



RISK MANAGEMENT OVERVIEW

OCTOBER 1, 2014

SAFE HARBOR STATEMENT

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

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

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

RISK MANAGEMENT OVERVIEW

- ◆ **As an investor in agency MBS, the two biggest risks we face are:**
 - ✓ Interest rate risk, or the risk that changes in interest rates adversely impact our net asset value (“NAV”)
 - ✓ Spread risk, or the risk that changes in the spread between agency MBS and swap or Treasury hedges adversely impact our NAV

- ◆ **Spread risk, although it can be minimized through asset selection and/or leverage, is a risk that is inherent to our business**

- ◆ **We actively manage our exposure to interest rate changes through the combination of asset selection and interest rate hedges**

- ◆ **The purpose of this presentation is to help investors gain greater insight into our risk management framework and philosophy**

MANAGING SPREAD RISK

- ◆ **As an investor in agency MBS, spread risk is a risk that is inherent to our business**
 - ✓ Mortgage spread risk can be mitigated, not eliminated, through a combination of asset selection and leverage management

- ◆ **Through asset selection we can adjust our exposure to mortgage spread risk**
 - ✓ 15 year fixed rate MBS has significantly less spread risk than 30 year fixed rate MBS
 - ✓ IO and MSR can act as a natural hedge against mortgage spread risk but has limitations

AGNC MBS Spread Duration (Years) ¹	
15 Year MBS:	
3% Coupon	4.8
4% Coupon	3.4
30 Year MBS:	
3% Coupon	7.7
4% Coupon	6.4

- ◆ **Our exposure to mortgage spread risk is dependent upon the level of interest rates, asset portfolio composition and leverage level**

AGNC Estimated NAV Sensitivity (“Basis Risk”) ²			
MBS Spread Shock (bps)	6/30/14	6/30/13	6/30/12
-25	10%	13%	9%
-10	4%	5%	4%
+10	-4%	-5%	-4%
+25	-10%	-13%	9%



1. Internal model estimates as of 9/8/14
 2. 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.

MEASURING INTEREST RATE RISK

- ◆ **In order to fully measure the interest rate risk in an agency MBS, it is imperative to capture both the duration and convexity characteristics of the instrument**

- ◆ **As an investor in agency MBS, we have sold interest rate options to the homeowner that give them the ability to either prepay or implicitly extend their mortgage at their discretion**
 - ✓ The homeowner's option to prepay or stay in their mortgage longer than anticipated creates negative convexity in agency MBS

- ◆ **Negative convexity causes the duration of the instrument to fluctuate as interest rates change:**
 - ✓ As interest rates decline, the negative convexity of an MBS leads to a shortening of the instrument's duration as homeowners exercise their option to prepay their mortgage
 - ✓ As interest rates increase, the negative convexity of an MBS leads to a lengthening of the instrument's duration as homeowners exercise their option to extend their mortgage

- ◆ **We provide two estimates of our interest rate risk that capture both the duration and convexity risk in our portfolio:**
 - ✓ NAV Sensitivity: percentage change in NAV due to a 1% change in interest rates
 - ✓ Duration Sensitivity: duration gap after a 1% change in interest rates

DURATION GAP

- ◆ On a quarterly basis we disclose our estimated net duration gap, which represents the net duration risk of our assets, liabilities and hedges
- ◆ The calculation of duration gap for a mortgage backed securities is a model estimate and different models may vary substantially
- ◆ The calculation of the duration of hedging instruments is generally much more straightforward
- ◆ Example of duration gap for a 30 year Fannie 3.5% MBS hedged with a 5 year swap

MBS Duration.....6.1 years
Liabilities & Hedges....(4.6) years
 Net Duration Gap.....1.5 year



A duration gap of 1.5 years implies a 1.5% change in price for a 100 bp change in interest rates

