



Bank of America Merrill Lynch 2013 Banking & Financial Services Conference

November 12, 2013

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



IPO DATE:
MAY 2008

IPO PRICE:
\$20.00

TOTAL DIVIDENDS PAID / DECLARED SINCE IPO¹:
\$26.96

NET ASSET VALUE PER SHARE²:
\$25.27

TOTAL EQUITY CAPITAL²:
\$9.7 BILLION

STOCK TICKER:
AGNC

EXCHANGE:
NASDAQ

Summary

American Capital Agency Corp. is a real estate investment trust that invests in and manages a levered portfolio of residential mortgage securities for which the principal and interest payments are guaranteed by a U.S. government-sponsored entity (Fannie Mae, Freddie Mac) or a U.S. government agency (Ginnie Mae).

Our Investment Strategy

- ◆ Invest across the Agency MBS universe
- ◆ Relative value approach to asset selection
- ◆ Actively manage the portfolio
- ◆ Leverage and hedging strategies that are actively managed based on portfolio composition and market risks

Our Team

- ◆ Senior investment professionals have worked together for the majority of their careers and, on average, have 19 years of investment experience across the residential mortgage universe
- ◆ Previously managed one of the world's largest portfolios of residential mortgage related investments

Our Fee Structure

- ◆ 1.25% on equity
- ◆ No incentive fee

Near Term Outlook Is Very Dependent on the Fed



	Low	Low - Medium
Probability		
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	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Lower leverage High concentration of low spread duration assets: <ul style="list-style-type: none"> Higher share of 15-year fixed rate MBS Lower share of lower coupon fixed rate 30-year MBS High hedge ratio: <ul style="list-style-type: none"> Low duration gap Minimal extension risk Hedges concentrated in 5-15 year part of Curve 	<ul style="list-style-type: none"> Higher leverage High concentration of lower coupon 30-year fixed rate MBS Lower hedge ratio <ul style="list-style-type: none"> Larger positive duration gap Lower percentage of longer term hedges

