Q3 2012 Stockholder Presentation

November 1, 2012

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 those forecast 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 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 our forward-looking statements unless required by law.

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

Capital Stock Highlights

TYPE / STOCK TICKER:
COMMON STOCK / AGNC

EXCHANGE:
NASDAQ

IPO DATE:
MAY 2008

IPO PRICE:
$20.00 PER SHARE

TOTAL DIVIDENDS PAID SINCE IPO[1]:
$22.61 PER SHARE

NET ASSET VALUE[2]:
$32.49 PER SHARE

TOTAL EQUITY CAPITAL[2]:
$11.1 BILLION

TYPE / NAME:
8.000% SERIES A CUMULATIVE REDEEMABLE PREFERRED STOCK

PREFERRED STOCK TICKER:
AGNCP

EXCHANGE:
NASDAQ

ISSUE DATE / MATURITY DATE:
APRIL 2012 / PERPETUAL

PUBLIC OFFERING PRICE:
$25.00 PER SHARE

PER ANNUM DIVIDEND RATE:
8.000% PAYABLE QUARTERLY

TOTAL DIVIDENDS PAID SINCE OFFERING[1]:
$1.056 PER SHARE

SHARES OUTSTANDING[1]:
6.9 MILLION

1. As of Oct 30, 2012
2. As of Sept 30, 2012, net of 8.000% Series A Cumulative Redeemable Preferred Stock ("Series A Preferred Stock") aggregate liquidation preference of $173 million

Q3 2012 Highlights

- **$3.98 Comprehensive Income per Common Share, Comprised of:**
  - ✓ $0.25 net income per common share
  - ✓ $3.73 other comprehensive income ("OCI") per common share
    - Consists of net unrealized gains on investments marked-to-market through OCI
- **$0.79 Net Spread Income per Common Share (1)**
  - ✓ $0.86 per common share, excluding approximately $0.07 per common share of "catch-up" premium amortization cost due to change in projected constant prepayment rate ("CPR") estimates
- **$1.36 Estimated Taxable Income per Common Share**
- **$1.25 Dividend Declared per Common Share**
- **$1.52 Estimated Undistributed Taxable Income per Common Share as of Sept 30, 2012 (2)**
  - ✓ Increased $26 million from $492 million as of June 30, 2012 to $518 million as of Sept 30, 2012
  - ✓ On a per share basis, decreased $0.09 per common share from $1.61 as of June 30, 2012
- **$32.49 Net Book Value per Common Share as of Sept 30, 2012 (3)**
  - ✓ Increased $3.08 per common share, or 10%, from $29.41 per common share as of June 30, 2012
- **59% Annualized Economic Return on Common Equity (4)**
  - ✓ Comprised of $1.25 dividend per common share and $3.08 increase in net book value per common share

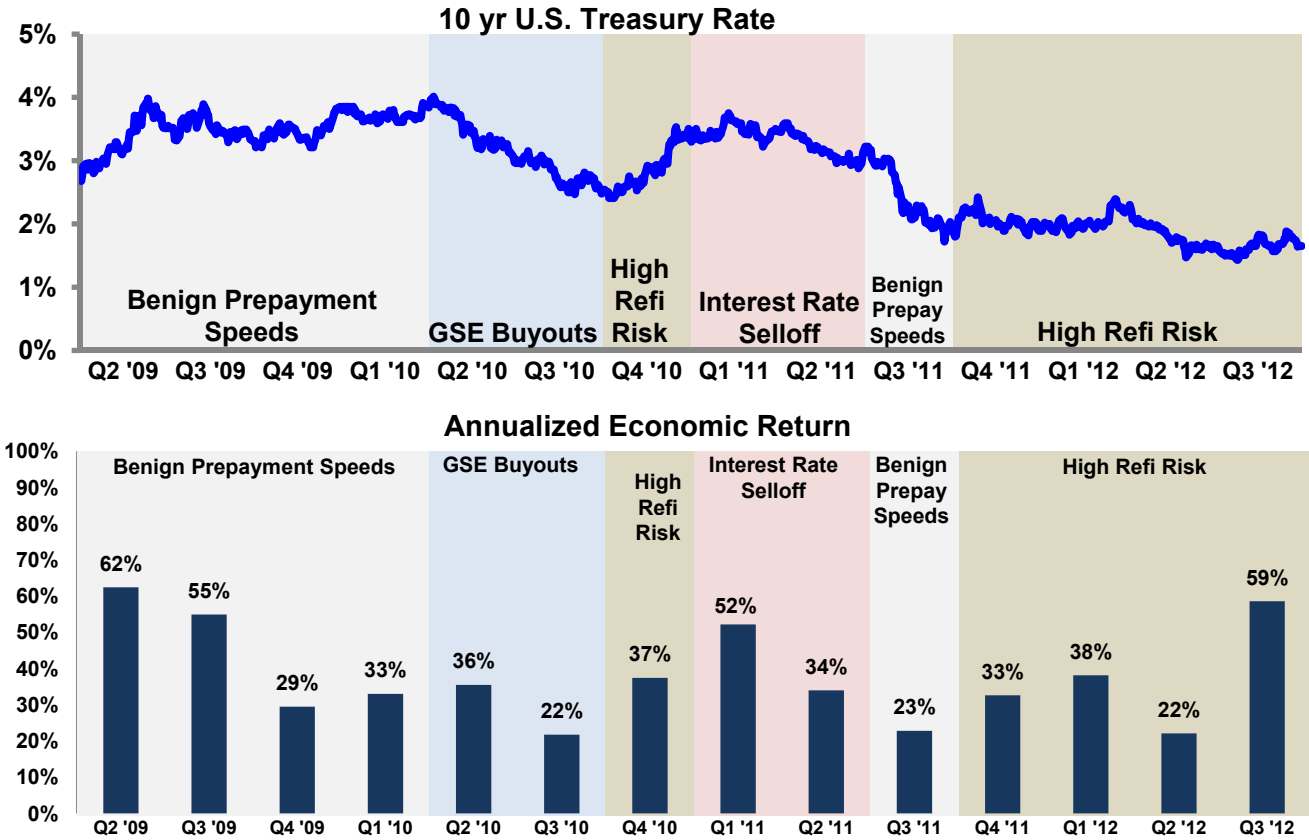
1. Net spread income is a non-GAAP measure that we define as net interest income less other periodic swap interest costs reported in other income and less total operating expenses. Please also refer to slides 26 and 35 for a reconciliation and further discussion of non-GAAP measures
2. Estimated undistributed taxable income per common share is net of common and preferred dividends declared during the quarter, without adjustment for future quarterly dividends not yet declared on the Company's Series A Preferred Stock, divided by total common shares outstanding
3. Net book value per common share calculated as total shareholders' equity, less the Series A Preferred Stock liquidation preference, divided by total common shares outstanding
4. Annualized economic return on common equity represents the sum of the change in net book value per common share and the dividend declared per common share during the period over beginning net book value per common share on an annualized basis

Q3 2012 Other Highlights

- **$90 Billion Investment Portfolio as of Sept 30, 2012**
- **7.0x Leverage as of Sept 30, 2012 (1)**
  - ✓ 7.1x average leverage for the quarter
- **9% Actual Portfolio CPR for the Quarter (2)**
  - ✓ 9% actual portfolio CPR for the month of Oct 2012 (3)
  - ✓ 14% average projected portfolio life CPR as of Sept 30, 2012
- **1.42% Annualized Net Interest Rate Spread for the Quarter (4)**
  - ✓ 1.53% annualized net interest rate spread for the quarter, excluding "catch-up" premium amortization cost due to change in projected CPR estimates
  - ✓ 1.50% net interest rate spread as of Sept 30, 2012 (4)(5)
- **$1.2 Billion of Net Equity Proceeds Raised During the Third Quarter**

1. Leverage calculated as sum of repurchase agreements, net payable/receivable for agency securities not yet settled and other debt divided by total stockholders' equity as of Sept 30, 2012
2. Actual weighted average monthly annualized CPR published during July, Aug and Sept 2012 for agency securities held as of the preceding month-end
3. Actual weighted average 1 month annualized CPR published during Oct 2012 for agency securities held as of Sept 30, 2012
4. Net interest rate spread calculated as the average asset yield, less average cost of funds. Average cost of funds includes repo, other debt and periodic swap interest costs.
5. Incorporates the impact of forward starting interest rate swap agreements starting within 90 days of Sept 30, 2012, net of scheduled expirations

Q3 2012 Economic Return Highest Since 2009



- Economic return represents the combination of dividends paid and the change in our net book value per common share
- While AGNC has generated consistently strong economic returns, the third quarter of 2012 was our strongest performance since early 2009

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Note: Historical performance is not an indicator of future results and we would fully expect to have quarters with book value declines going forward.

