American Capital Agency

Q3 2013 Stockholder Presentation

October 29, 2013

AGNC NASDAQ LISTED

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

American Capital Agency

TYPE / STOCK TICKER:
COMMON STOCK / AGNC

EXCHANGE:
NASDAQ

IPO DATE:
MAY 2008

IPO PRICE:
$20.00 PER SHARE

TOTAL DIVIDENDS PAID SINCE IPO[1]:
$26.96 PER SHARE

NET ASSET VALUE[2]:
$25.27 PER SHARE

TOTAL EQUITY CAPITAL[2]:
$9.7 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]:
$3.056 PER SHARE

SHARES OUTSTANDING[2]:
6.9 MILLION

1. As of October 28, 2013
2. As of September 30, 2013. “Net Asset Value” and “Total Equity Capital” net of 8.000% Series A Cumulative Redeemable Preferred Stock (“Series A Preferred Stock”) aggregate liquidation preference of $173 million

Q3 2013 Highlights

- **$0.45 Comprehensive Income per Common Share, Comprised of:**
  - ✓ $(1.80) net loss per common share
  - ✓ $2.25 other comprehensive income (“OCI”) per common share
    - Includes net unrealized gains on investments marked-to-market through OCI
- **$0.58 Net Spread and Dollar Roll Income/Loss per Common Share (1)**
  - ✓ Includes $(0.03) per common share of estimated net carry loss (also known as “dollar roll income/loss”) associated with a net short position in agency mortgage backed securities (“MBS”) in the "to-be-announced" ("TBA") market (2)
  - ✓ Includes $(0.03) per common share of estimated “catch-up” premium amortization cost due to change in projected constant prepayment rate (“CPR”) estimates
- **$0.29 Estimated Taxable Income per Common Share**
- **$0.80 Dividend Declared per Common Share**
- **$0.57 Estimated Undistributed Taxable Income per Common Share as of Sept 30, 2013**
  - ✓ Decreased $(0.50) per common share from $1.07 per common share as of June 30, 2013
- **$25.27 Net Book Value per Common Share as of Sept 30, 2013**
  - ✓ Decreased $(0.24) per common share, or (0.9)%, from $25.51 per common share as of June 30, 2013
- **2.2% Economic Gain on Common Equity for the Quarter, or 8.7% Annualized**
  - ✓ Comprised of $0.80 dividend per common share and $(0.24) decrease in net book value per common share

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.

Q3 2013 Other Highlights

- **$77.8 Billion Investment Portfolio as of Sept 30, 2013**
  - ✓ Net of $(7.3) billion net short TBA mortgage position as of Sept 30, 2013
- **7.2x "At Risk" Leverage as of Sept 30, 2013 (1)**
  - ✓ 7.9x leverage excluding net short TBA mortgage position as of Sept 30, 2013
  - ✓ Decrease of 1.3x from June 30, 2013 "at risk" leverage of 8.5x
- **7.8x Average "At Risk" Leverage for the Quarter**
  - ✓ 7.8x average leverage for the quarter excluding average net TBA mortgage position
- **10% Actual Portfolio Constant Prepayment Rate ("CPR") for the Quarter (2)**
  - ✓ 8% actual portfolio CPR for the month of Oct 2013 (3)
  - ✓ 8% average projected portfolio life CPR as of Sept 30, 2013
  - ✓ Excludes net TBA mortgage position
- **1.37% Annualized Net Interest Rate Spread as of Sept 30, 2013 (4)**
  - ✓ Increase from 1.24% annualized net interest rate spread as of June 30, 2013
  - ✓ Excludes net TBA mortgage position
- **1.14% Annualized Net Interest Rate Spread and TBA Dollar Roll Income/Loss for the Quarter (4)**
  - ✓ Includes -6 bps of estimated TBA dollar roll loss
  - ✓ Includes -6 bps of "catch-up" premium amortization cost due to change in projected CPR estimates
- **11.9 Million Shares of Common Stock Repurchased during the Quarter**
  - ✓ Represents 3% of common shares outstanding as of June 30, 2013
  - ✓ $22.16 per share average net repurchase price

1. "At risk" leverage calculated as sum of agency repurchase agreements, net payable/receivable for agency securities not yet settled, other debt and net TBA position divided by total stockholders' equity. Excludes U.S. Treasury repurchase agreements of $4.1 billion as of Sept 30, 2013
2. Actual weighted average monthly annualized CPR published during July, Aug and Sept 2013 for agency securities held as of the preceding month-end
3. Actual weighted average 1 month annualized CPR published during Oct 2013 for agency securities held as of Sep 30, 2013
4. 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 and U.S. Treasury positions and U.S. Treasury repos.

Market Information

Security	12/31/12	3/31/13	6/30/13	9/30/13	Q3 2013 Δ
Treasury Rates					
2 Yr UST	0.25%	0.24%	0.36%	0.32%	-0.04%
5 Yr UST	0.72%	0.77%	1.39%	1.38%	-0.01%
10 Yr UST	1.76%	1.85%	2.49%	2.61%	+0.12%
30 Year Fixed Rate Mortgages					
3.00%	104.84	103.11	97.72	97.70	-0.02
3.50%	106.66	105.58	101.50	101.83	+0.33
4.00%	107.22	106.61	104.16	104.86	+0.70
4.50%	108.03	107.73	105.82	106.80	+0.98
5.00%	108.33	108.34	107.65	108.45	+0.80
5.50%	108.64	109.08	108.65	109.03	+0.38
6.00%	109.22	109.56	108.78	109.39	+0.61

Security	12/31/12	3/31/13	6/30/13	9/30/13	Q3 2013 Δ
Swap Rates					
2 Yr Swap	0.39%	0.42%	0.51%	0.46%	-0.05%
5 Yr Swap	0.86%	0.95%	1.57%	1.54%	-0.03%
10 Yr Swap	1.84%	2.01%	2.70%	2.77%	+0.07%
15 Year Fixed Rate Mortgages					
2.50%	104.61	103.75	100.45	100.61	+0.16
3.00%	105.61	105.17	102.82	103.53	+0.71
3.50%	106.14	106.03	104.20	105.58	+1.38
4.00%	107.00	107.00	105.32	106.25	+0.93
4.50%	107.55	107.67	106.00	106.25	+0.25

Source: Bloomberg and dealer indications

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

Near Term Outlook Is Very Dependent on the Fed

Economic Growth Regains Momentum and Fed Tapers In Near Future - Dec or Jan

Fed Tapers In March/April

Economic Growth Fails to Pick Up and Fed Does Not Taper Prior to June

	Economic Growth Regains Momentum and Fed Tapers In Near Future - Dec or Jan	Economic Growth Fails to Pick Up and Fed Does Not Taper Prior to June
Probability	**Low**	**Low - Medium**
10-Year Rate in Early 2014	Moderate Increase 2.5% to 3.0%	Flat to Lower 2.0% to 2.5%
Yield Curve in Early 2014	Steepens	Flattens
Gross Fed MBS Purchases From Nov 2013 Through 2014	$350 to $450 Billion	$650 to $850 Billion
Expected Agency MBS Impact	▪ Mortgage prices decline ▪ Prepayments slow further ▪ Mortgage originations slow to $75 - $90 billion/month ▪ Mortgage spreads widen but spread movements are likely significantly less violent given previous portfolio rebalancing and slower originations	▪ Mortgage prices increase ▪ Prepayments on higher coupon MBS increase but prepayment risk unlikely to be significant for market ▪ Mortgage originations increase to $100 - $120 billion/month but still dramatically lower than the $150 billion average in Q1-2013
Optimal Short Term Positioning	▪ Lower leverage ▪ High concentration of low spread duration assets: • Higher share of 15-year fixed rate MBS • Lower share of lower coupon fixed rate 30-year MBS ▪ High hedge ratio: • Low duration gap • Minimal extension risk • Hedges concentrated in 5-15 year part of Curve	▪ Higher leverage ▪ High concentration of lower coupon 30-year fixed rate MBS ▪ Lower hedge ratio • Larger positive duration gap • Lower percentage of longer term hedges

The views expressed above are of the AGNC investment team as of the date of this presentation, October 28, 2013, and should not be interpreted as forecasts or investment advice. Opinions expressed may change without notice.

