



WHAT DOES THE FUTURE HOLD FOR AGNC & MTGE

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The following slides contain summaries of certain financial and statistical information about AGNC and MTGE. 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.

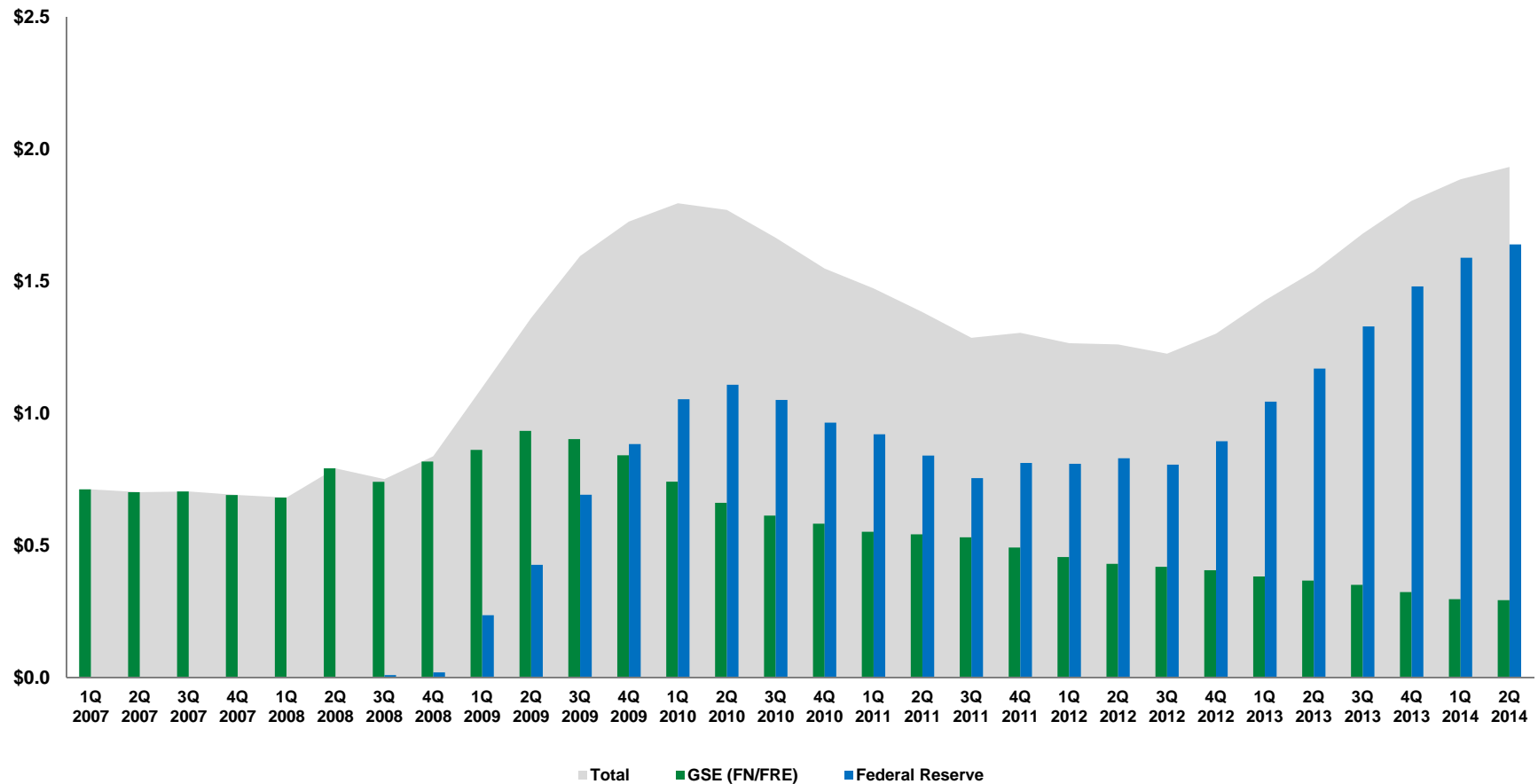
INTRODUCTION

- ◆ **The post financial crisis period has been a favorable “cyclical” environment for the mortgage REIT space**
- ◆ **We believe that the bulk of the benefits of the structural changes to the mortgage market landscape stemming from the changes to the GSEs have yet to be realized because:**
 - ✓ FED MBS purchases have dwarfed the declines in the GSE portfolios
 - ✓ The GSEs/FHA still account for the vast majority of all new originations
 - ✓ New non-agency securitization volumes are negligible
 - ✓ GSE credit risk transfers are just beginning to ramp up
- ◆ **We are confident that the structural shift toward greater reliance on private capital should provide significant opportunities for the mortgage REIT space over the intermediate to longer term, encompassing the agency, non-agency, and MSR sectors**

