UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the year ended December 31, 2016

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission file number 001-34057

AGNC INVESTMENT CORP.

(Exact name of registrant as specified in its charter)

Delaware	**26-1701984**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**

2 Bethesda Metro Center, 12th Floor
Bethesda, Maryland 20814
(Address of principal executive offices)
(301) 968-9315
(Registrant's telephone number, including area code)
Securities registered pursuant to section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $0.01 par value per share	**The NASDAQ Global Select Market**
8.000% Series A Cumulative Redeemable Preferred Stock	**The NASDAQ Global Select Market**
7.750% Series B Cumulative Redeemable Preferred Stock	**The NASDAQ Global Select Market**

Securities registered pursuant to section 12(g) of the Act: NONE

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒ Accelerated filer ☐
Non-accelerated filer ☐ (Do not check if a smaller reporting company) Smaller Reporting Company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of June 30, 2016, the aggregate market value of the Registrant's common stock held by non-affiliates of the Registrant was approximately $5.5 billion based upon the closing price of the Registrant's common stock of $19.82 per share as reported on The NASDAQ Global Select Market on that date. (For this computation, the Registrant has excluded the market value of all shares of its common stock reported as beneficially owned by executive officers and directors of the Registrant and certain other stockholders; such an exclusion shall not be deemed to constitute an admission that any such person is an "affiliate" of the Registrant.)

The number of shares of the issuer's common stock outstanding as of January 31, 2017 was 331,046,077.

DOCUMENTS INCORPORATED BY REFERENCE. The Registrant's definitive proxy statement for the 2017 Annual Meeting of Stockholders is incorporated by reference into certain sections of Part III herein.

Certain exhibits previously filed with the Securities and Exchange Commission are incorporated by reference into Part IV of this report.

AGNC INVESTMENT CORP.

TABLE OF CONTENTS

PART I.

Item 1. *Business*

AGNC Investment Corp. ("AGNC," the "Company," "we," "us" and "our") was organized on January 7, 2008 and commenced operations on May 20, 2008 following the completion of our initial public offering. Our common stock is traded on The NASDAQ Global Select Market under the symbol "AGNC."

We operate so as to qualify to be taxed as a real estate investment trust ("REIT") under the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"). As such, we are required to distribute annually 90% of our taxable net income. As long as we qualify as a REIT, we will generally not be subject to U.S. federal or state corporate taxes on our taxable net income to the extent that we distribute all of our annual taxable net income to our stockholders. It is our intention to distribute 100% of our taxable net income, after application of available tax attributes, within the limits prescribed by the Internal Revenue Code, which may extend into the subsequent taxable year.

We earn income primarily from investing in Agency residential mortgage-backed securities on a leveraged basis. These investments consist of residential mortgage pass-through securities and collateralized mortgage obligations for which the principal and interest payments are guaranteed by a U.S. Government-sponsored enterprise, such as the Federal National Mortgage Association ("Fannie Mae") and the Federal Home Loan Mortgage Corporation ("Freddie Mac"), or by a U.S. Government agency, such as the Government National Mortgage Association ("Ginnie Mae") (collectively referred to as "GSEs"). We may also invest in other types of mortgage and mortgage-related residential and commercial mortgage-backed securities where repayment of principal and interest is not guaranteed by a GSE or U.S. Government agency.

Our principal objective is to provide our stockholders with attractive risk-adjusted returns through a combination of monthly dividend distributions and net asset value (also referred to as "net book value," "NAV" and "stockholders' equity") accretion. We fund our investments primarily through short-term borrowings structured as repurchase agreements.

Investment Strategy

Our investment strategy is designed to:

- generate attractive risk-adjusted returns for our stockholders comprised of monthly dividend distributions and NAV accretion;
- manage an investment portfolio consisting primarily of Agency securities;
- invest a subset of the portfolio in mortgage credit risk oriented assets;
- capitalize on discrepancies in the relative valuations in the Agency and non-Agency securities market;
- manage financing, interest rate, prepayment, extension and credit risks;
- continue to qualify as a REIT; and
- remain exempt from the requirements of the Investment Company Act of 1940 (the "Investment Company Act").

Targeted Investments

Agency Securities

- **Agency Residential Mortgage-Backed Securities ("Agency RMBS").** Our primary investments consist of Agency pass-through certificates representing interests in "pools" of mortgage loans secured by residential real property. Monthly payments of principal and interest made by the individual borrowers on the mortgage loans that underlie the securities, which are guaranteed by a GSE to holders of the securities, are in effect "passed through," net of fees paid to the issuer/guarantor and servicers of the securities, to the holders of the securities. In general, mortgage pass-through certificates distribute cash flows from the underlying collateral on a pro rata basis among the holders of the securities. Holders of the securities also receive guarantor advances of principal and interest for delinquent loans in the mortgage pools. We also invest in Agency collateralized mortgage obligations ("CMOs"), which are structured instruments representing interests in Agency residential pass-through certificates, and interest-only, inverse interest-only and principal-only securities, which represent the right to receive a specified proportion of the contractual interest or principal flows of specific Agency CMO securities.

- **To-Be-Announced Forward Contracts ("TBAs").** TBAs are forward contracts to purchase or sell Agency RMBS. TBA contracts specify the coupon rate, issuer, term and face value of the bonds to be delivered, with the actual bonds to be delivered only identified shortly before the TBA settlement date.

Non-Agency Securities

- **Credit Risk Transfer Securities ("CRT").** CRT securities are risk sharing instruments that transfer a portion of the risk associated with credit losses within pools of conventional residential mortgage loans from the GSEs and/or third parties to private investors, such as us. Unlike Agency RMBS, full repayment of the original principal balance of CRT securities is not guaranteed by a GSE or other third party; rather, "credit risk transfer" is achieved by writing down the outstanding principal balance of the CRT securities if credit losses on the related pool of loans exceed certain thresholds. By reducing the amount that issuers are obligated to repay to holders of CRT securities, the issuers of CRT securities are able to offset credit losses on the related pool of loans.

- **Non-Agency Residential Mortgage-Backed Securities ("Non-Agency RMBS").** Non-Agency RMBS are securities backed by residential mortgages, for which payment of principal and interest is not guaranteed by a GSE or government agency. Instead, a private institution such as a commercial bank will package residential mortgage loans and securitize them through the issuance of RMBS. Non-Agency RMBS are often referred to as private label RMBS. Non-Agency RMBS may benefit from credit enhancement derived from structural elements, such as subordination, overcollateralization or insurance. We may purchase highly-rated instruments that benefit from credit enhancement or non-investment grade instruments that absorb credit risk. We focus primarily on non-Agency securities where the underlying mortgages are secured by residential properties within the United States. Residential non-Agency securities are backed by residential mortgages that can be comprised of prime mortgage or nonprime mortgage loans. We may also purchase Agency or non-Agency multifamily securities where the collateral backing the securitization consists in whole or in part of loans to properties housing multiple tenants.

- **Commercial Mortgage-Backed Securities ("CMBS").** CMBS are securities that are structured utilizing collateral pools comprised of commercial mortgage loans. CMBS can be structured as pass-through securities, where the cash flows generated by the collateral pool are passed on pro rata to investors after netting servicer or other fees, or where cash flows are distributed to numerous classes of securities following a predetermined waterfall, which may give priority to selected classes while subordinating other classes. We may invest across the capital structure of these securities, and we intend to focus on CMBS where the underlying collateral is secured by commercial properties located within the United States.

Active Portfolio Management Strategy

We employ an active management strategy designed to achieve our principal objectives of generating attractive risk-adjusted returns and managing our net asset value within reasonable bands. We invest in securities based on our assessment of the relative risk-return profile of the securities and our ability to effectively hedge a portion of the securities' exposure to market risks. The composition of our portfolio and strategies that we use will vary based on our view of prevailing market conditions and the availability of suitable investment, hedging and funding opportunities. We may experience investment gains or losses when we sell securities that we believe no longer provide attractive risk-adjusted returns or when we believe more attractive alternatives are available elsewhere in the mortgage or mortgage-related securities market, or when we believe it is prudent to reduce aggregate exposure or a particular type of risk embedded in the portfolio. We may also experience gains or losses as a result of our hedging strategies or due to credit losses on our non-Agency securities.

Financing Strategy

As part of our investment strategy, we leverage our investment portfolio to increase potential returns to our stockholders. Our primary source of financing is through repurchase agreements. A repurchase agreement transaction acts as a financing arrangement under which we effectively pledge our investment securities as collateral to secure a loan. Our borrowings pursuant to these repurchase transactions generally have maturities ranging from 30 days to one year, but may have maturities less than 30 days or up to five or more years. Under our repurchase agreements, our financing rate typically tracks short term rates such as one, three or six month London Interbank Offered Rate ("LIBOR"), plus or minus a fixed spread.

Our leverage varies depending on market conditions, our assessment of risk and returns and our ability to continue to borrow funds sufficient to fund acquisitions of mortgage securities. We generally expect our leverage to be within six to eleven times the amount of our tangible stockholders' equity. However, under certain market conditions, we may operate at leverage levels outside of this range for extended periods of time.

We seek to diversify our funding exposure by entering into repurchase agreements with multiple counterparties. We had master repurchase agreements with 38 financial institutions as of December 31, 2016. The terms of our master repurchase agreements generally conform to the terms in the standard master repurchase agreement as published by the Securities Industry and Financial Markets Association ("SIFMA") as to repayment, margin requirements and the segregation of all securities sold under the repurchase transaction. In addition, each lender may require that we include supplemental terms and conditions to the standard master repurchase agreement. Typical supplemental terms and conditions include changes to the margin maintenance requirements, purchase price maintenance requirements, requirements that all controversies related to the repurchase agreement be litigated in a particular jurisdiction and cross default provisions. These provisions may differ for each lender and certain of these terms may not be determined until we engage in a specific repurchase transaction.

We may also obtain other sources of financing depending on market conditions. We may finance the acquisition of Agency RMBS by entering into TBA dollar roll transactions in which we would sell a TBA contract for current month settlement and simultaneously purchase a similar TBA contract for a forward settlement date. Prior to the forward settlement date, we may choose to roll the position out to a later date by entering into an offsetting TBA position, net settling the paired off positions for cash, and simultaneously entering into a similar TBA contract for a later settlement date. In such transactions, the TBA contract purchased for a forward settlement date is priced at a discount to the TBA contract sold for settlement/pair off in the current month. This difference (or discount) is referred to as the "price drop." The price drop is the economic equivalent of net interest carry income on the underlying Agency RMBS over the roll period (interest income less implied financing cost) and is commonly referred to as "dollar roll income." Consequently, dollar roll transactions represent a form of off-balance sheet financing. In evaluating our overall leverage at risk, we consider both our on-balance sheet and off-balance sheet financing.

During 2015, we formed a wholly-owned captive broker-dealer subsidiary, Bethesda Securities, LLC ("BES"). BES became operational and received final membership approval to the Fixed Income Clearing Corporation ("FICC") during the third quarter of 2016. BES has direct access to bilateral and triparty funding as a Financial Industry Regulatory Authority ("FINRA") member broker-dealer. As an eligible institution, BES also raises funds through the General Collateral Finance Repo service offered by the FICC, with the FICC acting as the central counterparty, and thus provides us greater depth and diversity of repurchase agreement funding while also lowering our funding cost and limiting our counterparty exposure.

Risk Management Strategy

We use a variety of strategies to reduce our exposure to market risks, including interest rate, prepayment, extension and credit risks. Our investment strategies take into account our assessment of these risks, the cost of the hedging transactions and our intention to qualify as a REIT. Our hedging strategies are generally not designed to protect our net asset value from "spread risk" (also referred to as "basis risk"), which is the risk that the yield differential between our investments and our hedges fluctuates. In addition, while we use interest rate swaps and other supplemental hedges to attempt to protect our net asset value against moves in interest rates, we may not hedge certain interest rate, prepayment or extension risks if we believe that bearing such risks enhances our return profile, or if the hedging transaction would negatively impact our REIT status.

- ***Interest Rate Risk.*** We hedge a portion of our exposure to interest rate mismatches between the interest we earn on our longer term investments and the interest we pay on our shorter term borrowings. Because a majority of our funding is in the form of repurchase agreements, our financing costs fluctuate based on short-term interest rate indices, such as LIBOR. Because our investments are assets that primarily have fixed rates of interest and could mature in up to 40 years, the interest we earn on those assets generally does not move in tandem with the interest that we pay on our repurchase agreements; therefore, we may experience reduced income or losses due to adverse interest rate movements. In order to attempt to mitigate a portion of such risk, we utilize certain hedging techniques to attempt to lock in a portion of the net interest spread between the interest we earn on our assets and the interest we pay on our financing costs.

  Additionally, because prepayments on residential mortgages generally accelerate when interest rates decrease and slow when interest rates increase, mortgage securities typically have "negative convexity." In other words, certain mortgage securities in which we invest may increase in price more slowly than similar duration bonds, or even fall in value, as interest rates decline. Conversely, certain mortgage securities in which we invest may decrease in value more quickly than similar duration bonds as interest rates increase. In order to manage this risk, we monitor, among other things, the "duration gap" between our mortgage assets and our hedge portfolio as well as our convexity exposure. Duration is the estimated percentage change in market value of our mortgage assets or our hedge portfolio that would be caused by a parallel change in short and long-term interest rates. Convexity exposure relates to the way the duration of our mortgage assets or our hedge portfolio changes when the interest rate or prepayment environment changes.

  The value of our mortgage assets may also be adversely impacted by fluctuations in the shape of the yield curve or by changes in the market's expectation about the volatility of future interest rates. We analyze our exposure to non-parallel changes in interest rates and to changes in the market's expectation of future interest rate volatility and take actions to attempt to mitigate these risks.

- ***Prepayment Risk.*** Because residential borrowers have the option to prepay their mortgage loans at par at any time, we face the risk that we will experience a return of principal on our investments faster than anticipated. Prepayment risk generally increases when interest rates decline. In this scenario, our financial results may be adversely affected as we may have to invest that principal at potentially lower yields.

- ***Extension Risk.*** Because residential borrowers have the option to make only scheduled payments on their mortgage loans, rather than prepay their mortgage loans, we face the risk that a return of capital on our investment will occur slower than anticipated. Extension risk generally increases when interest rates rise. In this scenario, our financial results may be adversely affected as we may have to finance our investments at potentially higher costs without the ability to reinvest principal into higher yielding securities because the rate at which borrowers refinance their mortgages, sell the property collateralizing the mortgage, or otherwise pay incremental principal payments occurs at a slower pace than was originally expected.

- ***Spread Risk.*** Because the market spread between the yield on our investments and the yield on benchmark interest rates, such as U.S. Treasury rates and interest rate swap rates, may vary, we are exposed to spread risk. The inherent spread risk associated with our investment securities and the resulting fluctuations in fair value of these securities can occur independent of interest rates and may relate to other factors impacting the mortgage and fixed income markets, such as actual or anticipated monetary policy actions by the Federal Reserve (the "Fed"), liquidity, or changes in required rates of return on different assets. Our strategies are generally not designed to protect our net asset value from spread risk.

- ***Credit Risk.*** We accept mortgage credit exposure related to our non-Agency securities at levels we deem to be prudent within the context of our overall investment strategy. Therefore, we may retain all or a portion of the credit risk on the loans underlying our non-Agency securities. We seek to manage this risk through prudent asset selection, pre-acquisition due diligence, post-acquisition performance monitoring, and sale of assets where we identify negative credit trends. We may also manage credit risk with credit default swaps or other financial derivatives that we believe are appropriate. Additionally, we may vary the percentage mix of our Agency and non-Agency mortgage investments or our duration gap, when we believe credit performance is inversely correlated with changes in interest rates, in an effort to actively adjust our credit exposure and/or to improve the return profile of our investment portfolio.

The principal instruments that we use to hedge a portion of our exposure to interest rate, prepayment and extension risks are interest rate swaps and options to enter into interest rate swaps ("interest rate swaptions"). We also utilize forward contracts for the purchase or sale of Agency RMBS securities in the TBA market on a generic pool basis and U.S. Treasury securities and U.S. Treasury futures contracts, primarily through short sales. We may also purchase or write put or call options on TBA securities and invest in mortgage and other types of derivative instruments, such as interest and principal-only securities.

The risk management actions we take may lower our earnings and dividends in the short term to further our objective of maintaining attractive levels of earnings and dividends over the long term. In addition, some of our hedges are intended to provide protection against larger rate moves and as a result may be relatively ineffective for smaller changes in interest rates. There can be no certainty that our projections of our exposures to interest rates, prepayments, extension or other risks will be accurate or that our hedging activities will be effective and, therefore, actual results could differ materially.

Income from hedging transactions that we enter into to manage risk may not constitute qualifying gross income under one or both of the gross income tests applicable to REITs (see *"Real Estate Investment Trust Requirements"*). Therefore, we may have to limit our use of certain hedging techniques, which could expose us to greater risks than we would otherwise want to bear, or implement those hedging techniques through a taxable REIT subsidiary ("TRS"). Implementing our hedges through a TRS could increase the cost of our hedging activities because a TRS would be subject to tax on income and gains.

Management Internalization

Prior to July 1, 2016, we were externally managed by AGNC Management, LLC (our "Manager," formerly known as American Capital AGNC Management, LLC). On July 1, 2016, we completed the acquisition of AGNC Mortgage Management, LLC ("AMM," formerly known as American Capital Mortgage Management, LLC), the parent company of our Manager, from American Capital Asset Management, LLC ("ACAM"), a wholly owned portfolio company of American Capital, Ltd. ("ACAS"), for a purchase price of $562 million in cash. AMM is also the parent company of MTGE Management, LLC ("MTGE Manager," formerly known as American Capital MTGE Management, LLC), the external manager of MTGE Investment Corp. ("MTGE," formerly known as American Capital Mortgage Investment Corp.).

Prior to our management internalization, we paid our Manager a management fee payable monthly in arrears in an amount equal to one-twelfth of 1.25% of our month-end stockholders' equity, adjusted to exclude the effect of any unrealized gains or losses included in either retained earnings or accumulated OCI, each as computed in accordance with GAAP, and were obligated to reimburse our Manager for its expenses incurred directly related to our operations, excluding employment-related expenses of our Manager's officers and employees and any American Capital employees who provided services to us pursuant to the management agreement. There was no incentive compensation payable to our Manager pursuant to the management agreement. Following the internalization of our manager, we no longer incur a management fee, but we incur expenses associated with being an internally managed organization, including compensation expense previously borne by our Manager. If we had elected to cancel the management contract without cause, we would have been obligated to pay management fees through our existing renewal term (plus an additional one year period if we had not provided notice of non-renewal at least 180-days prior to the completion of the then current renewal term) and a termination fee equal to three times our average annual management during the preceding 24-month period. We would have also been precluded from hiring any of the employees for a two year period following termination who had worked for ACAS or any of its affiliates, including our Manager, at any point over the prior two year period.

