools which are not deliverable into TBA securities.
4. WALA represents the weighted average loan age presented in months
5. Average projected life CPR as of Dec 31, 2013

# AGNC PORTFOLIO COMPOSITION VS. AGENCY MBS UNIVERSE

## ASSET COMPOSITION WILL BE CRITICAL TO PERFORMANCE AS WE TRANSITION TO A POST QE3 MORTGAGE MARKET

| 15 Year Fixed Rate MBS | | | | |
|---|---|---|---|---|
| **Coupon** | **AGNC Portfolio Years to Maturity [1]** | **AGNC Portfolio [2]** | **Universe [3]** | **AGNC Portfolio vs. Universe [4]** |
| 2.50 | 13.6 | 16% | 7% | overweight |
| 3.00 | 12.9 | 6% | 5% | neutral |
| 3.50 | 12.0 | 22% | 3% | overweight |
| 4.00 | 11.4 | 9% | 3% | overweight |
| 4.50 | 11.1 | 1% | 2% | neutral |
| **Total 15 Year** | **12.5** | **54%** | **20%** | **overweight** |

| 30 Year Fixed Rate MBS | | | | |
|---|---|---|---|---|
| **Coupon** | **AGNC Portfolio Years to Maturity [1]** | **AGNC Portfolio [2]** | **Universe [3]** | **AGNC Portfolio vs. Universe [4]** |
| 3.00 | 26.9 | <1% | 16% | underweight |
| 3.50 | 27.8 | 14% | 18% | underweight |
| 4.00 | 27.7 | 21% | 16% | overweight |
| 4.50 | 26.6 | 9% | 12% | underweight |
| ≥ 5.00 | 23.2 | 1% | 18% | underweight |
| **Total 30 Year** | **27.4** | **46%** | **80%** | **underweight** |

- **AGNC's 15 year position is considerably more seasoned than newly issued 15 year TBA pools, which will be critical in a rising rate environment with less FED support**
- **AGNC's 30 year position is underweight the lowest coupon, longest duration and highest coupon, least liquid MBS**

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All figures as of Dec 31, 2013
1. Years to maturity includes AGNC's on balance sheet positions as of Dec 31, 2013 (excludes TBAs)
2. AGNC portfolio composition includes fixed rate pass-through securities and TBA positions as of Dec 31, 2013
3. Universe includes all 15 year and 30 year deliverable Fannie Mae and Freddie Mac fixed rate securities and non-deliverable MHA securities (100% refi and LTV >105 at origination). Excludes all other non-deliverable securities; Source: Citi Research as of Dec 31, 2013
4. Neutral weight equals +/- 2%

# FINANCING SUMMARY

## ACCESS TO REPO FUNDING REMAINED STABLE THROUGHOUT THE QUARTER

- Average repo cost increased to 0.45% as of Dec 31, 2013 from 0.44% as of Sept 30, 2013
- Overall repo capacity expanded during the quarter
- Repo counterparties totaled 32 as of Dec 31, 2013
- Weighted average “haircut” of 5%, unchanged from prior quarter
- 124 weighted average days to maturity as of Dec 31, 2013, an increase from 112 days as of Sept 30, 2013

**Repurchase Agreements [1]**
As of Dec 31, 2013 - $ in millions

| Days to Maturity | Repo Outstanding % | Repo Outstanding $ | Interest Rate | Average Days to Maturity |
|---|---|---|---|---|
| ≤ 1 Month | 39% | $23,577 | 0.42% | 15 |
| > 1 to ≤ 3 Months | 33% | 20,490 | 0.43% | 61 |
| > 3 to ≤ 6 Months | 11% | 6,946 | 0.45% | 140 |
| > 6 to ≤ 9 Months | 4% | 2,232 | 0.53% | 230 |
| > 9 to ≤ 12 Months | 6% | 3,607 | 0.54% | 323 |
| > 12 to ≤ 24 Months | 5% | 3,261 | 0.60% | 603 |
| > 24 to ≤ 36 Months | 1% | 500 | 0.62% | 930 |
| > 36 Months | 1% | 602 | 0.68% | 1,468 |
| **Total / Wtd Avg** | **100%** | **$61,215** | **0.45%** | **124** |
| **As of Sept 30, 2013** | | | | |
| Total / Wtd Avg | 100% | $78,381 | 0.44% | 112 |

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1. Table excludes repurchase agreements of $2.3 B and $4.1 B associated with U.S. Treasury positions as of December 31, 2013 and September 30, 2013, respectively

# HEDGING SUMMARY

## OUR HEDGES ARE DESIGNED TO MITIGATE BOOK VALUE FLUCTUATIONS DUE TO INTEREST RATE CHANGES. OUR HEDGES 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. THEREFORE, THE RISK OF ADVERSE SPREAD CHANGES IS INHERENT TO OUR BUSINESS [1]

- **The combination of swaps, swaptions and treasury hedges totaled $57.7 billion and covered 86% of our repo, other debt and net TBA position as of Dec 31, 2013, compared to 91% as of Sept 30, 2013**
  - ✓ **Interest Rate Swaps**
    - $43.3B notional pay fixed swaps
    - 4.1 year average negative duration
    - Covered 65% of repo, other debt and net TBA position
  - ✓ **Interest Rate Swaptions**
    - $14.3 B notional payer swaptions
    - 3.0 year average negative duration
    - Covered 21% of repo, other debt and net TBA position
  - ✓ **Treasury Securities**
    - $2.0 B net long treasury position market value
    - 6.5 year average positive duration
  - ✓ **Treasury Futures**
    - $2.1 B net short treasury future market value
    - 6.4 year average negative duration

**Hedge Portfolio Summary**
As of Dec 31, 2013 - $ in millions

| | Notional/ Market Value 12/31/2013 | Duration 12/31/2013 [2] | Net Hedge Gains/ (Losses) Q4 2013 [3] | Net Hedge Gains/ (Losses) Per Share Q4 2013 |
|---|---|---|---|---|
| Swaps | $(43,250) | (4.1) | $328 | $0.88 |
| Swaptions | (14,250) | (3.0) | (18) | (0.05) |
| Treasury Securities | 1,974 | 6.5 | (54) | (0.14) |
| Treasury Futures | (2,128) | (6.4) | 36 | 0.09 |
| **Total / Q4 2013** | **$(57,654)** | **(3.2)** | **$292** | **$0.78** |
| **As of Sept 30, 2013 / Q3 2013** | | | | |
| Total / Q3 2013 | $(69,614) | (3.6) | $(91) | $(0.23) |

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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

# MANAGING MORTGAGE EXTENSION RISK [1]

## GIVEN THE COMPOSITION OF OUR ASSETS AND THE INCREASE IN INTEREST RATES THAT HAS ALREADY OCCURRED, FURTHER ASSET EXTENSION RISK IS MINIMAL

| Duration Gap Sensitivity [2,3] As of Dec 31, 2013 | | | |
|---|---|---|---|
| | Duration 12/31/2013 | Rates Up 100 Bps | Rates Up 200 Bps |
| Mortgage Assets: [4] | | | |
| 30-Year MBS | 6.2 | 7.2 | 7.5 |
| 15-Year MBS | 4.3 | 4.7 | 4.8 |
| **Total Mortgage Assets** | **5.1** | **5.8** | **5.9** |
| Liabilities, Swaps and Treasuries | (2.9) | (2.9) | (2.9) |
| **Net Duration Gap without Swaptions** | **2.2** | **2.9** | **3.0** |
| Swaptions | (0.7) | (1.1) | (1.2) |
| **Net Duration Gap with Swaptions** | **1.5** | **1.8** | **1.8** |
| **As of Sept 30, 2013** | | | |
| **Net Duration Gap with Swaptions** | **0.9** | **1.2** | **1.2** |

- **Ongoing portfolio rebalancing actions should allow us to further mitigate our interest rate risk exposure**