Market Information

Security	12/31/11	3/31/12	6/30/12	9/30/12	Q3 2012 Δ
Treasury Rates					
2 Yr UST	0.24%	0.33%	0.30%	0.23%	-0.07%
5 Yr UST	0.83%	1.04%	0.72%	0.63%	-0.09%
10 Yr UST	1.88%	2.21%	1.65%	1.63%	-0.02%
Swap Rates					
2 Yr Swap	0.73%	0.58%	0.55%	0.37%	-0.18%
5 Yr Swap	1.22%	1.27%	0.97%	0.76%	-0.21%
10 Yr Swap	2.03%	2.29%	1.78%	1.70%	-0.08%
30 Year Fixed Rate Mortgages					
3.00%	100.22	99.67	102.55	105.58	+3.03
3.50%	102.88	102.72	105.11	107.25	+2.14
4.00%	105.03	104.86	106.44	107.75	+1.31
4.50%	106.42	106.38	107.28	108.25	+0.97
5.00%	108.03	108.03	108.23	109.06	+0.83
5.50%	108.89	108.97	109.08	109.63	+0.55
6.00%	110.16	110.20	109.91	110.44	+0.53

Security	12/31/11	3/31/12	6/30/12	9/30/12	Q3 2012 Δ
15 Year Fixed Rate Mortgages					
2.50%	101.34	101.42	103.09	105.13	+2.04
3.00%	103.28	103.56	104.77	106.00	+1.23
3.50%	104.58	104.92	105.66	106.41	+0.75
4.00%	105.50	106.00	106.34	106.91	+0.57
4.50%	106.59	107.20	107.17	107.84	+0.67
New Hybrid ARMs					
5/1 - 3.50%	104.25	104.88	105.00	106.13	+1.13
7/1 - 3.75%	104.50	105.13	105.25	106.75	+1.50
10/1- 4.25%	105.31	105.81	106.25	106.88	+0.63
Seasoned Hybrid ARMs					
5/1 - 5.75% 24 MTR	107.31	107.63	107.19	107.19	0.00
10/1 - 5.75% 80 MTR	108.31	108.63	107.75	108.00	+0.25

Source: Bloomberg and dealer indications

Note: Price information is provided for information 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

QE3 – What is the Fed Buying?

The Fed will concentrate its purchases on the part of the mortgage market that has the greatest impact on the mortgage rate offered to borrowers

- **The Fed is likely to buy approximately $70 billion per month in Agency MBS**
  - ✓ $40 billion per month for QE3 and $25-$35 billion per month from reinvesting paydowns on their existing holdings
- **The Fed has stated its preference to buy new production, low coupon fixed rate mortgages (i.e., what is currently being originated) in order to have the greatest impact on rates offered to borrowers**
  - ✓ The Fed has only purchased generic (TBA) mortgage securities to date
  - ✓ The Fed has not purchased securities with specific loan attributes or ARMs
  - ✓ The Fed has purchased 30 year, 2.5%, 3.0% and 3.5% MBS and 15 year, 2.0%, 2.5% and 3.0% MBS
- **In the absence of a significant change in interest rates, the majority of the Fed's future purchases will likely be in 30 year 2.5% and 3.0% MBS and 15 year 2.0% and 2.5% MBS**

QE3 – Why Does It Matter?

QE3 has significantly impacted MBS valuations and will likely impact prepayment speeds on large components of the mortgage market

- **Large scale purchases of agency MBS by the Fed will likely continue to support the prices of lower coupon MBS**

- **This will likely have significant ramifications for mortgage investors**
  - ✓ The yields and risk-adjusted returns on new purchases will likely be materially lower
  - ✓ Mortgage rates to borrowers will be lower
  - ✓ Refinancing volumes will likely increase, driving prepayments on many types of mortgages to new highs

- **A correctly positioned and actively managed portfolio should be able to generate attractive, albeit lower, risk adjusted returns**

Market Impact of QE3

The price of lower coupon generic mortgages and certain specified mortgages have outperformed since the commencement of QE3

30 Year TBA			
Coupon	Pre-QE3 9/12/12	Now 10/23/12	Δ Since QE3
3.00%	103.30	104.66	+1.36
3.50%	105.64	106.31	+0.67
4.00%	106.86	107.03	+0.17
4.50%	107.83	107.91	+0.08

15 Year TBA			
Coupon	Pre-QE3 9/12/12	Now 10/23/12	Δ Since QE3
2.50%	103.83	104.50	+0.67
3.00%	105.39	105.41	+0.02
3.50%	106.17	106.06	-0.11
4.00%	106.89	106.75	-0.14

30 Year Specified Pay-ups ($110 k Loan Balance)			
Coupon	Pre-QE3 9/12/12	Now 10/23/12	Δ Since QE3
3.00%	0.13	0.29	+0.16
3.50%	1.19	1.59	+0.40
4.00%	3.00	3.97	+0.97
4.50%	4.09	4.28	+0.19

15 Year Specified Pay-ups ($110 k loan balance)			
Coupon	Pre-QE3 9/12/12	Now 10/23/12	Δ Since QE3
2.50%	0.41	0.23	-0.18
3.00%	1.05	1.25	+0.20
3.50%	2.13	2.30	+0.17
4.00%	2.35	2.49	+0.14

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Source: Bloomberg and dealer indications

Note: Price information is provided for information 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

QE3 – Scenarios Discussed On Our Q1 Call

	Moderate Growth Continues -and/or- Inflation Remains Near FED Targ	Economy Weakens -and/or- Inflation Below FED Target	Economy Rebounds Strongly -and/or- Inflation Increases Significantly
Probability	Most Likely	Medium	Low
10-Year Rate	Moderate Increase	Flat to Lower	Large, Rapid Increase
Yield Curve	Steepens	Flattens	Steepens
QE3	Unlikely	Likely	None
Prepayment Rate Impact	Organic prepayments decrease, HARP 2.0 speeds could increase	Materially Accelerate	Slow Significantly
Expected Agency MBS Impact	• Mortgage prices decline moderately • Mortgage spreads perform reasonal well vs. hedges as slower prepays a steeper curve entice investors	• Price of lower coupon and prepay protected mortgages increase materially • Prices of generic, higher coupons and ARMs likely appreciate much less as prepayment fears weigh on sector and no FED bid [1]	ortgage prices fall tension risk increases reads widen
Potential Implications for AGNC	• Returns on existing portfolio improve prepays slow • Steeper yield curve leads to wider spreads on new purchases • Moderate book value changes	• Prepayment protection critical to returns on existing assets • Returns on new purchases significantly less attractive • Book value likely increases in response to QE3	fective hedges critical to performance w purchases very attractive, but book lue preservation is key to being able add assets ok value likely decreases