Employees

As of December 31, 2016, we had 54 full-time employees.

Exemption from Regulation under the Investment Company Act

We conduct our business so as not to become regulated as an investment company under the Investment Company Act, in reliance on the exemption provided by Section 3(c)(5)(C) of the Investment Company Act. As long as we qualify for this exemption, we will not be subject to leverage and other restrictions imposed on regulated investment companies, which would significantly reduce our ability to use leverage. Section 3(c)(5)(C), as interpreted by the staff of the SEC, requires us to invest at least 55% of our assets in "mortgages and other liens on and interest in real estate" or "qualifying real estate interests" and at least 80% of our assets in qualifying real estate interests and "real estate-related assets." In satisfying this 55% requirement, based on pronouncements of the SEC staff and in certain instances our own judgment, we treat Agency RMBS issued with respect to an underlying pool of mortgage loans in which we hold all of the certificates issued by the pool ("whole pool" securities) as qualifying real estate interests. We typically treat "partial pool" and other mortgage securities where we hold less than all of the certificates issued by the pool as real estate-related assets.

Real Estate Investment Trust Requirements

We have elected to be taxed as a REIT under the Internal Revenue Code. As long as we qualify as a REIT, we generally will not be subject to U.S. federal or state corporate income tax on our taxable net income to the extent that we annually distribute all of our taxable net income to stockholders within the time limits prescribed by the Internal Revenue Code. Qualification and taxation as a REIT depends on our ability to meet on a continuing basis various qualification requirements imposed upon REITs by the Internal Revenue Code, including satisfying certain organizational requirements, an annual distribution requirement and quarterly asset and annual income tests. The REIT asset and income tests are of particular significance as they restrict the extent to which we can invest in certain types of securities and conduct certain hedging activities within the REIT. Consequently, we may be required to limit these activities or conduct them through a TRS. We believe that we have been organized and operate in such a manner as to qualify for taxation as a REIT.

Income Tests

In order to continue to qualify as a REIT, we must satisfy two gross income requirements on an annual basis.

1. At least 75% of our gross income for each taxable year generally must be derived from investments in real property or mortgages on real property.

2. At least 95% of our gross income in each taxable year generally must be derived from some combination of income that qualifies under the 75% gross income test described above, as well as other dividends, interest, and gains from the sale or disposition of stock or securities, which need not have any relation to real property.

Interest income constitutes qualifying mortgage interest for purposes of the 75% gross income test described above to the extent that the obligation upon which such interest is paid is secured by a mortgage on real property. We expect that substantially all of our income from our Agency and non-Agency MBS will continue to be qualifying income for purposes of the 75% gross income test. Income from CRT securities is treated as non-qualifying income for the 75% gross income test, which potentially limits our ability to invest in CRT securities. There is no direct authority with respect to the qualification of income or gains from TBAs as gains from the sale of real estate assets or other qualifying income for purposes of the 75% gross income test. We treat gains from TBAs as qualifying income for purposes of the 75% gross income test and we treat TBAs as qualifying assets for purposes of the 75% asset test described below based on an opinion of legal counsel. Income and gains that we derive from instruments that we use to hedge the interest rate risk associated with our borrowings incurred to acquire real estate assets will generally be excluded from both the numerator and the denominator for purposes of the 75% and 95% gross income test, provided that specified requirements are met.

Asset Tests

At the close of each calendar quarter, we must satisfy four tests relating to the nature of our assets.

1. At least 75% of the value of our total assets must be represented by some combination of "real estate assets," cash, cash items, U.S. Government securities, and, under some circumstances, temporary investments in stock or debt instruments purchased with new capital. For this purpose, mortgage-backed securities and mortgage loans are generally treated as "real estate assets." Assets that do not qualify for purposes of the 75% asset test are subject to the additional asset tests described below.

2. The value of any one issuer's securities that we own may not exceed 5% of the value of our total assets.

3. We may not own more than 10% of any one issuer's outstanding securities, as measured by either voting power or value. The 5% and 10% asset tests do not apply to securities of TRSs and qualified REIT subsidiaries and the 10% asset test does not apply to "straight debt" having specified characteristics and to certain other securities.

4. The aggregate value of all securities of all TRSs that we hold may not exceed 25% of the value of our total assets. (For tax years beginning after December 31, 2017, the limit is reduced to 20% of the value of total assets.)

If we should fail to satisfy the income or asset tests, such a failure would not cause us to lose our REIT qualification if we were able to eliminate the discrepancy within a 30 day cure period, in the case of the asset test, or satisfy certain relief provisions and pay any applicable penalty taxes and other fines. Please also refer to the "Risks Related to Our Taxation as a REIT" in "Item 1A. Risk Factors" of this Form 10-K for further discussion of REIT qualification requirements and related items.

Corporate Information

Our executive offices are located at Two Bethesda Metro Center, 12th Floor, Bethesda, MD 20814 and our telephone number is (301) 968-9315.

We make available all of our Annual Reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to such reports as well as our Code of Ethics and Conduct free of charge on our internet website at www.AGNC.com as soon as reasonably practical after such material is electronically filed with or furnished to the Securities and Exchange Commission ("SEC"). These reports are also available on the SEC internet website at www.sec.gov.

Competition

Our success depends, in large part, on our ability to acquire assets at favorable spreads over our borrowing costs. In acquiring mortgage assets, we compete with mortgage REITs, mortgage finance and specialty finance companies, savings and loan associations, banks, mortgage bankers, insurance companies, mutual funds, institutional investors, investment banking firms, other lenders, governmental bodies and other entities. These entities and others that may be organized in the future may have similar asset acquisition objectives and increase competition for the available supply of mortgage assets suitable for purchase. Additionally, our investment strategy is dependent on the amount of financing available to us in the repurchase agreement market, which may also be impacted by competing borrowers. Our investment strategy will be adversely impacted if we are not able to secure financing on favorable terms, if at all.

Item 1A. *Risk Factors*

You should carefully consider the risks described below and all other information contained in this Annual Report on Form 10-K, including our annual consolidated financial statements and the related notes thereto before making a decision to purchase our securities. The risks and uncertainties described below are not the only ones facing us. Additional risks and uncertainties not presently known to us, or not presently deemed material by us, may also impair our operations and performance.

If any of the following risks actually occur, our business, financial condition or results of operations could be materially adversely affected. If that happens, the trading price of our securities could decline, and you may lose all or part of your investment.

Risks Related to Our Investing, Portfolio Management and Financing Activities

An increase in our borrowing costs would adversely affect our financial condition and results of operations.

Our borrowing costs may increase for a number of reasons, including increases in short-term interest rates, the "haircut" applied to our assets under repurchase agreements, interest rate volatility, decreases in the value of our assets or availability of financing generally. An increase in our borrowing costs will reduce the difference, or spread, that we may earn between the yields on the investments we make and the borrowings we use to finance such investments. Moreover, due to the short-term or adjustable rate nature of the majority of our repurchase agreements used to finance our investments, our borrowing costs are particularly sensitive to increases in short-term interest rates as well as other factors. It is possible that due to higher borrowing costs, the spread on investments could be reduced to a point at which the profitability from investments would be significantly reduced or eliminated. This would adversely affect the returns on our assets, financial condition and results of operations and could require us to liquidate certain or all of our assets.

Changes to the pace of reinvestment of paydowns or sales of Agency mortgage-backed securities by the Federal Reserve may adversely affect the price and return associated with Agency securities.

In October 2014, the Federal Reserve ended its large scale asset purchases under quantitative easing programs designed to support the mortgage markets and stimulate the economy. The Federal Reserve currently reinvests all principal payments from its U.S. Treasury, Agency debt and Agency RMBS portfolios acquired as a function of its quantitative easing programs, thereby holding the nominal size of the securities it holds in each of these portfolios largely unchanged. In previous statements, members of the Federal Open Market Committee (FOMC) of the Federal Reserve have indicated that full reinvestment of the securities portfolio would continue until "normalization of the level of the federal funds rate is well under way"; therefore, it is difficult to predict when and at what pace the Federal Reserve will end reinvestments of principal payments. We also cannot predict the impact that this or other actions could have on the prices and liquidity of Agency RMBS or on mortgage spreads relative to interest rate hedges tied to benchmark interest rates. During periods in which the Federal Reserve reduces or ceases reinvestment of principal or undertakes outright sales of its securities portfolio, the price of Agency RMBS and U.S. Treasury securities will likely decline, mortgage spreads will likely widen, refinancing volumes will likely be lower and market volatility will likely be considerably higher than would have been the case absent such actions and our net book value could be adversely affected.

Our Board of Directors may change our investment guidelines without notice or stockholder consent, which may result in riskier investments, and does not approve each investment we make.

Our Board of Directors has approved the following investment guidelines:

- our investment portfolio shall consist primarily of Agency securities, but may include other types of mortgage and mortgage-related residential and commercial mortgage-backed securities where repayment of principal and interest is not guaranteed by a GSE;
- no investment shall be made that would cause us to fail to qualify as a REIT for federal income tax purposes; and
- no investment shall be made that would cause us to be regulated as an investment company under the Investment Company Act.

Our Board of Directors periodically reviews our investment guidelines, investment portfolio, and potential investment strategies. However, our Board of Directors does not pre-approve individual investments leaving management with day to day discretion over the portfolio composition within the investment guidelines. Within those guidelines, management has discretion to significantly change the composition of the portfolio. In addition, in conducting periodic reviews, our Board of Directors may rely primarily on information provided to them by our management. Our Board of Directors has the authority to change our investment guidelines at any time without notice to or consent from our stockholders. In 2015, our Board of Directors amended our investment guidelines permitting us to invest in high credit quality non-Agency MBS. In 2016, our Board of Directors, expanded such authorization to include CRT securities and other mortgage or mortgage-related investments with no restriction on the credit rating of those securities. To the extent that our investment guidelines change in the future, we may make investments that are different from, and possibly riskier than, the investments described in this Annual Report on Form 10-K. A change in our investment guidelines may increase our exposure to interest rate and real estate market fluctuations.

We may experience significant gains or losses and, consequently, greater earnings volatility as a result of our active portfolio management strategy.

We employ an active management strategy to achieve our principal objective of preserving our net asset value while generating attractive risk-adjusted returns. The composition of our investment portfolio will vary as we believe changes to market conditions, risks and valuations warrant. Consequently, we may experience significant investment gains or losses when we sell investments that we no longer believe provide attractive risk-adjusted returns or when we believe more attractive alternatives are available. We may be incorrect in our assessment of our investment portfolio and select an investment portfolio that could generate lower returns than a more static management strategy. Also, investors may be less able to assess the changes in our valuation and performance by observing changes in the mortgage market since we may have changed our strategy and portfolio from the last publicly available data. We may also experience fluctuations in leverage as we pursue our active management strategy.

Our strategy involves significant leverage, which increases the risk that we may incur substantial losses.

We expect our leverage to vary with market conditions and our assessment of risk/return on investments. We incur this leverage by borrowing against a substantial portion of the market value of our assets. By incurring this leverage, we could enhance our returns. Nevertheless, this leverage, which is fundamental to our investment strategy, also creates significant risks. For example, because of our significant leverage, we may incur substantial losses or lose our ability to maintain the outstanding balance of our borrowings if our borrowing costs increase substantially or if the value of our investments declines substantially.

Failure to procure adequate repurchase agreement and other financing or to renew or replace existing repurchase agreement and other financing as it matures (to which risk we are specifically exposed due to the short-term nature of our financing arrangements we employ) would adversely affect our financial condition and results of operations.

We use debt financing as a strategy to increase our return on equity. However, we may not be able to achieve our desired leverage ratio for a number of reasons, including if:

- our lenders do not make repurchase or other financing agreements available to us at acceptable terms;
- lenders with whom we enter into repurchase or other financing agreements subsequently exit the market;
- our lenders require additional collateral to cover our borrowings, which we may be unable to do; or
- we determine that the leverage would expose us to excessive risk.

Furthermore, because we rely primarily on short-term borrowings, our ability to achieve our investment objectives depends not only on our ability to borrow money in sufficient amounts and on favorable terms, but also on our ability to renew or replace on a continuous basis our maturing short-term borrowings. Additionally, our wholly-owned captive broker-dealer subsidiary's (or BES's) ability to access bilateral and triparty repo funding and to raise funds through the General Collateral Finance Repo service offered by the FICC, requires that it meet on a continuous basis the regulatory and membership requirements of FINRA and the FICC, which may change over time. If BES fails to meet these requirements and is unable to access such funding, we would be required to find alternative funding, which we may be unable to do, and our funding costs, "haircuts" and/or counterparty exposure could increase. Additionally, on January 12, 2016, the Federal Housing Finance Agency ("FHFA") released its final rule on changes to regulations concerning Federal Home Loan Bank ("FHLB") membership criteria. The final rule terminated our captive insurance subsidiary's FHLB membership and required repayment of all advances at the earlier of their contractual maturity dates or one year after the effective date of the final rule in February 2017.

If we are not able to renew or replace maturing borrowings, we may have to sell some or all of our assets, possibly under adverse market conditions. In addition, if the regulatory capital requirements imposed on our lenders change, they may be required to significantly increase the cost of the financing that they provide to us. Our lenders also may revise their eligibility requirements for the types of assets they are willing to finance or the terms of such financings, based on, among other factors, the regulatory environment and their management of perceived risk, particularly with respect to assignee liability. Consequently, financing may not be available to us in the future on terms that are acceptable to us. In the event that we cannot obtain sufficient funding on acceptable terms, there may be a negative impact on the value of our common and preferred stock and our ability to make distributions on our common and preferred stock.

Differences in the stated maturity of our fixed rate assets, or in timing of interest rate adjustments on our adjustable-rate assets, and our borrowings may adversely affect our profitability.

We rely primarily on short-term and/or variable rate borrowings to acquire fixed-rate securities with long-term maturities. In addition, we may have adjustable rate assets with interest rates that vary over time based upon changes in an objective index, such as LIBOR or the U.S. Treasury rate. These indices generally reflect short-term interest rates but these assets may not reset in a manner that matches our borrowings.

The relationship between short-term and longer-term interest rates is often referred to as the "yield curve." Ordinarily, short-term interest rates are lower than longer-term interest rates. If short-term interest rates rise disproportionately relative to longer-term interest rates (a "flattening" of the yield curve), our borrowing costs may increase more rapidly than the interest income earned on our assets. Because our investments generally bear interest at longer-term rates than we pay on our borrowings, a flattening of the yield curve would tend to decrease our net interest income and the market value of our investment portfolio. Additionally, to the extent cash flows from investments that return scheduled and unscheduled principal are reinvested, the spread between the yields on the new investments and available borrowing rates may decline, which would likely decrease our net income. It is also possible that short-term interest rates may exceed longer-term interest rates (a yield curve "inversion"), in which event, our borrowing costs may exceed our interest income and we could incur operating losses and our ability to make distributions to our stockholders could be adversely affected.

Declines in value of the assets in which we invest will adversely affect our financial condition and results of operations, and make it more costly to finance these assets.

We use our investments as collateral for our financings. A decline in their value, or perceived market uncertainty about their value, could make it difficult for us to obtain financing on favorable terms or at all, or maintain our compliance with terms of any financing arrangements already in place. Any fixed-rate securities we invest in generally will be more negatively affected by increases in interest rates than adjustable-rate securities. Most of our investments in mortgage-related securities are recorded at fair value with changes in fair value reported in net income or other comprehensive income (a component of equity). As a result, a decline in the fair value of our mortgage-related securities could reduce both our comprehensive income and stockholders' equity. If market conditions result in a decline in the fair value of our assets it will decrease the amounts we may borrow to purchase additional mortgage-related investments, which may restrict our ability to increase our net income, and our financial condition and results of operations could be adversely affected.

Our hedging strategies may not be successful in mitigating the risks associated with changes in interest rates.

Subject to complying with REIT tax requirements, we employ techniques that are intended to limit, or "hedge," the adverse effects of changes in interest rates on our repurchase agreements and our net asset value. In general, our hedging strategy depends on our management's view of our entire investment portfolio, consisting of assets, liabilities and derivative instruments, in light of prevailing market conditions. Our hedging activities are generally designed to limit certain exposures and not to eliminate them. In addition, these strategies may be unsuccessful and we could misjudge the condition of our investment portfolio or the market. Our hedging activity will vary in scope based on the level and volatility of interest rates and principal repayments, credit market conditions, the type of assets held and other changing market conditions. Our hedging decisions will be determined in light of the facts and circumstances existing at the time and may differ from our current hedging strategy. Our hedging strategies may include entering into interest rate swap agreements, interest rate swaptions, TBAs, short sales, caps, collars, floors, forward contracts, options, futures or other types of hedging transactions. We may conduct certain hedging transactions through a TRS, which may subject those transactions to federal, state and, if applicable, local income tax.

There are no perfect hedging strategies, and interest rate hedging may fail to protect us from loss. Additionally, our business model calls for accepting certain amounts of interest rate, mortgage spread, prepayment, extension, liquidity and credit risks and other exposures and thus some risks will generally not be hedged. We could also fail to properly assess a risk to our investment portfolio or fail to recognize a risk entirely, leaving us exposed to losses without the benefit of any offsetting hedging activities. The derivative financial instruments we select may not have the effect of reducing our risk. The nature and timing of hedging transactions may influence the effectiveness of these strategies. Poorly designed hedging strategies or improperly executed transactions could actually increase our risk and losses. In addition, hedging activities could result in losses if the event against which we hedge does not occur. For example, interest rate hedging could fail to protect us or adversely affect us because, among other things:

- interest rate hedging can be expensive, particularly during periods of rising and volatile interest rates;
- available interest rate hedges may not correspond directly with the interest rate risk for which protection is sought;
- the duration of the hedge may not match the duration of the related asset or liability;
- the amount of income that a REIT may earn from hedging transactions, other than hedging transactions that satisfy certain requirements of the Internal Revenue Code or that are done through a TRS, is limited by federal tax provisions governing REITs;
- the party owing money in the hedging transaction may default on its obligation to pay;

- the credit quality of the party owing money on the hedge may be downgraded to such an extent that it impairs our ability to sell or assign our side of the hedging transaction; and
- the value of our interest rate hedges declines due to interest rate fluctuations, lapse of time or other factors, reducing our stockholders' equity.