AGNC MBS: GSE/GOVERNMENT AGENCY MBS HOLDINGS

THE FED'S INVOLVEMENT IN AGENCY MBS HAS SIGNIFICANTLY DELAYED THE TIMING OF "STRUCTURALLY" WIDER SPREADS DUE TO SMALLER GSE PORTFOLIOS

FED/GSE Agency MBS Holdings (\$Trillions)

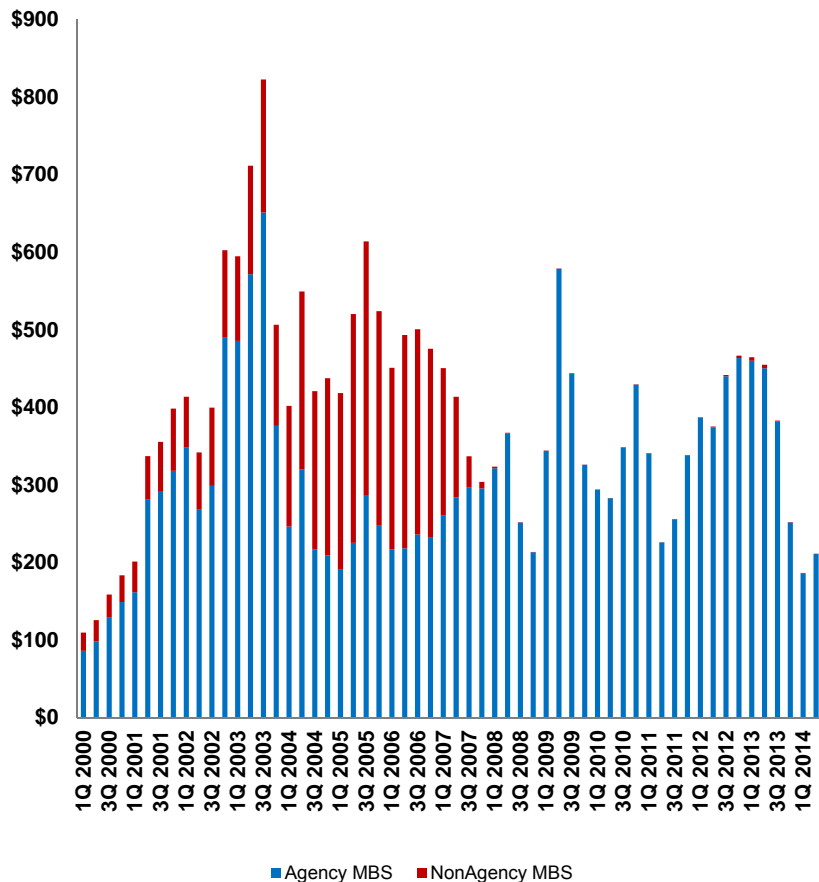


Source: Nomura Securities, Morgan Stanley Inc.