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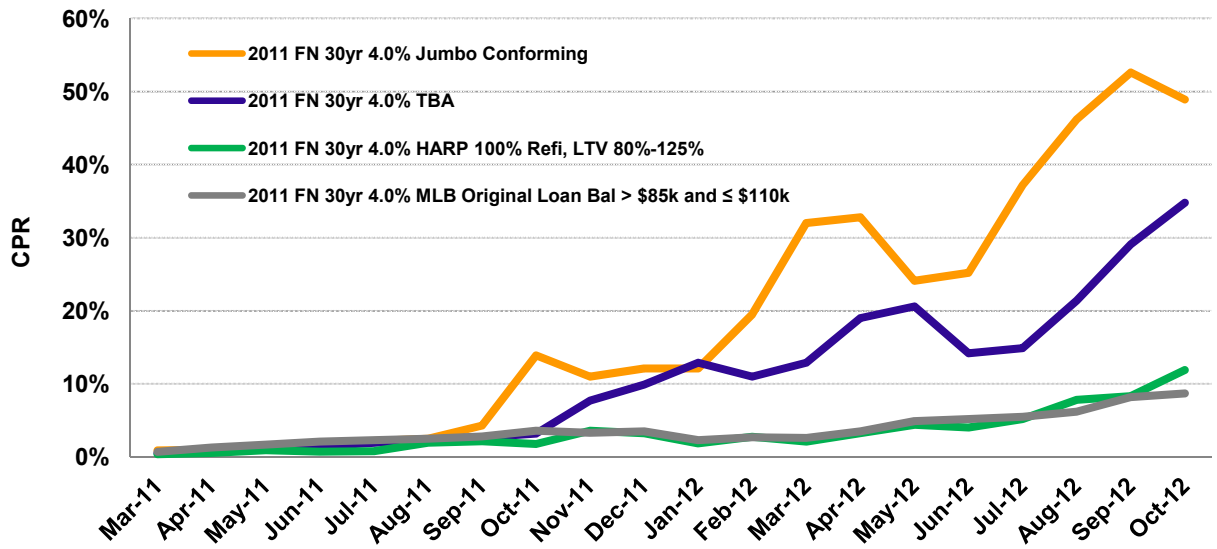
1) In a QE3 scenario, the FED is more likely to purchase lower coupon generic mortgages and less likely to purchase generic higher coupons and ARMs

Asset Selection is Critical To Prepayments

AGNC's fixed rate portfolio comprised of 71% HARP or lower loan balance securities as of Sept 30, 2012 (1)

Prepayment Speeds on 2011 FNMA 30yr 4.0% Coupons (2)



- **QE3 will likely drive the prepayments on most generic 3.5% or higher coupons to peak speeds of around 40 CPR**
- **We believe speed increases on lower loan balance and higher LTV HARP loans should be well below generic coupons**

1. HARP securities defined as pools backed by 100% refinance loans with original LTVs ≥ 80%. Lower loan balance securities defined as pools backed by max original loan balances of up to $150 K. See slides 15 and 30 for further information on our holdings of lower loan balance and HARP securities
2. Source: JPM, represents the weighted average actual 1 month annualized CPR released at the beginning of the month

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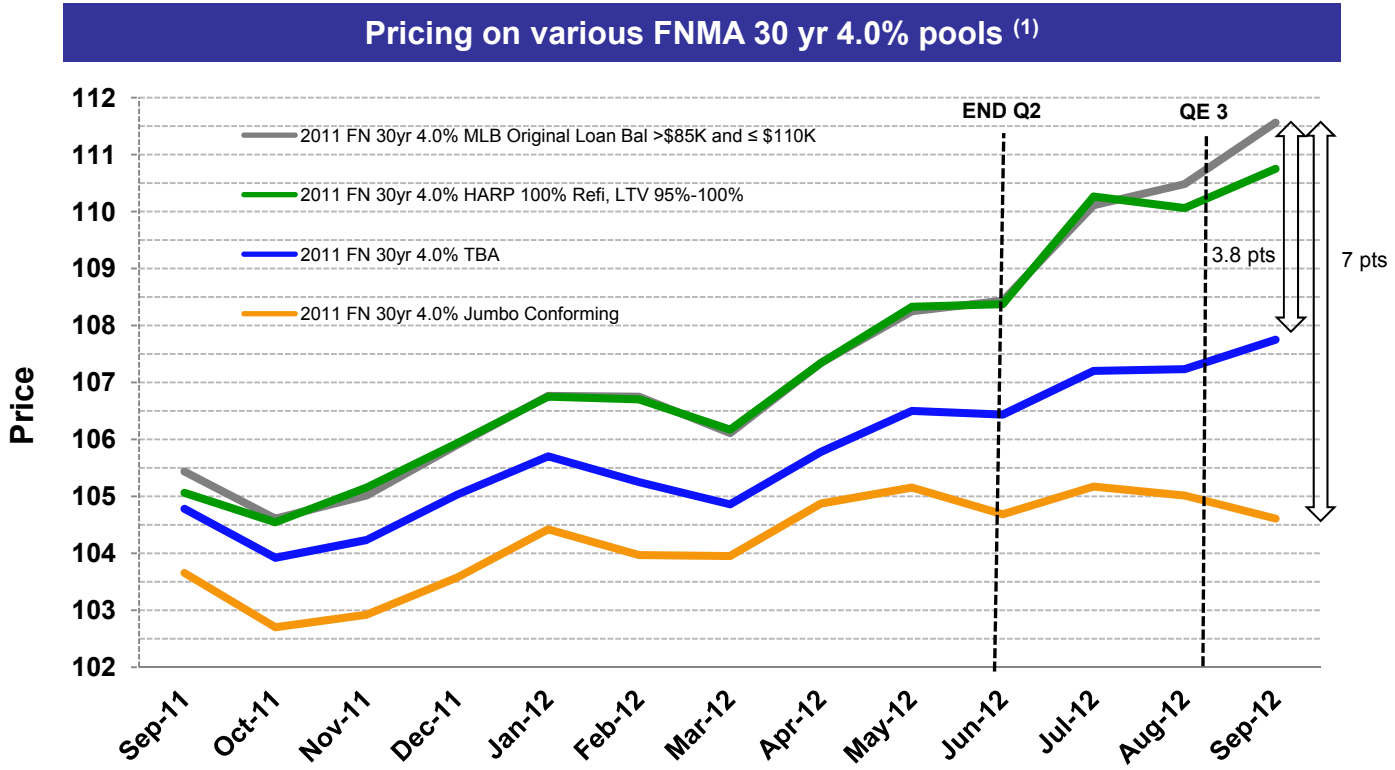
Prepayment Protection Continues To Be Critical To Price Performance

The prices of prepayment protected MBS have substantially outperformed both TBA and specified conforming jumbo mortgages



- **Careful asset selection will be critical to performance in this high prepayment risk environment**

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Source: Dealer indications

1. Price information is provided for information 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

Prepayments Drive ROE

Yields, spreads, and ROE are extremely sensitive to prepayments given current market prices and record low interest rates

30 Year 3.5% MBS – At TBA Price of 106.3 [1]					
	10.0 CPR	**20.0 CPR**	**25.0 CPR**	**30.0 CPR**	**40.0 CPR**
Asset Yield	2.48%	1.80%	1.43%	1.03%	0.14%
Cost of Funds[2]	(0.75)%	(0.75)%	(0.75)%	(0.75)%	(0.75)%
Net Margin	1.73%	1.05%	0.68%	0.28%	(0.61)%
Gross ROE (7x Lev)	**14.59%**	**9.15%**	**6.19%**	**2.99%**	**(4.13)%**

Even 1.5 points above the TBA price, a slow prepaying mortgage-backed security can produce attractive spreads and ROEs

30 Year 3.5% Slow Prepaying MBS – At 1.5 Points Above TBA Price of 106.3					
	5.0 CPR	**7.5 CPR**	**10.0 CPR**	**12.5 CPR**	**15.0 CPR**
Asset Yield	2.61%	2.44%	2.26%	2.06%	1.86%
Cost of Funds[2]	(0.75)%	(0.75)%	(0.75)%	(0.75)%	(0.75)%
Net Margin	1.86%	1.69%	1.51%	1.31%	1.11%
Gross ROE (7x Lev)	**15.63%**	**14.27%**	**12.83%**	**11.23%**	**9.63%**

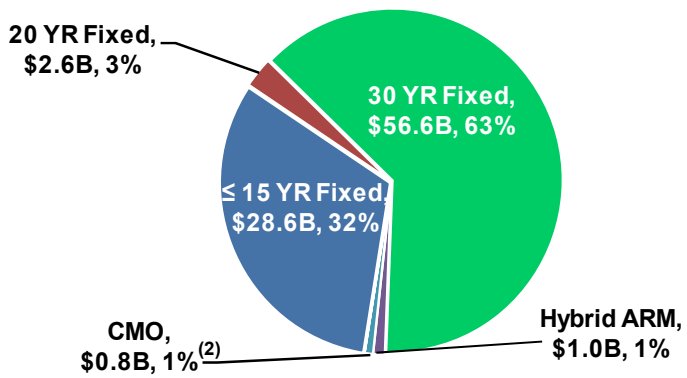
**The hypothetical ROEs listed above are for illustrative purposes only to show the effect of prepayment speeds on yields, spreads, and ROEs at two different price levels with the cost of funds held constant to simplify the analysis. The prepayment speeds displayed on tables are hypothetical and actual speeds for both generic and slower collateral (such as lower loan balance or HARP securities) could differ materially from those shown above and even fall outside of the range of CPRs listed above. Securities purchased at higher prices would produce substantially worse returns in the absence of significant prepayment differences.*