Furthermore, our hedging activities involve costs that we incur regardless of the effectiveness of the hedging activity. These costs may be higher in periods of market volatility, both because the counterparties to our derivative agreements may demand a higher payment for taking risks, and because repeated adjustments of our hedges during periods of interest rate changes also may increase costs. Consequently, we could incur significant hedging-related costs without any corresponding economic benefits.

Our hedging strategies are generally not designed to mitigate spread risk.

When the market spread between the yield on our mortgage assets and benchmark interest rates widens, our net asset value could decline if the value of our mortgage assets falls by more than the offsetting fair value increases on our hedging instruments tied to the underlying benchmark interest rates. We refer to this as "spread risk" or "basis risk." The spread risk associated with our mortgage assets and the resulting fluctuations in fair value of these securities is an inherent risk to our business and can occur independent of changes in benchmark interest rates and may relate to other factors impacting the mortgage and fixed income markets, such as actual or anticipated monetary policy actions by the Federal Reserve, market liquidity, or changes in required rates of return on different assets. Consequently, while we use interest rate swaps and other supplemental hedges to attempt to protect against moves in interest rates, such instruments typically will not protect our net asset value against spread risk, which could adversely affect our financial condition and results of operations.

Changes in prepayment rates may adversely affect our profitability and are difficult to predict.

Our investment portfolio includes securities backed by pools of mortgage loans. For securities backed by pools of mortgage loans, we receive payments, generally, from the payments that are made on these underlying mortgage loans. When borrowers prepay their mortgage loans at rates that are faster or slower than expected, it results in prepayments that are faster or slower than expected on our assets. These faster or slower than expected payments may adversely affect our profitability.

We may purchase securities that have a higher interest rate than the then prevailing market interest rate. In exchange for this higher interest rate, we may pay a premium to par value to acquire the security. In accordance with GAAP, we amortize this premium over the expected term of the security based on our prepayment assumptions. If a security is prepaid in whole or in part at a faster than expected rate, however, we must expense all or a part of the remaining unamortized portion of the premium that was paid at the time of the purchase, which would adversely affect our profitability.

We also may purchase securities that have a lower interest rate than the then prevailing market interest rate. In exchange for this lower interest rate, we may receive a discount to par value to acquire the security. We accrete this discount over the expected term of the security based on our prepayment assumptions. If a security is prepaid at a slower than expected rate, however, we must accrete the remaining portion of the discount at a slower than expected rate, which would result in a lower than expected yield on securities purchased at a discount to par.

Moreover, if prepayment rates decrease due to a rising interest rate environment, the average life or duration of our fixed-rate assets or the fixed-rate portion of our hybrid ARMs and other assets will generally extend. This could have a negative impact on our results from operations, as our interest rate swap maturities are fixed and will, therefore, cover a smaller percentage of our funding exposure on our mortgage assets to the extent that their average lives increase due to slower prepayments. This situation may also cause the market value of our assets to decline by more than otherwise would be the case while most of our hedging instruments would not receive any incremental offsetting gains. In extreme situations, we may be forced to sell assets to maintain adequate liquidity, which could cause us to incur realized losses.

Although prepayment rates generally increase when interest rates fall and decrease when interest rates rise, changes in prepayment rates are difficult to predict. Prepayments can also occur when borrowers sell the property and use the sale proceeds to prepay the mortgage or when borrowers default on their mortgages and the mortgages are prepaid from the proceeds of a foreclosure sale of the property. Fannie Mae and Freddie Mac will generally, among other conditions, purchase mortgages that are 120 days or more delinquent from mortgage-backed securities trusts when the cost of guarantee payments to security holders, including advances of interest at the security coupon rate, exceeds the cost of holding the nonperforming loans in their portfolios. Consequently, prepayment rates also may be affected by conditions in the housing and financial markets, which may result in increased delinquencies on mortgage loans, the government-sponsored entities cost of capital, general economic conditions and the relative interest rates on fixed and adjustable rate loans, which could lead to an acceleration of the payment of the related principal. Additionally, changes in the government-sponsored entities' decisions as to when to repurchase delinquent loans can materially impact prepayment rates.

In addition, the introduction of new government programs could increase the availability of mortgage credit to a large number of homeowners in the United States, which could impact the prepayment rates for the entire mortgage securities market, and in particular for Fannie Mae and Freddie Mac Agency securities. These new programs or changes to existing programs could cause substantial uncertainty around the magnitude of changes in prepayment speeds. To the extent that actual prepayment speeds differ from our expectations, it could adversely affect our operating results.

Market conditions may disrupt the historical relationship between interest rate changes and prepayment trends, which may make it more difficult to analyze our investment portfolio.

Our success depends, in part, on our ability to analyze the relationship of changing interest rates on prepayments of the mortgage loans that underlie securities we may own. Changes in interest rates and prepayments affect the market price of the assets that we purchase and any assets that we may hold at a given time. As part of our overall portfolio risk management, we analyze interest rate changes and prepayment trends separately and collectively to assess their effects on our investment portfolio. In conducting our analysis, we depend on certain assumptions based upon historical trends with respect to the relationship between interest rates and prepayments under normal market conditions. Dislocations in the residential mortgage market and other developments may disrupt the relationship between the way that prepayment trends have historically responded to interest rate changes and, consequently, may negatively impact our ability to (i) assess the market value of our investment portfolio, (ii) implement our hedging strategies and (iii) implement techniques to reduce our prepayment rate volatility, which could materially adversely affect our financial condition and results of operations.

Investments in non-Agency securities potentially subject us to delinquency, foreclosure and related losses on the underlying mortgage loans.

Investments in mortgage and mortgage-related securities, such as CRT securities, non-Agency RMBS and CMBS, where repayment of principal and interest is not guaranteed by a GSE subject us to the potential risk of loss of principal and/or interest due to delinquency, foreclosure and related losses on the underlying mortgage loans.

CRT securities are risk sharing instruments issued by Fannie Mae (CAS) and Freddie Mac (STACR), and similarly structured transactions arranged by third party market participants. The securities issued in the CRT sector are designed to synthetically transfer mortgage credit risk from Fannie Mae and Freddie Mac to private investors. Currently, CAS and STACR transactions are structured as unsecured and unguaranteed bonds issued by Fannie Mae or Freddie Mac, respectively, whose principal payments are determined by the delinquency and prepayment experience of a reference pool of mortgages guaranteed by Fannie Mae or Freddie Mac in a particular quarter. Transactions arranged by third party market participants in the CRT sector are similarly structured to reference a specific pool of loans that have been securitized by Fannie Mae or Freddie Mac and synthetically transfer mortgage credit risk related to those loans to the purchaser of the securities. The holder of CRT securities bears the risk that the borrowers may default on their obligations to make full and timely payments of principal and interest. The return of the principal invested in CRT securities is dependent on the level of borrower defaults on the underlying pool of mortgages. An investor in CRT securities bears the risk that the borrowers in the reference pool of loans may default on their obligations to make full and timely payments of principal and interest.

Residential mortgage loans underlying non-Agency RMBS are secured by residential property and are subject to risks of delinquency, foreclosure and loss. The ability of a borrower to repay a loan secured by residential property is dependent upon the income or assets of the borrower. A number of factors may impair a borrower's ability to repay its loan, including: loss of employment; divorce; illness; acts of God; acts of war or terrorism; adverse changes in national and local economic and market conditions; changes in governmental laws and regulations, fiscal policies and zoning ordinances and the related costs of complying with such laws and regulations, fiscal policies and ordinances; costs of remediation and liabilities associated with environmental conditions such as mold; and the potential for uninsured or under-insured property losses.

Commercial mortgage loans underlying CMBS are generally secured by multifamily or other commercial property and are subject to risks of delinquency and foreclosure, and risks of loss that are greater than similar risks associated with loans made on the security of residential property. The ability of a borrower to repay a loan secured by an income-producing property typically is dependent primarily upon the successful operation of such property rather than upon the existence of independent income or assets of the borrower. If the net operating income of the property is reduced, the borrower's ability to repay the loan may be impaired. Net operating income of an income producing property can be affected by, among other things: tenant mix; success of tenant businesses; property management decisions; property location and condition; competition from comparable types of properties; changes in laws that increase operating expense or limit rents that may be charged; any need to address environmental contamination at the property; the occurrence of any uninsured casualty at the property; changes in national, regional or local economic conditions or specific industry segments; declines in regional or local real estate values; declines in regional or local rental or occupancy rates; increases in interest rates; real estate tax rates and other operating expenses; changes in governmental rules, regulations and fiscal policies, including environmental legislation; acts of God, acts of war or terrorism, social unrest and civil disturbances.

Investments in non-Agency securities could cause us to incur losses of income from, and/or losses in market value relating to, these assets if there are defaults of principal and/or interest on the underlying or referenced pool of mortgages in the transaction.

Actions of the U.S. Government, including the U.S. Congress, U.S. Federal Reserve, U.S. Treasury, Federal Housing Finance Administration, and other governmental and regulatory bodies may adversely affect our business.

U.S. Government actions may have an adverse impact on the financial and housing markets. To the extent the markets do not respond favorably to any such actions or such actions do not function as intended, they could have broad adverse market implications and could negatively impact our financial condition and results of operations. New regulatory requirements could adversely affect the availability or terms of financing from our lender counterparties, could impose more stringent capital rules on large financial institutions, could restrict the origination of residential mortgage loans and the formation of new issuances of mortgage-backed securities and could limit the trading activities of certain banking entities and other systemically significant organizations that are important to our business. Together or individually these new regulatory requirements could materially affect our financial condition or the results of our operations in an adverse way.

Pursuant to the terms of borrowings under master repurchase agreements, we are subject to margin calls that could result in defaults or force us to sell assets under adverse market conditions or through foreclosure.

We enter into master repurchase agreements with a number of financial institutions. We borrow under these master repurchase agreements to finance the assets for our investment portfolio. Pursuant to the terms of borrowings under our master repurchase agreements, a decline in the value of the collateral may result in our lenders initiating margin calls. A margin call means that the lender requires us to pledge additional collateral to re-establish the ratio of the value of the collateral to the amount of the borrowing. The specific collateral value to borrowing ratio that would trigger a margin call is not set in the master repurchase agreements and is not determined until we engage in a repurchase transaction under these agreements. Our fixed-rate collateral generally may be more susceptible to margin calls as increases in interest rates tend to affect more negatively the market value of fixed-rate securities. In addition, some collateral may be more illiquid than other instruments in which we invest, which could cause them to be more susceptible to margin calls in a volatile market environment. Moreover, collateral that prepays more quickly increases the frequency and magnitude of potential margin calls as there is a significant time lag between when the prepayment is reported (which reduces the market value of the security) and when the principal payment is actually received. If we are unable to satisfy margin calls, our lenders may foreclose on our collateral. The threat of or occurrence of a margin call could force us to sell, either directly or through a foreclosure, our collateral under adverse market conditions. Because of the leverage we expect to have, we may incur substantial losses upon the threat or occurrence of a margin call.

Our derivative agreements expose us to margin calls that could result in defaults or force us to sell assets under adverse market conditions.

Our derivative agreements typically require that we pledge collateral on such agreements to our counterparties in a similar manner as we are required to under our repurchase agreements. Our counterparties, or the central clearing agency, typically have the sole discretion to determine the value of the derivative instruments and the value of the collateral securing such instruments. In the event of a margin call, we must generally provide additional collateral on the same business day. Our derivative agreements may also contain cross default provisions under which a default under certain of our other indebtedness in excess of a certain threshold amount causes an event of default under the agreement. Following an event of default, we could be required to settle our obligations under the agreements at their termination values. The threat of or occurrence of margin calls or the forced settlement of our obligations under our derivative agreements at their termination values could force us to sell, either directly or through a foreclosure, our investments under adverse market conditions. Because of the leverage we have, we may incur substantial losses upon the threat or occurrence of either of these events.

Regulations adopted by the U.S. Commodity Futures Trading Commission and regulators of other countries could impose increased margin requirements and require additional operational and compliance costs, which could negatively affect our financial condition and results of operations.

The U.S. Commodity Futures Trading Commission (the "CFTC") subjects certain swaps to clearing and exchange trading requirements, margin requirements, reporting, record keeping and business conduct rules. The rules and regulations promulgated by the CFTC and regulators of other countries may adversely affect our ability to engage in derivative transactions or may increase the cost of our hedging activity. We are required to follow some of these local regulations or help the non-U.S. counterparties comply with these local regulations. It is possible that such regulatory requirements will result in increased costs for OTC derivative counterparties and also lead to an increase in the costs of collateral, which may have an adverse impact on our business and results of operations.

It may be uneconomical to "roll" our TBA dollar roll transactions or we may be unable to meet margin calls on our TBA contracts, which could negatively affect our financial condition and results of operations.

We may utilize TBA dollar roll transactions as a means of investing in and financing Agency mortgage-backed securities. TBA contracts enable us to purchase or sell, for future delivery, Agency securities with certain principal and interest terms and certain types of collateral, but the particular Agency securities to be delivered are not identified until shortly before the TBA settlement date. Prior to settlement of the TBA contract we may choose to move the settlement of the securities out to a later date by entering into an offsetting position (referred to as a "pair off"), net settling the paired off positions for cash, and simultaneously purchasing a similar TBA contract for a later settlement date, collectively referred to as a "dollar roll." The Agency securities purchased for a forward settlement date under the TBA contract are typically priced at a discount to Agency securities for settlement in the current month. This difference (or discount) is referred to as the "price drop." The price drop is the economic equivalent of net interest carry income on the underlying Agency securities over the roll period (interest income less implied financing cost) and is commonly referred to as "dollar roll income." Consequently, dollar roll transactions and such forward purchases of Agency securities represent a form of off-balance sheet financing and increase our "at risk" leverage.

Under certain market conditions, TBA dollar roll transactions may result in negative carry income whereby the Agency securities purchased for a forward settlement date under the TBA contract are priced at a premium to Agency securities for settlement in the current month. Additionally, sales of some or all of the Fed's holdings of Agency RMBS or declines in purchases of Agency RMBS by the Fed could adversely impact the dollar roll market. Under such conditions, it may be uneconomical to roll our TBA positions prior to the settlement date and we could have to take physical delivery of the underlying securities and settle our obligations for cash. We may not have sufficient funds or alternative financing sources available to settle such obligations. In addition, pursuant to the margin provisions established by the Mortgage-Backed Securities Division ("MBSD") of the FICC we are subject to margin calls on our TBA contracts. Further, our prime brokerage agreements may require us to post additional margin above the levels established by the MBSD. Negative carry income on TBA dollar roll transactions or failure to procure adequate financing to settle our obligations or meet margin calls under our TBA contracts could result in defaults or force us to sell assets under adverse market conditions or through foreclosure and adversely affect our financial condition and results of operations.

Defaults by lenders to our repurchase transactions on their obligations to resell the underlying collateral back to us at the end of the transaction term, declines in the value of our collateral by the end of the term or defaults by us on our obligations under the transaction will cause us to lose money on repurchase transactions.

When we engage in a repurchase transaction, we initially transfer securities or loans to the financial institution under one of our master repurchase agreements in exchange for cash, and our counterparty is obligated to resell such assets to us at the end of the term of the transaction, which is typically from 30 days to one year, but which may have terms from one day to up to five years or more. The cash we receive when we initially sell the collateral is less than the value of that collateral, which is referred to as the "haircut." As a result, we are able to borrow against a smaller portion of the collateral that we initially sell in these transactions. Increased haircuts require us to post additional collateral. The haircut rates under our master repurchase agreements are not set until we engage in a specific repurchase transaction under these agreements. If our counterparty defaults on its obligation to resell collateral to us, we would incur a loss on the transaction equal to the amount of the haircut (assuming there was no change in the value of the securities). Any losses we incur on our repurchase transactions could adversely affect our earnings, and, thus, our cash available for distribution to our stockholders.

If we default on one of our obligations under a repurchase transaction, the counterparty can terminate the transaction and cease entering into any other repurchase transactions with us. In that case, we would likely need to establish a replacement repurchase facility with another financial institution in order to continue to leverage our investment portfolio and carry out our investment strategy. We may not be able to secure a suitable replacement facility on acceptable terms or at all.

Further, financial institutions providing the repurchase agreements may require us to maintain a certain amount of cash or to set aside non-leveraged assets sufficient to maintain a specified liquidity position which would allow us to satisfy our collateral obligations. As a result, we may not be able to leverage our assets as fully as we would choose, which could reduce our return on equity. If we are unable to meet these collateral obligations, our financial condition could deteriorate rapidly. Additionally, our counterparties can unilaterally choose to cease entering into any further repurchase transactions with us.

Our rights under our repurchase agreements are subject to the effects of the bankruptcy laws in the event of the bankruptcy or insolvency of us or our lenders under the repurchase agreements.

In the event of our insolvency or bankruptcy, certain repurchase agreements may qualify for special treatment under the U.S. Bankruptcy Code, the effect of which, among other things, would be to allow the lender under the applicable repurchase agreement to avoid the automatic stay provisions of the U.S. Bankruptcy Code and to foreclose on the collateral agreement without delay. In the event of the insolvency or bankruptcy of a lender during the term of a repurchase agreement, the lender may be permitted, under applicable insolvency laws, to repudiate the contract, and our claim against the lender for damages may be treated simply as an unsecured creditor. In addition, if the lender is a broker or dealer subject to the Securities Investor Protection Act of 1970, or an insured depository institution subject to the Federal Deposit Insurance Act, our ability to exercise our rights to recover our assets under a repurchase agreement or to be compensated for any damages resulting from the lender's insolvency may be further limited by those statutes. These claims would be subject to significant delay and, if and when received, may be substantially less than the damages we actually incur.

Our use of derivative agreements may expose us to counterparty risk.

Certain hedging instruments are not traded on regulated exchanges or guaranteed by an exchange or its clearinghouse and involves risks and costs that could result in material losses. Consequently, there may not be requirements with respect to record keeping, financial responsibility or segregation of customer funds and positions. Furthermore, the enforceability of agreements underlying hedging transactions may depend on compliance with applicable statutory and commodity and other regulatory requirements and, depending on the domicile of the counterparty, applicable international requirements. Consequently, if a counterparty fails to perform under a derivative agreement we could incur a significant loss.