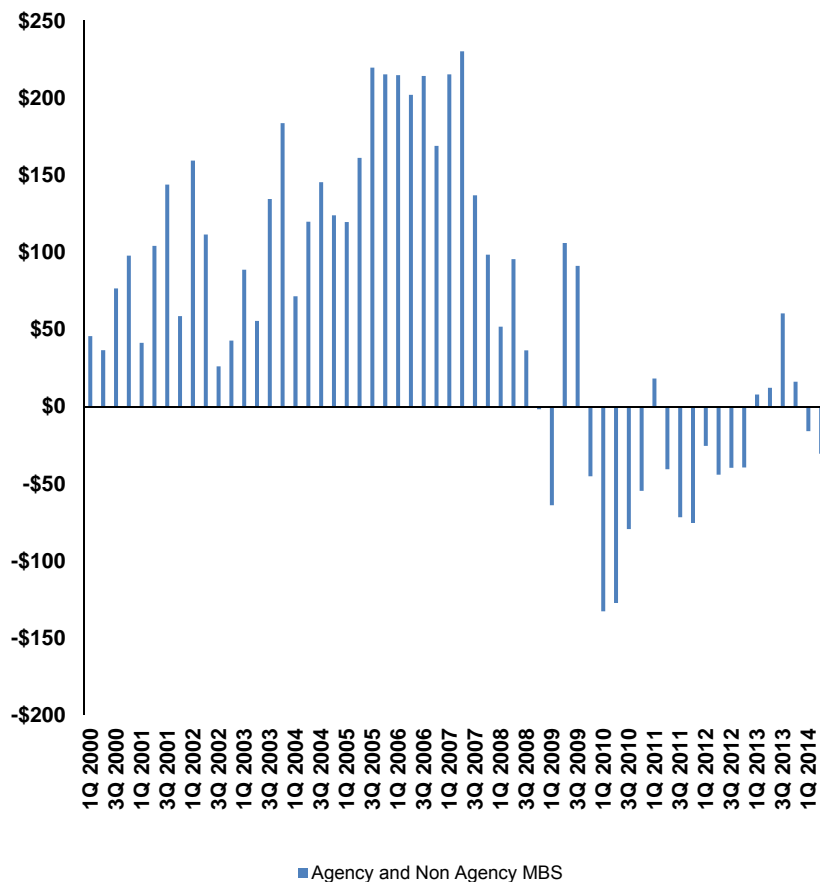
AGENCY MBS: LACK OF GROSS AND NET SUPPLY

ADDITIONALLY, THE DRAMATIC DECREASE IN SUPPLY WILL FURTHER DELAY ANY CHEAPENING TO MORTGAGE VALUATIONS

Mortgage Market Gross Supply (\$BB)



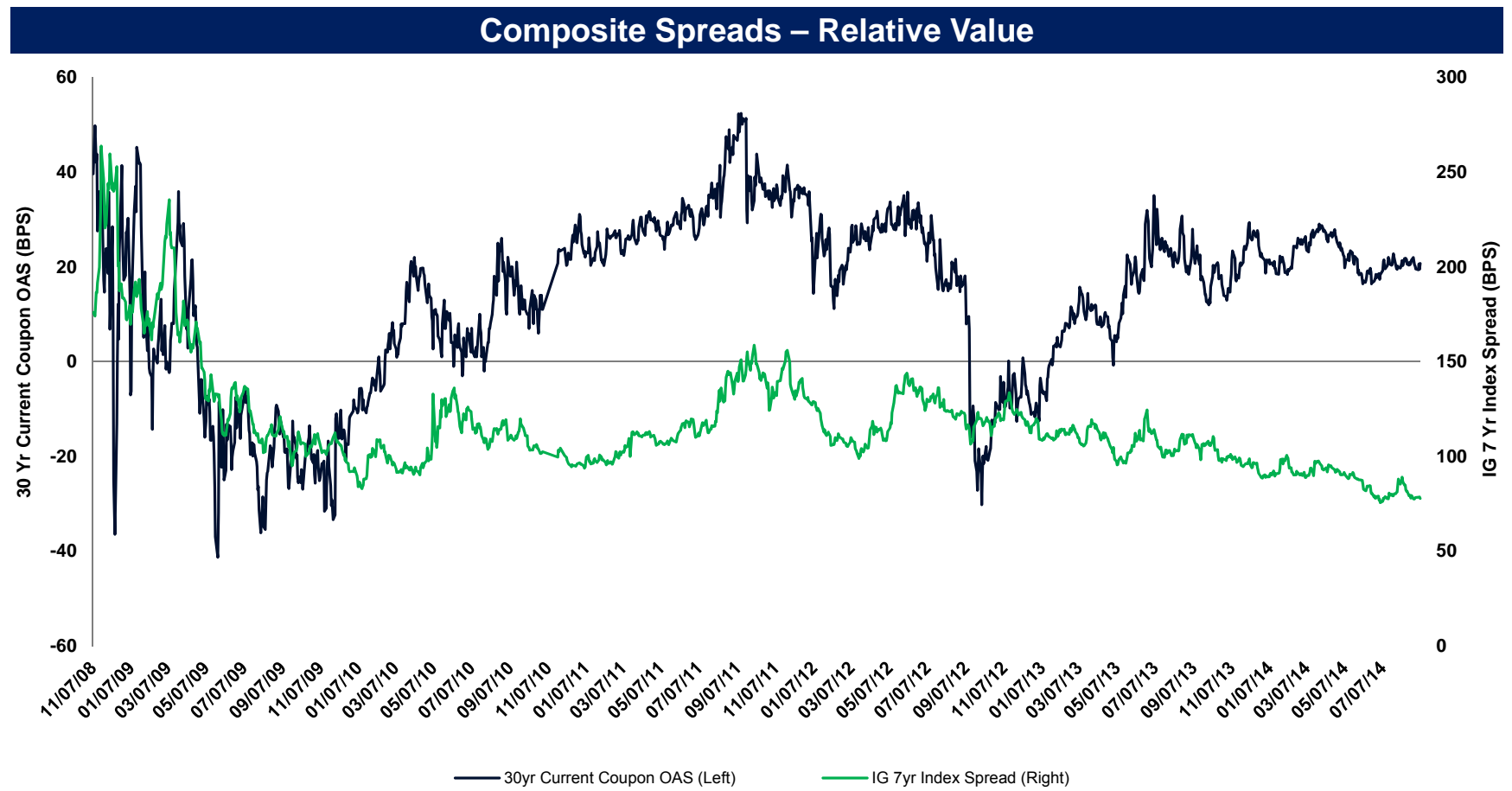
Mortgage Market Net Supply (\$BB)