1. FNCL 3.5%, close of business pricing October 23, 2012, for settlement on November 14, 2012
2. Assumes a blend of repo funding and swap hedges and is held constant for illustrative purposes

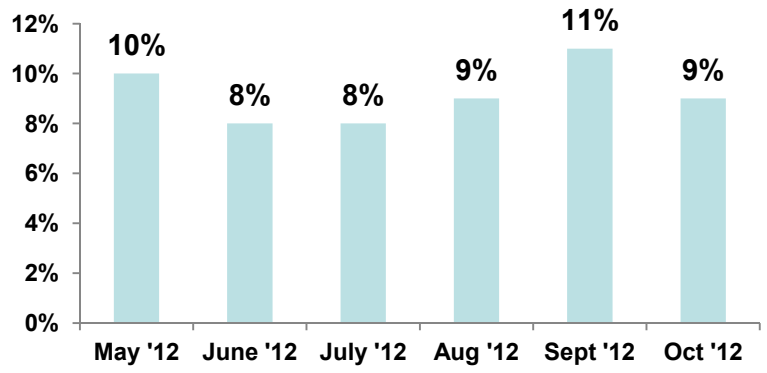
Q3 2012 Portfolio Update

Our portfolio remains well positioned against prepayments

$89.6 B Portfolio as of 9/30/12 (1)



AGNC Actual CPR (3)



≤ 15 Year - $28.6 B Portfolio (32% of Total) as of 9/30/12

($ In Millions)	FMV	%	Coupon	WALA	Oct'12 1 M Actual CPR (3)	Life Forecast CPR (6)
Lower Loan Bal (4)	$15,844	55%	3.71	18	13%	16%
HARP (5)	1,271	5%	3.71	16	12%	17%
Other 2009-2012	11,479	40%	2.72	6	9%	19%
Other (Pre 2009)	37	0%	4.57	84	11%	18%
Total ≤15 Year	**$28,631**	**100%**	**3.31**	**13**	**12%**	**17%**

30 Year - $56.6 B Portfolio (63% of Total) as of 9/30/12

($ In Millions)	FMV	%	Coupon	WALA	Oct'12 1 M Actual CPR (3)	Life Forecast CPR (6)
Lower Loan Bal (4)	$19,005	34%	3.86	11	7%	10%
HARP (5)	25,529	45%	3.87	7	6%	11%
Other 2009-2012	11,590	20%	3.65	5	8%	15%
Other (Pre 2009)	501	1%	5.60	82	25%	21%
Total 30 Year	**$56,625**	**100%**	**3.84**	**9**	**7%**	**12%**

1. Excludes net TBA and forward settling securities
2. Includes interest-only, inverse interest-only and principal-only securities
3. Weighted average actual 1 month annualized CPR released at the beginning of the month based on the securities held as of the preceding month-end
4. Lower loan balance securities defined as pools backed by max original loan balances of up to $150 K. Weighted average original loan balance of $98 K and $101 K for 15 and 30-year securities, respectively, as of Sept 30, 2012
5. HARP securities defined as pools backed by 100% refinance loans with original LTVs ≥ 80%. Weighted average original LTV of 95% and 100% for 15 and 30-year securities, respectively, as of Sept 30, 2012
6. Average projected life CPR as of Sept 30, 2012

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Financing Summary

Access to repo funding remained stable throughout the quarter

- **Increased original contractual average maturity of our repo funding to 141 days from 121 days as of June 30, 2012**
- **Average repo cost increased to 0.46% as of Sept 30, 2012 from 0.42% as of June 30, 2012**
- **No material change to repo margin requirements during the quarter**

AGNC Repos [1]
($ in millions – as of Sept 30, 2012)

Original Maturity	Repo Outstanding %	Repo Outstanding $	Interest Rate	Remaining Days to Maturity	Original Days to Maturity
≤ 1 Month	6%	$4,724	0.43%	12	28
> 1 to ≤ 3 Months	39%	31,252	0.43%	37	70
> 3 to ≤ 6 Months	32%	25,571	0.45%	72	123
> 6 to ≤ 9 Months	11%	8,641	0.49%	92	199
> 9 to ≤ 12 Months	10%	7,547	0.57%	266	353
> 12 to ≤ 24 Months	1%	694	0.67%	613	690
> 24 to ≤ 36 Months	1%	825	0.72%	992	1,046
Total / Wtd Avg	100%	$79,254	0.46%	89	141

1. Amounts in table represent the weighted average for each group. Amounts exclude $1.0 B of other debt in connection with the consolidation of structured transactions under GAAP. Other debt carry's a weighted average interest rate equal to Libor + 42 bps as of Sept 30, 2012.

Hedging Summary

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 wide range of interest rate scenarios

Interest Rate Swaps

- $48.9 B notional pay fixed swap book as of Sept 30, 2012 (1)
  - $3.5 B of swaps added during the quarter
    - 5.6 years average maturity, 1.02% average pay rate
  - $3.2 B of swaps terminated or matured during the quarter
- Covers 61% of repo and other debt balance

Interest Rate Swaptions

- $8.6B notional payer swaptions as of Sept 30, 2012
  - $2.0 B payer swaptions added at a cost of $44 MM
  - $2.3 B payer swaptions expired at an original cost of $13 MM
  - 1.6 years average expiration, 7.7 years average term
- $57 MM total market value as of Sept 30, 2012
- Covers 11% of repo and other debt balance

Interest Rate Swaps (1)(2)
($ in millions – as of Sept 30, 2012)

Maturity	Notional Amount	Pay Rate	Receive Rate	Years to Maturity
≤ 3 Years	$17,150	1.15%	0.30%	2.0
> 3 to ≤ 5 Years	19,400	1.55%	0.35%	4.2
> 5 to ≤ 7 Years	7,100	1.41%	0.43%	6.1
> 7 to ≤ 10 Years	5,200	1.89%	0.45%	9.4
Total / Wtd Avg	$48,850	1.43%	0.35%	4.3

Interest Rate Payer Swaptions (2)
($ in millions – as of Sept 30, 2012)

Expiration	Notional Amount	Cost	Market Value	Pay Rate	Swap Term (Years)
≤ 1 Year	$3,600	$63	$2	3.02%	8.0
> 1 to ≤ 2 Years	2,400	37	12	3.12%	6.7
> 2 to ≤ 3 Years	2,100	40	31	3.93%	8.5
> 3 to ≤ 4 Years	150	4	4	3.57%	7.0
> 4 to ≤ 5 Years	300	8	8	3.38%	5.7
Total / Wtd Avg	$8,550	$152	$57	3.30%	7.7

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1. Includes $3.1 B of forward starting swaps as of Sept 30, 2012 starting through March 2013
2. Amounts represent the total / weighted average for each group

Other Hedge and Derivative Instruments

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

- **Treasury Securities**
  - ✓ $7.3 B short treasury position
  - ✓ Covers 9% of repo and other debt balance
- **Total Hedge Portfolio**
  - ✓ Positions actively managed
  - ✓ Swap, swaption and treasury positions cover 81% of our repo and other debt balances
- **TBA Mortgages**
  - ✓ $3.8 B net long TBA mortgage position [1]

Treasury Securities
($ in millions – as of Sept 30, 2012)

Maturity	Face Amount Long / (Short)	Market Value
5 Years	($4,095)	($4,081)
7 Years	(1,600)	(1,585)
10 Years	(1,600)	(1,598)
Total	($7,295)	($7,264)

TBA Positions
($ in millions – as of Sept 30, 2012)

Term	Face Amount Long / (Short)	Market Value
15 Year	$8,035	$8,400
30 Year [1]	(4,261)	(4,691)
Total	$3,774	$3,709