For example, if a swap counterparty under an interest rate swap agreement that we enter into as part of our hedging strategy cannot perform under the terms of the interest rate swap agreement, we may not receive payments due under that agreement, and, thus, we may lose any potential benefit associated with the interest rate swap. Additionally, we may also risk the loss of any collateral we have pledged to secure our obligations under these swap agreements if the counterparty becomes insolvent or files for bankruptcy. Similarly, if an interest rate swaption counterparty fails to perform under the terms of the interest rate swaption agreement, in addition to not being able to exercise or otherwise cash settle the agreement, we could also incur a loss for the premium paid for that swaption.

Our investments are recorded at fair value and quoted prices or observable inputs may not be readily available to determine such value, resulting in the use of unobservable inputs to determine value, and the fair value of our investments may be materially different from the value that we ultimately realize upon their disposal.

The values of our investments may not be readily determinable or ultimately realizable. We measure the fair value of our investments quarterly, in accordance with guidance set forth in Accounting Standards Codification Topic 820, *Fair Value Measurements and Disclosures*. Ultimate realization of the value of an asset depends to a great extent on economic and other conditions that are beyond our control. Further, fair value is only an estimate based on good faith judgment of the price at which an investment can be sold since market prices of investments can only be determined by negotiation between a willing buyer and seller. If we were to liquidate a particular asset, the realized value may be more than or less than the amount at which such asset is valued. Accordingly, the value of our common stock could be adversely affected by our determinations regarding the fair value of our investments, whether in the applicable period or in the future. Additionally, such valuations may fluctuate over short periods of time.

Our determination of the fair value of our investments includes inputs provided by third-party dealers and pricing services. Valuations of certain investments in which we invest may be difficult to obtain or unreliable. In general, dealers and pricing services heavily disclaim their valuations. Dealers may claim to furnish valuations only as an accommodation and without special compensation, and so they may disclaim any and all liability for any direct, incidental, or consequential damages arising out of any inaccuracy or incompleteness in valuations, including any act of negligence or breach of any warranty. Depending on the complexity and illiquidity of a security, valuations of the same security can vary substantially from one dealer or pricing service to another. Therefore, our results of operations for a given period could be adversely affected if our determinations regarding the fair market value of these investments are materially different from the values that we ultimately realize upon their disposal.

Investments in the common stock of other publicly traded mortgage REITs expose us to incremental risks and costs and may adversely affect our financial condition and results of operations.

We may invest in other mortgage REITs that primarily invest in Agency securities, non-Agency securities and other mortgage related instruments on a leveraged basis, utilizing short-term borrowings as their primary source of funding. Such mortgage REITs are, therefore, exposed to similar risk factors as those described herein and other risks inherent to investment strategies that they may pursue that diverge from our own. In addition, our investments in other mortgage REITs may expose us to incremental risks and costs due to our lack of control, lack of transparency into their underlying investment portfolios and business operations, stock market volatility and management fees, each of which could adversely affect our financial condition and results of operations.

The federal conservatorship of Fannie Mae and Freddie Mac and related efforts, along with any changes in laws and regulations affecting the relationship between these agencies and the U.S. Government, may adversely affect our business.

The payments of principal and interest we receive on the Agency securities in which we invest are guaranteed by Fannie Mae, Freddie Mac or Ginnie Mae. The guarantees on Agency securities created by Fannie Mae and Freddie Mac are not backed by the full faith and credit of the United States, whereas the guarantee on securities created by Ginnie Mae are backed by the full faith and credit of the United States.

In response to general market instability and, more specifically, the financial conditions of Fannie Mae and Freddie Mac, in July 2008, the Housing and Economic Recovery Act of 2008, or "HERA", established FHFA as the new regulator for Fannie Mae and Freddie Mac. In September 2008, the U.S. Treasury, the FHFA and the U.S. Federal Reserve announced a comprehensive action plan to help stabilize the financial markets, support the availability of mortgage financing and protect taxpayers. Under this plan, among other things, the FHFA was appointed as conservator of both Fannie Mae and Freddie Mac. The future roles of Fannie Mae and Freddie Mac could be significantly reduced and the nature of their guarantee obligations could be considerably limited relative to historical measurements. Any such changes to the nature of their guarantee obligations could re-define what constitutes an Agency security and could have broad adverse implications for the market and our business, operations and financial condition.

Future changes to Fannie Mae or Freddie Mac may create market uncertainty and may reduce the actual or perceived credit quality of securities issued or guaranteed by these agencies. Moreover, if the guarantee obligations of Fannie Mae or Freddie Mac were repudiated by FHFA, payments of principal and/or interest to holders of Agency securities issued by Fannie Mae or Freddie Mac would be reduced in the event of any borrower's late payments or failure to pay or a servicer's failure to remit borrower payments to the trust. In that case, trust administration and servicing fees could be paid from mortgage payments prior to distributions to holders of Agency securities. Any actual direct compensatory damages owed due to the repudiation of Fannie Mae or Freddie Mac's guarantee obligations may not be sufficient to offset any shortfalls experienced by holders of Agency securities. As a result, such laws or changes could increase the risk of loss on our investments in Agency mortgage investments guaranteed by Fannie Mae and/or Freddie Mac or adversely impact the market for such securities and spreads at which they trade and could materially and adversely affect our financial condition and results of operations.

There are conflicts of interest with other funds that we manage.

Through our wholly-owned subsidiary, MTGE Management, LLC, we manage MTGE Investment Corp., which is also a mortgage REIT that invests in securities and instruments of the type invested by us. Although we have policies in place to seek to mitigate the effects of conflicts of interest, these policies will not eliminate the conflicts of interest that our officers and employees, who provide services to both us and MTGE, will face in making investment decisions on behalf of us or MTGE. Further, we do not have any agreement or understanding with MTGE that would give us any priority over it in opportunities to invest in overlapping investments. Accordingly, we may compete for access to investments with MTGE.

Our executive officers and other key personnel are critical to our success and the loss of any executive officer or key employee may materially adversely affect our business.

We operate in a highly specialized industry and our success is dependent upon the efforts, experience, diligence, skill and network of business contacts of our executive officers and key personnel. The departure of any of our executive officers and/or key personnel could have a material adverse effect on our operations and performance.

Risks Related to Our Taxation as a REIT

Our failure to qualify as a REIT would have adverse tax consequences.

We believe that we operate in a manner that allows us to qualify as a REIT for federal income tax purposes under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended, and Treasury Regulations promulgated thereunder (or the Code). We plan to continue to meet the requirements for taxation as a REIT. The determination that we are a REIT requires an analysis of various factual matters and circumstances that may not be totally within our control and our compliance with the annual REIT income and quarterly asset requirements depends upon our ability to successfully manage the composition of our income and assets on an ongoing basis. For example, to qualify as a REIT, at least 75% of our gross income must come from real estate sources and 95% of our gross income must come from real estate sources and certain other sources that are itemized in the REIT tax laws. Additionally, our ability to satisfy the REIT asset tests depends upon our analysis of the characterization and fair market values of our assets, some of which are not susceptible to a precise determination, and for which we will not obtain independent appraisals. Furthermore, the proper classification of an instrument as debt or equity for federal income tax purposes may be uncertain in some circumstances, which could affect the application of the REIT asset requirements. We are also required to distribute to stockholders at least 90% of our REIT taxable income (determined without regard to the deduction for dividends paid and by excluding any net capital gain).

If we fail to qualify as a REIT in any tax year, we would be subject to U.S. federal and state corporate income tax on our taxable net income at regular corporate rates, and dividends paid to our stockholders would not be deductible by us in computing our taxable income. Also, unless the IRS granted us relief under certain statutory provisions, we would remain disqualified as a REIT for four years following the year we first fail to qualify. If we fail to qualify as a REIT, we would have to pay significant income taxes and would, therefore, have less money available for investments or for distributions to our stockholders. This would likely have a significant adverse effect on the value of our equity. In addition, the tax law would no longer require us to make distributions to our stockholders.

If we should fail to satisfy one or more requirements for REIT qualification, we may still qualify as a REIT if there is reasonable cause for the failure and not due to willful neglect and other applicable requirements are met, including completion of applicable IRS filings. It is not possible to state whether we would be entitled to the benefit of these relief provisions in all circumstances. If these relief provisions are inapplicable to a particular set of circumstances, we will not qualify as a REIT. Furthermore, if we satisfy the relief provisions and maintain our qualification as a REIT, we may be still subject to a penalty tax. The amount of the penalty tax will be at least $50,000 per failure, and, in the case of certain asset test failures, will be determined as the amount of net income generated by the assets in question multiplied by the highest U.S. federal corporate tax rate (currently 35%) if that amount exceeds $50,000 per failure, and, in case of income test failures, will be a 100% tax on an amount based on the magnitude of the failure, as adjusted to reflect the profit margin associated with our gross income.

Distributions payable by REITs do not qualify for the reduced tax rates available for some dividends.

The maximum tax rate applicable to income from "qualified dividends" payable to domestic stockholders that are individuals, trusts and estates is currently 20%. Distributions of ordinary income payable by REITs, however, generally are not eligible for the reduced rates. Although this legislation does not adversely affect the taxation of REITs or distributions payable by REITs, the more favorable rates applicable to regular corporate qualified dividends could cause investors who are individuals, trusts and estates to perceive investments in REITs to be relatively less attractive than investments in the stocks of non-REIT corporations that pay dividends, which could adversely affect the value of the stock of REITs, including our common stock.

New legislation or administrative or judicial action, in each instance potentially with retroactive effect, could make it more difficult or impossible for us to remain qualified as a REIT or it could reduce the favorable tax attributes of REITs to stockholders.

The present federal income tax treatment of REITs may be modified, possibly with retroactive effect, by legislative, judicial or administrative action at any time, which could affect the federal income tax treatment of an investment in us. The federal income tax rules dealing with REITs constantly are under review by persons involved in the legislative process, the IRS and the U.S. Treasury Department, which results in statutory changes as well as frequent revisions to regulations and interpretations. Furthermore, changes in corporate and individual tax rates may reduce or eliminate the favorable tax attributes of REITs to stockholders relative to alternative investment vehicles. Revisions in federal tax laws and interpretations thereof could affect or cause us to change our investments and commitments and affect the tax considerations of an investment in us.

REIT distribution requirements could adversely affect our ability to execute our business plan.

We generally must distribute annually at least 90% of our taxable income, subject to certain adjustments and excluding any net capital gain, in order for U.S. federal and state corporate income tax not to apply to earnings that we distribute. Distributions of our taxable income must generally occur in the taxable year to which they relate, or in the following taxable year if declared before we timely file our tax return for the year and if paid with or before the first regular dividend payment after such declaration. We may also elect to retain, rather than distribute, our net long-term capital gains and pay tax on such gains if required. In this case, we could elect for our stockholders to include their proportionate shares of such undistributed long-term capital gains in income, and to receive a corresponding credit for their share of the tax that we paid. Our stockholders would then increase their adjusted basis of their stock by the difference between (a) the amounts of capital gain dividends that we designated and that they include in their taxable income, minus (b) the tax that we paid on their behalf with respect to that income. We intend to make distributions to our stockholders to comply with the REIT qualification requirements of the Internal Revenue Code.

To the extent that we satisfy this distribution requirement, but distribute less than 100% of our taxable income, we will be subject to U.S. federal and state corporate income tax on our undistributed taxable income. Furthermore, if we should fail to distribute during each calendar year at least the sum of (a) 85% of our REIT ordinary income for such year, (b) 95% of our REIT capital gain net income for such year, and (c) any undistributed taxable income from prior periods, we would be subject to a non-deductible 4% excise tax on the excess of such required distribution over the sum of (x) the amounts actually distributed, (y) the amounts of income we retained and on which we have paid corporate income tax and (z) any excess distributions from prior periods.

From time-to-time, we may generate taxable income greater than our income for financial reporting purposes prepared in accordance with GAAP, or differences in timing between the recognition of taxable income and the actual receipt of cash may occur. For example, if we purchase mortgage securities at a discount, we are generally required to accrete the discount into taxable income prior to receiving the cash proceeds of the accreted discount at maturity. Additionally, if we incur capital losses in excess of capital gains, such net capital losses are not allowed to reduce our taxable income for purposes of determining our distribution requirement. They may be carried forward for a period of up to five years and applied against future capital gains subject to the limitation of our ability to generate sufficient capital gains, which cannot be assured. If we do not have other funds available in these situations we could be required to borrow funds on unfavorable terms, sell investments at disadvantageous prices or distribute amounts that would otherwise be invested in future acquisitions to make distributions sufficient to maintain our qualification as a REIT, or avoid corporate income tax and the 4% excise tax in a particular year. These alternatives could increase our costs or reduce our stockholders' equity. Thus, compliance with the REIT requirements may hinder our ability to grow, which could adversely affect the value of our common stock.

We may in the future choose to pay dividends in our own stock, in which case you may be required to pay income taxes in excess of the cash dividends you receive.

We may in the future distribute taxable dividends that are payable in cash and shares of our common stock at the election of each stockholder. Taxable stockholders receiving such dividends will be required to include the full amount of the dividend as ordinary income to the extent of our current and accumulated earnings and profits for U.S. federal income tax purposes. As a result, stockholders may be required to pay income taxes with respect to such dividends in excess of the cash dividends received. If a U.S. stockholder sells the stock that it receives as a dividend in order to pay this tax, the sales proceeds may be less than the amount included in income with respect to the dividend, depending on the market price of our stock at the time of the sale. Furthermore, with respect to certain non-U.S. stockholders, we may be required to withhold U.S. tax with respect to such dividends, including in respect of all or a portion of such dividend that is payable in stock. In addition, if a significant number of our stockholders determine to sell shares of our common stock in order to pay taxes owed on dividends, it may put downward pressure on the trading price of our common stock.

Even if we remain qualified as a REIT, we may face other tax liabilities that reduce our cash flow.

Even if we remain qualified for taxation as a REIT, we may nonetheless be subject to certain federal, state and local taxes on our income and assets, including, but not limited to, the following items. Any of these or other taxes we may incur would decrease cash available for distribution to our stockholders.

- Regular U.S. federal and state corporate income taxes on any undistributed taxable income, including undistributed net capital gains.
- A non-deductible 4% excise tax if the actual amount distributed to our stockholders in a calendar year is less than a minimum amount specified under federal tax laws.
- Corporate income taxes on the earnings of subsidiaries, to the extent that such subsidiaries are subchapter C corporations and are not qualified REIT subsidiaries or other disregarded entity for federal income tax purposes.
- A 100% tax on transactions between us and our TRSs, that do not reflect arm's-length terms.
- If we acquire appreciated assets from a corporation that is not a REIT (i.e., a corporation taxable under subchapter C of the Internal Revenue Code) in a transaction in which the adjusted tax basis of the assets in our hands is determined by reference to the adjusted tax basis of the assets in the hands of the subchapter C corporation, we may be subject to tax on such appreciation at the highest corporate income tax rate then applicable if we subsequently recognize a gain on a disposition of any such assets during the ten-year period following their acquisition from the subchapter C corporation.
- A 100% tax on net income and gains from "prohibited transactions"
- Penalty taxes and other fines for failure to satisfy one or more requirements for REIT qualification.

Complying with REIT requirements may cause us to forgo otherwise attractive opportunities.

To remain qualified as a REIT for federal income tax purposes, we must continually satisfy tests concerning, among other things, the sources of our income, the nature and diversification of our assets, the amounts that we distribute to our stockholders and the ownership of our stock. We may be required to make distributions to stockholders at disadvantageous times or when we do not have funds readily available for distribution, and may be unable to pursue investments that would be otherwise advantageous to us in order to satisfy the source-of-income or asset-diversification requirements for qualifying as a REIT. Thus, compliance with the REIT requirements may hinder our ability to make and, in certain cases, to maintain ownership of, certain attractive investments.

Complying with REIT requirements may force us to liquidate otherwise attractive investments.

To remain qualified as a REIT, we must ensure that at the end of each calendar quarter, at least 75% of the value of our assets consists of cash, cash items, government securities and qualified real estate assets. The remainder of our investment in securities (other than government securities and qualified real estate assets) generally cannot include more than 10% of the outstanding voting securities of any one issuer or more than 10% of the total value of the outstanding securities of any one issuer. In addition, in general, no more than 5% of the value of our assets (other than government securities and qualified real estate assets) can consist of the securities of any one issuer, and, for tax years beginning on or before December 31, 2017, no more than 25% of the value of our total assets can be represented by securities of one or more TRSs. For tax years beginning after December 31, 2017, no more than 20% of the value of our total assets can be represented by securities of one or more TRSs. If we fail to comply with these requirements at the end of any calendar quarter, we must correct the failure within 30 days after the end of the calendar quarter or qualify for certain statutory relief provisions to avoid losing our REIT qualification and suffering adverse tax consequences. As a result, we may be required to liquidate from our investment portfolio otherwise attractive investments. These actions could have the effect of reducing our income and amounts available for distribution to our stockholders.

The failure of assets subject to repurchase agreements to qualify as real estate assets could adversely affect our ability to remain qualified as a REIT.

We enter into certain financing arrangements that are structured as sale and repurchase agreements pursuant to which we nominally sell certain of our assets to a counterparty and simultaneously enter into an agreement to repurchase these assets at a later date in exchange for a purchase price. Economically, these agreements are financings that are secured by the assets sold pursuant thereto. We believe that we would be treated for REIT asset and income test purposes as the owner of the assets that are the subject of any such sale and repurchase agreement notwithstanding that such agreement may transfer record ownership of the assets to the counterparty during the term of the agreement. It is possible, however, that the IRS could assert that we did not own the assets during the term of the sale and repurchase agreement, in which case we could fail to remain qualified as a REIT.

Liquidation of assets may jeopardize our REIT qualification or create additional tax liability for us.

To remain qualified as a REIT, we must comply with requirements regarding the composition of our assets and our sources of income. If we are compelled to liquidate our investments to repay obligations to our lenders, we may be unable to comply with these requirements, ultimately jeopardizing our qualification as a REIT, or we may be subject to a 100% tax on any resultant gain if we sell assets that are treated as dealer property or inventory.

Complying with REIT requirements may limit our ability to hedge effectively and may cause us to incur tax liabilities.