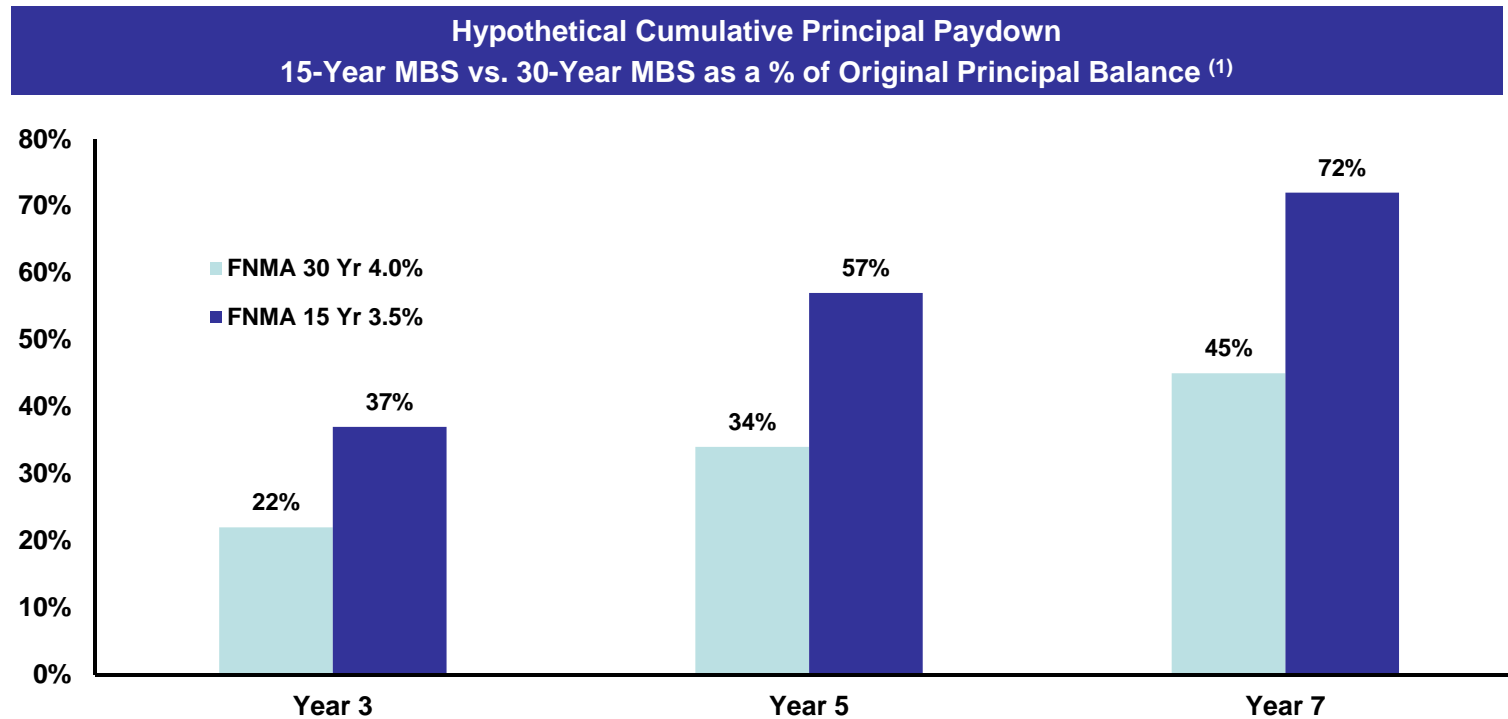
Longer Term Outlook More Predictable

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%

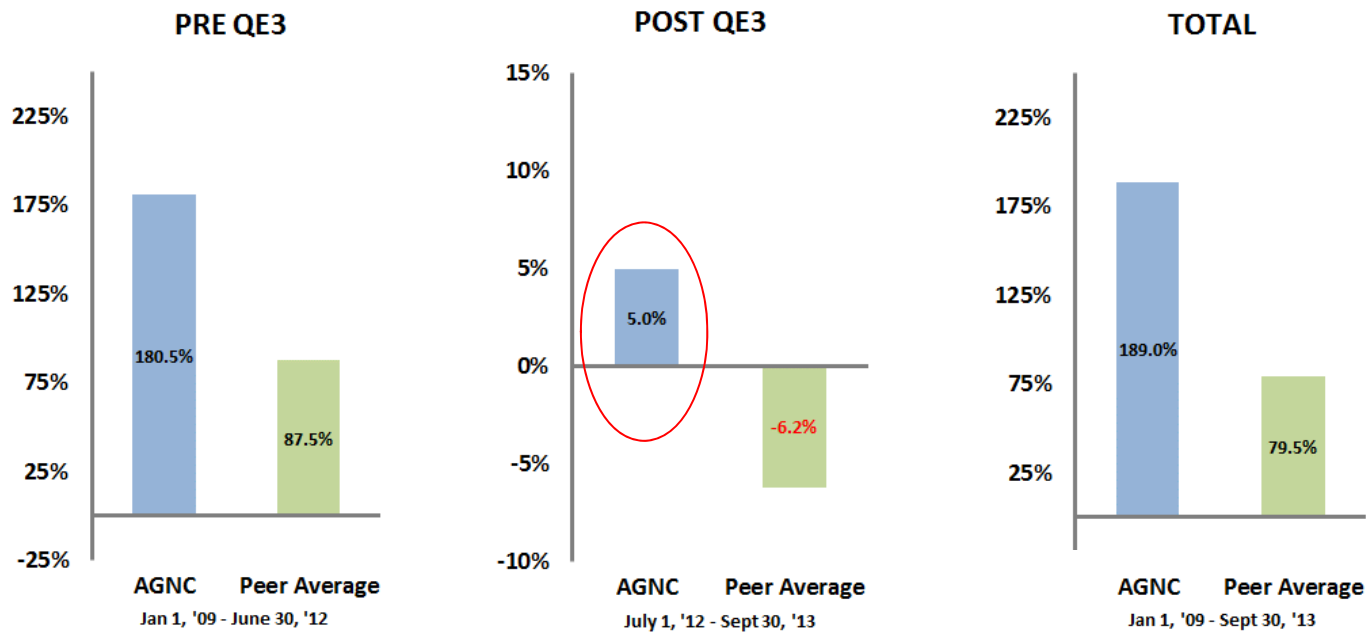
- ◆ 15-year MBS de-lever substantially over time and provide much more stable cash flows relative to 30-year MBS

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

Total Economic Returns: Pre and Post QE3

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 – Sept 30, 2013 ⁽¹⁾**



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

AGNC's Price to Book Ratio

AGNC's stock price is trading at a material discount to book value

- ◆ **AGNC's portfolio is comprised of fixed-rate agency MBS:**
 - ✓ Valuations are transparent
 - ✓ Assets are extremely liquid
- ◆ **Share repurchases are accretive and can generate material long term value for shareholders**
 - ✓ During Q3, we repurchased \$263 million of our stock
 - ✓ As of Sept. 30 we had \$653 million in remaining Board authorized repurchases
- ◆ **Given the liquidity of our assets, capacity for share repurchases can be generated by asset sales with minimal transaction costs**