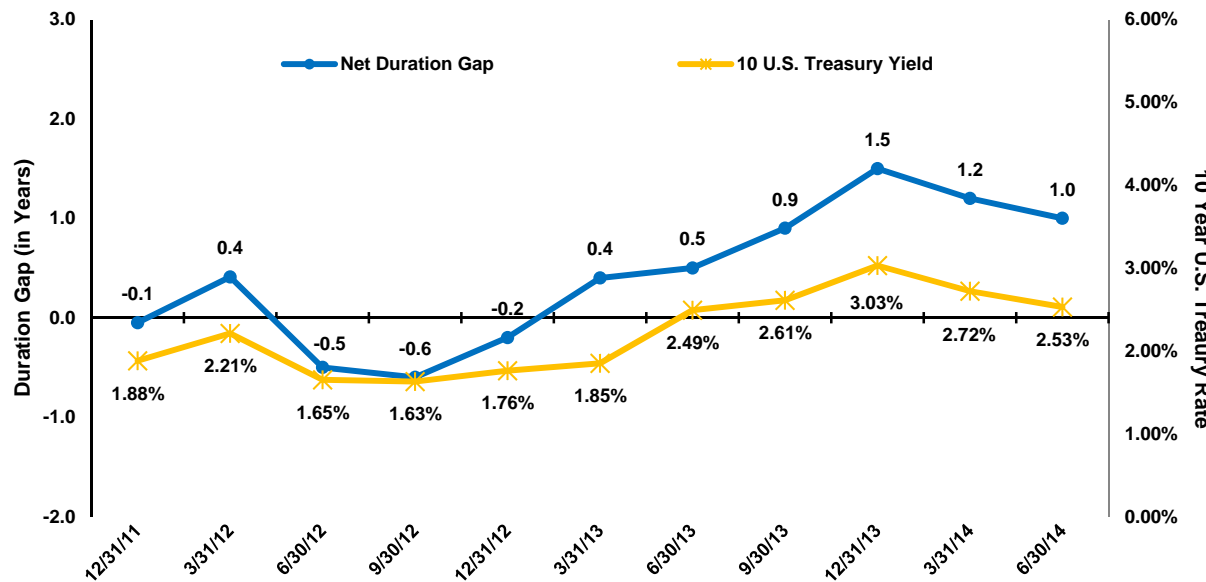
- ◆ However, as we will discuss, it is critical to incorporate the impact of negative convexity (the change in duration gap when interest rates change) when measuring aggregate book value exposure to changes in interest rates
 - ✓ It is also important to measure and manage duration risk across the yield curve

AGNC's HISTORICAL DURATION GAP

- ◆ Over the last three years we have generally managed our duration gap within a band of +/- 1 year
- ◆ Our duration gap tends to be correlated with the level of interest rates:
 - ✓ When interest rates were low we maintained a very small or negative duration gap
 - ✓ When interest rates peaked in 2013, we operated with a larger duration gap

AGNC Net Duration Gap vs. 10 Yr U.S. Treasury Rates ¹

Dec 31, 2011 - June 30, 2014



“SPOT” DURATION GAP ALONE IS AN INSUFFICIENT MEASURE OF INTEREST RATE RISK BECAUSE IT DOES NOT CAPTURE THE INCREMENTAL INTEREST RATE RISK ASSOCIATED WITH THE NEGATIVE CONVEXITY INHERENT IN ALL MORTGAGE ASSETS