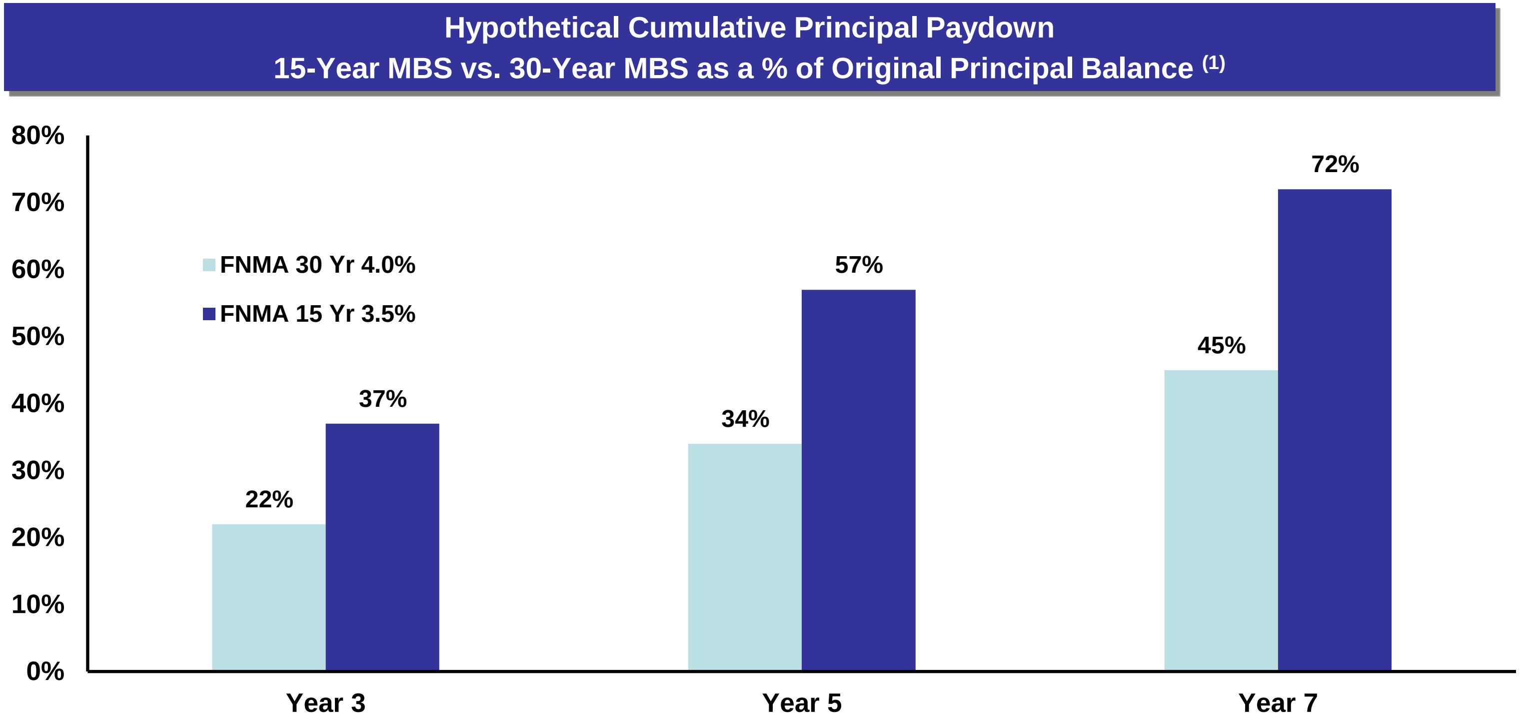
Longer Term Outlook More Predictable

While the short term outlook is difficult to predict, we do believe that asset positioning for the intermediate to longer term (2 - 5 years) is more straightforward

- **After the next year or two, it is very likely that the Fed will no longer be purchasing significant quantities of MBS and, therefore, the private sector will have to absorb a greater share of the MBS market**
- **At the same time:**
  - ✓ Interest rates are likely to gradually increase
  - ✓ Bank capital requirements will be higher and inclusion of accumulated OCI charges will likely reduce the capacity of large banks to hold MBS
  - ✓ The share of non-agency MBS will be growing and these investments will require considerably more capital given lower available leverage on private label MBS
  - ✓ A greater share of private capital will be redeployed into mortgage credit risk under most scenarios
- **For all these reasons, we expect the ROE on new agency investments to be very attractive 2 – 5 years from now and we want to be sure that we have substantial capital to put to work in that environment**

Asset Composition Drives Return of Principal

15-year MBS return principal at a much faster rate than 30-year MBS, which provides greater capacity to redeploy capital in a post QE3 rising rate environment



- **Reinvestment capacity critical in a post QE3 environment**
- **Shorter amortization schedule and faster borrower turnover for 15-year MBS provide added reinvestment flexibility in a rising rate environment**
- **Risk profile of 15-year versus 30-year MBS supports the use of higher leverage**

1. The hypothetical examples in the table above are derived from models that are dependent on inputs and assumptions and, accordingly, actual results could differ materially from these estimates. The examples in the table above are represented by 30-year FNMA 4.0% and 15-year FNMA 3.5% MBS with the following Day 1 characteristics and assumptions: 30-year 4.0% MBS with a 4.5% WAC, 330 WAM, 30 WALA and 6 CPR. 15-year 3.5% MBS with a 4.0% WAC, 150 WAM, 30 WALA and 8 CPR.

Risk Profile of Different Assets Vary Considerably Over Time

15-year MBS "de-lever" (become less risky) at a considerably faster rate over time than 30-year MBS

- **NAV sensitivity to wider spreads ("basis risk") on 15-year MBS decreases at a faster rate over time than 30-year MBS**

Hypothetical NAV Sensitivity to Wider Spreads (+25 bps) at Various Points in Time Assuming 7x Leverage				
Point in Time	**Today**	**+3 Yrs Forward**	**+5 Yrs Forward**	**+7 Yrs Forward**
30-Year FNMA 4.0%	-15.6%	-14.7%	-14.1%	-13.4%
15-Year FNMA 3.5%	-9.3%	-7.7%	-6.5%	-5.1%

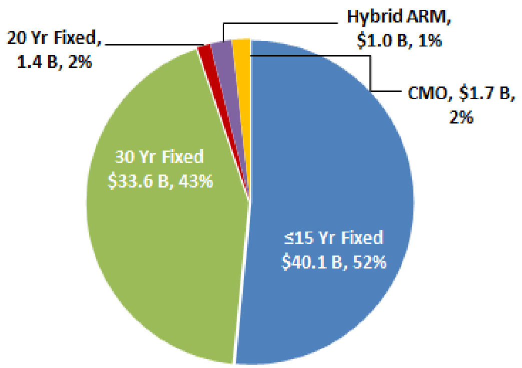
- **15-year MBS de-lever substantially over time and provide much more stable cash flows relative to 30-year MBS**

Hypothetical Weighted Average Life Sensitivity to Various Prepayment Speed Assumptions at 5 Years Forward Point in Time				
CPR	**5%**	**10%**	**20%**	**30%**
30-Year FNMA 4.0%	9.0	6.5	3.9	2.6
15-Year FNMA 3.5%	3.5	3.1	2.4	1.9

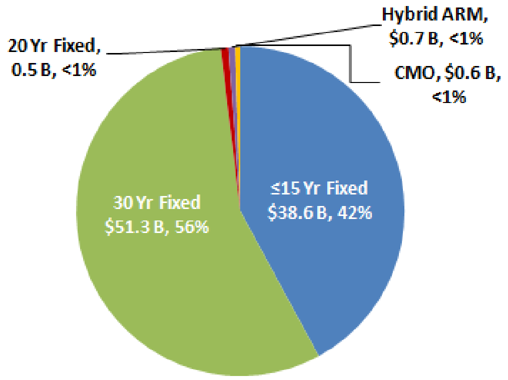
* The two hypothetical portfolios presented in the tables above are represented by 30-year FNMA 4.0% and 15-year FNMA 3.5% MBS with the following Day 1 characteristics and assumptions: 30-year 4.0% MBS with a 4.5% WAC, 330 WAM, 30 WALA, 104.859 price and 6 CPR. 15-year 3.5% MBS with a 4.0% WAC, 150 WAM, 30 WALA, 105.578 price and 8 CPR. The Average life table is calculated by seasoning the WAM and WALA of each position by 60 months. The hypothetical examples are not intended to approximate the impact on AGNC's portfolio or NAV. Actual results could differ materially from these hypothetical examples.