1. Includes forward settling net sales of specified pools of $860 MM

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 negative 0.7 years as of Sept 30, 2012**
- **The duration of our asset portfolio shortened to 2.3 years as of Sept 30, 2012 from 2.7 years as of June 30, 2012, primarily due to higher MBS prices and the decline in mortgage rates**
- **The duration of our liability and hedge portfolio decreased to 3.0 years as of Sept 30, 2012 from 3.2 years as of June 30, 2012**

($ in billions, duration in years)	Sept 30, 2012		June 30, 2012	
Asset	**Market Value**	**Duration**	**Market Value**	**Duration**
Fixed [1]	$87.0	2.4	$76.3	2.8
ARM	1.0	1.5	1.1	1.4
CMO [2]	0.8	5.2	1.1	4.2
Cash	2.9	0.0	2.4	0.0
Total	**$91.7**	**2.3**	**$80.9**	**2.7**
Liabilities & Hedges	**Market Value / Notional**	**Duration**	**Market Value / Notional**	**Duration**
Liabilities	($79.3)	0.2	($69.5)	0.2
Liabilities (Other) [3]	(1.0)	5.9	(0.9)	5.6
Swaps	(48.9)	4.1	(48.6)	4.1
Preferred	(0.2)	8.0	(0.2)	8.0
Swaptions	(8.6)	0.8	(8.8)	0.6
Treasury / Futures	(7.3)	6.2	(3.8)	6.4
TBA	4.6	1.7	(4.3)	2.1
IOS	--	--	(0.1)	-3.4
Total		**-3.0**		**-3.2**
Net Duration Gap		**-0.7**		**-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 slide 34 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. Balance includes net forward settling specified securities
2. CMO balance includes interest-only, inverse interest-only and principal-only securities
3. Represents other debt in connection with the consolidation of structured transactions under GAAP

Business Economics

(unaudited)	As of 9/30/12 [1]	As of 6/30/12	Q3 2012	Q2 2012	Q1 2012	Q4 2011
Asset Yield	2.61%	2.81%	2.55%	2.73%	3.32%	3.06%
Cost of Funds [2]	(1.11)%	(1.19)%	(1.13)%	(1.08)%	(1.01)%	(1.16)%
Net Interest Rate Spread	**1.50%**	**1.62%**	**1.42%**	**1.65%**	**2.31%**	**1.90%**
Leverage [3]	**7.0x**	**7.6x**	**7.1x**	**7.5x**	**8.2x**	**7.6x**
Leveraged Net Interest Rate Spread	10.53%	12.35%	10.12%	12.37%	19.02%	14.44%
Plus Asset Yield	2.61%	2.81%	2.55%	2.73%	3.32%	3.06%
Gross Return on Equity ("ROE") Before Expenses and Other Income	**13.14%**	**15.16%**	**12.67%**	**15.10%**	**22.34%**	**17.51%**
Management Fees as a % of Equity	(1.08)%	(1.19)%	(1.19)%	(1.24)%	(1.28)%	(1.31)%
Other Operating Expenses as a % of Equity	(0.30)%	(0.34)%	(0.31)%	(0.35)%	(0.32)%	(0.43)%
Total Operating Expenses as a % of Equity	**(1.38)%**	**(1.53)%**	**(1.50)%**	**(1.59)%**	**(1.60)%**	**(1.74)%**
Net Spread Income ROE	**11.76%**	**13.63%**	**11.16%**	**13.51%**	**20.74%**	**15.77%**
Other Miscellaneous [4]	-- %	-- %	(1.17)%	(0.86)%	(1.11)%	(1.14)%
Realized Other Income, Net of Tax [5]	-- %	-- %	(1.80)%	4.80%	12.56%	6.37%
Unrealized Other (Loss)/Income	**-- %**	**-- %**	(4.95)%	(28.96)%	4.61%	(6.11)%
Net Income ROE	**11.76%**	**13.63%**	**3.24%**	**(11.51)%**	**36.80%**	**14.88%**
Other Comprehensive Income/(Loss)	**-- %**	**-- %**	**46.45%**	32.74%	(3.10)%	19.12%
Comprehensive Income ROE	**11.76%**	**13.63%**	**49.69%**	**21.23%**	**33.70%**	**34.00%**
Comprehensive Return on Preferred Equity in Excess of Preferred Dividend	**0.06%**	**0.11%**	**0.69%**	**0.24%**	**-- %**	**-- %**
Net Comprehensive ROE Available to Common Shareholders	**11.82%**	**13.74%**	**50.38%**	**21.47%**	**33.70%**	**34.00%**

1. As of 9/30/12, the mark-to-market yield on our MBS portfolio was 1.89%, the mark-to-market pay fixed rate on our swap portfolio was 0.85%, and the mark-to-market cost of funding (including interest rate swaps) was 0.77%
2. Cost of funds includes interest expense and other periodic swap interest costs reported in other income (loss). Cost of funds excludes swap termination fees and costs associated with supplemental hedges such as swaptions and short treasury or TBA positions. Cost of funds as of 9/30/12 and 6/30/12 includes the impact of swaps in effect as of each date ($45.8 B and $ 43.9 B, respectively), plus forward starting swaps becoming effective, net of swaps expiring, within three months of each date ($2.0 B net and $4.1 B net, respectively)
3. Leverage as of 9/30/12 and 6/30/12 calculated as sum of repurchase agreements, net payable / receivable for unsettled agency securities and other debt divided by total stockholders' equity. Average leverage calculated as the daily weighted average sum of repurchases agreements and other debt outstanding divided by the average month-ended equity for the period
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 shareholders' equity, cash and cash equivalents, restricted cash, other non investment assets and liabilities, and other immaterial rounding differences
5. Realized other income, net of tax, excludes other periodic swap interest costs included in cost of funds

Looking Ahead

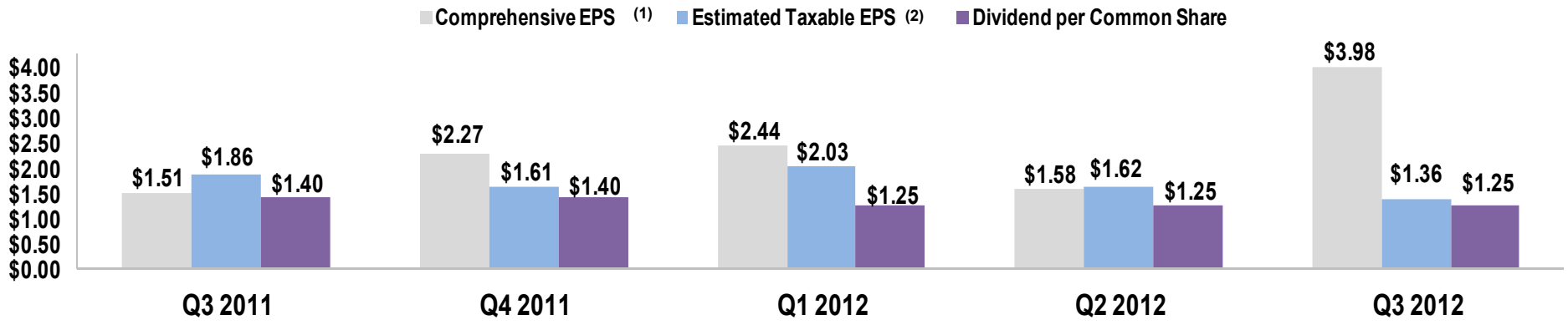
The right assets, coupled with an appropriate hedging strategy and active portfolio management, should allow AGNC to produce attractive, albeit lower, risk adjusted returns

- **The current environment is characterized by:**
  - **Lower spreads on new purchases**
  - **More challenging prepayment environment**
    - AGNC's portfolio is concentrated in lower loan balance, HARP securities, or the lowest coupon mortgages (30 year 3s and 15 year 2.5s), which should remain slow
  - **Attractive risk adjusted returns**
    - The Fed's substantial involvement in the agency market reduces price volatility
    - Leverage levels will likely be lower than long run averages
    - AGNC continues to hedge a significant percentage of interest rate risk
  - **Improved liquidity and reduced funding risk**
  - **Total return environment**
    - Active portfolio management will be critical to generating attractive economic returns