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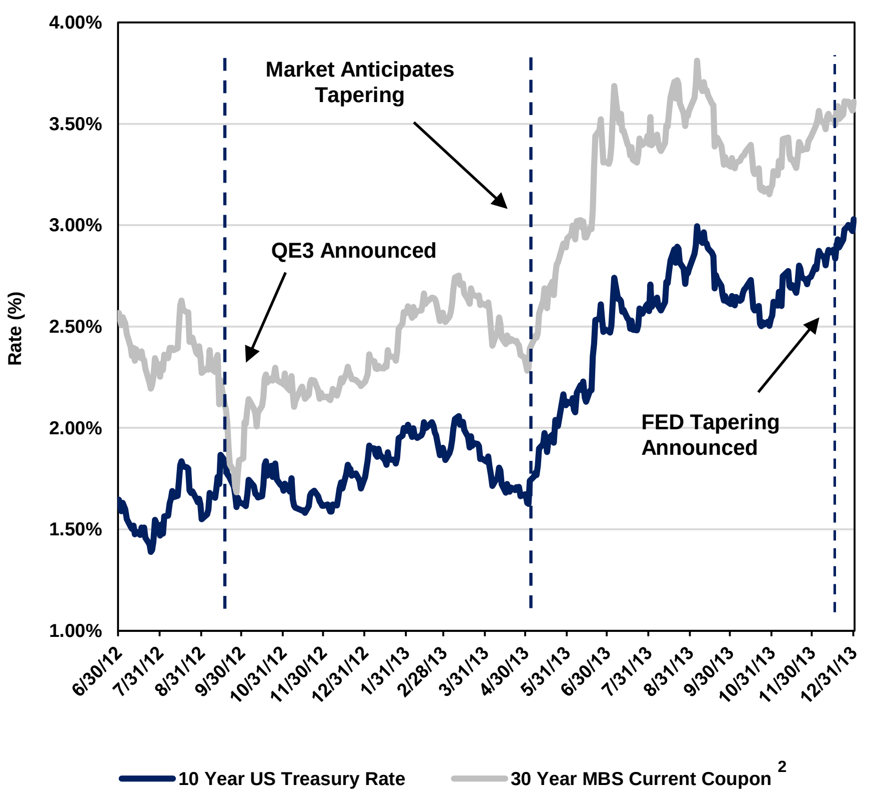
1. Extension risk is the risk that the duration of a mortgage security increases in a rising rate environment
2. Durations are expressed in years. Liability, swap, U.S. Treasury and swaption durations are expressed in asset units
3. The estimated durations included in the table above are as of a point in time and 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. The sensitivity analysis assumes an instantaneous change in interest rates and, consequently, does not include the potential impact of ongoing portfolio rebalancing actions
4. Mortgage assets include net TBA position. 15-Year MBS position includes 20-Year fixed rate MBS

# Interest Rates and Bond Prices Already Incorporate "Tapering"

## Mortgage and Treasury rates are stabilizing as the FED "taper" process is underway

- **The combination of "tapering" and a stronger economy is understood by the bond market and reflected in underlying prices**
- **Interest rates rose considerably during 2013 as bond prices fell:**
  - ✓ Key changes in rates
    - Mortgage rates increased 138 bps
    - 10 year U.S. Treasury rate increased 125 bps
    - 5 year U.S. Treasury rate increased 100 bps
  - ✓ MBS Prices
    - 30 year 3.0% MBS declined 9.7 points
    - 15 year 2.5% MBS declined 5.6 points
- **Interest rate volatility has also declined materially over the past 3 - 6 months**

**10 Year U.S. Treasury Rate vs. 30 Year MBS Current Coupon [1]**




1. Source: Bloomberg
2. 30 year MBS current coupon for Fannie Mae 30 year fixed rate securities

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# Duration Gap Significantly Impacts Net Interest Margin

## We believe that the risk/return tradeoff of running a larger duration gap has improved considerably given the current interest rate landscape

| Hypothetical Initial Net Interest Margin ("NIM") Sensitivity to Duration Gap [1] | | | | | |
|---|---|---|---|---|---|
| **Duration GAP:** | **0.0 Yrs** | **0.5 Yrs** | **1.0 Yrs** | **1.5 Yrs** | **2.0 Yrs** |
| 30 Year 4.0% | 125 | 145 | 160 | 180 | 200 |
| 15 Year 3.5% | 95 | 110 | 130 | 150 | 165 |
| **Average bps** | **110** | **130** | **145** | **165** | **180** |

- **From a return perspective:**
  - ✓ Higher intermediate and long term rates have increased the incremental income from a larger duration gap
  - ✓ On a hypothetical portfolio with an equal mix of 30 year 4.0% and 15 year 3.5% MBS, a 1.5 year duration gap can increase NIM by over 50 bps vs. a portfolio with no duration gap
- **From a risk perspective:**
  - ✓ Even with a larger duration gap, overall up rate risk is generally consistent with historical norms
    - Additional extension of our portfolio is minimal if rates rise further
    - Lower leverage and more conservative portfolio positioning reduce both rate and spread exposure
  - ✓ Negative convexity of the mortgage universe (ex FED) is at very low levels and all indications are that investor positions are overly conservative

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The hypothetical examples depicted above are dependent on inputs and assumptions and, accordingly, actual results could differ materially from these estimates. The initial net interest margins represent initial margins on assets vs. interest rate swaps and do not include the additional cost of hedges associated with ongoing portfolio rebalancing or the potential cost of swaptions, U.S. Treasury and other hedges. Actual net interest margins are a function of a number of factors and will almost certainly change over time. A larger duration gap increases the risk imbedded in the portfolio.

# IMPACT OF AGNC'S PRICE-TO-BOOK RATIO ON ASSET YIELD

## PURCHASING A PORTFOLIO OF AGENCY MBS AT A 20% DISCOUNT IS EQUIVALENT TO PURCHASING THESE SECURITIES AT A MATERIALLY HIGHER YIELD

| AGNC Price/Book Ratio | |
|---|---|
| *($ millions, as of Dec 31, 2013)* | |
| Net Book Value ("NAV") ($23.93 per common share) | $8,524 |
| Market Capitalization ($19.29 per common share) | $6,870 |
| **Market Discount to NAV** | **$(1,654)** |
| **Price to Book Ratio** | **81%** |

| Applying AGNC's Price/Book Discount to Asset Price | Balance | Price |
|---|---|---|
| Total MBS at Fair Value | $65,941 | 103.0 |
| Market Discount to NAV | $(1,654) | -2.5 |
| **Total MBS with Market Discount** | **$64,287** | **100.5** |

| Impact of AGNC's Price/Book Ratio on Asset Yield [1] | 30 Year 4.0% MBS | | 15 Year 3.5% MBS | |
|---|---|---|---|---|
| | Price | Yield | Price | Yield |
| Market Price | 103.1 | 3.52% | 104.6 | 2.40% |
| Price Including Price/Book Discount | 100.6 | 3.90% | 102.1 | 2.97% |
| **Differential** | **-2.5** | **0.38%** | **-2.5** | **0.57%** |

- **AGNC's net interest rate spread of 139 bps would be 35-55 bps higher after including the price to book discount**
- **The discount to book translates to a larger yield and spread benefit on 15 year than it does on 30 year MBS**

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This slide contains hypothetical examples that are dependent on inputs and assumptions and, accordingly, actual results could differ materially from these estimates.