Source: Nomura Securities, Morgan Stanley Inc.

AGENCY MBS: VALUATION CONSIDERATIONS

FED HOLDINGS, LACK OF SUPPLY, INVESTOR UNDERWEIGHTS, FAVORABLE FINANCING, AND RELATIVE VALUE CONSIDERATION VERSUS OTHER FIXED-INCOME ASSETS SHOULD CONTINUE TO SUPPORT AGENCY SPREADS OVER THE NEAR TERM

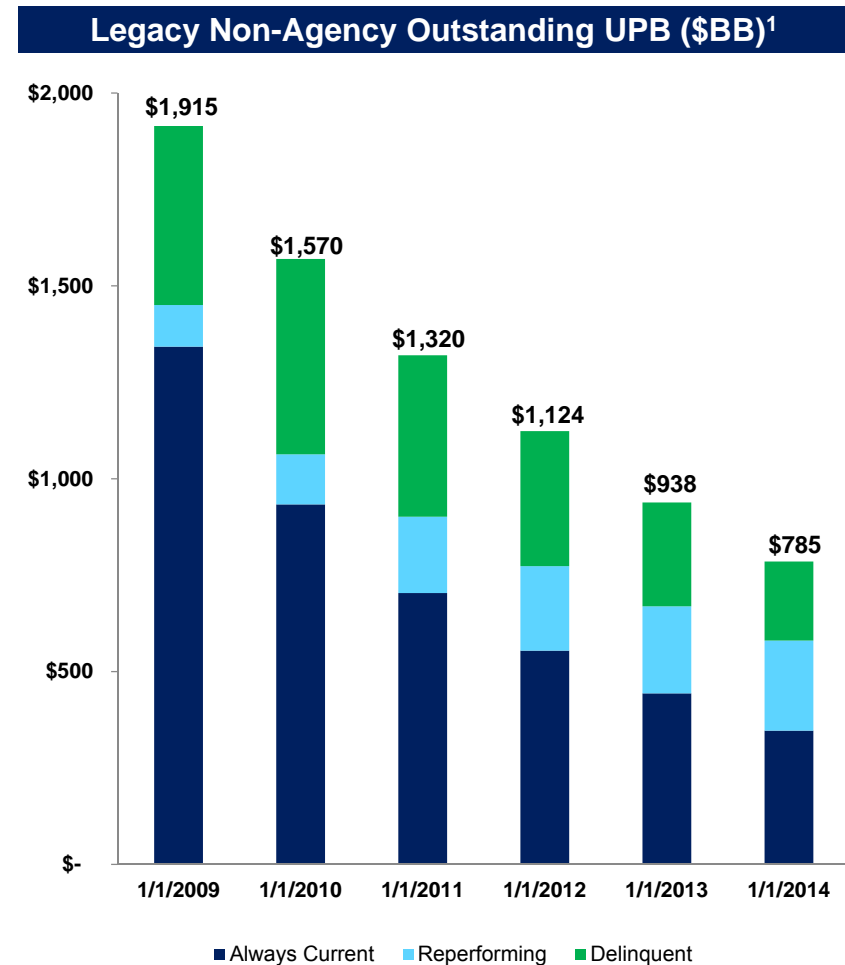


Source: CitiVelocity

MORTGAGE CREDIT: SHRINKING SUPPLY

CREDIT RISK AVAILABLE FOR PRIVATE INVESTORS HAS DECLINED MATERIALLY OVER THE PAST 5 YEARS BUT IS LIKELY TO REVERSE SOON

- ◆ **The legacy non-agency MBS space continues to contract due to defaults, prepayments, and scheduled amortization**