Q3 2013 Portfolio Update

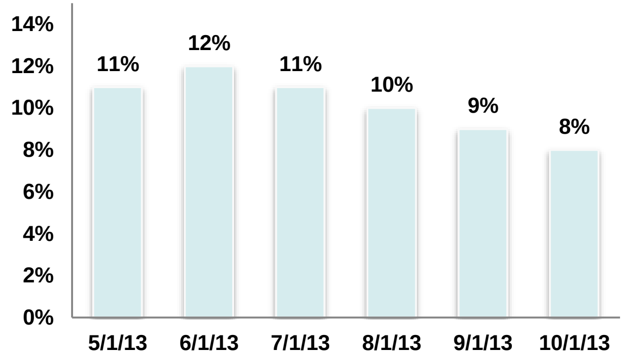
As of 9/30/13
$77.8 B Portfolio
MBS ($85.0 B, 109%) & Net TBA Position (-$7.3 B, -9%)



As of 6/30/13
$91.7 B Portfolio
MBS ($77.2 B, 84%) & Net TBA Position ($14.5 B, 16%)



AGNC Actual CPR [1]



≤ 15 Year - $40.1 B Portfolio (52% of Total) as of 9/30/13

($ In Millions)	FMV	%	Coupon	WALA [4]	Oct'13 1 M Actual CPR [1]	Life Forecast CPR [5]
Lower Loan Bal [2]	$18,165	45%	3.43%	25	10%	9%
HARP [3]	3,217	8%	3.09%	14	6%	7%
Other 2009-2013	20,733	52%	3.08%	21	9%	8%
Other (Pre 2009)	30	0%	4.50%	96	7%	13%
≤15 Year MBS	**$42,145**	**105%**	**3.23%**	**22**	**9%**	**8%**
Net Short TBA	$(2,036)	(5)%	3.52%	**N/A**	**N/A**	**N/A**
Total ≤15 Year	**$40,109**	**100%**	**3.22%**	**N/A**	**N/A**	**N/A**

30 Year - $33.6 B Portfolio (43% of Total) as of 9/30/13

($ In Millions)	FMV	%	Coupon	WALA [4]	Oct'13 1 M Actual CPR [1]	Life Forecast CPR [5]
Lower Loan Bal [2]	$10,910	33%	3.71%	20	7%	6%
HARP [3]	20,455	61%	3.85%	19	6%	7%
Other 2009-2013	7,164	21%	3.35%	12	5%	6%
Other (Pre 2009)	266	1%	5.59%	98	27%	22%
30 Year MBS	**$38,795**	**116%**	**3.72%**	**18**	**6%**	**7%**
Net Short TBA	$(5,220)	(16)%	2.79%	**N/A**	**N/A**	**N/A**
Total 30 Year	**$33,575**	**100%**	**3.88%**	**N/A**	**N/A**	**N/A**

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 $100 K for ≤15-year and $97 K for 30-year securities as of Sept 30, 2013
3. HARP defined as pools backed by 100% refinance loans with original LTVs ≥ 80%. Wtd/avg original LTV of 102% for ≤15-year and 101% for 30-year securities as of Sept 30, 2013. Includes $1.0 B and $2.1 B of ≤15-year and 30-year securities with >105 LTV pools, respectively, 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 Sept 30, 2013

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Financing Summary

Access to repo funding remained stable throughout the quarter

- **Average repo cost decreased to 0.44% as of Sept 30, 2013 from 0.45% as of June 30, 2013**
- **No material change to repo capacity during the quarter**
- **Repo counterparties totaled 32 as of Sept 30, 2013**
- **Weighted average "haircut" of 5%, largely unchanged from prior quarter**
- **112 weighted average days to maturity as of Sept 30, 2013**
- **195 estimated weighted average original days to maturity as of Sept 30, 2013**

Repurchase Agreements [1]
As of Sept 30, 2013 - $ in millions

Days to Maturity	Repo Outstanding %	Repo Outstanding $	Interest Rate	Average Days to Maturity
≤ 1 Month	39%	$30,902	0.41%	15
> 1 to ≤ 3 Months	34%	26,291	0.42%	58
> 3 to ≤ 6 Months	15%	11,993	0.47%	137
> 6 to ≤ 9 Months	2%	1,943	0.50%	233
> 9 to ≤ 12 Months	3%	2,089	0.54%	322
> 12 to ≤ 24 Months	3%	2,338	0.61%	543
> 24 to ≤ 36 Months	3%	2,221	0.64%	815
> 36 Months	1%	604	0.69%	1,560
Total / Wtd Avg	**100%**	**$78,381**	**0.44%**	**112**
As of June 30, 2013				
Total / Wtd Avg	100%	$70,319	0.45%	119

1. Table excludes repurchase agreements of $4.1 B and $2.1 B associated with U.S. Treasury positions as of Sept 30, 2013 and June 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 $70 billion and covered 91% of our repo, other debt and net TBA position as of Sept 30, 2013, compared to 101% as of June 30, 2013**
  - ✓ **Interest Rate Swaps**
    - $50.2 B notional pay fixed swaps
    - 4.7 year average negative duration
    - Covered 66% of repo, other debt and net TBA position
  - ✓ **Treasury Securities**
    - $3.0 B net long treasury position market value
    - 7.5 year average positive duration
  - ✓ **Treasury Futures**
    - $2.2 B net short treasury future market value
    - 6.3 year average negative duration
  - ✓ **Interest Rate Swaptions**
    - $20.2 B notional payer swaptions
    - 2.6 year average negative duration
    - Covered 27% of repo, other debt and net TBA position

Hedge Portfolio Summary
As of Sept 30, 2013 - $ in millions

	Notional/ Market Value 9/30/2013	Duration [2] 9/30/2013	Net Hedge (Losses)/Gains Q3 2013 [3]	Net Hedge (Losses)/Gains Per Share Q3 2013
Swaps	$ (50,200)	(4.7)	$ (44)	$ (0.11)
Treasury Securities	3,022	7.5	136	0.34
Treasury Futures	(2,186)	(6.3)	(49)	(0.12)
Mortgage Option	(50)	(5.1)	--	--
Swaptions	(20,200)	(2.6)	(134)	(0.34)
Total / Q3 2013	$ (69,614)	(3.6)	$ (91)	$ (0.23)
As of June 30, 2013 / Q2 2013				
Total / Q2 2013	$ (88,735)	(4.8)	$ 2,169	$ 5.47

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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 gain/loss excludes periodic swap costs (a component of net spread income), TBA dollar roll income/loss and mark-to-market gain/loss on our net TBA position reported in gain/loss on derivative instruments and other securities, net. Net hedge gain/loss includes unrealized gains on interest rate swaps reported in other comprehensive income.