The REIT provisions of the Internal Revenue Code could substantially limit our ability to hedge our liabilities. Any income from a properly designated hedging transaction we enter into to manage risk of interest rate changes with respect to borrowings made or to be made, or ordinary obligations incurred or to be incurred, to acquire or carry real estate assets generally does not constitute "gross income" for purposes of the 75% or 95% gross income tests. To the extent that we enter into other types of hedging transactions, the income from those transactions is likely to be treated as non-qualifying income for purposes of both of the gross income tests. As a result of these rules, we may have to limit our use of advantageous hedging techniques or implement those hedges through our TRS. This could increase the cost of our hedging activities because our TRS would be subject to tax on gains or expose us to greater risks associated with changes in interest rates than we would otherwise want to bear. In addition, losses in our TRS will generally not provide any tax benefit, except for being carried forward against future taxable income in the TRS.

Uncertainty exists with respect to the treatment of our TBAs for purposes of the REIT asset and income tests.

We purchase and sell Agency mortgage-backed securities through TBAs and recognize income or gains from the disposition of those TBAs, through dollar roll transactions or otherwise, and may continue to do so in the future. While there is no direct authority with respect to the qualification of TBAs as real estate assets or U.S. Government securities for purposes of the 75% asset test or the qualification of income or gains from dispositions of TBAs as gains from the sale of real property (including interests in real property and interests in mortgages on real property) or other qualifying income for purposes of the 75% gross income test, we treat our TBAs as qualifying assets for purposes of the REIT 75% asset test, and we treat income and gains from our TBAs as qualifying income for purposes of the 75% gross income test, based on an opinion of Skadden, Arps, Slate, Meagher & Flom LLP substantially to the effect that (i) for purposes of the REIT asset tests, our ownership of a TBA should be treated as ownership of the underlying Agency securities, and (ii) for purposes of the 75% REIT gross income test, any gain recognized by us in connection with the settlement of our TBAs should be treated as gain from the sale or disposition of the underlying Agency securities. Opinions of counsel are not binding on the IRS, and no assurance can be given that the IRS will not successfully challenge the conclusions set forth in such opinions. In addition, it must be emphasized that the opinion of Skadden, Arps, Slate, Meagher & Flom LLP is based on various assumptions relating to our TBAs and is conditioned upon fact-based representations and covenants made by our management regarding our TBAs. No assurance can be given that the IRS would not assert that such assets or income are not qualifying assets or income. If the IRS were to successfully challenge the opinion of Skadden, Arps, Slate, Meagher & Flom LLP, we could be subject to a penalty tax or we could fail to remain qualified as a REIT if a sufficient portion of our assets consists of TBAs or a sufficient portion of our income consists of income or gains from the disposition of TBAs.

Qualifying as a REIT involves highly technical and complex provisions of the Internal Revenue Code.

Qualification as a REIT involves the application of highly technical and complex Internal Revenue Code provisions for which only limited judicial and administrative authorities exist. Even a technical or inadvertent violation could jeopardize our REIT qualification. Our qualification as a REIT depends on our satisfaction of certain asset, income, organizational, distribution, stockholder ownership and other requirements on a continuing basis. In addition, our ability to satisfy the requirements to remain qualified as a REIT depends in part on the actions of third parties over which we have no control or only limited influence, including in cases where we own an equity interest in an entity that is classified as a partnership for federal income tax purposes.

The tax on prohibited transactions will limit our ability to engage in transactions, including certain methods of structuring CMOs, which would be treated as prohibited transactions for federal income tax purposes.

Net income that we derive from a prohibited transaction is subject to a 100% tax. The term "prohibited transaction" generally includes a sale or other disposition of property (including Agency securities, but other than foreclosure property, as discussed below) that is held primarily for sale to customers in the ordinary course of a trade or business by us or by a borrower that has issued a shared appreciation mortgage or similar debt instrument to us. We could be subject to this tax if we were to dispose of or structure CMOs in a manner that was treated as a prohibited transaction for federal income tax purposes.

We intend to conduct our operations at the REIT level so that no asset that we own (or are treated as owning) will be treated as, or as having been, held for sale to customers, and that a sale of any such asset will not be treated as having been in the ordinary course of our business. As a result, we may choose not to engage in certain transactions at the REIT level, and may limit the structures we utilize for our CMO transactions, even though the sales or structures might otherwise be beneficial to us. In addition, whether property is held "primarily for sale to customers in the ordinary course of a trade or business" depends on the particular facts and circumstances. No assurance can be given that any property that we sell will not be treated as property held for sale to customers, or that we can comply with certain safe-harbor provisions of the Internal Revenue Code that would prevent such treatment. The 100% tax does not apply to gains from the sale of property that is held through a TRS or other taxable corporation, although such income will be subject to tax in the hands of the corporation at regular corporate rates. We intend to structure our activities to avoid prohibited transaction characterization.

Distributions to tax-exempt investors may be classified as unrelated business taxable income.

Neither ordinary nor capital gain distributions with respect to our common stock nor gain from the sale of common stock should generally constitute unrelated business taxable income to a tax-exempt investor. However, there are certain exceptions to this rule. In particular:

- part of the income and gain recognized by certain qualified employee pension trusts with respect to our common stock may be treated as unrelated business taxable income if shares of our common stock are predominantly held by qualified employee pension trusts, and we are required to rely on a special look-through rule for purposes of meeting one of the REIT ownership tests, and we are not operated in a manner to avoid treatment of such income or gain as unrelated business taxable income;
- part of the income and gain recognized by a tax-exempt investor with respect to our common stock would constitute unrelated business taxable income if the investor incurs debt in order to acquire the common stock;
- part or all of the income or gain recognized with respect to our common stock by social clubs, voluntary employee benefit associations, supplemental unemployment benefit trusts and qualified group legal services plans which are exempt from federal income taxation under the Internal Revenue Code may be treated as unrelated business taxable income; and
- to the extent that we are (or a part of us, or a disregarded subsidiary of ours, is) a "taxable mortgage pool," or if we hold residual interests in a REMIC, a portion of the distributions paid to a tax-exempt stockholder that is allocable to excess inclusion income may be treated as unrelated business taxable income.

Risks Related to Our Business Structure

Loss of our exemption from regulation pursuant to the Investment Company Act would adversely affect us.

We conduct our business so as not to become regulated as an investment company under the Investment Company Act in reliance on the exemption provided by Section 3(c)(5)(C) of the Investment Company Act. Section 3(c)(5)(C), as interpreted by the staff of the SEC, requires that: (i) at least 55% of our investment portfolio consist of "mortgages and other liens on and interest in real estate," or "qualifying real estate interests," and (ii) at least 80% of our investment portfolio consist of qualifying real estate interests plus "real estate-related assets."

The specific real estate related assets that we acquire are limited by the provisions of the Investment Company Act and the rules and regulations promulgated thereunder. In satisfying the 55% requirement we treat Agency RMBS issued with respect to an underlying pool of mortgage loans in which we hold all of the certificates issued by the pool ("whole pool" securities) as qualifying real estate interests based on pronouncements of the SEC staff. We treat partial pool securities, CRT and other mortgage related securities as real estate-related assets. If the SEC determines that any of these securities are not qualifying interests in real estate or real estate-related assets, adopts a contrary interpretation with respect to these securities or otherwise believes we do not satisfy the above exceptions or changes its interpretation of the above exceptions, we could be required to restructure our activities or sell certain of our assets. Our compliance with these requirements may at times lead us to adopt less efficient methods of financing certain of our investments, and we may be precluded from acquiring higher yielding securities. Furthermore, if we fail to qualify for this exemption, our ability to use leverage would be substantially reduced and we would be unable to conduct our business as we currently conduct it, which could materially and adversely affect our business.

Risks Related to Our Common Stock

The market price and trading volume of our common stock may be volatile.

The market price of our common stock may be highly volatile and be subject to wide fluctuations. In addition, the trading volume in our common stock may fluctuate and cause significant price variations to occur. Price variations may be unrelated to our operating performance. If the market price of our common stock declines significantly, you may be unable to resell your shares at a gain. Further, fluctuations in the trading price of our common stock may adversely affect the liquidity of the trading market for our common stock and, in the event that we seek to raise capital through future equity financings, our ability to raise such equity capital.

Some of the factors that could negatively affect our share price or result in fluctuations in the price or trading volume of our common stock include:

- actual or anticipated variations in our quarterly operating results or distributions;
- changes in our earnings estimates or publication of research reports about us or the real estate or specialty finance industry;
- increases in market interest rates that lead purchasers of our shares of common stock to demand a higher yield;
- changes in market valuations of similar companies;
- adverse market reaction to any increased indebtedness we incur in the future;
- issuance of additional equity securities;
- our repurchases of shares of our common stock;
- actions by institutional stockholders;
- additions or departures of key management personnel;
- speculation in the press or investment community;
- price and volume fluctuations in the stock market from time to time, which are often unrelated to the operating performance of particular companies;
- changes in regulatory policies, tax laws and financial accounting and reporting standards, particularly with respect to REITs, or applicable exemptions from the Investment Company Act of 1940, as amended;
- actual or anticipated changes in our dividend policy and earnings or variations in operating results;
- any shortfall in revenue or net income or any increase in losses from levels expected by securities analysts;
- decreases in our net asset value per share;
- loss of major repurchase agreement providers; and
- general market and economic conditions.

In addition, the price of our common stock may be below our reported net asset value per common share. We cannot assure you that the market price of our common stock will not fluctuate or decline significantly in the future.

Future offerings of debt securities, which would rank senior to our preferred and common stock upon our liquidation, and future offerings of equity securities, which would dilute our existing stockholders and may be senior to our common stock for the purposes of dividend and liquidating distributions, may adversely affect the market price of our common stock.

In the future, we may raise capital through the issuance of debt or equity securities. Upon liquidation, holders of our debt securities, if any, preferred stock and lenders with respect to other borrowings will be entitled to our available assets prior to the holders of our common stock. Additional equity offerings may dilute the holdings of our existing stockholders or reduce the market price of our common stock, or both. Our preferred stock has a preference on liquidating distributions and a preference on dividend payments that could limit our ability to pay dividends to the holders of our common stock. Sales of substantial amounts of our common stock, or the perception that these sales could occur, could have a material adverse effect on the price of our common stock. Because our decision to issue debt or equity securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings. Thus holders of our common stock bear the risk of our future offerings reducing the market price of our common stock and diluting the value of their stock holdings in us.

Future sales of shares of our common stock may depress the price of our shares.

We cannot predict the effect, if any, of future sales of our common stock or the availability of shares for future sales on the market price of our common stock. Any sales of a substantial number of our shares in the public market, or the perception that sales might occur, may cause the market price of our shares to decline.

We have not established a minimum dividend payment level and we cannot assure you of our ability to pay dividends in the future.

We intend to pay monthly dividends to our common stockholders and to distribute all or substantially all of our taxable income within the limits prescribed by the Internal Revenue Code. However, we have not established a minimum dividend payment level and the amount of our dividend will fluctuate. Our ability to pay dividends may be adversely affected by the risk factors described herein. All distributions will be made at the discretion of our Board of Directors and will depend on our earnings, our financial condition, the requirements for REIT qualification and such other factors as our Board of Directors may deem relevant from time to time. We may not be able to make distributions in the future or our Board of Directors may change our dividend policy in the future. In addition, some of our distributions may include a return of capital. To the extent that we decide to pay dividends in excess of our current and accumulated tax earnings and profits, such distributions would generally be considered a return of capital for federal income tax purposes. A return of capital reduces the basis of a stockholder's investment in our common stock to the extent of such basis and is treated as capital gain thereafter.

An increase in market interest rates may cause a material decrease in the market price of our common stock.

One of the factors that investors may consider in deciding whether to buy or sell shares of our common stock is our distribution rate as a percentage of our share price relative to market interest rates. If the market price of our common stock is based primarily on the earnings and return that we derive from our investments and income with respect to our investments and our related distributions to stockholders, and not from the market value of the investments themselves, then interest rate fluctuations and capital market conditions are likely to affect adversely the market price of our common stock. For instance, if market rates rise without an increase in our distribution rate, the market price of our common stock could decrease as potential investors may require a higher distribution rate on our common stock or seek other securities paying higher distributions or interest. In addition, rising interest rates would result in increased interest expense on our variable rate debt, thereby reducing cash flow and our ability to service our indebtedness and pay distributions.

The stock ownership limit imposed by the Internal Revenue Code for REITs and our amended and restated certificate of incorporation may restrict our business combination opportunities.

To qualify as a REIT under the Internal Revenue Code, not more than 50% in value of our outstanding stock may be owned, directly or indirectly, by five or fewer individuals (as defined in the Internal Revenue Code to include certain entities) at any time during the last half of each taxable year in which we qualify as a REIT. Our amended and restated certificate of incorporation, with certain exceptions, authorizes our Board of Directors to take the actions that are necessary and desirable to qualify as a REIT. Pursuant to our amended and restated certificate of incorporation, no person may beneficially or constructively own more than 9.8% in value or in number of shares, whichever is more restrictive, of our common or capital stock.

Our Board of Directors may grant an exemption from this 9.8% stock ownership limitation, in its sole discretion, subject to such conditions, representations and undertakings as it may determine are reasonably necessary. Pursuant to our amended and restated certificate of incorporation, our Board of Directors has the power to increase or decrease the percentage of common or capital stock that a person may beneficially or constructively own. However, any decreased stock ownership limit will not apply to any person whose percentage ownership of our common or capital stock, as the case may be, is in excess of such decreased stock ownership limit until that person's percentage ownership of our common or capital stock, as the case may be, equals or falls below the decreased stock ownership limit. Until such a person's percentage ownership of our common or capital stock, as the case may be, falls below such decreased stock ownership limit, any further acquisition of our common or capital stock will be in violation of the decreased stock ownership limit.

The ownership limits imposed by the tax law are based upon direct or indirect ownership by "individuals," but only during the last half of a tax year. The ownership limits contained in our amended and restated certificate of incorporation apply to the ownership at any time by any "person," which term includes entities. Any attempt to own or transfer shares of our common stock or capital stock in violations of these restrictions may result in the shares being transferred to a charitable trust or may be void. These ownership limitations are intended to assist us in complying with the tax law requirements, and to minimize administrative burdens. However, these ownership limits might also delay or prevent a transaction or a change in our control that might involve a premium price for our common stock or otherwise be in the best interest of our stockholders.

The stock ownership limitation contained in our amended and restated certificate of incorporation generally does not permit ownership in excess of 9.8% of our common or capital stock, and attempts to acquire our common or capital stock in excess of these limits will be ineffective unless an exemption is granted by our Board of Directors.

As described above, our amended and restated certificate of incorporation generally prohibits beneficial or constructive ownership by any person of more than 9.8% (by value or by number of shares, whichever is more restrictive) of our common or capital stock, unless exempted by our Board of Directors. Our amended and restated certificate of incorporation's constructive ownership rules are complex and may cause the outstanding stock owned by a group of related individuals or entities to be deemed to be constructively owned by one individual or entity. As a result, the acquisition of less than these percentages of the outstanding stock by an individual or entity could cause that individual or entity to own constructively in excess of these percentages of the outstanding stock and thus be subject to our amended and restated certificate of incorporation's ownership limit. Any attempt to own or transfer shares of our common or preferred stock in excess of the ownership limit without the consent of the Board of Directors will result in the shares being automatically transferred to a charitable trust or, if the transfer to a charitable trust would not be effective, such transfer being treated as invalid from the outset.

Anti-takeover provisions in our amended and restated certificate of incorporation and bylaws could discourage a change of control that our stockholders may favor, which could also adversely affect the market price of our common stock.

Provisions in our amended and restated certificate of incorporation and bylaws may make it more difficult and expensive for a third party to acquire control of us, even if a change of control would be beneficial to our stockholders. We could issue a series of preferred stock to impede the completion of a merger, tender offer or other takeover attempt. The anti-takeover provisions in our amended and restated certificate of incorporation and bylaws may impede takeover attempts, or other transactions, that may be in the best interests of our stockholders and, in particular, our common stockholders. In addition, the market price of our common stock could be adversely affected to the extent that provisions of our amended and restated certificate of incorporation and bylaws discourage potential takeover attempts, or other transactions, that our stockholders may favor.

Item 1B. *Unresolved Staff Comments*

None.

Item 2. *Properties*

We do not own any property. Our executive offices are located in Bethesda, Maryland.

Item 3. *Legal Proceedings*

Neither we, nor any of our consolidated subsidiaries, are currently subject to any material litigation nor, to our knowledge, is any litigation threatened against us or any consolidated subsidiary, in each case, that is expected to have a material adverse effect on our business, financial condition or operations. See also *"Loss Contingencies"* in Note 2 to the Consolidated Financial Statements included under Item 8 of this Annual Report on Form 10-K.

Item 4. *Mine Safety Disclosures*

Not applicable.

PART II. FINANCIAL INFORMATION

Item 5. ***Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities***

Quarterly Stock Prices and Dividend Declarations

Our common stock is listed on the NASDAQ Global Select Market under the symbol "AGNC." As of January 31, 2017, we had 1,084 stockholders of record. Most of the shares of our common stock are held by brokers and other institutions on behalf of stockholders.

The following table sets forth the range of high and low sales prices of our common stock as reported on the NASDAQ Global Select Market and dividends declared on our common stock for fiscal years 2016 and 2015:

	Common Stock		
	Sales Prices		Dividends Declared [1]
	High	Low	
Fiscal Year 2016			
Fourth Quarter	$ 20.43	$ 17.30	$ 0.54
Third Quarter	$ 20.10	$ 18.88	$ 0.56
Second Quarter	$ 19.85	$ 18.00	$ 0.60
First Quarter	$ 18.80	$ 15.69	$ 0.60
Fiscal Year 2015			
Fourth Quarter	$ 19.54	$ 16.89	$ 0.60
Third Quarter	$ 20.08	$ 18.21	$ 0.60
Second Quarter	$ 21.83	$ 18.31	$ 0.62
First Quarter	$ 22.36	$ 20.74	$ 0.66

1. Represents the sum of monthly dividends declared during each period presented.

We intend to pay monthly dividends to our common stockholders and to distribute all of our annual taxable income in a timely manner. This will enable us to qualify for the tax benefits accorded to a REIT under the Internal Revenue Code. We have not established a minimum dividend payment level and our ability to pay dividends may be adversely affected for the reasons described under the caption "Risk Factors."