 - ✓ Averaging 15% year over year declines with the trend likely to continue
- ◆ **The GSE and GNMA market share has remained over 80% of total originations**
- ◆ **Jumbo originations are muted and what is produced have negligible credit risk**
 - ✓ Attractive for banks to retain new jumbo originations

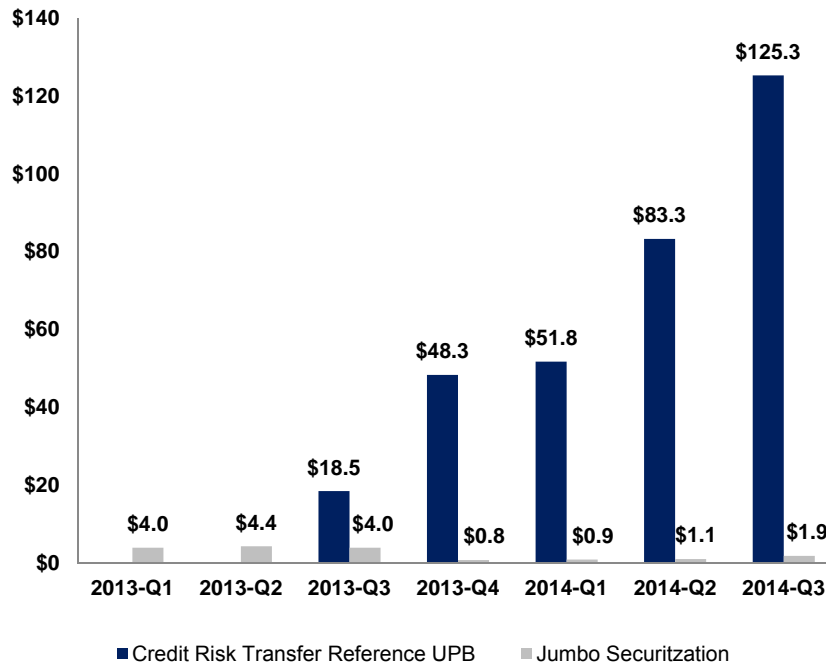


1. Source: CoreLogic, 1010data; Legacy Non-Agency Outstanding UPB for deals issued prior to 2010 and reported in CoreLogic Database

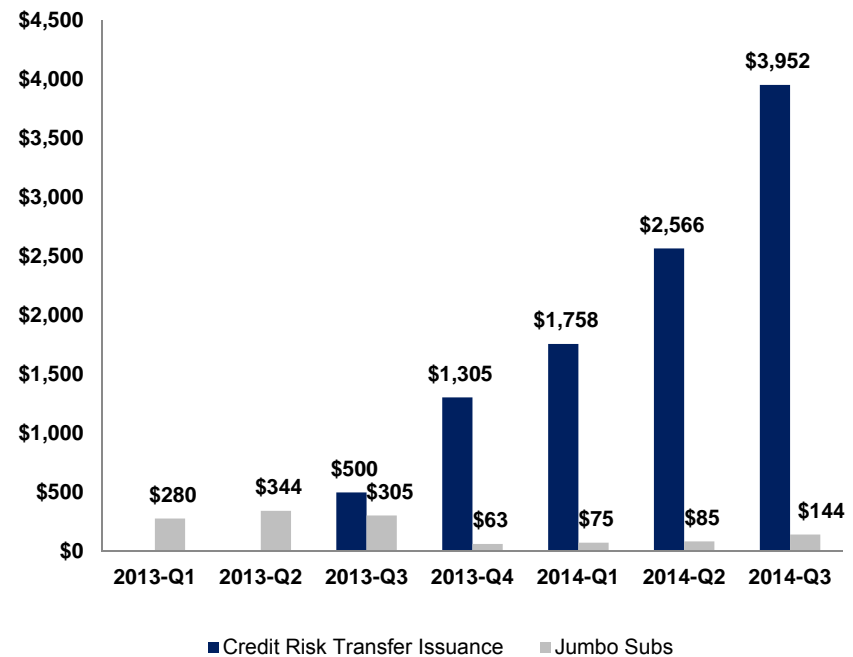
MORTGAGE CREDIT: GSE CREDIT SALES WILL BE MATERIAL