Managing Mortgage Extension Risk (1)

A significant portion of the extension risk inherent in our mortgage portfolio is mitigated by our hedges and, in particular, our swaptions

Duration Gap Sensitivity (2)(3)
As of Sept 30, 2013

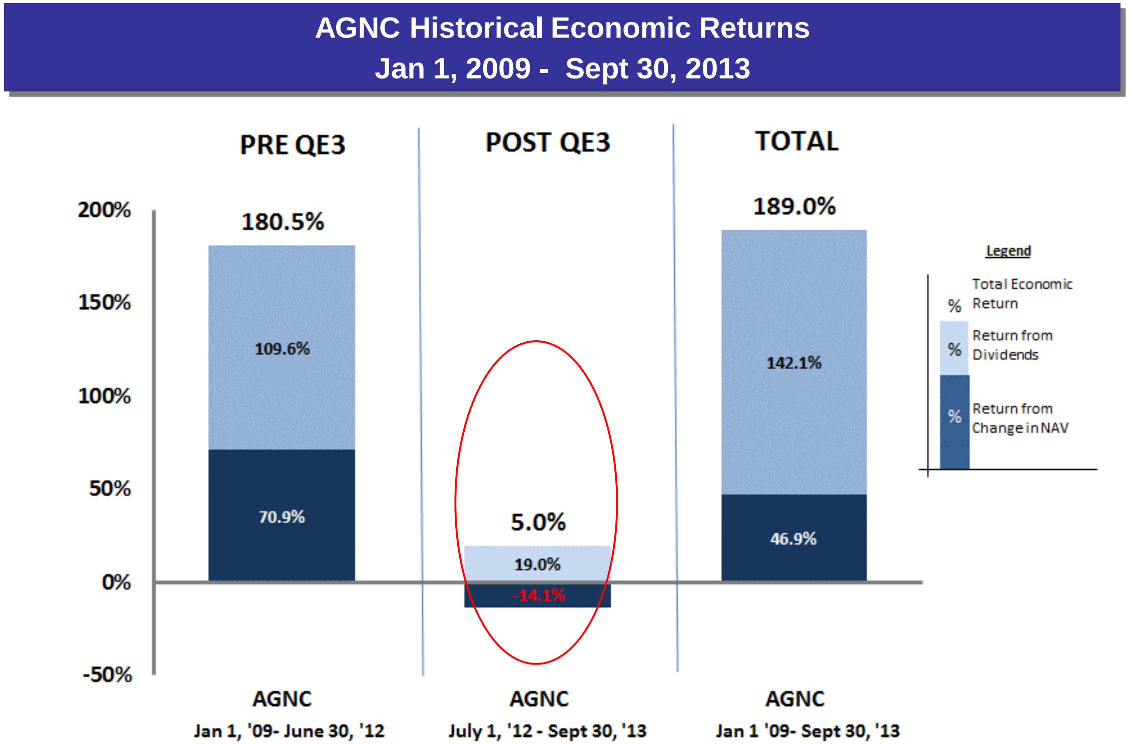
	Duration 9/30/2013	Rates Up 100 Bps	Rates Up 200 Bps
Mortgage Assets:(4)			
30-Year MBS	5.8	7.0	7.4
15-Year MBS	4.1	4.7	4.8
Total Mortgage Assets	**4.8**	**5.7**	**5.9**
Liabilities, Swaps and Treasuries	(3.2)	(3.2)	(3.2)
Net Duration Gap without Swaptions	**1.6**	**2.5**	**2.7**
Swaptions	(0.7)	(1.3)	(1.5)
Net Duration Gap with Swaptions	**0.9**	**1.2**	**1.2**
As of June 30, 2013			
Net Duration Gap with Swaptions	**0.5**	**0.7**	**0.7**

- **In a rising interest rate scenario, most of the extension risk in our assets should be offset by the natural extension of our swaption portfolio**
- **Ongoing portfolio rebalancing actions should allow us to further mitigate our interest rate risk exposure**

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

Total Economic Returns: Pre and Post QE3

Despite the investment challenges created by the Fed's open-end nature of QE3, AGNC has generated positive economic returns for our shareholders over this period



- **Since the inception of QE3, AGNC has generated a 5% economic return for shareholders, while at the same time AGNC: (1)**
  - ✓ Lowered leverage
  - ✓ Repurchased a significant amount of common stock
  - ✓ Rebalanced asset composition
  - ✓ Maintained a conservative level of interest rate risk

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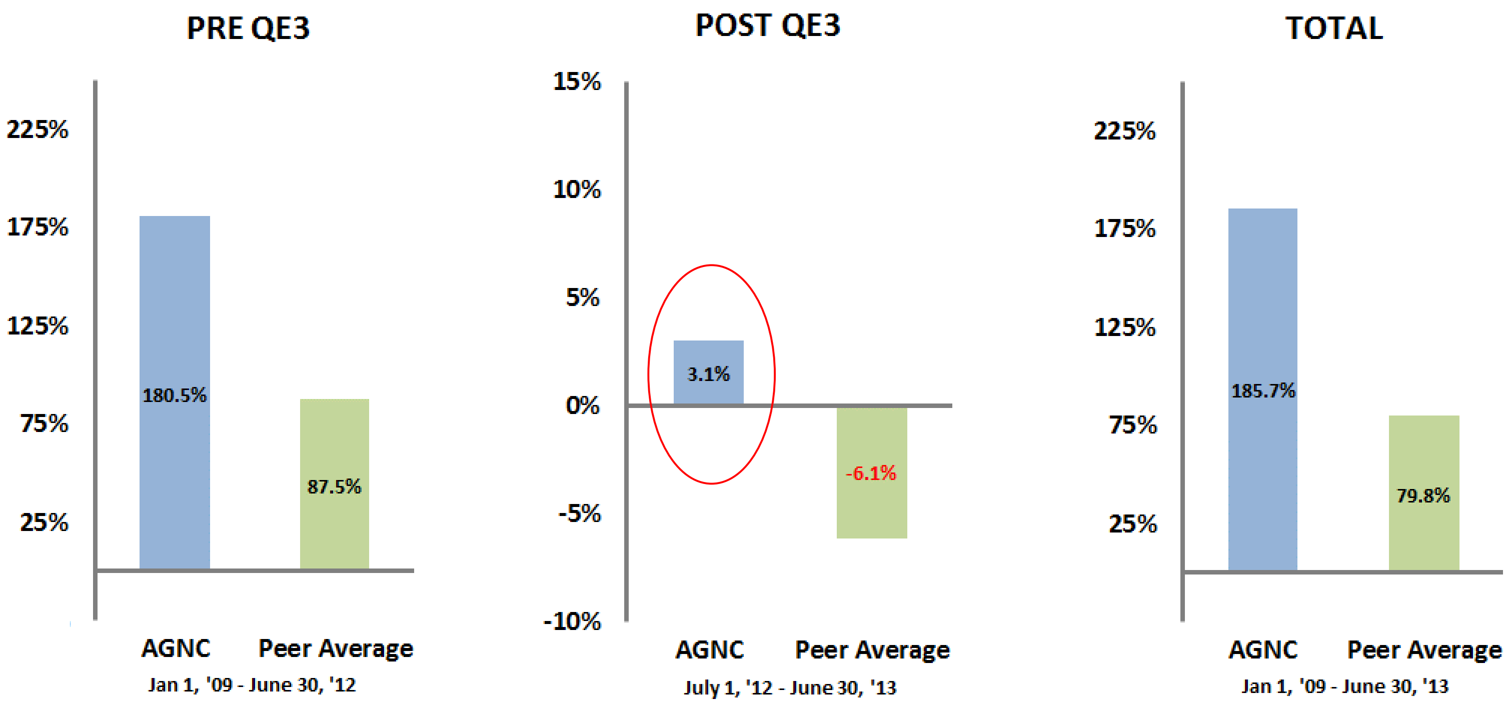
1. Economic return on common equity represents the sum of the change in net asset value per common share and dividends declared on common stock during the period over the beginning net asset value per common share.