In addition, holders of our 8.000% Series A Cumulative Redeemable Preferred Stock ("Series A Preferred Stock") and our 7.750% Series B Cumulative Redeemable Preferred Stock ("Series B Preferred Stock") (each underlying depositary share representing a 1/1000th interest in a share of our Series B Preferred Stock) are entitled to receive cumulative cash dividends at a rate of 8.000% and 7.750% per annum, respectively, of their aggregate liquidation preference of $173 million and $175 million, respectively, before holders of our common stock are entitled to receive any dividends. Under certain circumstances upon a change of control, the Series A and Series B Preferred Stock are convertible to shares of our common stock. All distributions will be made at the discretion of our Board of Directors and will depend on our earnings, our financial condition, maintenance of our REIT status and such other factors as our Board of Directors may deem relevant from time to time.

The following table summarizes the tax characterization of dividends declared on our common stock for fiscal years 2016 and 2015:

	Dividends Declared Per Share of Common Stock	Tax Characterization			
		Ordinary Income Per Share	Qualified Dividends	Long-Term Capital Gains Per Share	Non-Dividend Distributions [2]
Fiscal Year 2016 [1]	$ 2.12	$ 1.689674	$ —	$ —	$ 0.430326
Fiscal Year 2015	$ 2.48	$ 2.480000	$ —	$ —	$ —

1. Includes dividends declared through November 30, 2016. The dividend of $0.18 per common share declared on December 14, 2016, which was payable on January 9, 2017, will be reported to stockholders as a fiscal year 2017 distribution for federal income tax purposes.
2. Also referred to as a "return of capital." Represents dividends paid in excess of our current and accumulated earnings and profit, or "E&P," which is a tax-based measure calculated by making adjustments to taxable income for items that are treated differently for E&P purposes, such as net capital

losses and utilization of net capital loss carryforwards. A return of capital reduces the basis of a stockholder's investment in our common stock to the extent of such basis and is treated as capital gain thereafter.

Our stock transfer agent and registrar is Computershare Investor Services. Requests for information from Computershare can be sent to Computershare Investor Services, P.O. Box 43078, Providence, RI 02940-3078 and their telephone number is 1-800-733-5001.

Equity Compensation Plan Information

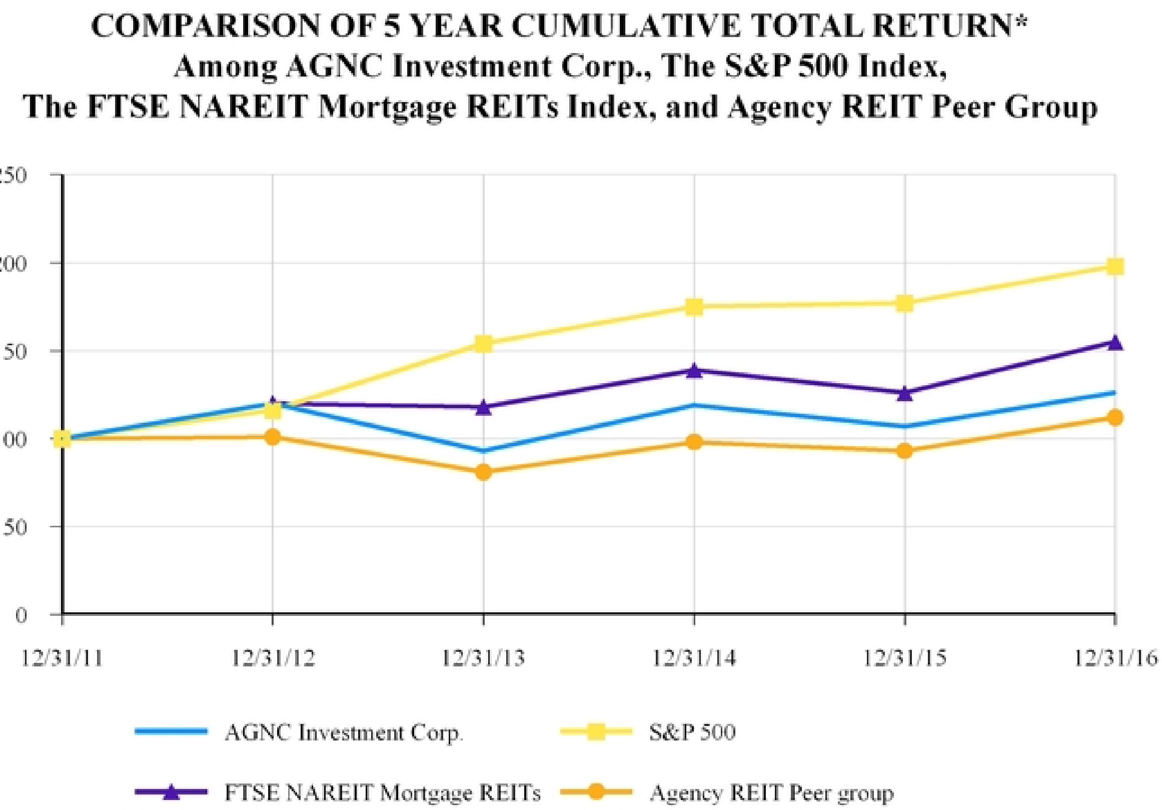
The following table summarizes information, as of December 31, 2016, concerning shares of our common stock authorized for issuance under our equity compensation plans, pursuant to which grants of equity-based awards, including stock options, restricted stock units and unrestricted stock awards may be granted from time to time. See "Item 8. Financial Statements" for a description of our equity compensation plans.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in the first column of this table)
Equity compensation plans approved by security holders [1]	122,841	$ —	9,898,593
Equity compensation plans not approved by security holders	—	—	—
Total	122,841	$ —	9,898,593

1. Represents unvested restricted stock units and accrued dividend equivalent units.

Performance Graph

The following graph and table compare a stockholder's cumulative total return, assuming $100 invested at December 31, 2011, with the reinvestment of all dividends, as if such amounts had been invested in: (i) our common stock; (ii) the stocks included in the Standard & Poor's 500 Stock Index ("S&P 500"); (iii) the stocks included in the FTSE NAREIT Mortgage REIT Index; (iv) an index of selected issuers in our peer group, composed of Annaly Capital Management, Inc., Anworth Mortgage Asset Corporation, Capstead Mortgage Corporation, CYS Investments, Inc. and Armour Residential REIT, Inc. (collectively, the "Agency REIT Peer Group").



* $100 invested on 12/31/11 in stock or index, including reinvestment of dividends.
Fiscal year ending December 31.

	December 31,				
	2016	2015	2014	2013	2012
AGNC Investment Corp.	$ 126.34	$ 106.90	$ 118.63	$ 93.30	$ 120.10
S&P 500	$ 198.18	$ 177.01	$ 174.60	$ 153.58	$ 116.00
FTSE NAREIT Mortgage REITs	$ 155.11	$ 126.26	$ 138.56	$ 117.54	$ 119.89
Agency REIT Peer Group [1]	$ 112.01	$ 93.07	$ 98.05	$ 81.35	$ 100.95

1. Agency REIT Peer Group annual return is calculated on a weighted basis by market cap at the end of the previous year.

The information in the share performance graph and table has been obtained from sources believed to be reliable, but neither its accuracy nor its completeness can be guaranteed. The historical information set forth above is not necessarily indicative of future performance. Accordingly, we do not make or endorse any predictions as to future share performance.

Item 6. Selected Financial Data

The following selected financial data is derived from our audited financial statements for the five fiscal years ended December 31, 2016. The selected financial data should be read in conjunction with the more detailed information contained in the Financial Statements and Notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this Annual Report on Form 10-K.

($ in millions, except per share amounts)

Balance Sheet Data	December 31, 2016	2015	2014	2013	2012
Investment securities, at fair value	$ 46,499	$ 52,473	$ 56,748	$ 65,941	$ 85,245
Total assets	$ 56,880	$ 57,021	$ 67,766	$ 76,255	$ 100,453
Repurchase agreements, Federal Home Loan Bank advances and other debt	$ 41,355	$ 46,102	$ 51,057	$ 64,443	$ 75,415
Total liabilities	$ 49,524	$ 49,050	$ 58,338	$ 67,558	$ 89,557
Total stockholders' equity	$ 7,356	$ 7,971	$ 9,428	$ 8,697	$ 10,896
Net asset value per common share as of period end [1]	$ 21.17	$ 22.59	$ 25.74	$ 23.93	$ 31.64
Tangible net asset value per common share as of period end [2]	$ 19.50	N/A	N/A	N/A	N/A

Statement of Comprehensive Income Data	Fiscal Year 2016	2015	2014	2013	2012
Interest income	$ 1,321	$ 1,466	$ 1,472	$ 2,193	$ 2,109
Interest expense [3]	394	330	372	536	512
Net interest income	927	1,136	1,100	1,657	1,597
Other gain (loss), net [3]	(199)	(782)	(1,192)	(217)	(157)
Operating Expenses	105	139	141	168	144
Income (loss) before income tax	623	215	(233)	1,272	1,296
Provision for income tax, net	—	—	—	13	19
Net income (loss)	623	215	(233)	1,259	1,277
Dividend on preferred stock	28	28	23	14	10
Net income (loss) available (attributable) to common stockholders	$ 595	$ 187	$ (256)	$ 1,245	$ 1,267
Net income (loss)	$ 623	$ 215	$ (233)	$ 1,259	$ 1,277
Other comprehensive income (loss) [3]	(331)	(496)	1,813	(2,938)	1,244
Comprehensive income (loss) available (attributable) to common stockholders	292	(281)	1,580	(1,679)	2,521
Dividend on preferred stock	28	28	23	14	10
Comprehensive income (loss) available (attributable) to common stockholders	$ 264	$ (309)	$ 1,557	$ (1,693)	$ 2,511
Weighted average number of common shares outstanding - basic and diluted	331.9	348.6	353.3	379.1	303.9
Net income (loss) per common share - basic and diluted	$ 1.79	$ 0.54	$ (0.72)	$ 3.28	$ 4.17
Comprehensive income (loss) per common share - basic and diluted	$ 0.80	$ (0.89)	$ 4.41	$ (4.47)	$ 8.26
Dividends declared per common share	$ 2.30	$ 2.48	$ 2.61	$ 3.75	$ 5.00

Other Data (unaudited)	Fiscal Year 2016	2015	2014	2013	2012
Average investment securities - at par	$47,101	$51,759	$53,578	$75,263	$71,002
Average investment securities - at cost	$49,268	$54,019	$56,051	$79,056	$74,588
Average total assets - at fair value	$56,931	$63,674	$67,007	$96,956	$86,172
Net TBA dollar roll position - at par (as of period end)	$10,916	$7,295	$14,412	$2,119	$12,477
Net TBA dollar roll position - at cost (as of period end)	$11,312	$7,430	$14,576	$2,276	$12,775
Net TBA dollar roll position - at market value (as of period end)	$11,165	$7,444	$14,768	$2,271	$12,870
Net TBA dollar roll position - at carrying value (as of period end) [4]	$(147)	$14	$192	$(5)	$95
Average net TBA portfolio - at cost	$10,329	$7,547	$13,212	$11,383	$3,294
Average mortgage borrowings outstanding [5]	$44,566	$48,641	$50,015	$71,753	$68,810
Average stockholders' equity [6]	$7,718	$8,817	$9,295	$10,394	$9,473
Average coupon [7]	3.64 %	3.62 %	3.63 %	3.59 %	3.90 %
Average asset yield [8]	2.68 %	2.71 %	2.63 %	2.77 %	2.82 %
Average cost of funds [9]	(1.45)%	(1.49)%	(1.40)%	(1.34)%	(1.11)%
Average net interest rate spread	1.23 %	1.22 %	1.23 %	1.43 %	1.71 %

Average net interest rate spread, including TBA dollar roll income [10]	1.39 %	1.48 %	1.75 %	1.63 %	1.77 %
Average coupon *(as of period end)*	3.61 %	3.63 %	3.65 %	3.58 %	3.69 %
Average asset yield *(as of period end)*	2.77 %	2.78 %	2.74 %	2.70 %	2.61 %
Average cost of funds *(as of period end)* [11]	(1.44)%	(1.65)%	(1.40)%	(1.31)%	(1.22)%
Average net interest rate spread *(as of period end)*	1.33 %	1.13 %	1.34 %	1.39 %	1.39 %
Net comprehensive income return on average common equity [12]	3.6 %	(3.6)%	17.3 %	(16.6)%	26.9 %
Economic return on common equity [13]	3.9 %	(2.6)%	18.5 %	(12.5)%	32.2 %
Average "at risk" leverage [14]	7.1:1	6.4:1	7.0:1	8.0:1	7.6:1
Average tangible net book value "at risk" leverage [16]	7.5:1	N/A	N/A	N/A	N/A
"At risk" leverage *(as of period end)* [15]	7.1:1	6.8:1	6.9:1	7.5:1	8.2:1
Tangible net book value "at risk" leverage *(as of period end)* [16]	7.7:1	N/A	N/A	N/A	N/A
Expenses % of average total assets	0.18 %	0.22 %	0.21 %	0.17 %	0.17 %
Expenses % of average assets, including average net TBA position	0.16 %	0.20 %	0.18 %	0.15 %	0.16 %
Expenses % of average stockholders' equity	1.36 %	1.58 %	1.52 %	1.61 %	1.52 %

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* Except as noted below, average numbers for each period are weighted based on days on our books and records.
N/A - Not applicable

1. Net asset value per common share is calculated as our total stockholders' equity, less our Series A and Series B Preferred Stock aggregate liquidation preference, divided by our number of common shares outstanding as of period end.
2. Tangible net asset value per common share excludes goodwill and other intangible assets, net.
3. We voluntarily discontinued hedge accounting for our interest rate swaps as of September 30, 2011. Please refer to our *Interest Expense and Cost of Funds* discussion in *Management's Discussion and Analysis of Financial Condition and Results of Operations* and Notes 2 and 5 of our *Consolidated Financial Statements* in this Form 10-K for additional information regarding our discontinuance of hedge accounting.
4. The carrying value of our net TBA position represents the difference between the market value and the cost basis of the TBA contract as of period-end and is reported in derivative assets/(liabilities), at fair value on our accompanying consolidated balance sheets.
5. Average mortgage borrowings include repurchase agreements used to fund Agency securities ("Agency repo"), FHLB advances and debt of consolidated VIEs. Amount excludes U.S. Treasury repo agreements and TBA contracts.
6. Average stockholders' equity calculated as our average month-end stockholders' equity during the period.
7. Average coupon for the period was calculated by dividing our total coupon (or cash) interest income on investment securities by our average investment securities held at par.
8. Average asset yield for the period was calculated by dividing our total cash interest income on investment securities, adjusted for amortization of premiums and discounts, by our average amortized cost of investment securities held.
9. Average cost of funds includes mortgage borrowings and interest rate swap periodic costs. Amount excludes interest rate swap termination fees, forward starting swaps and costs associated with other supplemental hedges, such as interest rate swaptions and U.S. Treasury positions. Average cost of funds for the period was calculated by dividing our total cost of funds by our average mortgage borrowings outstanding for the period.
10. TBA 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.
11. Average cost of funds as of period end includes mortgage borrowings outstanding and interest rate swap hedges. Amount excludes costs associated with other supplemental hedges such as swaptions, U.S. Treasuries and TBA positions.
12. Net comprehensive income (loss) return on average common equity for the period was calculated by dividing our comprehensive income/(loss) available /(attributable) to common stockholders by our average stockholders' equity, net of the Series A and Series B Preferred Stock aggregate liquidation preference.
13. Economic return on common equity represents the sum of the change in our net asset value per common share and our dividends declared on common stock during the period over our beginning net asset value per common share.
14. Average "at risk" leverage is calculated by dividing the sum of our daily weighted average mortgage borrowings outstanding and our weighted average net TBA dollar position (at cost) for the period by the sum of our average stockholders' equity less our average investment in REIT equity securities for the period. Leverage excludes U.S. Treasury repurchase agreements.
15. "At risk" leverage as of period end is calculated by dividing the sum of our mortgage borrowings outstanding, our receivable/payable for unsettled investment securities and our net TBA dollar roll position outstanding as of period end (at cost) by the sum of our total stockholders' equity less the fair value of investments in REIT equity securities at period end. Leverage excludes U.S. Treasury repurchase agreements.
16. Tangible net book value "at risk" leverage includes the components of "at risk" leverage, with stockholders' equity adjusted to exclude goodwill and other intangible assets, net.

Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations*

Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is designed to provide a reader of AGNC Investment Corp.'s consolidated financial statements with a narrative from the perspective of management. Our MD&A is presented in eight sections:

- Executive Overview
- Financial Condition
- Summary of Critical Accounting Estimates
- Results of Operations

- Liquidity and Capital Resources
- Off-Balance Sheet Arrangements
- Aggregate Contractual Obligations
- Forward-Looking Statements

EXECUTIVE OVERVIEW

The size and composition of our investment portfolio depends on the investment strategies we implement, the availability of investment capital and overall market conditions, including the availability of attractively priced investments and suitable financing to appropriately leverage our investment portfolio. Market conditions are influenced by, among other things, current levels of and expectations for future levels of interest rates, mortgage prepayments, market liquidity, housing prices, unemployment rates, general economic conditions, government participation in the mortgage market, evolving regulations or legal settlements that impact servicing practices or other mortgage related activities.

Trends and Recent Market Impacts

2016 proved to be a challenging year for many fixed income investments as U.S. interest rates fluctuated significantly during the year in response to changing views on economic growth both domestically and abroad. The yield on the 10 year U.S. Treasury security, for example, hit a low of 1.36% in July following the Brexit vote in the United Kingdom and a high of 2.60% in December following the U.S. Presidential election. Our view at the beginning of the year was that U.S. interest rates would remain "lower for longer," based upon the belief that global economic weakness, secular labor trends and accelerating technological advances would lead to moderate employment growth and persistently low inflation both in the U.S. and globally, thus making it difficult for the the Fed to move away from its ultra-accommodative stance on monetary policy. This view proved to be the emerging scenario for most of the year, and as a result, the Fed refrained from raising rates for most of the year. Following the unanticipated outcome of the U.S. Presidential election in November, however, the direction and level of U.S. interest rates became less certain as expectations for economic growth in the U.S. improved markedly and as the Fed raised the Federal Funds rate by 0.25% in December.