1. Hypothetical portfolio of 30 year and 15 year MBS assumes a CPR of 8% and a weighted average maturity ("WAM") of 338 months for 30 year MBS and 141 months for 15 year MBS

# SUMMARY

## A SIGNIFICANT PRICE/BOOK DISCOUNT ALLOWS INVESTORS TO PURCHASE A PORTFOLIO OF AGENCY MBS AT A PRICE WELL BELOW WHERE THEY TRADE IN THE OPEN MARKET AND THESE SECURITIES ARE ALREADY PRICING IN A STRONGER ECONOMY AND FED TAPERING

- **Mortgage and U.S. Treasury rates rose dramatically in 2013 and now incorporate expectations of a stronger economy and less FED accommodation**
- **Many risks to agency MBS have dissipated**
  - ✓ Mortgage durations have almost fully extended and origination volumes have plummeted
  - ✓ The FED owns almost 1/3 of the total outstanding agency MBS and investors have rebalanced portfolios, reduced MBS exposure and reset hedges, all of which minimize the risk of future fire sales of fixed income assets
  - ✓ Treasury recently opposed a significant expansion of the HARP program
  - ✓ Repo related concerns have diminished materially
    - Global regulators have softened leverage ratio calculations
    - New counterparties have been added and haircuts are largely unchanged
- **Risk/return equation is considerably more attractive given the current interest rate environment and price/book discounts**
  - ✓ A larger duration gap materially improves margins
  - ✓ Stock buy backs can further enhance returns
- **Typical drivers of significant price/book discounts do not apply to agency REITS**
  - ✓ Agency MBS market liquidity is second only to the U.S. Treasury market
  - ✓ Agency MBS valuations are widely observable and transaction costs are low
  - ✓ Most agency REITs are large public companies with relatively low expense ratios

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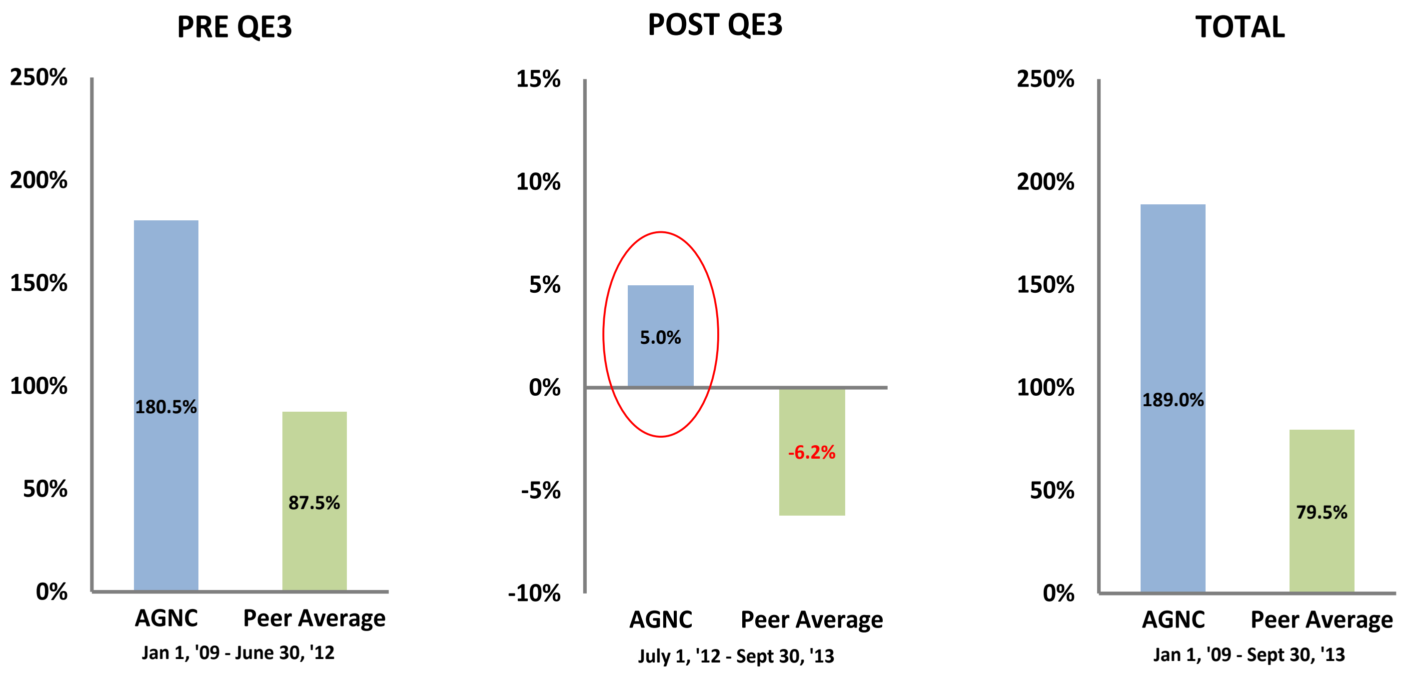
# SUPPLEMENTAL SLIDES

# TOTAL ECONOMIC RETURNS: PRE AND POST QE3

## AGNC'S ECONOMIC RETURN SINCE INCEPTION AND THROUGH THE RECENT CHALLENGING ENVIRONMENT HAS OUTPERFORMED ITS PEER GROUP DUE IN PART TO AGNC'S ACTIVE APPROACH TO PORTFOLIO MANAGEMENT

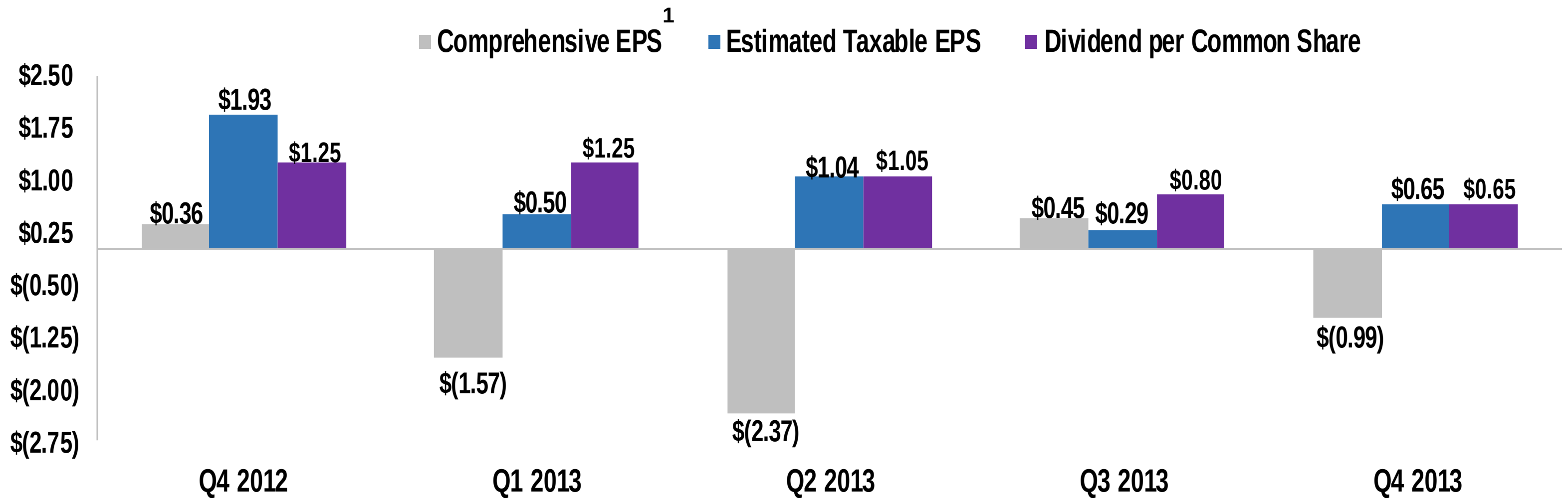
**AGNC vs. Peer Group Average**
**Total Historical Economic Returns**
**Jan 1, 2009 – Sept 30, 2013 [1]**



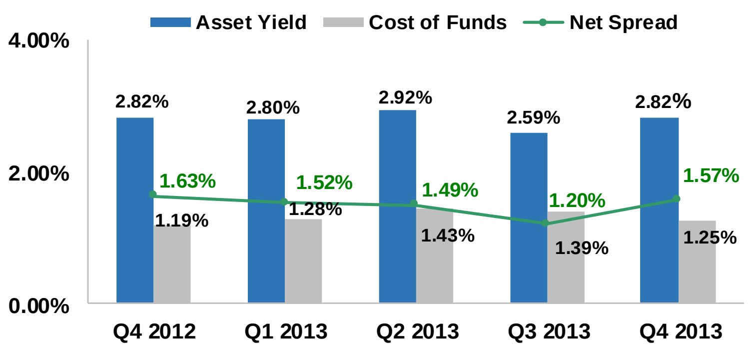

1. Economic return on common equity represents the sum of the change in net asset value per common share and dividends declared on common stock during the period over the beginning net asset value per common share. Peer group average consists of HTS, CMO, NLY, ANH, CYS and ARR on an unweighted basis