Economic Return Versus Peer Group Average

AGNC's economic return since inception and through the recent challenging environment has outperformed our peer group due in part to AGNC's active approach to portfolio management

AGNC vs. Peer Group Average
Historical Economic Returns
Jan 1, 2009 – June 30, 2013 (1)

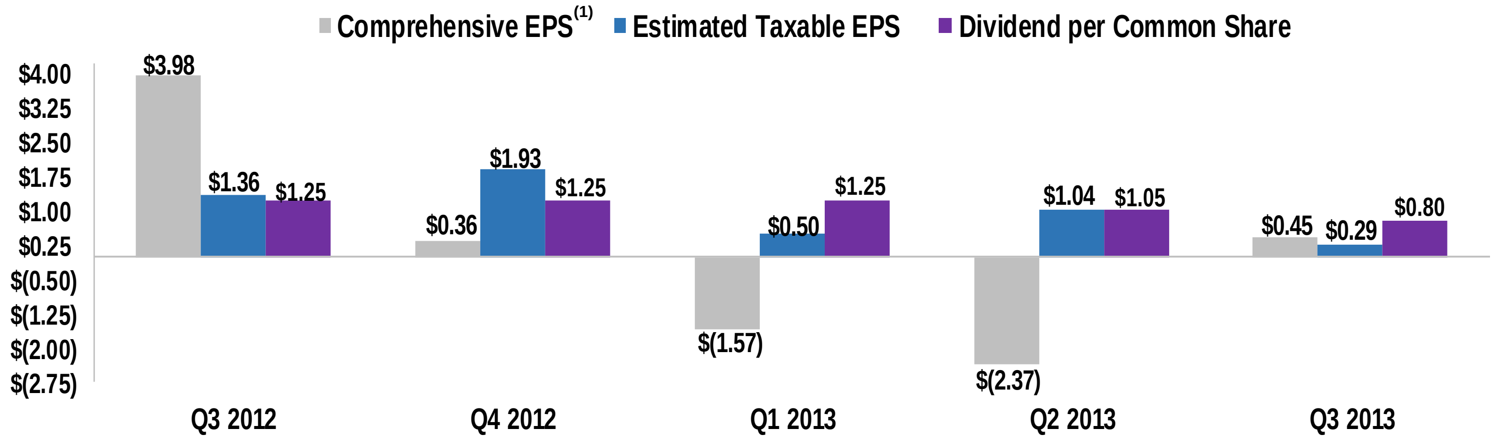


1. Economic return on common equity represents the sum of the change in net asset value per common share and dividends declared on common stock during the period over the beginning net asset value per common share. Peer group average consists of HTS, CMO, NLY, ANH, CYS and ARR on an unweighted basis

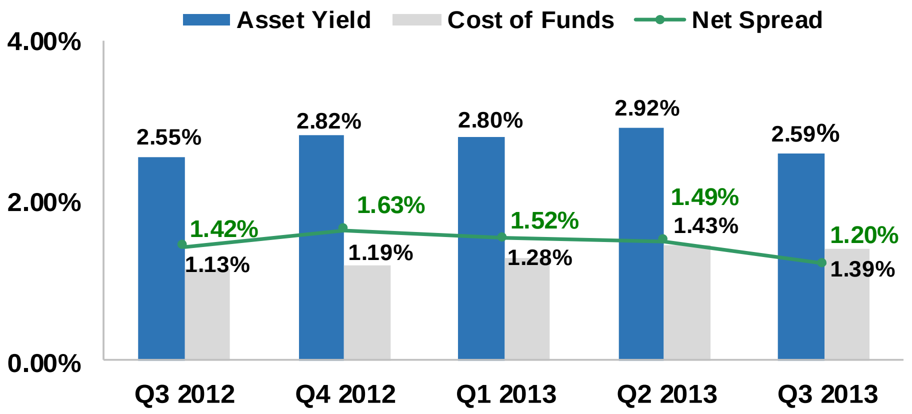
Supplemental Slides

AGNC Historical Overview

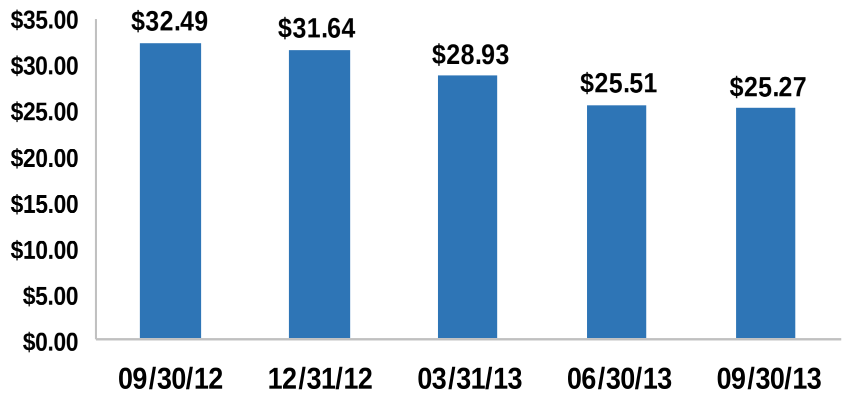
Earnings and Dividends per Common Share



Net Spread [2]



Net Book Value Per Common Share [3]



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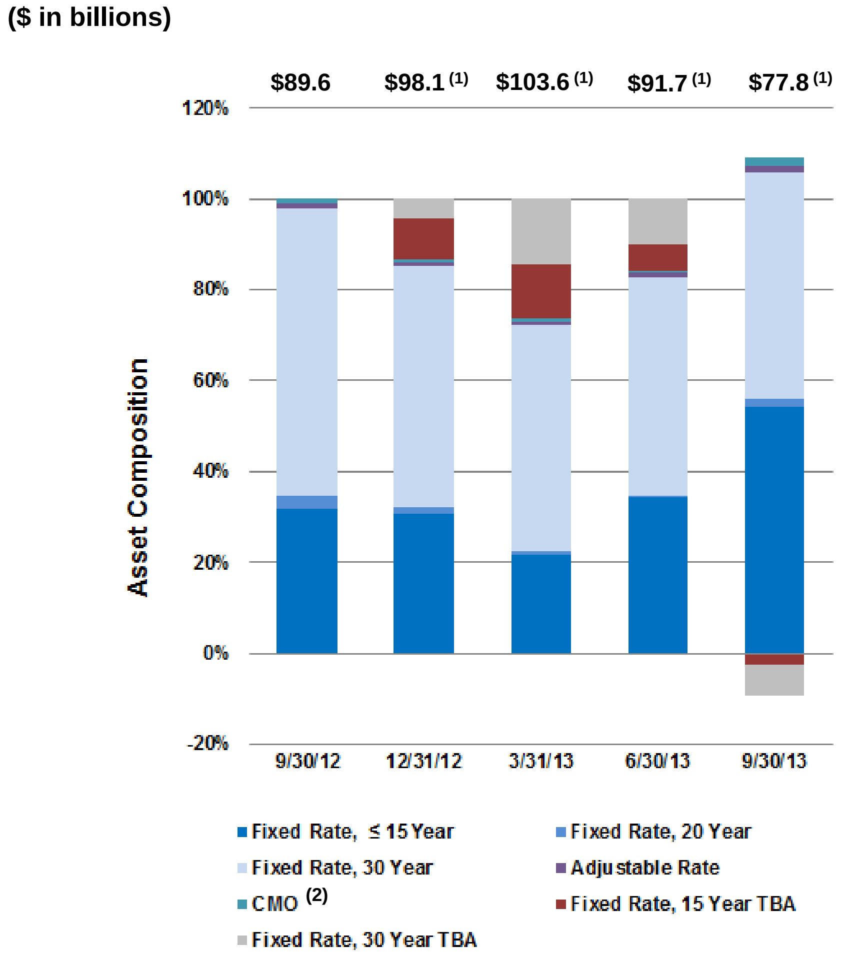
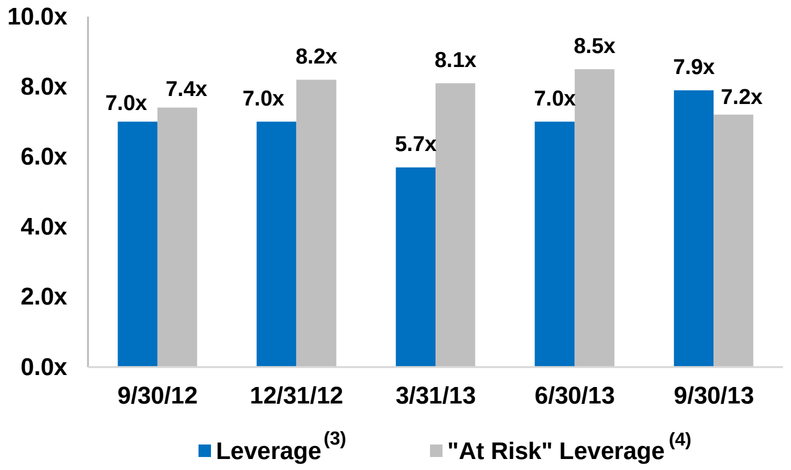
1. Comprehensive earnings per common share is a GAAP measure that consists of net income/loss per common share plus unrealized gains/losses on agency MBS and designated hedges per common share recognized in other comprehensive income, a separate component of equity
2. Represents average per quarter, excludes net carry income from the Company's TBA mortgage portfolio and other supplemental hedge costs such as swaption, short treasury and short 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