The changing interest rate landscape in the U.S. over the course of the year caused Agency RMBS to underperform swap and U.S. Treasury rates. This spread widening negatively impacted AGNC’s net asset value, but also improved the return profile on new investments. In response to more favorable investment opportunities, we increased our tangible net book value "at risk" leverage to 7.7x as of December 31, 2016, from 6.8x as of December 31, 2015. Our tangible net book value excludes $554 million of goodwill as of December 31, 2016, which we recorded in connection with our acquisition of AMM. This increase in leverage improves the earnings profile of our portfolio but also increases the sensitivity of our net asset value to fluctuations in the spread between Agency RMBS and other benchmark rates.

We also adjusted the composition of our asset portfolio during the year. Our mix of fixed rate 15 year and 30 year securities (including TBAs) remained relatively stable throughout the year, at 27% and 73%, respectively, as of December 31, 2016, but the weighted average loan age, or "seasoning," of our portfolio increased significantly over the year. As of December 31, 2016, the weighted average loan age of our 15 year and 30 year Agency RMBS positions were approximately 5.0 years and 3.4 years, respectively. In aggregate, 75% of our on-balance sheet Agency RMBS position had a weighted average loan age of at least 3.0 years as of December 31, 2016, compared to 62% as of December 31, 2015 and less than 5% was during the "taper tantrum" in 2013. The increase in the weighted average loan age of our Agency RMBS should reduce prepayment speed variability of our portfolio and, therefore, require less interest rate hedging, all other things equal.

In response to higher interest rates and the extension of the duration of our Agency RMBS, particularly in the fourth quarter, we increased the size of our hedge portfolio. As a result, our hedge ratio increased to 91% of our funding liabilities (Agency repo, TBA and other debt) as of December 31, 2016, from an intra-year low of 75% as of September 30, 2016 and from 87% as of December 31, 2015. Ongoing portfolio rebalancing actions during the year, as well as the cumulative increase in our hedge position, enabled us to keep our net asset duration gap relatively stable throughout the year. Our net asset duration gap, which is a measure of our portfolio’s interest rate sensitivity, net of hedges, was 1.1 years as of December 31, 2016, compared to 0.8 years as of December 31, 2015.

The funding landscape for Agency RMBS improved in 2016 as a result of the implementation of money market reform requirements, which took effect in October of 2016 and caused a sizable reallocation of assets from prime funds to U.S. Government bond money market funds. This shift of capital to U.S. Government money market funds was supportive of repo backed by Agency RMBS, ultimately reducing our funding costs relative to LIBOR. As we receive a floating LIBOR rate on our pay fixed/receive floating interest rate swaps, the resultant decline in the spread between our repo borrowing costs and LIBOR had the effect of lowering our all-in cost of funds on the portion of our debt that we have hedged with pay fixed swaps.

In addition, our wholly-owned captive broker-dealer subsidiary, BES, became fully operational in the third quarter of 2016 as a member of the FICC, providing us with access to additional repo funding with favorable rates and haircuts relative to traditional bilateral repo arrangements. As of December 31, 2016, we had placed approximately $4.7 billion of repo financing at BES, providing further diversification of our funding sources and reducing our net interest expense. We anticipate transitioning a greater share of our repo funding to BES during 2017.

In the third quarter of 2016, our Board of Directors expanded our investment guidelines to include credit-sensitive assets, including CRT securities issued by the GSEs and other third parties. We believe CRT securities provide a compelling opportunity to invest in conforming credit, which has previously been the exclusive purview of the GSEs, and could provide incremental returns to our existing Agency RMBS investments over the longer term.

Our net asset value declined to $21.17 per common share as of December 31, 2016, from $22.59 per common share as of December 31, 2015. Our tangible net book value per common share was $19.50 per common share as of December 31, 2016. The loss in our net asset value was predominately a result of wider spreads on agency MBS relative to benchmark interest rates and the large increase in interest rates experienced during the fourth quarter.

Our economic return on common equity was 3.9% for 2016, comprised of dividends declared per common share of $2.30 and a loss in net asset value of $1.42 per common share. Our total return on our common stock, which includes stock price appreciation and dividend reinvestments, was 18.2% for the year.

The widening of Agency RMBS spreads and favorable funding dynamics that occurred over the course of 2016 have improved the risk-adjusted returns on Agency RMBS investments. In addition, with AGNC's recent expansion into credit-sensitive investments, we believe that opportunistic investments in CRT securities can provide incremental returns that are less correlated with the interest rate exposure inherent in our Agency RMBS portfolio. Portfolio returns could be further supported by either higher leverage or a reduction in aggregate hedge or funding cost.

Finally, on July 1, 2016, we completed the acquisition of our external Manager, AMM, thereby internalizing our management, which lowers our operating costs and generates management fee income from managing MTGE.

Market Information

The following table summarizes interest rates and prices of generic fixed rate Agency RMBS as of each date presented below:

Interest Rate/Security Price [1]	Dec. 31, 2015	Mar. 31, 2016	June 30, 2016	Sept. 30, 2016	Dec. 31, 2016	Dec. 31, 2016 vs Dec. 31, 2015
LIBOR:						
1-Month	0.43%	0.44%	0.47%	0.53%	0.77%	+0.34 bps
3-Month	0.61%	0.63%	0.65%	0.85%	1.00%	+0.39 bps
6-Month	0.85%	0.90%	0.92%	1.24%	1.31%	+0.46 bps
U.S. Treasury Security Rate:						
2-Year U.S. Treasury	1.06%	0.73%	0.59%	0.76%	1.20%	+0.14 bps
3-Year U.S. Treasury	1.32%	0.86%	0.70%	0.87%	1.46%	+0.14 bps
5-Year U.S. Treasury	1.77%	1.22%	1.01%	1.15%	1.92%	+0.15 bps
10-Year U.S. Treasury	2.27%	1.78%	1.49%	1.61%	2.43%	+0.16 bps
30-Year U.S. Treasury	3.01%	2.62%	2.31%	2.33%	3.05%	+0.04 bps
Interest Rate Swap Rate:						
2-Year Swap	1.17%	0.85%	0.74%	1.01%	1.46%	+0.29 bps
3-Year Swap	1.41%	0.96%	0.81%	1.07%	1.68%	+0.27 bps
5-Year Swap	1.73%	1.18%	0.99%	1.18%	1.96%	+0.23 bps
10-Year Swap	2.19%	1.64%	1.38%	1.46%	2.32%	+0.13 bps
30-Year Swap	2.62%	2.13%	1.84%	1.78%	2.57%	-0.05 bps
30-Year Fixed Rate Agency Price:						
3.0%	$100.01	$102.59	$103.75	$103.95	$99.38	-$0.63
3.5%	$103.18	$104.86	$105.50	$105.53	$102.50	-$0.68
4.0%	$105.83	$106.86	$107.23	$107.41	$105.13	-$0.70
4.5%	$108.00	$108.82	$109.17	$109.52	$107.51	-$0.49
15-Year Fixed Rate Agency Price:						
2.5%	$100.80	$102.66	$103.48	$103.56	$100.20	-$0.60
3.0%	$103.02	$104.47	$104.84	$104.99	$102.62	-$0.40
3.5%	$104.72	$105.59	$105.97	$105.41	$104.17	-$0.55
4.0%	$104.41	$104.31	$103.81	$103.73	$102.69	-$1.72

1. Price information is for generic instruments only and is not reflective of our specific portfolio holdings. Price information is as of 3:00 p.m. (EST) on such date and can vary by source. Prices and interest rates in the table above were obtained from Barclays. LIBOR rates were obtained from Bloomberg.

The following table summarizes the monthly weighted average actual one-month annualized constant prepayment rates on our investment portfolio during fiscal year 2016.

Annualized Monthly Constant Prepayment Rates [1]	Jan. 2016	Feb. 2016	Mar. 2016	Apr. 2016	May 2016	June 2016	July 2016	Aug. 2016	Sep. 2016	Oct. 2016	Nov. 2016	Dec. 2016
AGNC portfolio	10%	8%	9%	12%	11%	13%	14%	13%	16%	15%	14%	14%

1. Weighted average actual one-month annualized CPR released at the beginning of the month based on securities held/outstanding as of the preceding month-end.

FINANCIAL CONDITION

As of December 31, 2016 and 2015, our investment portfolio consisted of $46.5 billion and $52.5 billion of investment securities, at fair value, respectively, and an $11.2 billion and $7.4 billion net long TBA position, at fair value, respectively. The following table is a summary of our investment portfolio as of December 31, 2016 and 2015 (dollars in millions):

	December 31, 2016				December 31, 2015			
Investment Portfolio (Includes TBAs)	**Amortized Cost**	**Fair Value**	**Average Coupon**	**%**	**Amortized Cost**	**Fair Value**	**Average Coupon**	**%**
Fixed rate Agency RMBS and TBA securities:								
≤ 15-year:								
≤ 15-year RMBS	$ 12,794	$ 12,867	3.26%	22%	$ 16,725	$ 16,865	3.25%	28%
15-year TBA securities	2,188	2,172	2.57%	4%	295	293	3.38%	1%
Total ≤ 15-year	14,982	15,039	3.16%	26%	17,020	17,158	3.25%	29%
20-year RMBS	801	817	3.49%	1%	1,061	1,088	3.48%	2%
30-year:								
30-year RMBS	31,553	31,052	3.63%	54%	32,790	32,570	3.70%	54%
30-year TBA securities	9,124	8,993	3.58%	16%	7,135	7,150	3.34%	12%
Total 30-year	40,677	40,045	3.62%	70%	39,925	39,720	3.63%	66%
Total fixed rate Agency RMBS and TBA securities	56,460	55,901	3.49%	97%	58,006	57,966	3.52%	97%
Adjustable rate Agency RMBS	371	379	2.96%	1%	484	495	3.05%	1%
CMO Agency RMBS:								
CMO	796	801	3.41%	2%	973	990	3.40%	2%
Interest-only strips	132	151	5.03%	—%	152	179	5.28%	—%
Principal-only strips	136	144	—%	—%	165	174	—%	—%
Total CMO Agency RMBS	1,064	1,096	3.89%	2%	1,290	1,343	3.97%	2%
Total Agency RMBS and TBA securities	57,895	57,376	3.50%	100%	59,780	59,804	3.53%	100%
Non-Agency RMBS	102	101	3.42%	—%	114	113	3.50%	—%
CMBS	23	23	6.55%	—%	—	—	—%	—%
CRT	161	164	5.25%	—%	—	—	—%	—%
Total investment portfolio	$ 58,181	$ 57,664	3.51%	100%	$ 59,894	$ 59,917	3.53%	100%

Our TBA position is recorded as derivative instruments in our accompanying consolidated financial statements, with the TBA dollar roll transactions representing a form of off-balance sheet financing. As of December 31, 2016 and 2015, our TBA position had a net carrying value of $(147) million and $14 million, respectively, reported in derivative assets/(liabilities) on our accompanying consolidated balance sheets. The net carrying value represents the difference between the fair value of the underlying Agency security in the TBA contract and the cost basis or the forward price to be paid or received for the underlying Agency security.

The following tables summarize certain characteristics of our Agency RMBS fixed rate portfolio, inclusive of our net TBA position, as of December 31, 2016 and 2015 (dollars in millions):

	December 31, 2016								
	Includes Net TBA Position				Excludes Net TBA Position				
						Weighted Average			
Fixed Rate Agency RMBS and TBA Securities	Par Value	Amortized Cost	Fair Value	% Lower Loan Balance & HARP [1,2]	Amortized Cost Basis	WAC [3]	Yield [4]	Age (Months)	Projected Life CPR [4]
Fixed rate									
≤ 15-year									
2.5%	$ 4,877	$ 4,945	$ 4,912	26%	101.7%	2.96%	2.05%	50	9%
3.0%	3,460	3,561	3,561	73%	102.9%	3.50%	2.20%	55	9%
3.5%	3,294	3,408	3,450	90%	103.4%	3.95%	2.50%	63	10%
4.0%	2,655	2,766	2,810	89%	104.2%	4.40%	2.69%	72	11%
4.5%	285	298	302	98%	104.6%	4.87%	3.03%	76	11%
≥ 5.0%	4	4	4	22%	103.3%	6.63%	4.65%	112	13%
Total ≤ 15-year	14,575	14,982	15,039	65%	103.1%	3.72%	2.37%	60	10%
20-year									
≤ 3.0%	225	223	228	31%	99.4%	3.55%	3.10%	43	8%
3.5%	436	445	454	75%	102.2%	4.06%	3.01%	46	10%
4.0%	54	57	58	50%	104.4%	4.54%	2.97%	64	10%
4.5%	68	73	74	99%	106.7%	4.90%	2.99%	73	11%
≥ 5.0%	3	3	3	—%	106.3%	5.94%	3.33%	104	17%
Total 20-year:	786	801	817	63%	101.9%	4.03%	3.03%	49	10%
30-year:									
3.0%	7,390	7,482	7,357	20%	100.1%	3.57%	2.97%	26	6%
3.5%	16,365	17,227	16,849	72%	105.4%	4.07%	2.75%	38	7%
4.0%	13,464	14,368	14,224	61%	107.4%	4.51%	2.92%	45	7%
4.5%	1,246	1,341	1,352	87%	107.6%	4.97%	3.30%	67	8%
5.0%	119	127	130	65%	106.8%	5.45%	3.73%	104	10%
≥ 5.5%	120	132	133	38%	110.0%	6.20%	3.40%	122	14%
Total 30-year	38,704	40,677	40,045	56%	105.4%	4.19%	2.86%	40	7%
Total fixed rate	$ 54,065	$ 56,460	$ 55,901	58%	104.6%	4.05%	2.73%	46	8%

1. Lower loan balance securities represent pools backed by an original loan balance of ≤ $150,000. Our lower loan balance securities had a weighted average original loan balance of $97,000 and $100,000 for 15-year and 30-year securities, respectively, as of December 31, 2016.
2. HARP securities are defined as pools backed by 100% refinance loans with LTV ≥ 80%. Our HARP securities had a weighted average LTV of 113% and 135% for 15-year and 30-year securities, respectively, as of December 31, 2016. Includes $0.8 billion and $5.1 billion of 15-year and 30-year securities, respectively, with >105 LTV pools, which are not deliverable into TBA securities.
3. WAC represents the weighted average coupon of the underlying collateral.
4. Portfolio yield incorporates a projected life CPR assumption based on forward rate assumptions as of December 31, 2016.

Fixed Rate Agency RMBS and TBA Securities	December 31, 2015								
	Includes Net TBA Position				Excludes Net TBA Position				
						Weighted Average			
	Par Value	Amortized Cost	Fair Value	% Lower Loan Balance & HARP [1,2]	Amortized Cost Basis	WAC [3]	Yield [4]	Age (Months)	Projected Life CPR [4]
Fixed rate									
≤ 15-year									
≤ 2.5%	$ 4,162	$ 4,238	$ 4,221	47%	101.8%	2.97%	2.04%	38	8%
3.0%	4,178	4,307	4,319	73%	103.1%	3.50%	2.22%	43	9%
3.5%	4,332	4,489	4,557	88%	103.6%	3.95%	2.53%	51	10%
4.0%	3,439	3,591	3,662	89%	104.4%	4.40%	2.71%	60	11%
4.5%	372	390	394	98%	104.9%	4.87%	3.04%	64	12%
≥ 5.0%	5	5	5	28%	103.8%	6.51%	4.54%	97	13%
Total ≤ 15-year	16,488	17,020	17,158	75%	103.2%	3.71%	2.38%	48	10%
20-year									
≤ 3.0%	287	285	294	28%	99.3%	3.55%	3.11%	31	8%
3.5%	600	613	628	64%	102.2%	4.05%	3.04%	33	10%
4.0%	66	69	70	48%	104.5%	4.54%	2.97%	52	11%
4.5%	84	90	92	99%	106.7%	4.90%	3.03%	61	10%
≥ 5.0%	4	4	4	—%	106.1%	5.92%	3.35%	92	18%
Total 20-year:	1,041	1,061	1,088	56%	101.9%	4.03%	3.06%	37	9%
30-year:									
≤ 3.0%	6,837	6,852	6,845	2%	100.6%	3.59%	2.92%	31	6%
3.5%	16,627	17,383	17,188	51%	104.7%	4.09%	2.84%	26	7%
4.0%	12,888	13,733	13,687	57%	106.7%	4.54%	2.99%	29	8%
4.5%	1,524	1,629	1,664	87%	106.8%	4.96%	3.39%	55	9%
5.0%	148	158	163	66%	106.4%	5.45%	3.74%	92	11%
≥ 5.5%	155	170	173	38%	109.5%	6.20%	3.40%	109	16%
Total 30-year	38,179	39,925	39,720	46%	105.2%	4.27%	2.93%	30	8%
Total fixed rate	$ 55,708	$ 58,006	$ 57,966	55%	104.5%	4.08%	2.75%	36	8%

1. Lower loan balance securities represent pools backed by an original loan balance of ≤ $150,000. Our lower loan balance securities had a weighted average original loan balance of $97,000 and $98,000 for 15-year and 30-year securities, respectively, as of December 31, 2015.
2. HARP securities are defined as pools backed by 100% refinance loans with LTVs ≥ 80%. Our HARP securities had a weighted average LTV of 110% and 127% for 15-year and 30-year securities, respectively, as of December 31, 2015. Includes $0.9 billion and $4.0 billion of 15-year and 30-year securities, respectively, with >105 LTV pools which are not deliverable into TBA securities.
3. WAC represents the weighted average coupon of the underlying collateral.
4. Portfolio yield incorporates a projected life CPR assumption based on forward rate assumptions as of December 31, 2015.

As of December 31, 2016 and 2015, the combined weighted average yield on our investment securities (excluding TBAs) was 2.77% and 2.78%, respectively.

Our pass-through Agency RMBS collateralized by adjustable rate mortgage loans, or ARMs, have coupons linked to various indices. As of December 31, 2016 and 2015, our ARM securities had a weighted average next reset date of 39 months and 46 months, respectively.

As of December 31, 2016 and 2015, our investments in non-Agency securities had the following credit ratings:

Non-Agency Security Credit Ratings [1]	December 31, 2016			December 31, 2015		
	CRT	RMBS	CMBS	CRT	RMBS	CMBS
AAA	$ —	$ 99	$ —	$ —	$ 113	$ —
BBB	—	—	23	—	—	—
B	164	2	—	—	—	—
Total	$ 164	$ 101	$ 23	$ —	$ 113	$ —

1. Represents the lowest of Standard and Poor's ("S&P"), Moody's and Fitch credit ratings, stated in terms of the S&P equivalent rating as of each date.