- ◆ **GSE risk sharing transactions are the major source of credit risk to the market, not jumbo or non-agency originations**
 - ✓ GSE's have sold credit risk off of approximately \$308B of mortgage loans during the last four quarters vs. jumbo securitizations totaling less than \$5B
 - ✓ GSE tranches totaled \$9.6B vs. around \$367MM for total non-agency securitizations

Notional Amount of Loan Risk (\$BB)



Credit Bonds Sold (\$MM)



Source: Bloomberg, CoreLogic 1010data, and Intex; Credit Bonds Sold: Bonds issued with AA and lower ratings

MORTGAGE SERVICING RIGHTS

- ◆ **Opportunities in the new origination MSR landscape have developed relatively slowly**
 - ✓ Significant capital was raised targeting MSR investments over the last 2 years in anticipation of bank sales and attractive returns. This capital will likely be largely invested over the remainder of 2014
 - ✓ Banks have concentrated their sales on legacy, non-performing servicing
 - ✓ Until recently, wide origination margins allowed originators to retain MSR, but this trend is reversing rapidly
- ◆ **New capital requirements for banks and a more onerous regulatory environment for both originators and servicers should significantly decrease the depository footprint in MSR**
- ◆ **Lower origination margins and higher servicing multiples should force most non-bank originators to sell the majority of their MSR**
- ◆ **Mortgage REITs are well positioned to take advantage of the MSR opportunity over time given their permanent capital, prepayment expertise, and their ability to leverage the hedging benefits of IO type cash flows**

WHAT CAN YOU EXPECT FROM AGNC?

◆ Near term:

- ✓ Little incentive currently to reduce leverage as agency MBS technicals remain favorable and investment returns competitive given dollar roll financing advantages
- ✓ Active management and willingness to reposition the portfolio as market conditions dictate

◆ Intermediate picture:

- ✓ Likely operating with somewhat lower leverage with a larger duration gap
- ✓ Increased focus on IO/MSR cash flows
- ✓ May consider limited investments in highly rated senior tranches of future non-agency securitizations
- ✓ Willingness to consider more direct involvement in the origination and sourcing of both MSR and MBS

◆ Longer term:

- ✓ Higher leverage as structural changes significantly enhance ROEs
- ✓ Increasing probability of growth opportunities from accretive equity raises as private capital finances a larger percentage of the market as FED holdings decline
- ✓ Proactive approach to evaluating new opportunities throughout the agency space or with respect to private label surrogates (such as senior tranches) including origination, servicing, financing, and investing

WHAT CAN YOU EXPECT FROM MTGE?

◆ Near term:

- ✓ Little incentive to reduce agency leverage
- ✓ Maintenance of current legacy non-agency portfolio
- ✓ Opportunistic investment in GSE risk transfer securitizations
- ✓ Focus on improving operating efficiencies of servicing operation and diversification of MSR holdings

◆ Intermediate picture:

- ✓ Lower agency capital allocation with a larger duration gap
- ✓ Potentially meaningful amount of capital dedicated to GSE risk transfer securities as supply likely to produce opportunities sooner than in other parts of the market (REIT rules could limit involvement to around 20% of income)
- ✓ Potential to grow involvement in origination and new non-agency securitization (will consider the development of conduit capabilities)
- ✓ Increased focus on IO/MSR cash flows

◆ Longer term:

- ✓ Higher aggregate leverage as structural changes significantly enhance ROEs on all MBS investments
- ✓ Increasing probability of growth opportunities via accretive equity offerings
- ✓ Proactive approach to evaluating new opportunities throughout the mortgage market