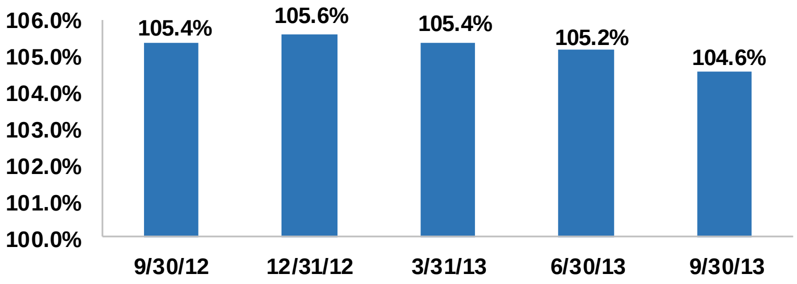
Investment Portfolio



Leverage



Amortized Cost Basis



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1. Amounts include the impact of 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 total stockholders' equity. Leverage excludes U.S. Treasury repurchase agreements of $4.1 billion and $2.1 billion as of Sept 30, 2013 and June 30, 2013, respectively
4. "At Risk" leverage includes the components of leverage plus implied leverage from net TBA mortgage position

Balance Sheets

($ in millions, except per share data)	As of [1]				
	9/30/13	6/30/13	3/31/13	12/31/12	9/30/12
Agency Securities, at Fair Value	$83,805	$75,926	$74,874	$83,710	$88,020
Agency Securities Transferred to Consolidated Variable Interest Entities, at Fair Value	1,204	1,281	1,421	1,535	1,620
U.S. Treasury Securities	4,823	3,671	--	--	--
Cash and Cash Equivalents	2,129	2,923	2,826	2,430	2,569
Restricted Cash	77	1,216	499	399	369
Derivative Assets, at Fair Value	1,246	1,876	480	301	292
Receivable for Securities Sold	1,807	2,070	734	--	2,326
Receivable under Reverse Repurchase Agreements	1,808	9,430	12,291	11,818	6,712
Other Assets	372	270	244	260	269
Total Assets	**$97,271**	**$98,663**	**$93,369**	**$100,453**	**$102,177**
Repurchase Agreements	$82,473	$72,451	$66,260	$74,478	$79,254
Debt of Consolidated Variable Interest Entities, at Fair Value	736	783	862	937	1,008
Payable for Securities Purchased	979	3,167	259	556	1,311
Derivative Liabilities, at Fair Value	1,015	1,544	1,217	1,264	1,562
Dividends Payable	311	420	499	427	430
Obligation to Return Securities Borrowed under Reverse Repurchase Agreements, at Fair Value	1,801	9,931	12,548	11,763	7,265
Accounts Payable and Other Accrued Liabilities	71	87	82	132	74
Total Liabilities	**$87,386**	**88,383**	**81,727**	**89,557**	**90,904**
Preferred Equity at Aggregate Liquidation Preference	173	173	173	173	173
Common Equity	9,712	10,107	11,469	10,723	11,100
Total Stockholders' Equity	**9,885**	**10,280**	**11,642**	**10,896**	**11,273**
Total Liabilities and Stockholders' Equity	**$97,271**	**$98,663**	**$93,369**	**$100,453**	**$102,177**
Leverage [2]	**7.9x**	**7.0x**	**5.7x**	**7.0x**	**7.0x**
Net Book Value Per Common Share [3]	**$25.27**	**$25.51**	**$28.93**	**$31.64**	**$32.49**

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1. Unaudited except for 12/31/2012
2. Leverage calculated as sum of (i) agency MBS repurchase agreements, (ii) the net payable/receivable for agency MBS not yet settled and (iii) other debt divided by total stockholders' equity. Leverage excludes U.S. Treasury repurchase agreements of $4.1 billion and $2.1 billion as of Sept 30, 2013 and June 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)	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012
Interest Income	$558	$545	$547	$570	$520
Interest Expense	(145)	(131)	(140)	(147)	(139)
Net Interest Income	**413**	**414**	**407**	**423**	**381**
(Loss) Gain on Sale of Agency Securities, Net	(733)	17	(26)	353	210
(Loss) Gain on Derivative Instruments and Other Securities, Net	(339)	1,444	(98)	89	(460)
Total Other (Loss) Income, Net	**(1,072)**	**1,461**	**(124)**	**442**	**(250)**
Management Fee	(35)	(37)	(33)	(31)	(32)
General and Administrative Expenses	(7)	(9)	(9)	(9)	(8)
Total Operating Expenses	**(42)**	**(46)**	**(42)**	**(40)**	**(40)**
(Loss) Income before Income Tax Provision	(701)	1,829	241	825	91
Income Tax Provision, Net	--	--	(10)	(15)	(5)
Net (Loss) Income	**(701)**	**1,829**	**231**	**810**	**86**
Dividend on Preferred Stock	(3)	(3)	(3)	(3)	(3)
Net (Loss) Income (Attributable) Available to Common Shareholders	**$(704)**	**$1,826**	**$228**	**$807**	**$83**
Net (Loss) Income	**$(701)**	**$1,829**	**$231**	**$810**	**$86**
Unrealized Gain (Loss) on Available-for-Sale Securities, Net	833	(2,813)	(837)	(734)	1,190
Unrealized Gain on Derivative Instruments, Net	47	48	49	50	51
Other Comprehensive Income (Loss)	**880**	**(2,765)**	**(788)**	**(684)**	**1,241**
Comprehensive Income (Loss)	**179**	**(936)**	**(557)**	**126**	**1,327**
Dividend on Preferred Stock	(3)	(3)	(3)	(3)	(3)
Comprehensive Income (Loss) Available (Attributable) to Common Shareholders	**$176**	**$(939)**	**$(560)**	**$123**	**$1,324**
Weighted Average Common Shares Outstanding – Basic and Diluted	**390.6**	**396.4**	**356.2**	**340.3**	**332.8**
Net (Loss) Income per Common Share	**$(1.80)**	**$4.61**	**$0.64**	**$2.37**	**$0.25**
Comprehensive Income (Loss) per Common Share	**$0.45**	**$(2.37)**	**$(1.57)**	**$0.36**	**$3.98**
Estimated REIT Taxable Income per Common Share	**$0.29**	**$1.04**	**$0.50**	**$1.93**	**$1.36**
Dividends Declared per Common Share	**$0.80**	**$1.05**	**$1.25**	**$1.25**	**$1.25**