# AGNC Historical Overview

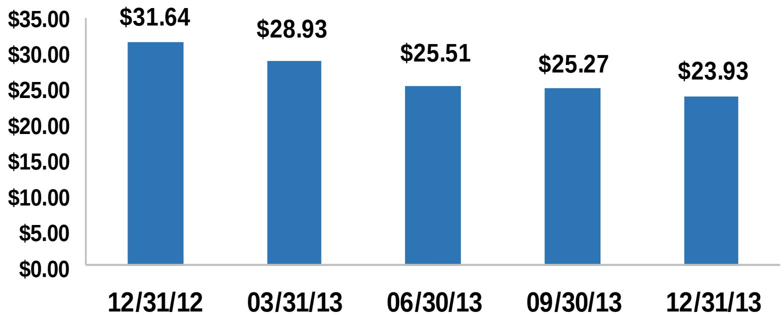
## Earnings and Dividends per Common Share




## Net Spread [2]




## Net Book Value Per Common Share [3]

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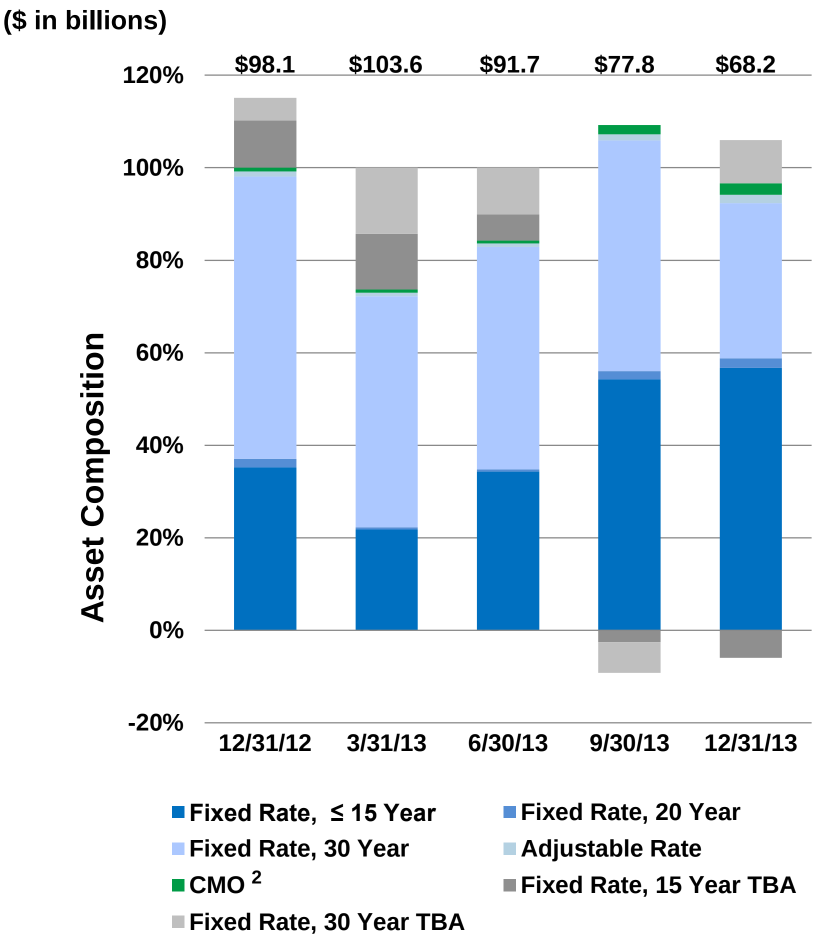
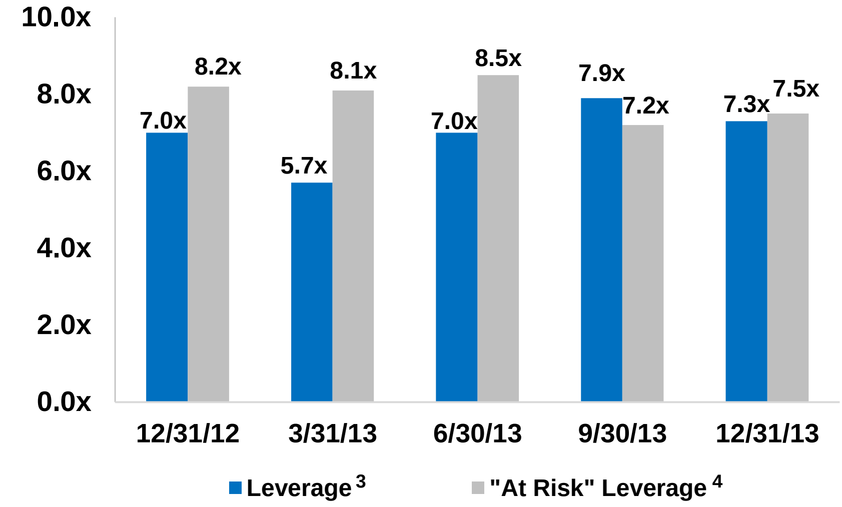
1. Comprehensive earnings per common share is a GAAP measure that consists of net income/loss per common share plus unrealized gains/losses on agency MBS and designated hedges per common share recognized in other comprehensive income, a separate component of equity
2. Represents average per quarter,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

# AGNC Historical Overview

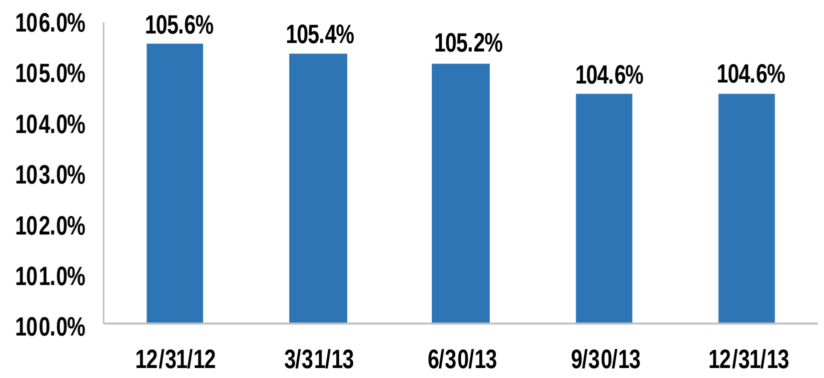
## Portfolio [1]




## Leverage




## Amortized Cost Basis

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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 $2.3 billion, $4.1 billion and $2.1 billion as of Dec 31, Sept 30 and Jun 30, 2013, respectively
4. "At Risk" leverage includes the components of leverage plus implied leverage from the net TBA mortgage position