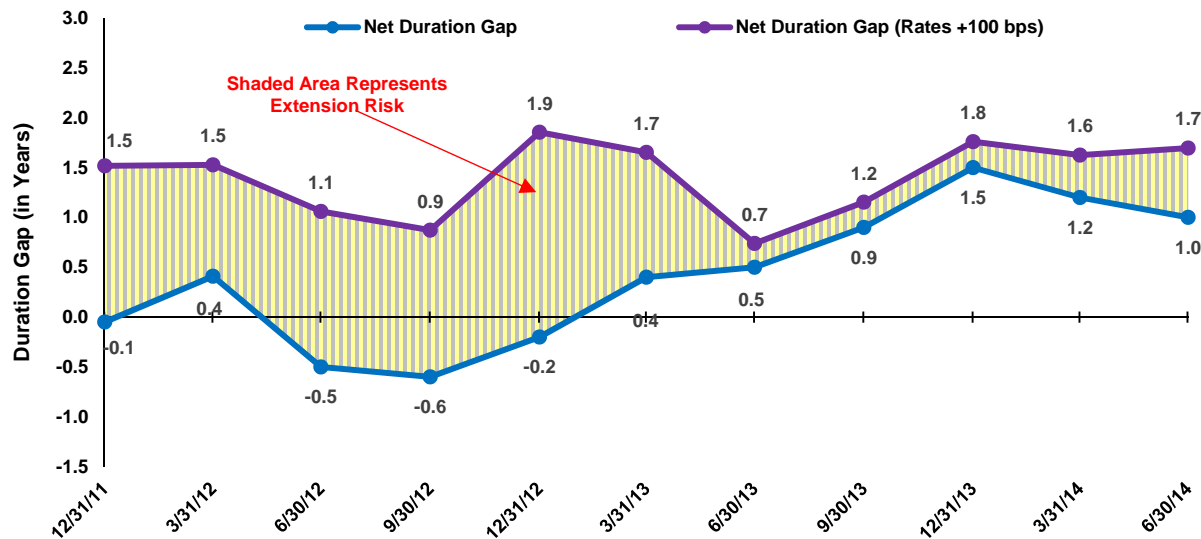


Refer to the supplemental slide later in this presentation for further discussion on Duration Gap.
 1. Durations are expressed in years.

THE IMPACT OF EXTENSION RISK ON DURATION GAP

- ◆ The homeowner’s option to “extend” or “hold” their mortgage closer to the full-term in a rising rate environment creates incremental interest rate risk that is not captured in our “spot” duration gap
- ◆ The level of interest rates and asset composition are important drivers of extension risk
- ◆ In environments where we face significant extension risk, we can hedge this exposure by reducing our duration gap, increasing our use of option-based hedges like payer swaptions, or by selecting assets such as 15 year mortgages with less extension risk

AGNC Net Duration Gap vs. Net Duration Gap Sensitivity (Rates +100 bps) ¹
 Dec 31, 2011 - June 30, 2014



OUR DURATION GAP NATURALLY EXTENDS AS HOMEOWNERS EXERCISE THEIR OPTION TO EXTEND THEIR MORTGAGE (SLOWER PREPAYMENTS) IN RESPONSE TO HIGHER INTEREST RATES