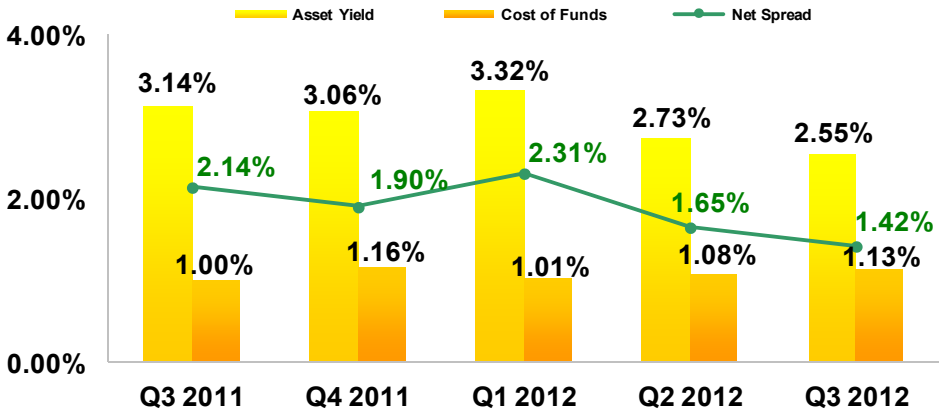
Supplemental Slides

AGNC Historical Overview

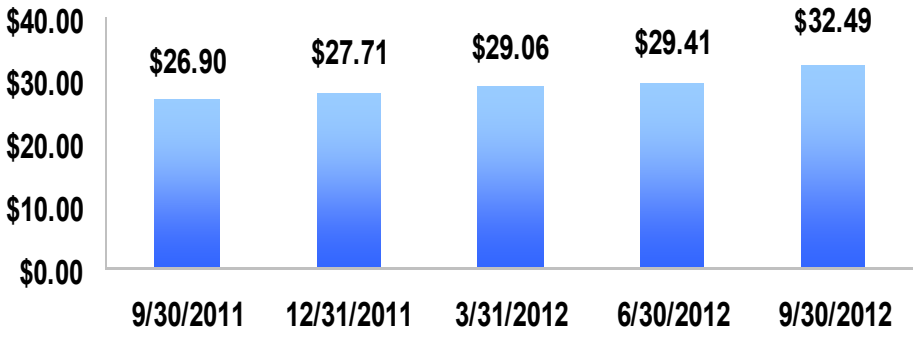
Earnings and Dividends per Common Share



Net Spread (2)(3)



Net Book Value Per Common Share (4)



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 a non-GAAP measure or a financial metric derived from non-GAAP information. Refer to slides 26 and 27 for a reconciliation of non-GAAP to GAAP financial measures and to slide 35 for additional information regarding non-GAAP financial measures
3. Represents average per quarter
4. Net book value per common share calculated as total shareholders' equity, less the Series A Preferred Stock liquidation preference, divided by total common shares outstanding

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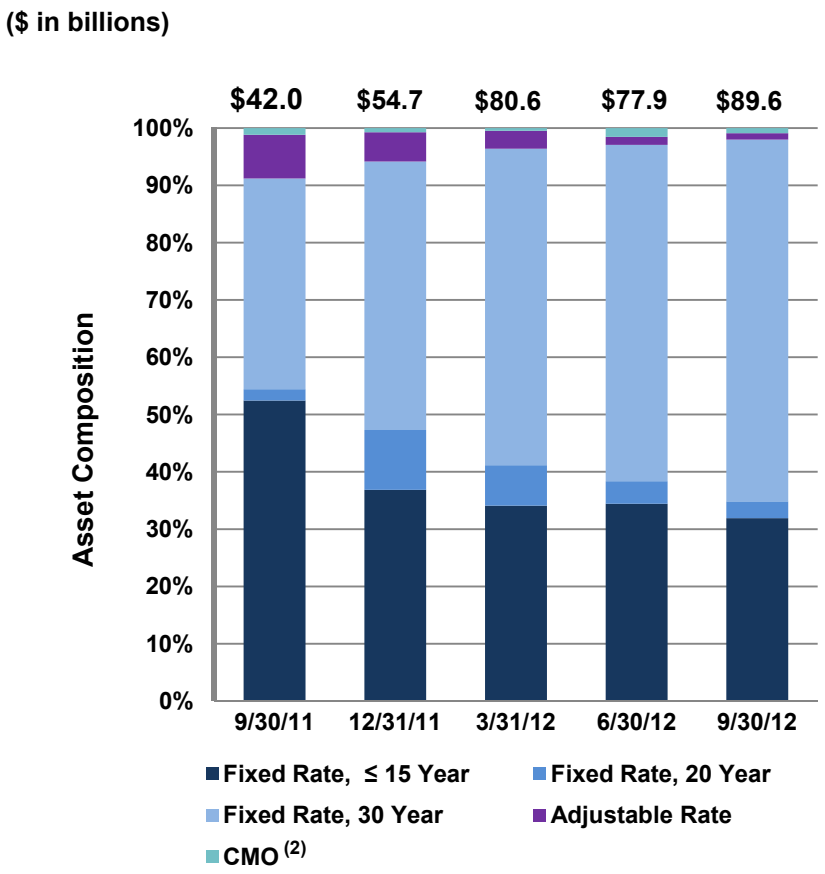
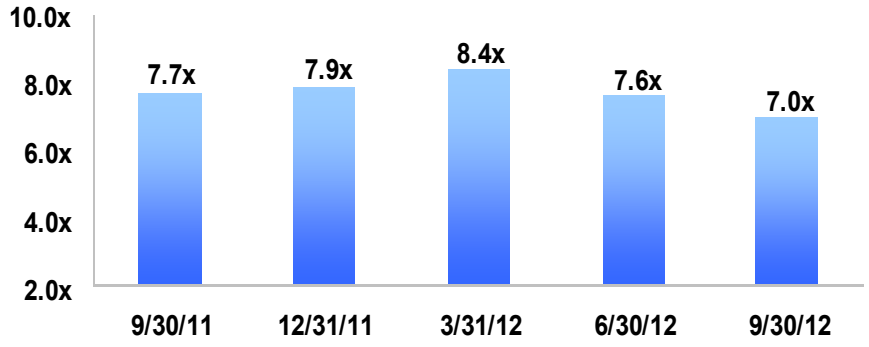
AGNC Historical Overview

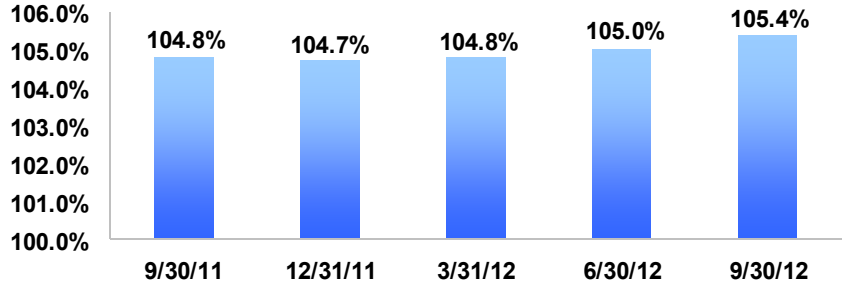
Investment Portfolio



Leverage (1)



Amortized Cost Basis



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1. Leverage calculated as sum of repurchase agreements, net payable/receivable for agency securities not yet settled and other debt divided by total stockholders' equity
2. Includes interest-only, inverse interest-only and principal-only securities