# BALANCE SHEETS

| ($ in millions, except per share data) | As of [1] 12/31/13 | 9/30/13 | 6/30/13 | 3/31/13 | 12/31/12 |
|---|---|---|---|---|---|
| Agency Securities, at Fair Value | $64,482 | $83,805 | $75,926 | $74,874 | $83,710 |
| Agency Securities Transferred to Consolidated Variable Interest Entities, at Fair Value | 1,459 | 1,204 | 1,281 | 1,421 | 1,535 |
| U.S. Treasury Securities, at Fair Value | 3,822 | 4,823 | 3,671 | -- | -- |
| REIT Equity Securities, at Fair Value | 237 | -- | -- | -- | -- |
| Cash and Cash Equivalents | 2,143 | 2,129 | 2,923 | 2,826 | 2,430 |
| Restricted Cash | 101 | 77 | 1,216 | 499 | 399 |
| Derivative Assets, at Fair Value | 1,194 | 1,246 | 1,876 | 480 | 301 |
| Receivable for Securities Sold | 652 | 1,807 | 2,070 | 734 | -- |
| Receivable under Reverse Repurchase Agreements | 1,881 | 1,808 | 9,430 | 12,291 | 11,818 |
| Other Assets | 284 | 372 | 270 | 244 | 260 |
| **Total Assets** | **$76,255** | **$97,271** | **$98,663** | **$93,369** | **$100,453** |
| Repurchase Agreements | $63,533 | $82,473 | $72,451 | $66,260 | $74,478 |
| Debt of Consolidated Variable Interest Entities, at Fair Value | 910 | 736 | 783 | 862 | 937 |
| Payable for Securities Purchased | 118 | 979 | 3,167 | 259 | 556 |
| Derivative Liabilities, at Fair Value | 422 | 1,015 | 1,544 | 1,217 | 1,264 |
| Dividends Payable | 235 | 311 | 420 | 499 | 427 |
| Obligation to Return Securities Borrowed under Reverse Repurchase Agreements, at Fair Value | 1,848 | 1,801 | 9,931 | 12,548 | 11,763 |
| Accounts Payable and Other Accrued Liabilities | 492 | 71 | 87 | 82 | 132 |
| **Total Liabilities** | **$67,558** | **$87,386** | **88,383** | **81,727** | **89,557** |
| Preferred Equity at Aggregate Liquidation Preference | 173 | 173 | 173 | 173 | 173 |
| Common Equity | 8,524 | 9,712 | 10,107 | 11,469 | 10,723 |
| **Total Stockholders' Equity** | **8,697** | **9,885** | **10,280** | **11,642** | **10,896** |
| **Total Liabilities and Stockholders' Equity** | **$76,255** | **$97,271** | **$98,663** | **$93,369** | **$100,453** |
| **Leverage [2]** | **7.3x** | **7.9x** | **7.0x** | **5.7x** | **7.0x** |
| **Net Book Value Per Common Share [3]** | **$23.93** | **$25.27** | **$25.51** | **$28.93** | **$31.64** |

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1. Unaudited except for 12/31/2012
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 $2.3 billion, $4.1 billion and $2.1 billion as of Dec 31, Sept 30 and Jun 30, 2013, respectively
3. Net book value per common share calculated as stockholders' equity, less the Series A Preferred Stock liquidation preference, divided by total common shares outstanding

# INCOME STATEMENTS

| ($ in millions, except per share data) (Unaudited) | Q4 2013 | Q3 2013 | Q2 2013 | Q1 2013 | Year 2013 |
|---|---|---|---|---|---|
| Interest Income | $542 | $558 | $545 | $547 | $2,193 |
| Interest Expense | (120) | (145) | (131) | (140) | (536) |
| **Net Interest Income** | **422** | **413** | **414** | **407** | **1,657** |
| (Loss) Gain on Sale of Agency Securities, Net | (667) | (733) | 17 | (26) | (1,408) |
| Gain (Loss) on Derivative Instruments and Other Securities, Net | 184 | (339) | 1,444 | (98) | 1,191 |
| **Total Other (Loss) Income, Net** | **(483)** | **(1,072)** | **1,461** | **(124)** | **(217)** |
| Management Fee | (31) | (35) | (37) | (33) | (136) |
| General and Administrative Expenses | (6) | (7) | (9) | (9) | (32) |
| **Total Operating Expenses** | **(37)** | **(42)** | **(46)** | **(42)** | **(168)** |
| (Loss) Income before Income Tax Provision | (98) | (701) | 1,829 | 241 | 1,272 |
| Income Tax Provision, Net | (3) | -- | -- | (10) | (13) |
| **Net (Loss) Income** | **(101)** | **(701)** | **1,829** | **231** | **1,259** |
| Dividend on Preferred Stock | (3) | (3) | (3) | (3) | (14) |
| **Net (Loss) Income (Attributable) Available to Common Shareholders** | **$(104)** | **$(704)** | **$1,826** | **$228** | **$1,245** |
| | | | | | |
| **Net (Loss) Income** | **$(101)** | **$(701)** | **$1,829** | **$231** | **$1,259** |
| Unrealized (Loss) Gain on Available-for-Sale Securities, Net | (311) | 833 | (2,813) | (837) | (3,127) |
| Unrealized Gain on Derivative Instruments, Net | 46 | 47 | 48 | 49 | 189 |
| **Other Comprehensive (Loss) Income** | **(265)** | **880** | **(2,765)** | **(788)** | **(2,938)** |
| **Comprehensive (Loss) Income** | **(366)** | **179** | **(936)** | **(557)** | **(1,679)** |
| Dividend on Preferred Stock | (3) | (3) | (3) | (3) | (14) |
| **Comprehensive (Loss) Income (Attributable) Available to Common Shareholders** | **$(369)** | **$176** | **$(939)** | **$(560)** | **$(1,693)** |
| | | | | | |
| **Weighted Average Common Shares Outstanding – Basic and Diluted** | **373.0** | **390.6** | **396.4** | **356.2** | **379.1** |
| **Net (Loss) Income per Common Share** | **$(0.28)** | **$(1.80)** | **$4.61** | **$0.64** | **$3.28** |
| **Comprehensive (Loss) Income per Common Share** | **$(0.99)** | **$0.45** | **$(2.37)** | **$(1.57)** | **$(4.47)** |
| **Estimated REIT Taxable Income per Common Share** | **$0.65** | **$0.29** | **$1.04** | **$0.50** | **$2.48** |
| **Dividends Declared per Common Share** | **$0.65** | **$0.80** | **$1.05** | **$1.25** | **$3.75** |

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Note: Amounts may not total due to rounding

# Reconciliation of GAAP Net Interest Income to Net Spread and Dollar Roll Income/Loss[1]

| ($ in millions, except per share data) (Unaudited) | Q4 2013 | Q3 2013 | Q2 2013 | Q1 2013 | Year 2013 |
|---|---|---|---|---|---|
| **Interest Income** | **$542** | **$558** | **$545** | **$547** | **$2,193** |
| **Interest Expense:** | | | | | |
| Repurchase Agreements and Other Debt | (74) | (98) | (83) | (91) | (346) |
| Interest Rate Swap Periodic Costs [2] | (46) | (47) | (48) | (49) | (190) |
| **Total Interest Expense** | **(120)** | **(145)** | **(131)** | **(140)** | **(536)** |
| **Net Interest Income** | **422** | **413** | **414** | **407** | **1,657** |
| Other Interest Rate Swap Periodic Costs [3] | (104) | (131) | (105) | (84) | (424) |
| Dividend on REIT Equity Securities [4] | 5 | -- | -- | -- | 5 |
| **Adjusted Net Interest Income** | **323** | **282** | **309** | **323** | **1,238** |
| **Total Operating Expenses** | **(37)** | **(42)** | **(46)** | **(42)** | **(168)** |
| **Net Spread Income** | **286** | **240** | **263** | **281** | **1,070** |
| Dividend on Preferred Stock | (3) | (3) | (3) | (3) | (14) |
| **Net Spread Income Available to Common Shareholders** | **283** | **237** | **260** | **278** | **1,056** |
| TBA Dollar Roll (Loss) Income | (5) | (12) | 195 | 142 | 320 |
| **Net Spread and Dollar Roll Income Available to Common Shareholders** | **$278** | **$225** | **$455** | **$420** | **$1,376** |
| **Weighted Average Common Shares Outstanding – Basic and Diluted** | **373.0** | **390.6** | **396.4** | **356.2** | **379.1** |
| **Net Spread Income per Common Share** | **$0.76** | **$0.61** | **$0.66** | **$0.78** | **$2.79** |
| **Net Spread and Dollar Roll Income per Common Share** | **$0.75** | **$0.58** | **$1.15** | **$1.18** | **$3.63** |

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. Dividends on REIT equity securities are reported in gain (loss) on derivative instruments and other securities, net