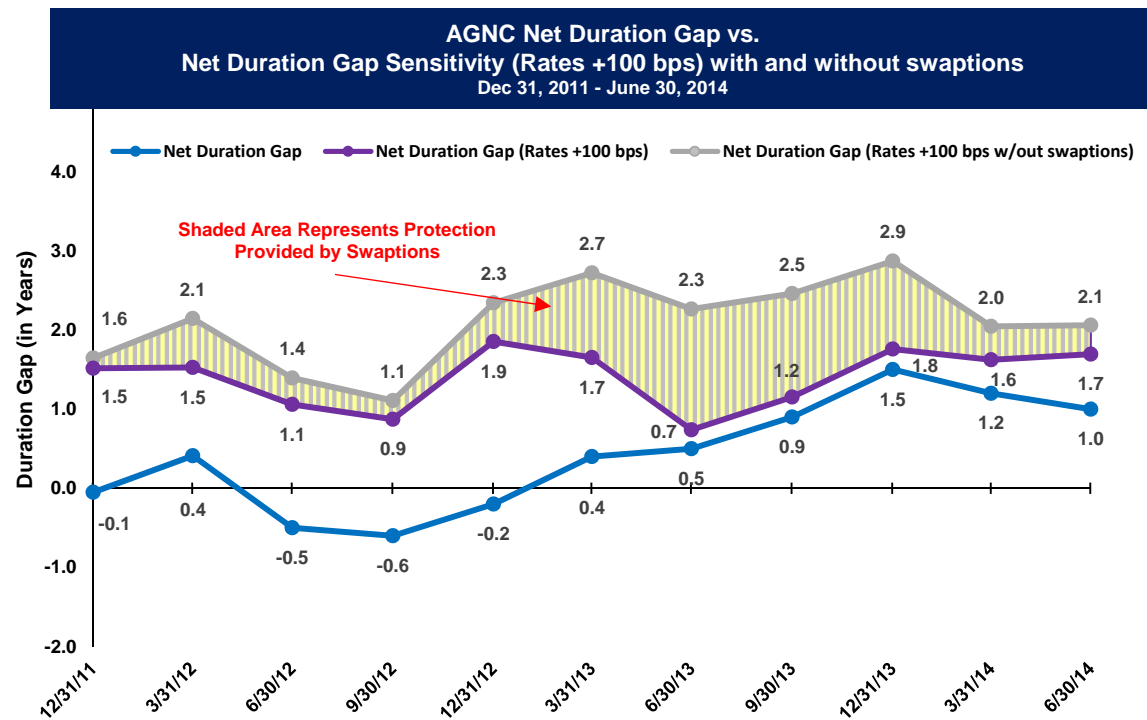


Refer to the supplemental slide later in this presentation for further discussion on Duration Gap.

1. Durations are expressed in years. The +100 bps sensitivity analysis assumes an instantaneous parallel shift in interest rates and no further rebalancing actions.

QUANTIFYING THE ROLE OF SWAPTIONS

- ◆ Swaptions can be thought of as the purchase of future duration protection for a particular interest rate environment
- ◆ Payer swaptions (options to enter into pay fixed swaps) are an effective tool for hedging the risk associated with a large increase in interest rates
 - ✓ In environments where extension risk is high, we tend to operate with a large portfolio of payer swaptions
 - ✓ In environments where extension risk is low, we tend to operate with a small portfolio of payer swaptions



IN 2013, OUR LARGE SWAPTION PORTFOLIO SIGNIFICANTLY REDUCED OUR EXTENSION RISK. OUR NEED FOR PAYER SWAPTIONS IS GREATLY REDUCED IN THE CURRENT ENVIRONMENT

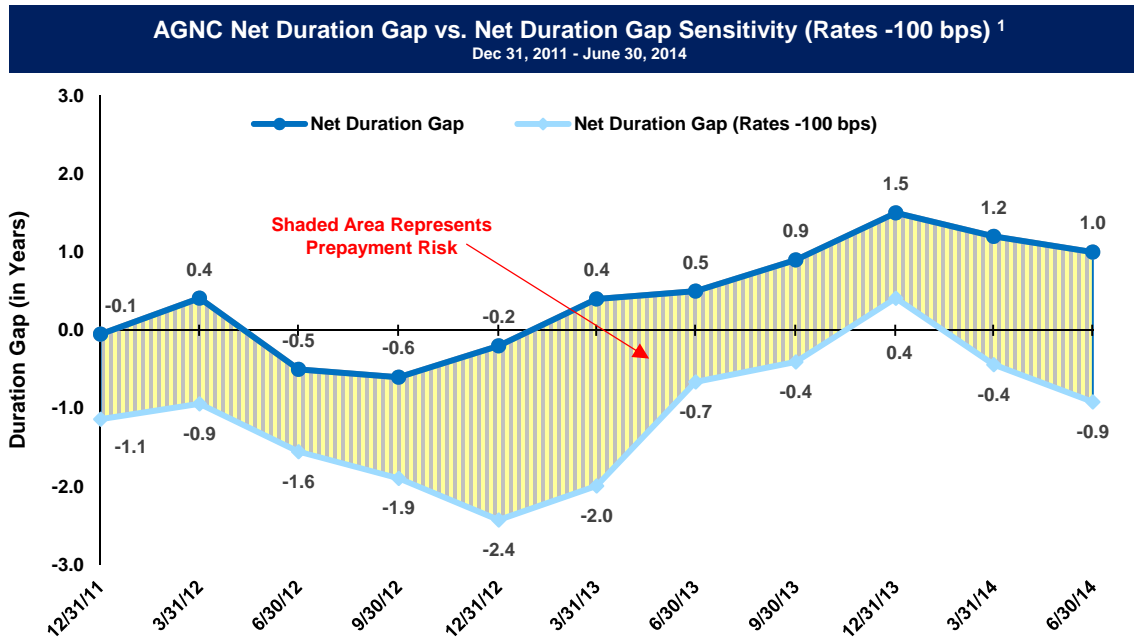


Refer to the supplemental slide later in this presentation for further discussion on Duration Gap.