Income Statements

($ in millions, except per share data) (Unaudited)	Q3 2012	Q2 2012	Q1 2012	Q4 2011	Q3 2011
Interest Income	$520	$504	$514	$353	$327
Interest Expense [1]	(139)	(120)	(106)	(90)	(95)
Net Interest Income	**381**	**384**	**408**	**263**	**232**
Gain on Sale of Agency Securities, Net	210	417	216	112	263
(Loss) Gain on Derivative Instruments and Other Securities, Net [1]	(460)	(1,029)	47	(137)	(222)
Total Other (Loss) Income, Net	**(250)**	**(612)**	**263**	**(25)**	**41**
Management Fee	(32)	(28)	(22)	(18)	(16)
General and Administrative Expenses	(8)	(8)	(6)	(6)	(6)
Total Operating Expenses	**(40)**	**(36)**	**(28)**	**(24)**	**(22)**
Income (Loss) before Income Tax (Provision) Benefit	91	(264)	643	214	251
Income Tax (Provision) Benefit	(5)	3	(2)	(5)	(1)
Net Income (Loss)	**86**	**(261)**	**641**	**209**	**250**
Dividend on Preferred Stock	(3)	(3)	-	-	-
Net Income (Loss) Available (Attributable) to Common Shareholders	**$83**	**$(264)**	**$641**	**$209**	**$250**
Net Income (Loss)	**$86**	**$(261)**	**$641**	**$209**	**$250**
Unrealized Gain (Loss) on Available-for-Sale Securities, Net	1,190	689	(106)	214	536
Unrealized Gain (Loss) on Derivative Instruments, Net [1]	51	52	52	54	(512)
Other Comprehensive Income (Loss)	**1,241**	**741**	**(54)**	**268**	**24**
Comprehensive Income	**$1,327**	**$480**	**$587**	**$477**	**$274**
Dividend on Preferred Stock	(3)	(3)	-	-	-
Comprehensive Income Available to Common Shareholders	**$1,324**	**$477**	**$587**	**$477**	**$274**
Weighted Average Common Shares Outstanding – Basic and Diluted	**332.8**	**301.0**	**240.6**	**210.3**	**180.7**
Net Income (Loss) per Common Share	**$0.25**	**($0.88)**	**$2.66**	**$0.99**	**$1.39**
Comprehensive Income per Common Share	**$3.98**	**$1.58**	**$2.44**	**$2.27**	**$1.51**
Estimated REIT Taxable Income per Common Share	**$1.36**	**$1.62**	**$2.03**	**$1.61**	**$1.86**
Dividends Declared per Common Share	**$1.25**	**$1.25**	**$1.25**	**$1.40**	**$1.40**

Note: Amounts may not total due to rounding

1. 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. For Q3'12, Q2'12, Q1'12, Q4'11 and Q3'11, other income (loss), net, included $74 MM, $62 MM, $39 MM, $33 MM and $2 MM of other periodic swap interest costs, respectively

Reconciliation of GAAP Net Interest Income to Adjusted Net Interest Income and Net Spread Income [1]

($ in millions, except per share data) (Unaudited)	Q3 2012	Q2 2012	Q1 2012	Q4 2011	Q3 2011
Interest Income	**$520**	**$504**	**$514**	**$353**	**$327**
Interest Expense:					
Repurchase Agreements and Other Debt	(88)	(68)	(54)	(36)	(24)
Interest Rate Swap Periodic Costs [2]	(51)	(52)	(52)	(54)	(71)
Total Interest Expense	**(139)**	**(120)**	**(106)**	**(90)**	**(95)**
Net Interest Income	**381**	**384**	**408**	**263**	**232**
Other Interest Rate Swap Periodic Costs [3]	(74)	(62)	(39)	(33)	(2)
Adjusted Net Interest Income	**307**	**322**	**369**	**230**	**230**
Total Operating Expenses	**(40)**	**(36)**	**(28)**	**(24)**	**(22)**
Net Spread Income	**267**	**286**	**341**	**206**	**208**
Dividend on Preferred Stock	(3)	(3)	--	--	--
Net Spread Income Available to Common Shareholders	**$264**	**$283**	**$341**	**$206**	**$208**
Weighted Average Common Shares Outstanding – Basic and Diluted	**332.8**	**301.0**	**240.6**	**210.3**	**180.7**
Net Spread Income per Common Share – Basic and Diluted	**$0.79**	**$0.94**	**$1.42**	**$0.98**	**$1.15**

Note: Amounts may not total due to rounding

1. Table includes non-GAAP financial measures. Please refer to slide 35 for additional information regarding non-GAAP financial measures
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 excludes 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 2012	Q2 2012	Q1 2012	Q4 2011	Q3 2011
Net (Loss) Income	**$86**	**($261)**	**$641**	**$209**	**$250**
Book to Tax Differences:					
Premium Amortization, Net	55	43	(28)	20	34
Realized Loss (Gain), Net	167	54	(46)	28	3
Unrealized Loss (Gain), Net	128	647	(80)	86	47
Other [2]	20	9	2	(5)	1
Total Book to Tax Differences	**370**	**753**	**(152)**	**129**	**85**
Estimated REIT Taxable Income	**$456**	**$492**	**$489**	**$338**	**$335**
Dividend on Preferred Stock	(3)	(3)	--	--	--
Estimated REIT Taxable Income Available to Common Shareholders	**$453**	**$489**	**$489**	**$338**	**$335**
Weighted Average Common Shares Outstanding – Basic and Diluted	**332.8**	**301.0**	**240.6**	**210.3**	**180.7**
Estimated REIT Taxable Income per Common Share	**$1.36**	**$1.62**	**$2.03**	**$1.61**	**$1.86**
Estimated Cumulative Undistributed REIT Taxable Income per Common Share [3]	**$1.52**	**$1.61**	**$1.28**	**$0.80**	**$0.85**

Note: Amounts may not total due to rounding

1. Please refer to slide 35 on the use of Non-GAAP financial information
2. Other book to tax differences include GAAP net income/loss of wholly-owned taxable REIT subsidiary, net of corporate income tax; permanent difference for non-deductible excise tax expense; and other temporary differences for non-deductible adjustments
3. Estimated undistributed taxable income is net of common and preferred dividends declared during the quarter, without adjustment for future quarterly dividends not yet declared on the Company's Series A Preferred Stock. Based on common shares outstanding as of each period end

Balance Sheets

($ in millions, except per share data)	As of [1] 9/30/12	6/30/12	3/31/12	12/31/11	9/30/11
Agency Securities, at Fair Value	$88,020	$76,378	$80,517	$54,625	$41,909
Agency Securities Transferred to Consolidated Variable Interest Entities, at Fair Value	1,620	1,544	53	58	61
U.S. Treasury Securities, at Fair Value	--	--	--	101	301
Cash and Cash Equivalents	2,569	2,099	1,762	1,367	984
Restricted Cash	369	302	315	336	375
Derivative Assets, at Fair Value	292	64	184	82	55
Receivable for Securities Sold	2,326	2,877	1,706	443	2,698
Receivable under Reverse Repurchase Agreements	6,712	1,274	3,613	763	474
Other Assets	269	244	267	197	182
Total Assets	**$102,177**	**$84,782**	**$88,417**	**$57,972**	**$47,039**
Repurchase Agreements	$79,254	$69,540	$69,816	$47,681	$38,842
Other Debt ($968, $909, $0, $0 and $0, Measured at Fair Value, Respectively) [2]	1,008	954	50	54	57
Payable for Securities Purchased	1,311	2,198	4,852	1,919	1,660
Derivative Liabilities, at Fair Value	1,562	1,250	827	853	793
Dividends Payable	430	384	286	314	257
Obligation to Return Securities Borrowed under Reverse Repurchase Agreements, at Fair Value	7,265	1,269	3,816	899	473
Accounts Payable and Other Accrued Liabilities	74	51	52	40	17
Total Liabilities	**90,904**	**75,646**	**79,699**	**51,760**	**42,099**
Preferred Equity at Aggregate Liquidation Preference	173	173	--	--	--
Common Equity	11,100	8,963	8,718	6,212	4,940
Total Stockholders' Equity	**11,273**	**9,136**	**8,718**	**6,212**	**4,940**
Total Liabilities and Stockholders' Equity	**$102,177**	**$84,782**	**$88,417**	**$57,972**	**$47,039**
Leverage [3]	**7.0x**	**7.6x**	**8.4x**	**7.9x**	**7.7x**
Net Book Value Per Common Share [4]	**$32.49**	**$29.41**	**$29.06**	**$27.71**	**$26.90**

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1. Unaudited except for 12/31/2011
2. Other debt consists of debt outstanding in connection with the consolidation of structured transactions under GAAP
3. Leverage calculated as sum of repurchase agreements, net payable/receivable for agency securities not yet settled and other debt divided by total stockholders' equity
4. Net book value per common share calculated as stockholders' equity, less the Series A Preferred Stock liquidation preference, divided by total common shares outstanding