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# RECONCILIATION OF GAAP NET INCOME TO ESTIMATED TAXABLE INCOME [1]



| ($ in millions, except per share data)<br>(Unaudited) | Q4 2013 | Q3 2013 | Q2 2013 | Q1 2013 | Year 2013 |
|---|---|---|---|---|---|
| **Net (Loss) Income** | **$(101)** | **$(701)** | **$1,829** | **$231** | **$1,259** |
| **Book to Tax Differences:** | | | | | |
| Premium Amortization, Net | (21) | (6) | (75) | (34) | (137) |
| Realized Gain, Net | (92) | (255) | (15) | (53) | (414) |
| Capital Losses in Excess of Capital Gains [2] | 936 | 849 | -- | -- | 1,785 |
| Unrealized (Gain) Loss, Net | (480) | 229 | (1,324) | 30 | (1,546) |
| Other | 2 | -- | (1) | 6 | 7 |
| **Total Book to Tax Differences** | **345** | **817** | **(1,415)** | **(51)** | **(305)** |
| **Estimated REIT Taxable Income** | **$244** | **$116** | **$414** | **$180** | **$954** |
| Dividend on Preferred Stock | (3) | (3) | (3) | (3) | (14) |
| **Estimated REIT Taxable Income Available to Common Shareholders** | **$241** | **$113** | **$411** | **$177** | **$940** |
| **Weighted Average Common Shares Outstanding – Basic and Diluted** | **373.0** | **390.6** | **396.4** | **356.2** | **379.1** |
| **Estimated REIT Taxable Income per Common Share** | **$0.65** | **$0.29** | **$1.04** | **$0.50** | **$2.48** |
| **Estimated Cumulative Undistributed REIT Taxable Income per Common Share [3]** | **$0.59** | **$0.57** | **$1.07** | **$1.08** | **$0.59** |

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. 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 Dec 31, 2013, $1.8 B of capital losses were available to offset future net capital gains
3. Estimated undistributed taxable income ("UTI") per common share is net of dividends declared. UTI excludes non-deductible net capital losses

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# NET BOOK VALUE ROLL FORWARD

| (In millions, except per share data) (Unaudited) | Q4 2013 Balance | Q4 2013 Common Shares Outstanding | Q4 2013 Net Book Value per Common Share | Year 2013 Balance | Year 2013 Common Shares Outstanding | Year 2013 Net Book Value per Common Share |
|---|---|---|---|---|---|---|
| **Beginning Net Common Equity [1]** | **$9,712** | **384.3** | **$25.27** | **$10,723** | **338.9** | **$31.64** |
| Net (Loss) Income | (101) | | | 1,259 | | |
| Other Comprehensive Loss | (265) | | | (2,938) | | |
| Dividend on Common Stock | (232) | | | (1,453) | | |
| Dividend on Preferred Stock | (3) | | | (14) | | |
| Issuance of Common Stock, Net of Expenses | -- | -- | -- | 1,803 | 57.5 | $31.33 |
| Repurchase of Common Stock, Net of Expenses | (586) | (28.2) | $(20.82) | (856) | (40.3) | $(21.25) |
| **Ending Net Common Equity [1]** | **$8,524** | **356.2** | **$23.93** | **$8,524** | **356.2** | **$23.93** |

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Amounts may not total due to rounding

1. Net common equity represents stockholders' equity net of the Company's Series A Preferred Stock liquidation preference of $25 per preferred share (or $173 million)

# BUSINESS ECONOMICS

| (unaudited) | Q4 2013 | Q3 2013 | Q2 2013 | Q1 2013 | Year 2013 |
|---|---|---|---|---|---|
| Asset Yield [1] | 2.82% | 2.59% | 2.92% | 2.80% | 2.77% |
| Cost of Funds [1,2] | (1.25)% | (1.39)% | (1.43)% | (1.28)% | (1.34)% |
| **Net Interest Rate Spread** | **1.57%** | **1.20%** | **1.49%** | **1.52%** | **1.43%** |
| **Leverage** [3] | **7.6x** | **7.8x** | **5.9x** | **6.5x** | **6.9x** |
| Leveraged Net Interest Rate Spread | 11.85% | 9.38% | 8.72% | 9.88% | 9.89% |
| Plus Asset Yield | 2.82% | 2.59% | 2.92% | 2.80% | 2.77% |
| **Gross Return on Equity (“ROE”) Before Expenses and Other Income** | **14.67%** | **11.97%** | **11.64%** | **12.68%** | **12.66%** |
| Management Fees as a % of Equity | (1.31)% | (1.37)% | (1.33)% | (1.25)% | (1.31)% |
| Other Operating Expenses as a % of Equity | (0.25)% | (0.29)% | (0.33)% | (0.34)% | (0.31)% |
| **Total Operating Expenses as a % of Equity** | **(1.56)%** | **(1.66)%** | **(1.66)%** | **(1.59)%** | **(1.62)%** |
| **Net Spread Income ROE** | **13.11%** | **10.31%** | **9.98%** | **11.09%** | **11.04%** |
| Other Miscellaneous [4] | (1.30)% | (0.81)% | (0.60)% | (0.60)% | (0.75)% |
| Realized Other (Loss)/Income, Net of Tax | (36.26)% | (28.10)% | 8.66% | (0.85)% | (13.08)% |
| Unrealized Other Income/(Loss) | 20.19% | (9.02)% | 47.14% | (1.00)% | 14.95% |
| **Net (Loss) Income ROE** | **(4.26)%** | **(27.62)%** | **65.18%** | **8.64%** | **12.16%** |
| Other Comprehensive (Loss)/Income | (11.15)% | 34.69% | (98.53)% | (29.49)% | (28.38)% |
| **Comprehensive (Loss)/Income ROE** | **(15.41)%** | **7.07%** | **(33.35)%** | **(20.85)%** | **(16.22)%** |
| Comprehensive Loss on Preferred Equity in Excess of Preferred Dividend | (0.41)% | (0.01)% | (0.64)% | (0.47)% | (0.41)% |
| **Net Comprehensive (Loss)/Income ROE (Attributable)/Available to Common shareholders** | **(15.82)%** | **7.06%** | **(33.99)%** | **(21.31)%** | **(16.63)%** |

1. Asset yield, cost of funds and net interest rate spread exclude net TBA position
2. Cost of funds includes agency MBS repo, other debt and periodic swap interest costs. Net interest rate spread and cost of funds exclude other supplemental hedges, such as swaptions and U.S. Treasury positions and U.S. Treasury repos
3. Average leverage excludes net TBA position. Total average “at risk” leverage, including our net TBA position, was 7.5x, 7.8x, 8.4x, 8.2x, and 8.0x for Q4, Q3, Q2, Q1 and Year 2013, respectively
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