1. Durations are expressed in years. The +100 bps sensitivity analysis assumes an instantaneous parallel shift in interest rates and no further rebalancing actions.

THE IMPACT OF PREPAYMENT RISK ON DURATION GAP

- ◆ The homeowner’s option to prepay their mortgage in a falling rate environment creates incremental interest rate risk that is not captured by our “spot” duration gap
- ◆ In environments where we face significant prepayment risk, we can hedge this exposure by:
 - ✓ Operating with a larger positive duration gap
 - ✓ Increasing our use of option-based hedges like receiver swaptions
 - ✓ Purchasing prepayment-protected specified pool assets



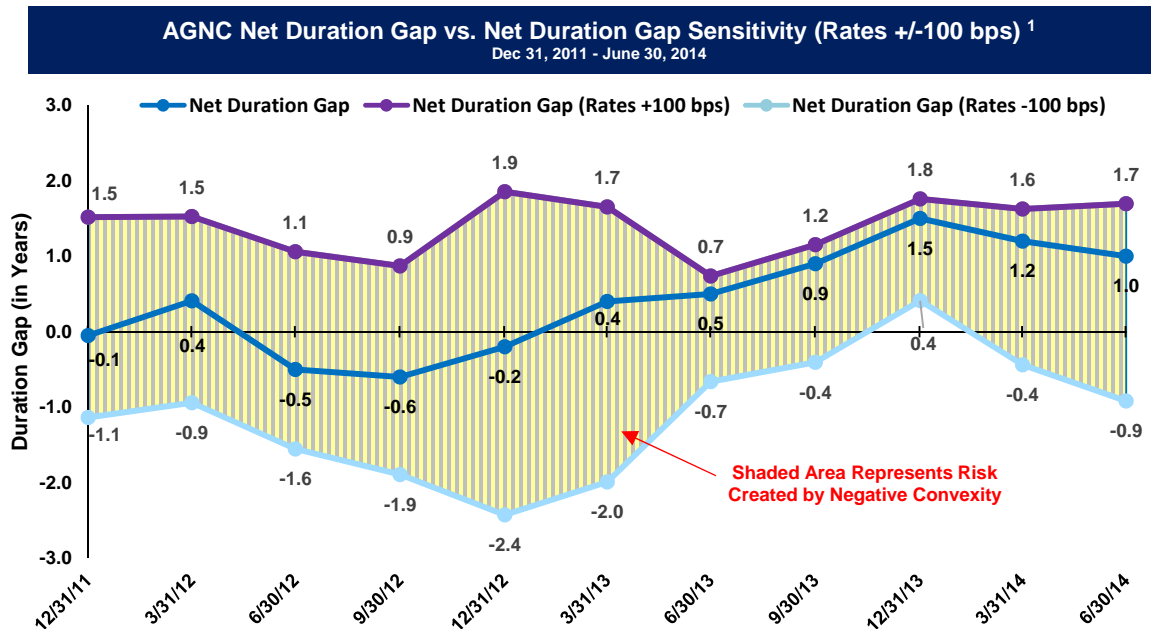
GIVEN THE INCREASE IN INTEREST RATES AND THE SHIFTING COMPOSITION OF OUR ASSET PORTFOLIO, PREPAYMENT RISK IS SIGNIFICANTLY GREATER THAN EXTENSION RISK



Refer to the supplemental slide later in this presentation for further discussion on Duration Gap.
 1. Durations are expressed in years. The -100 bps sensitivity analysis assumes an instantaneous parallel shift in interest rates and no further rebalancing actions.

BALANCING BOTH PREPAYMENT AND EXTENSION RISK

- ◆ The goal of our risk management framework is not to eliminate interest rate risk, but rather to mitigate the adverse impact on our NAV across a wide range of interest rate scenarios
- ◆ We actively manage our exposure to both prepayment and extension risk through a combination of:
 - ✓ Asset selection
 - ✓ Option-based hedges
 - ✓ Actively managing our duration gap



WE STRATEGICALLY SET OUR “SPOT” DURATION GAP BASED ON OUR ASSESSMENT OF A NUMBER OF FACTORS INCLUDING THE LEVEL OF INTEREST RATES, PREPAYMENT RISK, EXTENSION RISK AND THE CORRELATION OF MBS SPREADS TO INTEREST RATE CHANGES



Refer to the supplemental slide later in this presentation for further discussion on Duration Gap.