Net Book Value Roll Forward

(In millions, except per share data) (Unaudited)	Balance	Common Shares Outstanding	Net Book Value per Common Share
June 30, 2012 Net Common Equity [1]	**$8,963**	**304.8**	**$29.41**
Net Income	86		
Other Comprehensive Income	1,241		
Dividend on Common Stock	(427)		
Dividend on Preferred Stock	(3)		
Balance before Capital Transactions	9,860	304.8	$32.35
Issuance of Common Stock, Net of Offering Costs	1,240	36.8	$33.70
Sept 30, 2012 Net Common Equity	**$11,100**	**341.6**	**$32.49**

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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)

Fixed Rate Agency Securities Portfolio

$ in millions - as of September 30, 2012

MBS Coupon [1][2]	Par Value	Market Value	% Lower Loan Balance / HARP [5]	Amortized Cost Basis	Average WAC [3]	Average Age (Months)	Actual 1 Month CPR [4]
≤15 YR Mortgage Securities							
2.5%	$9,232	$9,708	1%	103.1%	3.10%	3	6%
3.0%	1,756	1,876	96%	103.9%	3.45%	8	6%
3.5%	6,659	7,182	94%	102.9%	3.93%	17	12%
4.0%	8,282	8,966	85%	104.4%	4.40%	21	18%
4.5%	807	886	98%	105.0%	4.86%	25	13%
5.0%	4	4	100%	104.8%	5.37%	30	2%
≥ 5.5%	8	9	0%	104.3%	6.81%	66	21%
Subtotal	$26,748	$28,631	60%	103.6%	3.79%	13	12%
20 YR Mortgage Securities							
3.0%	$271	$287	2%	103.4%	3.65%	5	9%
3.5%	1,822	1,957	9%	104.1%	3.97%	9	18%
4.0%	188	205	28%	104.1%	4.48%	16	18%
4.5%	148	166	96%	106.9%	4.90%	21	13%
5.0%	6	6	0%	103.9%	5.45%	34	18%
6.0%	5	6	0%	109.0%	6.43%	71	29%
Subtotal	$2,440	$2,627	15%	104.2%	4.04%	10	17%
30 YR Mortgage Securities							
3.5%	$25,259	$27,238	65%	105.5%	4.02%	4	4%
4.0%	19,936	22,016	96%	106.4%	4.45%	9	7%
4.5%	5,356	5,954	84%	105.8%	4.94%	19	15%
5.0%	788	874	54%	106.2%	5.42%	38	18%
5.5%	289	321	49%	107.9%	6.03%	69	20%
≥ 6.0%	200	221	0%	107.4%	6.72%	66	27%
Subtotal	$51,828	$56,624	79%	105.9%	4.33%	9	7%
Total Fixed	**$81,016**	**$87,882**	**71%**	**105.1%**	**4.14%**	**10**	**9%**

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1. Excludes net TBA and forward settling securities of $8.0 B 15-year net long position and $4.3 B 30-year net short position
2. The weighted average coupon on the fixed rate securities held as of Sept 30, 2012 was 3.66%
3. Average WAC represents the weighted average coupon of the underlying collateral
4. Actual 1 month annualized CPR published during Oct 2012 for agency securities held as of Sept 30, 2012
5. Lower loan balance securities defined as pools backed by max original loan balances of up to $150 K. HARP securities defined as pools backed by 100% refinance loans with original LTVs ≥ 80%.

Hybrid ARM Securities Portfolio

$ in millions - as of September 30, 2012

New Issue Hybrid ARMs (2009/2010/2011/2012 Vintage)							
Type	Par Value	Market Value	Amortized Cost Basis	Average MBS Coupon	Average Age [1]	% Interest Only	1 Month CPR [2]
FH/FN 5/1	$9	$10	102.7%	3.54%	32	0%	28%
GN 5/1	249	267	104.5%	3.73%	19	0%	26%
FH/FN 7/1	155	164	103.2%	3.65%	21	24%	19%
GN 7/1	2	2	104.2%	4.00%	25	0%	0%
FH/FN 10/1	138	148	103.6%	3.97%	25	15%	34%
Subtotal	$553	$591	103.9%	3.77%	21	10%	26%
Seasoned Hybrid ARMs (Pre 2009 Vintage)							
≤ 4.0%-4.9%	$251	$268	102.5%	4.45%	79	13%	6%
5.0%-5.9%	114	123	103.5%	5.37%	66	24%	22%
≥ 6.0%	10	10	103.4%	6.16%	69	80%	44%
Subtotal	$375	$401	102.8%	4.77%	75	18%	13%
Total ARMs	$928	$992	103.5%	4.17%	43	13%	21%

Reset	Market Value	% Total	Average Reset	Average Coupon
0-23 Months	$157	16%	9	4.47%
24-35 Months	287	29%	27	4.69%
36-60 Months	233	23%	51	3.74%
> 60 Months	315	32%	82	3.88%
Total	**$992**	**100%**	**47**	**4.17%**

Index	% Total
LIBOR	58%
CMT / MTA	42%
COFI / Other	--%
Total	**100%**

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1. Average age in months
2. Actual 1 month annualized CPR published during Oct 2012 for agency securities held as of Sept 30, 2012

Repo Counterparty Credit Risk

Our 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 17% of our equity is at risk with the top 5 counterparties

Counterparty Region	Number of Counterparties	Percent of Repo Funding
North America	16	54%
Asia	5	14%
Europe	9	31%

Counterparty Region	Counterparty Rank	Counterparty Exposure as a % of NAV (1)(2)
North America	1	3.74%
	2	3.40%
	3	3.40%
	4	3.21%
	5	2.79%
	6-16	8.54%
Asia	1	1.71%
	2	1.51%
	3	0.85%
	4	0.64%
	5	0.57%
Europe	1	2.95%
	2	2.43%
	3	2.41%
	4	1.72%
	5	0.95%
	6-9	1.94%

Total Exposure	**42.75%**
Top 5 Exposure	**16.69%**

Note: All figures as of September 30, 2012

1. Excludes $1.0 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

NAV Interest Rate Sensitivity

Given the negative convexity of our mortgage assets, an instantaneous parallel shock to interest rates will adversely impact the market value of our equity

- **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 the duration gap alone**
- **The estimated impact on the market value of the asset portfolio, net of hedges, is based on model predictions and assumes that no portfolio rebalancing actions are taken**
- **The estimated change to equity (NAV) includes the impact of leverage and incorporates the dual effects of both duration and convexity**

Interest Rate Sensitivity
(based on instantaneous parallel change in interest rates)

Interest Rate Shock (bps)	Estimated Change in Portfolio Market Value (1)	Estimated Change Equity NAV (2)
-100	-1.34%	-11.14%
-50	-0.60%	-5.00%
50	0.07%	0.57%
100	-0.40%	-3.36%

The estimated change in our NAV due to interest rate changes is 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. Please also refer to 34 and our related disclosures in our 10-Ks and 10-Qs for a more complete discussion of duration (interest rate risk).

American Capital Agency

1. Estimated dollar change in value expressed as a percent of the total market value of assets
2. Estimated dollar change in value expressed as a percent of net common equity or NAV per common share

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 bp 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, actual performance of both assets and hedges may differ materially from the model estimates
  - ✓ Duration and convexity calculations generally assume all rates move together (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 presentation includes certain non-GAAP financial information, including net spread 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.

Net spread income consists of adjusted net interest income, less total operating expenses. Adjusted net interest income is interest income less interest expense (or "GAAP net interest income"), less other periodic interest rate swap interest costs reported in other income (loss), net.

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) temporary differences related to the amortization of premiums paid on investments and (iii) timing differences in the recognition of certain realized gains and losses. Furthermore, estimated taxable income can include certain information that 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 based on such estimated taxable income, 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 an incomplete measure of the Company's financial performance and involve differences from net income computed in accordance with GAAP, net spread income and estimated taxable income 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, the Company's presentation of net spread income and estimated taxable income may not be comparable to other similarly-titled measures of other companies. A reconciliation of non-GAAP net spread income and taxable income measures to GAAP net income is included in this presentation.