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# FIXED RATE AGENCY SECURITIES – MBS AND NET TBA POSITION

## $ IN MILLIONS – AS OF DEC 31, 2013

| MBS Coupon [1] | Par Value [2] | Market Value [2] | % Lower Loan Balance / HARP [2,3,4] | MBS Amortized Cost Basis [5] | MBS Average WAC [5,6] | MBS Average Age (Months) [5] | MBS Actual 1 Month CPR [5,7] | Duration (Years) [2,8] |
|---|---|---|---|---|---|---|---|---|
| ***≤15 YR Mortgage Securities*** | | | | | | | | |
| ≤ 2.5% | $10,005 | $9,938 | 35% | 101.9% | 2.96% | 14 | 5% | 5.3 |
| 3.0% | 3,607 | 3,691 | 116% | 103.0% | 3.48% | 21 | 6% | 4.5 |
| 3.5% | 13,621 | 14,269 | 52% | 104.2% | 3.93% | 31 | 11% | 3.7 |
| 4.0% | 5,650 | 6,003 | 89% | 104.9% | 4.40% | 37 | 13% | 3.4 |
| 4.5% | 588 | 631 | 99% | 105.3% | 4.87% | 40 | 16% | 3.3 |
| ≥ 5.0% | 8 | 9 | 23% | 104.5% | 6.49% | 73 | 18% | 2.7 |
| **Subtotal** | $33,479 | $34,541 | 61% | 103.4% | 3.66% | 25 | 9% | 4.2 |
| ***20 YR Mortgage Securities*** | | | | | | | | |
| ≤ 3.0% | $350 | $346 | 28% | 99.2% | 3.55% | 7 | 1% | 5.6 |
| 3.5% | 770 | 785 | 63% | 102.4% | 4.05% | 10 | 4% | 4.9 |
| 4.0% | 93 | 97 | 47% | 105.0% | 4.53% | 28 | 8% | 4.1 |
| 4.5% | 116 | 124 | 97% | 107.3% | 4.89% | 37 | 11% | 3.2 |
| ≥ 5.0% | 6 | 7 | --% | 106.7% | 5.89% | 67 | 20% | 1.9 |
| **Subtotal** | $1,335 | $1,359 | 56% | 102.2% | 4.05% | 13 | 4% | 4.8 |
| ***30 YR Mortgage Securities*** | | | | | | | | |
| ≤ 3.0% | $286 | $272 | 56% | 101.8% | 3.69% | 11 | 1% | 8.0 |
| 3.5% | 9,130 | 9,074 | 93% | 106.1% | 4.02% | 19 | 5% | 7.3 |
| 4.0% | 13,208 | 13,616 | 63% | 106.5% | 4.46% | 22 | 7% | 6.1 |
| 4.5% | 5,500 | 5,843 | 65% | 106.9% | 4.95% | 33 | 10% | 4.8 |
| 5.0% | 211 | 230 | 65% | 106.6% | 5.46% | 69 | 11% | 4.3 |
| ≥ 5.5% | 271 | 297 | 36% | 108.8% | 6.25% | 84 | 27% | 2.6 |
| **Subtotal** | $28,606 | $29,332 | 72% | 106.4% | 4.41% | 24 | 7% | 6.2 |
| | | | | | | | | |
| **Total Fixed [8]** | **$63,420** | **$65,232** | **66%** | **104.5%** | **3.95%** | **24** | **8%** | **5.1** |

1. The wtd/avg coupon on fixed rate securities held as of Dec 31, 2013 was 3.48%, excluding net long TBA mortgage position, and 3.57%, including net long TBA position
2. Excluding net long TBA position, total fixed-rate MBS as of Dec 31, 2013 had a par value of $61,301, market value of $62,961, %LLB/HARP of 69% and avg duration of 5.0 years
3. Lower loan balance securities defined as pools backed by original loan balances of up to $150 K. HARP securities 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 Jan 2014 for agency securities held as of Dec 31, 2013
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

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# REPO COUNTERPARTY CREDIT RISK

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

- **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 14% of our equity is at risk with the top 5 counterparties**

| Counterparty Region | Number of Counterparties | Percent of Repo Funding |
|---|---|---|
| **North America** | 17 | 62% |
| **Asia** | 5 | 25% |
| **Europe** | 10 | 13% |
| **Total** | 32 | 100% |

| Counterparty Region | Counterparty Rank | Counterparty Exposure as a % of NAV [1,2] |
|---|---|---|
| **North America** | 1 | 3.67% |
| | 2 | 2.73% |
| | 3 | 2.06% |
| | 4 | 2.03% |
| | 5 | 1.99% |
| | 6-17 | 11.43% |
| **Asia** | 1 | 1.71% |
| | 2 | 1.21% |
| | 3 | 0.92% |
| | 4 | 0.72% |
| | 5 | 0.60% |
| **Europe** | 1 | 2.57% |
| | 2 | 1.59% |
| | 3 | 1.35% |
| | 4 | 0.86% |
| | 5 | 0.82% |
| | 6-10 | 1.41% |

| | |
|---|---|
| **Total Exposure** | 37.66% |
| **Top 5 Exposure** | 13.06% |

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Note: All figures as of Dec 31, 2013
1. Excludes $0.9 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

- ✓ $43.3 B notional pay fixed swap book as of Dec 31, 2013
  - $4.1 B of swaps added during the quarter
    - 7.5 years average maturity, 2.94% average pay rate and 1.9 years average forward start date as of Dec 31, 2013
  - $11.1 B of swaps terminated during the quarter
- ✓ Covers 65% of repo, other debt and net TBA position

### Interest Rate Swaptions

- ✓ $14.3 B notional payer swaptions as of Dec 31, 2013
  - $6.0 B payer swaptions expired or terminated for net realized gains of $8 MM
  - 0.9 year average remaining option term, 7.0 years average underlying swap term
- ✓ Covers 21% of repo, other debt and net TBA position

**Interest Rate Swaps**
As of Dec 31, 2013 - $ in Millions

| Years to Maturity | Notional Amount | Pay Rate [1] | Receive Rate [2] | Average Maturity [3] |
|---|---|---|---|---|
| ≤ 3 Years | $16,750 | 1.57% | 0.19% | 1.6 |
| > 3 to ≤ 5 Years | 10,225 | 1.07% | 0.24% | 3.9 |
| > 5 to ≤ 7 Years | 5,700 | 1.97% | 0.26% | 6.0 |
| > 7 to ≤ 10 Years | 8,825 | 2.28% | 0.24% | 8.8 |
| > 10 Years | 1,750 | 2.79% | 0.24% | 14.7 |
| Total / Wtd Avg | $43,250 | 1.70% | 0.22% | 4.7 |
| As of Sept 30, 2013 | | | | |
| Total / Wtd Avg | $50,200 | 1.65% | 0.24% | 5.2 |

**Interest Rate Payer Swaptions**
As of Dec 31, 2013 - $ in Millions

| Expiration | Notional Amount | Cost | Market Value | Pay Rate | Swap Term (Years) |
|---|---|---|---|---|---|
| ≤ 1 Year | $9,400 | $193 | $117 | 2.87% | 7.8 |
| > 1 to ≤ 2 Years | 3,600 | 105 | 92 | 3.40% | 5.6 |
| > 2 to ≤ 3 Years | 1,150 | 35 | 45 | 3.81% | 5.8 |
| > 3 to ≤ 5 Years | 100 | 2 | 4 | 4.80% | 7.0 |
| Total / Wtd Avg | $14,250 | $335 | $258 | 3.09% | 7.0 |
| As of Sept 30, 2013 | | | | | |
| Total / Wtd Avg | $20,200 | $425 | $374 | 2.92% | 7.0 |

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1. Weighted average pay rate includes forward starting swaps. Excluding forward starting swaps, the weighted average pay rate was 1.57% as of Dec 31, 2013.
2. Weighted average receive rate excludes forward starting swaps.
3. Weighted average maturity measured from period end through maturity date.

# Other Hedge and Derivative Instruments

## We continue to use a variety of hedging instruments to manage interest rate risk

- **Treasury Securities**
  - ✓ $2.0 B net long treasury position market value
- **Treasury Futures**
  - ✓ $2.1 B short treasury futures market value
- **TBA Mortgages**
  - ✓ $2.3 B net long position market value
- **Total Hedge Portfolio**
  - ✓ Positions actively managed
  - ✓ 86% of our repo, other debt position and net TBA position covered by swap, swaption, and treasury positions as of Dec 31, 2013, compared to 91% as of Sept 30, 2013

**Treasury Securities**
As of Dec 31, 2013 - $ in Millions

| Maturity | Face Amount Net Long / (Short) | Market Value Net Long / (Short) |
|---|---|---|
| 5 Year | $1,255 | $1,200 |
| 7 Year | 60 | 56 |
| 10 Year | 635 | 717 |
| Total | $1,920 | $1,974 |
| As of Sept 30, 2013 | | |
| Total | $2,941 | $3,022 |

**Net TBA Position**
As of Dec 31, 2013 - $ in Millions

| Term | Face Amount Net Long / (Short) | Market Value Net Long / (Short) |
|---|---|---|
| 15 Year | $(4,091) | $(4,146) |
| 30 Year | 6,210 | 6,417 |
| Total | $2,119 | $2,271 |
| As of Sept 30, 2013 | | |
| Total | $(7,326) | $(7,256) |