1. Durations are expressed in years. The +/-100 bps sensitivity analysis assumes an instantaneous parallel shift in interest rates and no further rebalancing actions.

RECONCILING OUR ENHANCED INTEREST RATE DISCLOSURES

- ◆ **On a quarterly basis we also disclose our estimated net duration gap as well as our estimated duration gap following an immediate 100 and 200 bps increase in interest rates**
 - ✓ Going forward, we will also disclose our estimated duration gap following a 100 bps decrease in rates
- ◆ **Our duration gap disclosures can be used to estimate our NAV sensitivity**
 - ✓ At times this approach may lead to slightly different estimates given the nonlinearity of MBS negative convexity

AGNC NAV Sensitivity Rates + 100 Bps ¹	
As of June 30, 2014	
Spot Duration Gap	1.0
Duration Gap + 100 Bps	1.7
Average Duration Gap	1.4
6/30/14 At-Risk-Leverage	6.9
Estimated NAV Sensitivity	-11%
Average Duration $(1.0 + 1.7)/2 = 1.4$ Equity Leverage $(6.9 + 1) = 7.9$ NAV Sensitivity $1.4 \times 7.9 = 11\%$	

AGNC NAV Sensitivity Rates -100 Bps ¹	
As of June 30, 2014	
Spot Duration Gap	1.0
Duration Gap - 100 Bps	-0.9
Average Duration Gap	0.1
6/30/14 At-Risk-Leverage	6.9
Estimated NAV Sensitivity	0%
Average Duration $(1.0 + -.9)/2 = 0.05$ Equity Leverage $(6.9 + 1) = 7.9$ NAV Sensitivity $0.05 \times 7.9 = .4\% = 0\%$	

- ◆ **On a quarterly basis we disclose our NAV sensitivity to various rate shocks, assuming no rebalancing actions**

AGNC Interest Rate Sensitivity ¹	
As of June 30, 2014	
Interest Rate Shock (bps)	Estimated NAV % Change ²
-100	--%
-50	3%
50	-5%
100	-11%



1. Interest rate and MBS spread sensitivity are derived from models that are dependent on inputs and assumptions provided by third parties as well as by our investment team and, accordingly, actual results could differ materially from these estimates.
 2. Estimated change as a percentage of NAV incorporates the impact of leverage

USING LEVERAGE TO QUANTIFY INTEREST RATE RISK

- ◆ “Spot” duration gap times a portfolio’s leverage will not provide a robust measure of interest rate risk
- ◆ “Average” duration gap includes the effect of negative convexity and provides a better basis for measuring aggregate interest rate risk

Average Dur Gap	Debt-to-Equity Leverage				
	5x	6x	7x	8x	9x
0.5	3%	4%	4%	5%	5%
1.0	6%	7%	8%	9%	10%
1.5	9%	11%	12%	14%	15%
2.0	12%	14%	16%	18%	20%
2.5	15%	18%	20%	23%	25%

- ◆ “Average” duration gap is more important than leverage in determining pure interest rate risk
 - ✓ A portfolio with debt-to-equity leverage of 8x and a 1 year average duration gap implies a 9% change in the portfolio’s NAV for a 100 bps change in interest rates
 - ✓ Alternatively, a portfolio with only 5x leverage and a 2 year average duration gap implies a 12% change in NAV for a 100 bps change in interest rates

CONCLUSION

- ◆ **We provide very substantial disclosures, which are intended to help investors better understand our exposure to interest rate risk and to mortgage spread risk**
- ◆ **We utilize a comprehensive and disciplined approach to risk management that continuously evolves with market conditions and portfolio composition**
- ◆ **Our risk management philosophy also recognizes the importance of striking an appropriate balance between risk and return**
- ◆ **Our risk management activities have reduced the volatility of our returns and have been an important driver of our industry leading returns**