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)	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012
Interest Income	**$558**	**$545**	**$547**	**$570**	**$520**
Interest Expense:					
Repurchase Agreements and Other Debt	(98)	(83)	(91)	(97)	(88)
Interest Rate Swap Periodic Costs [(2)]	(47)	(48)	(49)	(50)	(51)
Total Interest Expense	**(145)**	**(131)**	**(140)**	**(147)**	**(139)**
Net Interest Income	**413**	**414**	**407**	**423**	**381**
Other Interest Rate Swap Periodic Costs [(3)]	(131)	(105)	(84)	(77)	(74)
Adjusted Net Interest Income	**282**	**309**	**323**	**346**	**307**
Total Operating Expenses	**(42)**	**(46)**	**(42)**	**(40)**	**(40)**
Net Spread Income	**240**	**263**	**281**	**306**	**267**
Dividend on Preferred Stock	(3)	(3)	(3)	(3)	(3)
Net Spread Income Available to Common Shareholders	**237**	**260**	**278**	**303**	**264**
TBA Dollar Roll (Loss) Income	(12)	195	142	98	--
Net Spread and Dollar Roll Income Available to Common Shareholders	**$225**	**$455**	**$420**	**$401**	**$264**
Weighted Average Common Shares Outstanding – Basic and Diluted	**390.6**	**396.4**	**356.2**	**340.3**	**332.8**
Net Spread Income per Common Share	**$0.61**	**$0.66**	**$0.78**	**$0.89**	**$0.79**
Net Spread and Dollar Roll (Loss) Income per Common Share	**$0.58**	**$1.15**	**$1.18**	**$1.18**	**$0.79**

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

Reconciliation of GAAP Net Income to Estimated Taxable Income [1]

($ in millions, except per share data) (Unaudited)	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012
Net (Loss) Income	**$(701)**	**$1,829**	**$231**	**$810**	**$86**
Book to Tax Differences:					
Premium Amortization, Net	(6)	(75)	(34)	(19)	55
Capital Losses in Excess of Capital Gains [2]	849	--	--	--	--
Other Realized (Gain) Loss, Net [3]	(255)	(15)	(53)	(16)	167
Unrealized Loss (Gain), Net	229	(1,324)	30	(121)	128
Other [4]	--	(1)	6	6	20
Total Book to Tax Differences	**817**	**(1,415)**	**(51)**	**(150)**	**370**
Estimated REIT Taxable Income	**$116**	**$414**	**$180**	**$660**	**$456**
Dividend on Preferred Stock	(3)	(3)	(3)	(3)	(3)
Estimated REIT Taxable Income Available to Common Shareholders	**$113**	**$411**	**$177**	**$657**	**$453**
Weighted Average Common Shares Outstanding – Basic and Diluted	**390.6**	**396.4**	**356.2**	**340.3**	**332.8**
Estimated REIT Taxable Income per Common Share	**$0.29**	**$1.04**	**$0.50**	**$1.93**	**$1.36**
Estimated Cumulative Undistributed REIT Taxable Income per Common Share [5]	**$0.57**	**$1.07**	**$1.08**	**$2.21**	**$1.52**

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. Represents calendar year 2013 year-to-date capital losses in excess of capital gains. 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
3. Other realized (gain) loss, net for Q3 2013 includes $222 million of net gains on terminated/expired swaptions, which for income tax purposes are deferred and amortized into future ordinary taxable income over the remaining terms of the underlying swaps
4. Other book to tax differences include GAAP net income/loss of wholly-owned taxable REIT subsidiary, net of corporate income tax and dividend distributions; permanent difference for non-deductible excise tax expense; and other temporary differences for non-deductible adjustments
5. Estimated undistributed taxable income ("UTI") per common share is net of dividends declared. UTI excludes non-deductible net capital losses and net deferred ordinary gains from terminated or expired swaptions

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Net Book Value Roll Forward

(In millions, except per share data) (Unaudited)	Balance	Common Shares Outstanding	Net Book Value per Common Share
June 30, 2013 Net Common Equity [1]	**$10,107**	**396.2**	**$25.51**
Net Loss	(701)		
Other Comprehensive Income	880		
Dividend on Common Stock	(308)		
Dividend on Preferred Stock	(3)		
Repurchase of Common Stock	(263)	(11.9)	$22.16
Sept 30, 2013 Net Common Equity [1]	**$9,712**	**384.3**	**$25.27**

Note: 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)	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012
Asset Yield	2.59%	2.92%	2.80%	2.82%	2.55%
Cost of Funds [1]	(1.39)%	(1.43)%	(1.28)%	(1.19)%	(1.13)%
Net Interest Rate Spread [1][2]	**1.20%**	**1.49%**	**1.52%**	**1.63%**	**1.42%**
Leverage [3]	**7.8x**	**5.9x**	**6.5x**	**6.7x**	**7.1x**
Leveraged Net Interest Rate Spread	9.38%	8.72%	9.88%	10.87%	10.12%
Plus Asset Yield	2.59%	2.91%	2.80%	2.82%	2.55%
Gross Return on Equity ("ROE") Before Expenses and Other Income	**11.97%**	**11.63%**	**12.68%**	**13.69%**	**12.67%**
Management Fees as a % of Equity	(1.37)%	(1.33)%	(1.25)%	(1.10)%	(1.19)%
Other Operating Expenses as a % of Equity	(0.29)%	(0.33)%	(0.34)%	(0.32)%	(0.31)%
Total Operating Expenses as a % of Equity	**(1.66)%**	**(1.66)%**	**(1.59)%**	**(1.42)%**	**(1.50)%**
Net Spread Income ROE	**10.31%**	**9.97%**	**11.09%**	**12.27%**	**11.16%**
Other Miscellaneous [4]	(0.81)%	(0.59)%	(0.60)%	(1.40)%	(1.17)%
Realized Other (Loss)/Income, Net of Tax	(28.10)%	8.66%	(0.85)%	13.30%	(1.80)%
Unrealized Other (Loss)/Income	(9.02)%	47.14%	(1.00)%	4.58%	(4.95)%
Net (Loss) Income ROE	**(27.62)%**	**65.18%**	**8.64%**	**28.75%**	**3.24%**
Other Comprehensive Income/(Loss)	34.69%	(98.53)%	(29.49)%	(24.28)%	46.45%
Comprehensive Income/(Loss) ROE	**7.07%**	**(33.35)%**	**(20.85)%**	**4.47%**	**49.69%**
Comprehensive Loss on Preferred Equity in Excess of Preferred Dividend	(0.01)%	(0.64)%	(0.47)%	(0.05)%	0.69%
Net Comprehensive Income/(Loss) ROE Available (Attributable) to Common shareholders	**7.06%**	**(33.99)%**	**(21.31)%**	**4.42%**	**50.38%**

1. 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.
2. Asset yield, cost of funds and net interest rate spread exclude net TBA position
3. Average leverage excludes net TBA position. Total average "at risk" leverage, including our net TBA position, was 7.8x, 8.4x, 8.2x, and 7.8x for Q3, Q2 and Q1 2013 and Q4 2012, 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 Sept 30, 2013

MBS Coupon [1]	Par Value [8]	Market Value [8]	% Lower Loan Balance / HARP [2][3][8]	MBS Amortized Cost Basis [4]	MBS Average WAC [4][5]	MBS Average Age (Months) [4]	MBS Actual 1 Month CPR [4][6]	Duration [7][8]
≤15 YR Mortgage Securities								
≤ 2.5%	$12,690	$12,779	30%	102.1%	2.96%	10	4%	5.1
3.0%	3,890	4,030	104%	103.0%	3.43%	17	6%	4.3
3.5%	15,350	16,229	44%	104.2%	3.93%	27	11%	3.4
4.0%	6,002	6,400	88%	104.9%	4.40%	34	14%	3.2
4.5%	621	661	98%	105.3%	4.87%	37	15%	3.3
≥ 5.0%	9	10	26%	104.5%	6.44%	69	5%	2.4
Subtotal	$38,562	$40,109	53%	103.5%	3.67%	22	8%	4.0
20 YR Mortgage Securities								
≤ 3.0%	$354	$355	28%	99.2%	3.55%	4	1%	5.3
3.5%	749	775	59%	102.2%	3.43%	7	3%	4.3
4.0%	96	102	47%	105.0%	4.53%	25	10%	3.5
4.5%	121	131	97%	107.2%	4.89%	34	11%	2.8
≥ 5.0%	7	7	0%	106.6%	5.90%	64	5%	1.1
Subtotal	$1,327	$1,370	53%	102.1%	3.70%	10	4%	4.4
30 YR Mortgage Securities								
≤ 3.0%	$2,646	$2,584	49%	102.0%	3.62%	7	3%	7.5
3.5%	9,457	9,632	154%	105.9%	4.03%	16	5%	7.0
4.0%	14,484	15,192	70%	106.6%	4.47%	20	7%	5.4
4.5%	4,863	5,213	80%	106.7%	4.94%	30	10%	4.3
5.0%	583	633	61%	107.1%	5.41%	47	15%	2.7
≥ 5.5%	294	321	35%	108.2%	6.25%	81	25%	2.2
Subtotal	$32,327	$33,575	93%	105.6%	4.24%	18	7%	5.8
Total Fixed [8]	**$72,216**	**$75,054**	**71%**	**104.5%**	**3.95%**	**20**	**8%**	**4.8**