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# INTEREST RATE RISK PROFILE

## DESPITE OPERATING WITH A LARGER DURATION GAP TODAY, OUR EXPOSURE TO RISING RATES HAS NOT CHANGED MATERIALLY FROM EARLIER IN THE YEAR

| Asset Duration Extension Profile | | | |
|---|---|---|---|
| | Base Duration | Rates Up 100 Bps | Rates Up 200 Bps |
| 3/31/2013 | 4.1 yrs | 6.1 yrs | 6.6 yrs |
| 12/31/2013 | 5.1 yrs | 5.8 yrs | 5.9 yrs |

**Our assets have less extension risk due to portfolio composition**

| Duration Gap Sensitivity | | | |
|---|---|---|---|
| | Base Duration Gap | Rates Up 100 Bps | Rates Up 200 Bps |
| 3/31/2013 | 0.5 yrs | 1.7 yrs | 2.0 yrs |
| 12/31/2013 | 1.5 yrs | 1.8 yrs | 1.8 yrs |

**Our duration gap sensitivity is relatively unchanged in the up 200 bps scenario**

| NAV Sensitivity to Rate Changes | | | |
|---|---|---|---|
| | Base Duration Gap | Rates Down 100 Bps | Rates Up 100 Bps |
| 3/31/2013 | 0.5 yrs | (8%) | (11%) |
| 12/31/2013 | 1.5 yrs | 9% | (13%) |

**Our NAV sensitivity to a 100 bps rate increase is relatively unchanged**

- **The mortgage market has considerably less extension risk today due to the rate move that has already occurred and due to the fact the FED holds a significant share of the negative convexity**

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The estimated durations and interest rate sensitivity included in the table above are as of a point in time and 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. The sensitivity analysis assumes an instantaneous change in interest rates and, consequently, does not include the potential impact of ongoing portfolio rebalancing actions.

# 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 1.5 years as of Dec 31, 2013, compared to positive 0.9 years as of Sept 30, 2013**
- **The duration of our asset portfolio increased to 5.1 years as of Dec 31, 2013 from 4.8 years as of Sept 30, 2013**
- **The duration of our liability and hedge portfolio decreased to -3.6 years as of Dec 31, 2013, compared to -3.9 years as of Sept 30, 2013**

| *($ in billions, duration in years)* | Dec 31, 2013 | | Sept 30, 2013 | |
|---|---|---|---|---|
| **Asset** | **Market Value** | **Duration** | **Market Value** | **Duration** |
| Fixed [1] | $61.5 | 5.0 | $81.1 | 5.0 |
| ARM | 1.2 | 3.2 | 1.0 | 2.9 |
| CMO [2] | 2.3 | 6.7 | 2.2 | 6.7 |
| REIT Equity Securities | 0.2 | 10.0 | -- | -- |
| Net TBA | 2.3 | 7.9 | (7.3) | -6.8 |
| **Total** | $67.5 | **5.1** | **$77.0** | **4.8** |
| **Liabilities & Hedges** | **Market Value / Notional** | **Duration** | **Market Value / Notional** | **Duration** |
| Liabilities | ($61.2) | -0.3 | ($82.5) | -0.3 |
| Swaps | (43.3) | -4.1 | (50.2) | -4.7 |
| Preferred | (0.2) | -8.4 | (0.2) | -8.1 |
| Swaptions | (14.3) | -3.0 | (20.2) | -2.6 |
| Options | -- | -- | (0.1) | -5.1 |
| Treasury Securities | 2.0 | 6.5 | 3.0 | 7.5 |
| Treasury Futures | (2.1) | -6.4 | (2.2) | -6.3 |
| **Total** | | **-3.6** | | **-3.9** |
| **Net Duration Gap** | | **1.5** | | **0.9** |

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).

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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.

# 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, in the adjacent table is based on model predictions as of Dec 31, 2013, incorporates the dual effects of both duration and convexity and assumes that no portfolio rebalancing actions are taken
- **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 5.12 years, which is based on interest rates and MBS prices as of Dec 31, 2013
  - ✓ The spread sensitivity is also sensitive to interest rates and increases as interest rates rise and prepayments slow

**Interest Rate Sensitivity [1]**
**As of Dec 31, 2013**
**(based on instantaneous parallel shift in interest rates)**

| Interest Rate Shock (bps) | Estimated Change in Portfolio Market Value [2] | Estimated Change as a % of NAV [3] |
|---|---|---|
| -100 | 1.1% | 9% |
| -50 | 0.8% | 6% |
| +50 | -0.8% | -6% |
| +100 | -1.7% | -13% |

**MBS Spread Sensitivity ("Basis Risk") [1]**
**As of Dec 31, 2013**

| MBS Spread Shock (bps) | Estimated Change in Portfolio Market Value [2] | Estimated Change as a % of NAV [3] |
|---|---|---|
| -25 | 1.3% | 10% |
| -10 | 0.5% | 4% |
| +10 | -0.5% | -4% |
| +25 | -1.3% | -10% |

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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 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, this release includes certain non-GAAP financial information, including net spread income, net spread and TBA dollar roll income, estimated taxable income and certain financial metrics derived from non-GAAP information, such as estimated undistributed taxable income, which the Company's management uses in its internal analysis of results, and believes may be informative to investors.

GAAP interest expense does not include interest related to periodic settlements associated with undesignated interest rate swaps. Periodic interest settlements associated with undesignated interest rate swaps are reported in realized gain (loss) on periodic settlements of interest rate swaps on our consolidated statement of operations. As we believe that these items are beneficial to the understanding of our investment performance, we provide a non-GAAP measure called adjusted net interest income, which includes the impact of net periodic settlements of interest rates swaps. Additionally, we present net spread income as a measure of our operating performance. Net spread income is comprised of adjusted net interest income, less total operating expenses. Net spread income excludes all unrealized gains or losses due to changes in fair value, realized gains or losses on sales of securities, realized losses associated with derivative instruments and income taxes. Net spread and TBA dollar roll income includes the impact of estimated net carry income or loss (also known as “dollar roll income/loss”) associated with net sales of agency mortgage backed securities on a forward-settlement basis through the TBA market.

Estimated taxable income is pre-tax income calculated in accordance with the requirements of the Internal Revenue Code rather than GAAP. Estimated taxable income differs from GAAP income because of both temporary and permanent differences in income and expense recognition. Examples include (i) unrealized gains and losses associated with interest rate swaps and other derivatives and securities marked-to-market in current income for GAAP purposes, but excluded from estimated taxable income until realized or settled, (ii) timing differences, both temporary and potentially permanent, in the recognition of certain realized gains and losses and (iii) temporary differences related to the amortization of net premiums paid on investments. Furthermore, taxable income can include certain estimated information and is subject to potential adjustments up to the time of filing of the appropriate tax returns, which occurs after the end of the calendar year of the Company.

The Company believes that these non-GAAP financial measures provide information useful to investors because net spread income is a financial metric used by management and investors and estimated taxable income is directly related to the amount of dividends the Company is required to distribute in order to maintain its REIT tax qualification status. The Company also believes that providing investors with net spread income, estimated taxable income and certain financial metrics derived from such non-GAAP financial information, in addition to the related GAAP measures, gives investors greater transparency to the information used by management in its financial and operational decision-making. However, because net spread income and estimated taxable income are incomplete measures of the Company's financial performance and involve differences from net income computed in accordance with GAAP, they should be considered as supplementary to, and not as a substitute for, the Company's net income computed in accordance with GAAP as a measure of the Company's financial performance. In addition, because not all companies use identical calculations, our presentation of net spread income and estimated taxable income may not be comparable to other similarly-titled measures of other companies. A reconciliation of GAAP net interest income to non-GAAP net spread and TBA dollar roll income and a reconciliation of GAAP net income to non-GAAP estimated taxable income is included in this presentation.