1. The wtd/avg coupon on fixed rate securities held as of Sept 30, 2013 was 3.47%, excluding net short TBA mortgage position, and 3.52%, including net short TBA position
2. 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%
3. Percentages in table can exceed 100% of total market value due to inclusion of short TBA positions
4. Average MBS cost basis, WAC, Age and CPR exclude net TBA position
5. Average WAC represents the weighted average coupon of the underlying collateral
6. Actual 1 month annualized CPR published during Oct 2013 for agency securities held as of Sept 30, 2013.
7. 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
8. Excluding net short TBA position, total fixed-rate MBS as of Sept 30, 2013 had a par value of $79,545, market value of $82,310, %LLB/HARP of 65% and avg duration of 5.0

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 16% 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	13%
Europe	10	24%
Total	32	100%

Counterparty Region	Counterparty Rank	Counterparty Exposure as a % of NAV [(1)(2)]
North America	1	3.84%
	2	3.43%
	3	3.21%
	4	2.30%
	5	2.12%
	6-17	13.19%
Asia	1	1.82%
	2	1.64%
	3	1.19%
	4	0.81%
	5	0.76%
Europe	1	2.93%
	2	2.09%
	3	1.89%
	4	1.39%
	5	1.08%
	6-10	2.13%

Total Exposure	45.82%
Top 5 Exposure	15.71%

Note: All figures as of Sept 30, 2013

1. Excludes $0.7 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

- ✓ $50.2 B notional pay fixed swap book as of Sept 30, 2013 (1)
  - $0.9 B of swaps added during the quarter
    - 10 years average maturity and 2.95% average pay rate
  - $6.3 B of swaps terminated during the quarter
- ✓ Covers 66% of repo, other debt and net TBA position

Interest Rate Swaps
As of Sept 30, 2013 - $ in Millions

Years to Maturity	Notional Amount	Pay Rate	Receive Rate	Average Maturity
≤ 3 Years	$18,050	1.50%	0.20%	1.8
> 3 to ≤ 5 Years	13,500	1.19%	0.26%	4.1
> 5 to ≤ 7 Years	5,450	1.71%	0.28%	5.9
> 7 to ≤ 10 Years	10,450	2.16%	0.27%	9.3
> 10 Years	2,750	2.91%	0.26%	15.2
Total / Wtd Avg	$50,200	1.65%	0.24%	5.2
As of June 30, 2013				
Total / Wtd Avg	$55,650	1.61%	0.26%	5.2

♦ Interest Rate Swaptions

- ✓ $20.2 B notional payer swaptions as of Sept 30, 2013
  - $9.5 B payer swaptions added at a cost of $233 MM
  - $13.0 B payer swaptions expired or terminated for net realized gains of $277 MM
  - 1.0 year average remaining option term, 7.0 years average underlying swap term
- ✓ Covers 27% of repo, other debt and net TBA position

Interest Rate Payer Swaptions
As of Sept 30, 2013 - $ in Millions

Expiration	Notional Amount	Cost	Market Value	Pay Rate	Swap Term (Years)
≤ 1 Year	$13,150	$240	$169	2.71%	7.7
> 1 to ≤ 2 Years	4,850	123	117	3.17%	5.7
> 2 to ≤ 3 Years	1,600	47	62	3.60%	6.1
> 3 to ≤ 4 Years	300	7	12	3.27%	5.0
> 4 to ≤ 5 Years	300	8	14	3.76%	5.7
Total / Wtd Avg	$20,200	$425	$374	2.92%	7.0
As of June 30, 2013					
Total / Wtd Avg	$23,750	$483	$842	2.94%	8.4

Other Hedge and Derivative Instruments

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

- **Treasury Securities**
  - ✓ $3.0 B net long treasury position market value
- **Treasury Futures**
  - ✓ $2.2 B short treasury futures market value
- **TBA Mortgages**
  - ✓ $7.3 B net short position
- **Total Hedge Portfolio**
  - ✓ Positions actively managed
  - ✓ 91% of our repo, other debt position and net TBA position covered by swap, swaption, and treasury positions

Treasury Securities
As of Sept 30, 2013 - $ in Millions

Maturity	Face Amount Net Long / (Short)	Market Value Net Long / (Short)
7 Years	$1,250	$1,259
10 Years	1,691	1,763
Total	$2,941	$3,022
As of June 30, 2013		
Total	$(6,727)	$(6,260)

Net TBA Position
As of Sept 30, 2013 - $ in Millions

Term	Face Amount Net Long / (Short)	Market Value Net Long / (Short)
15 Year	$(1,923)	$(2,036)
30 Year	(5,403)	(5,220)
Total	$(7,326)	$(7,256)
As of June 30, 2013		
Total [1]	$14,408	$14,514

1. Includes forward settling sales of specified pools of $1.8 B as of June 30, 2013

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 0.9 years as of Sept 30, 2013, compared to positive 0.5 years as of June 30, 2013**
- **The duration of our asset portfolio decreased to 4.8 years as of Sept 30, 2013 from 5.6 years as of June 30, 2013**
- **The duration of our liability and hedge portfolio decreased to -3.9 years as of Sept 30, 2013, compared to -5.1 years as of June 30, 2013**

($ in billions, duration in years)	Sept 30, 2013		June 30, 2013	
Asset	**Market Value**	**Duration**	**Market Value**	**Duration**
Fixed [1]	$81.1	5.0	$74.7	5.6
ARM	1.0	2.9	0.7	2.1
CMO [2]	2.2	6.7	1.1	8.8
Net TBA	(7.3)	-6.8	14.5	5.5
Total	**$77.0**	**4.8**	**$90.9**	**5.6**
Liabilities & Hedges	**Market Value / Notional**	**Duration**	**Market Value / Notional**	**Duration**
Liabilities	($82.5)	-0.3	($70.3)	-0.3
Swaps	(50.2)	-4.7	(55.7)	-4.7
Preferred	(0.2)	-8.1	(0.2)	-8.3
Swaptions	(20.2)	-2.6	(23.8)	-3.9
Options	(0.1)	-5.1	0.0	0.0
Treasury Securities	3.0	7.5	(6.3)	-9.7
Treasury Futures	(2.2)	-6.3	(3.1)	-6.3
Total		**-3.9**		**-5.1**
Net Duration Gap		**0.9**		**0.5**

Our duration and duration gap estimates 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.

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 Sept 30, 2013, incorporates the dual effects of both duration and convexity and assumes that no portfolio rebalancing actions are taken

Interest Rate Sensitivity [1]
As of Sept 30, 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	0.3%	2.7%
-50	0.4%	3.2%
+50	-0.5%	-4.1%
+100	-1.1%	-8.6%

♦ 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, 2013
- ✓ The spread sensitivity is also sensitive to interest rates and increases as interest rates rise and prepayments slow

MBS Spread Sensitivity ("Basis Risk") [1]
As of Sept 30, 2013

MBS Spread Shock (bps)	Estimated Change in Portfolio Market Value [2]	Estimated Change as a % of NAV [3]
-25	1.3%	10.0%
-10	0.5%	4.0%
+10	-0.5%	-4.0%
+25	-1.3%	-10.0%

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 yr 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) temporary differences for unrealized gains and losses on derivative instruments and investment securities recognized in current income for GAAP but excluded from estimated taxable income until realized or settled, (ii) temporary differences related to the amortization of premiums and discounts paid on investments, and (iii) timing differences in the recognition of certain realized gains and losses. 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.