Our CRT securities reference the performance of loans that have been guaranteed by Fannie Mae or Freddie Mac, subject to their underwriting standards. As of December 31, 2016, our CRT securities had floating rate coupons ranging from 4.6% to 7.1%, with weighted average coupons of underlying collateral ranging from 4.0% to 4.2%. The loans underlying our CRT securities were originated between 2015 and 2016.

SUMMARY OF CRITICAL ACCOUNTING ESTIMATES

Our critical accounting estimates relate to the recognition of interest income and the fair value of our investments and derivatives. Certain of these items involve estimates that require management to make judgments that are subjective in nature. We rely on our experience and analysis of historical and current market data in order to arrive at what we believe to be reasonable estimates. Under different conditions, we could report materially different amounts based on such estimates. The remainder of our significant accounting policies are described in Note 2 to the Consolidated Financial Statements included under Item 8 of this Annual Report on Form 10-K.

Interest Income

The effective yield on our Agency RMBS and non-Agency securities of high credit quality is highly impacted by our estimate of future prepayments. We accrue interest income based on the outstanding principal amount and their contractual terms and we amortize or accrete premiums and discounts associated with our purchase of these securities into interest income over the projected lives of the securities, including contractual payments and estimated prepayments, using the interest method. The weighted average cost basis of our securities as of December 31, 2016 was 104.7% of par value; therefore, faster actual or projected prepayments can have a meaningful negative impact, while slower actual or projected prepayments can have a meaningful positive impact, on our asset yields.

Future prepayment rates are difficult to predict and we rely on a third-party service provider and our experience and analysis of historical and current market data in order to arrive at what we believe to be reasonable estimates. We use a third-party service to provide estimates for prepayment speeds using models that incorporate the forward yield curve, current mortgage rates and mortgage rates of the outstanding loans, age and size of the outstanding loans, loan-to-value ratios, interest rate volatility and other factors. We review the prepayment speeds estimated by the third-party service and compare the results to market consensus prepayment speeds, if available. We also consider historical prepayment speeds and current market conditions to validate the reasonableness of the prepayment speeds estimated by the third-party service and, based on our judgment, we may make adjustments to their estimates.

We review our actual and anticipated prepayment experience on at least a quarterly basis and effective yields are recalculated when differences arise between (i) our previously estimated future prepayments and (ii) actual prepayments to date plus current estimated future prepayments. If the actual and estimated future prepayment experience differs from our prior estimate of prepayments, we are required to record an adjustment in the current period to the amortization or accretion of premiums and discounts for the cumulative difference in the effective yield through the reporting date.

The most significant factor impacting prepayment rates on our securities is changes to long-term interest rates. Prepayment rates generally increase when interest rates fall and decrease when interest rates rise. However, there are a variety of other factors that may impact the rate of prepayments on our securities. Consequently, under different conditions, we could report materially different amounts. Item 7A. *Quantitative and Qualitative Disclosures About Market Risk* in this Form 10-K includes the estimated change in our net interest income should interest rates go up or down by 50 and 100 basis points, assuming the yield curves of the rate shocks will be parallel to each other and the current yield curve.

At the time we purchase non-Agency securities that are not of high credit quality, we determine an effective interest rate based on our estimate of the timing and amount of cash flows and our cost basis. On at least a quarterly basis, we review the estimated cash flows and make appropriate adjustments, based on input and analysis received from external sources, internal models, and our judgment about interest rates, prepayment rates, the timing and amount of credit losses, and other factors. Any resulting changes in effective yield are recognized prospectively based on the current amortized cost of the investment as adjusted for credit impairment, if any. Our cash flow estimates for these investments are based on our judgment and observations of current information and events. These estimates include assumptions related to interest rates, prepayment rates and the timing and amount of credit losses. Furthermore, other market participants could use materially different assumptions with respect to default rates, severities, loss timing, or prepayments. Our assumptions are subject to future events that may impact our estimates and interest income, and as a result, actual results may differ significantly from these estimates.

Fair Value of Investment Securities

We estimate the fair value of our investment securities based on a market approach using "Level 2" inputs from third-party pricing services and non-binding dealer quotes derived from common market pricing methods. Such methods incorporate, but are not limited to, reported trades and executable bid and ask prices for similar securities, benchmark interest rate curves, such as the spread to the U.S. Treasury rate and interest rate swap curves, convexity, duration and the underlying characteristics of the particular security, including coupon, periodic and life caps, rate reset period, issuer, additional credit support and expected life of the security. We generally obtain 3 to 6 quotes or prices (referred to as "marks") per security. We attempt to validate marks obtained from pricing services and broker dealers by comparing them to our recent completed transactions involving the same or similar securities on or near the reporting date. Changes in the market environment and other events that may occur over the life of our investments may cause the gains or losses ultimately realized on these investments to be different from the valuations currently estimated.

We also evaluate our securities for other-than-temporary impairment ("OTTI") on at least a quarterly basis. The determination of whether a security is other-than-temporarily impaired may involve judgments and assumptions based on subjective and objective factors. When a security is impaired, an OTTI is considered to have occurred if any one of the following three conditions exists as of the financial reporting date: (i) we intend to sell the security (that is, a decision has been made to sell the security), (ii) it is more likely than not that we will be required to sell the security before recovery of its amortized cost basis or (iii) we do not expect to recover the security's amortized cost basis, even if we do not intend to sell the security and it is not more likely than not that we will be required to sell the security. A general allowance for unidentified impairments in a portfolio of securities is not permitted.

If either of the first two conditions exists as of the financial reporting date, the entire amount of the impairment loss, if any, is recognized in earnings as a realized loss and the cost basis of the security is adjusted to its fair value. However, with respect to the first condition, since the liquidity of the Agency securities market allows us to obtain competitive bids and execute on a sale transaction typically within a day of making the decision to sell a security, we generally do not make decisions to sell specific mortgage securities until shortly prior to initiating a sell order. In some instances, we may sell specific Agency securities by delivering the securities into existing short TBA contracts. TBA market conventions require the identification of the specific securities to be delivered no later than 48 hours prior to settlement. If we settle a short TBA contract through the delivery of securities, we will generally identify the specific securities to be delivered within one to two days before the 48-hour deadline.

If the third condition exists, the OTTI is separated into (i) the amount relating to credit loss (the "credit component") and (ii) the amount relating to all other factors (the "non-credit components"). Only the credit component is recognized in earnings, with the non-credit components recognized in OCI. However, in evaluating if the third condition exists, our investments in Agency securities typically would not have a credit component since the principal and interest are guaranteed by a GSE and, therefore, any unrealized loss is not the result of a credit loss. In addition, since unrealized gains and losses for securities designated as available-for-sale are recognized in OCI, any impairment loss for non-credit components is already recognized in OCI.

Derivative Financial Instruments/Hedging Activity

We use a variety of derivative instruments to reduce our exposure to market risks, including interest rate, prepayment, extension and credit risks. Our risk management objective is to reduce fluctuations in net asset value over a range of interest rate scenarios. The principal instruments that we use are interest rate swaps and swaptions. We also utilize TBA contracts for the forward purchase or sale of Agency RMBS securities on a generic pool basis and we utilize U.S. Treasury securities and U.S. Treasury futures contracts, primarily through short sales. We may also purchase or write put or call options on TBA securities and utilize other types of derivative instruments to hedge a portion of our risk.

We recognize all derivatives as either assets or liabilities on the balance sheet, measured at fair value. Since discontinuing hedge accounting in 2011, we do not designate any of our derivative instruments as hedges for GAAP accounting purposes; therefore, all changes in the fair value of our derivative instruments are reported in earnings in our consolidated statement of comprehensive income in gain (loss) on derivatives and other securities, net during the period in which they occur.

The use of derivatives creates exposure to credit risk relating to potential losses that could be recognized in the event that the counterparties to these instruments fail to perform their obligations under the contracts. We attempt to minimize this risk by limiting our counterparties to major financial institutions with acceptable credit ratings, monitoring positions with individual counterparties and adjusting posted collateral as required.

We estimate the fair value of our derivative instruments using "Level 1" inputs from unadjusted quoted prices for identical instruments in active markets or "Level 2" inputs from third-party pricing services, non-binding dealer quotes and/or daily settlement prices from central clearing exchanges, which are derived from common market pricing methods. In considering the effect of nonperformance risk on our estimate of fair value, we consider the impact of netting and credit enhancements, such as collateral postings and guarantees, and have concluded that neither our own nor our counterparty risk is significant to the overall valuation of these agreements.

RESULTS OF OPERATIONS

Non-GAAP Financial Measures

In addition to the results presented in accordance with GAAP, our results of operations discussed below include certain non-GAAP financial information, including "adjusted net interest expense," "net spread and dollar roll income," "net spread and dollar roll income, excluding 'catch-up' premium amortization," "estimated taxable income" and the related per common share measures and certain financial metrics derived from such non-GAAP information, such as "cost of funds" and "net interest rate spread."

"Adjusted net interest expense" is measured as interest expense (GAAP measure) adjusted to include other interest rate swap periodic costs. "Net spread and dollar roll income" is measured as (i) net interest income (GAAP measure) adjusted to include other interest rate swap periodic costs, TBA dollar roll income, management fee income and dividends on REIT equity securities (referred to as "adjusted net interest and dollar roll income") less (ii) total operating expenses (GAAP measure) adjusted to exclude non-recurring transaction costs (referred to as "adjusted operating expenses"). "Net spread and dollar roll income, excluding 'catch-up' premium amortization," further excludes retrospective "catch-up" adjustments to premium amortization cost or benefit due to changes in projected CPR estimates.

By providing such measures, in addition to the related GAAP measures, we believe we give greater transparency into the information used by our management in its financial and operational decision-making. We also believe it is important for users of our financial information to consider information related to our current financial performance without the effects of certain measures that are not necessarily indicative of our current investment portfolio performance and operations.

Specifically, in the case of "adjusted net interest and dollar roll income," we believe the inclusion of TBA dollar roll income is meaningful as TBAs, which are accounted for under GAAP as derivative instruments with gains and losses recognized in other gain (loss) in our statement of operations, are economically equivalent to holding and financing generic Agency RMBS using short-term repurchase agreements. Similarly, we believe that the inclusion of periodic interest rate swap settlements in such measure and in "adjusted net interest expense," which are recognized under GAAP in other gain (loss), is meaningful as interest rate swaps are the primary instrument we use to economically hedge against fluctuations in our borrowing costs and inclusion of all periodic interest rate swap settlement costs is more indicative of our total cost of funds than interest expense alone. In the case of "net spread and dollar roll income, excluding 'catch-up' premium amortization," we believe the exclusion of "catch-up" adjustments to premium amortization cost or benefit is meaningful as it excludes the cumulative effect from prior reporting periods due to current changes in future prepayment expectations and, therefore, exclusion of such cost or benefit is more indicative of the current earnings potential of our investment portfolio. We also believe the exclusion of non-recurring transactions costs reported in general, administrative and other expense under GAAP is meaningful as they represent non-recurring transaction costs associated with our acquisition of AMM and are not representative of ongoing operating costs. In the case of estimated taxable income, we believe it is meaningful information because it directly relates to the amount of dividends we are required to distribute in order to maintain our REIT qualification status.

However, because such measures are incomplete measures of our financial performance and involve differences from results computed in accordance with GAAP, they should be considered as supplementary to, and not as a substitute for, results computed in accordance with GAAP. In addition, because not all companies use identical calculations, our presentation of such non-GAAP measures may not be comparable to other similarly-titled measures of other companies. Furthermore, estimated taxable income can include certain information that is subject to potential adjustments up to the time of filing our income tax returns, which occurs after the end of our fiscal year.

FISCAL YEAR 2016 COMPARED TO FISCAL YEAR 2015

Interest Income and Asset Yield

The following table summarizes our interest income for fiscal years 2016 and 2015 (dollars in millions):

	Fiscal Year 2016		Fiscal Year 2015	
	Amount	Yield	Amount	Yield
Cash/coupon interest income	$ 1,721	3.64 %	$ 1,874	3.62 %
Net premium amortization	(400)	(0.96)%	(408)	(0.91)%
Interest income	$ 1,321	2.68 %	$ 1,466	2.71 %
Weighted average actual portfolio CPR for securities held during the period	12%		10%	
Weighted average projected CPR for the remaining life of securities held as of period end	8%		8%	
Average 30-year fixed rate mortgage rate as of period end [1]	4.32%		4.01%	
10-year U.S. Treasury rate as of period end	2.43%		2.27%	

1. Source: Freddie Mac Primary Fixed Mortgage Rate Mortgage Market Survey

The principal elements impacting our interest income are the size of our average investment portfolio and the yield on our investments. The following is a summary of the estimated impact of each of these elements on the decrease in interest income from fiscal year 2015 to 2016 (in millions):

Impact of Changes in the Principal Elements Impacting Interest Income
Fiscal Year 2016 vs. 2015

		Due to Change in Average	
	Total Increase / (Decrease)	Portfolio Size	Asset Yield
Interest Income	$ (145)	$ (129)	$ (16)

The size of our average investment portfolio decreased in par value, compared to the prior year period, by 9% for fiscal year 2016. The decline was largely due to a relative shift from investments recognized as securities on our consolidated financial statements to investments in TBA contracts recognized as derivative assets/(liabilities) on our consolidated financial statements and a decline in our stockholders' equity due to share repurchases and price declines on our portfolio, net of hedges.

Our average asset yield was down slightly at 2.68% for fiscal year 2016, compared to 2.71% for the prior year. Excluding "catch-up" premium amortization cost due to changes in our projected CPR estimates, our average asset yield was 2.70% for fiscal year 2016, compared to 2.72% for the prior year period. The yield decline in our average asset was largely due to changes in our portfolio composition.

Leverage

Our primary measures of leverage are our "at risk" leverage and our tangible net book value "at risk" leverage ratio. "At risk" leverage is measured as the sum of our mortgage borrowings (consisting of repurchase agreements used to fund our investment securities ("Agency repo"), FHLB advances and debt of consolidated VIEs), net TBA position (at cost) and our net receivable/payable for unsettled investment securities divided by the sum of our total stockholders' equity. Tangible net book value "at risk" leverage includes adjustments to exclude goodwill and other intangible assets, net of accumulated amortization, related to our acquisition of AMM from stockholders' equity.

We include our net TBA position in our measures of leverage because a long TBA position carries similar risks as if we had purchased the underlying Agency RMBS and funded the purchases with on-balance sheet funding liabilities. Similarly, a short TBA position has substantially the same effect as selling the underlying Agency RMBS and reducing our on-balance sheet funding commitments. (Refer to *Liquidity and Capital Resources* for further discussion of TBA dollar roll positions). Repurchase agreements used to fund short-term investments in U.S. Treasury securities ("U.S. Treasury repo") are excluded from our measures of leverage due to the temporary and highly liquid nature of these investments.

Our total "at risk" leverage was 7.1x and 6.8x our stockholders' equity as of December 31, 2016 and 2015, respectively. Our tangible net book value "at risk" leverage was 7.7x our tangible stockholders' equity as of December 31, 2016. The table below presents our average and quarter-end mortgage borrowings, net TBA position and leverage ratios for each of the three month periods listed below (dollars in millions):

	Mortgage Borrowings [1]			Net TBA Position Long/(Short) [2]		Average Total "At Risk" Leverage during the Period [3]	Tangible Net Book Value Average Total "At Risk" Leverage during the Period [4]	"At Risk" Leverage as of Period End [5]	Tangible Net Book Value "At Risk" Leverage as of Period End [4]
Quarter Ended	Average Daily Amount	Maximum Daily Amount	Ending Amount	Average Daily Amount	Ending Amount				
December 31, 2016	$ 41,031	$ 42,157	$ 41,183	$ 14,141	$ 11,312	7.3:1	7.8:1	7.1:1	7.7:1
September 30, 2016	$ 44,401	$ 46,555	$ 41,154	$ 10,748	$ 15,540	7.1:1	7.6:1	7.2:1	7.7:1
June 30, 2016	$ 46,948	$ 48,875	$ 45,502	$ 8,238	$ 6,975	7.2:1	N/A	7.2:1	N/A
March 31, 2016	$ 45,926	$ 49,767	$ 48,875	$ 8,144	$ 5,983	7.0:1	N/A	7.3:1	N/A
December 31, 2015	$ 47,018	$ 50,078	$ 46,077	$ 7,796	$ 7,430	6.8:1	N/A	6.8:1	N/A
September 30, 2015	$ 43,308	$ 46,049	$ 44,683	$ 9,434	$ 7,265	6.2:1	N/A	6.8:1	N/A
June 30, 2015	$ 50,410	$ 55,097	$ 45,860	$ 5,973	$ 7,104	6.2:1	N/A	6.1:1	N/A
March 31, 2015	$ 53,963	$ 58,217	$ 55,056	$ 6,957	$ 4,815	6.5:1	N/A	6.4:1	N/A

1. Mortgage borrowings includes Agency repo, FHLB advances and debt of consolidated VIEs. Amounts exclude U.S. Treasury repo agreements.
2. Daily average and ending net TBA position outstanding measured at cost.
3. Average "at risk" leverage during the period was calculated by dividing the sum of our daily weighted average mortgage borrowings outstanding and our daily weighted average net TBA position (at cost) during the period by the sum of our average month-end stockholders' equity less our average investment in REIT equity securities for the period.
4. Tangible net book value "at risk" leverage includes the components of "at risk" leverage with stockholders' equity adjusted to exclude goodwill and other intangible assets, net.
5. "At risk" leverage as of period end was calculated by dividing the sum of the amount of mortgage borrowings outstanding, net payables and receivables for unsettled investment securities and the cost basis (or contract price) of our net TBA position by the sum of our total stockholders' equity less the fair value of our investment in REIT equity securities at period end.

Interest Expense and Cost of Funds

Our interest expense is comprised of interest expense on our mortgage borrowings (primarily comprised of Agency repo) and the reclassification of accumulated OCI into interest expense related to previously de-designated interest rate swaps. Upon our election to discontinue hedge accounting under GAAP as of September 30, 2011, the net deferred loss related to our de-designated interest rate swaps remained in accumulated OCI and has been reclassified from accumulated OCI into interest expense on a straight-line basis over the remaining term of each interest rate swap through fiscal year 2016.

Our "adjusted net interest expense," also referred to as our "cost of funds" when stated as a percentage of our mortgage borrowings outstanding, includes periodic interest costs on our interest rate swaps reported in gain/loss on derivative instruments and other securities, net in our consolidated statements of comprehensive income. Our cost of funds does not include swap termination fees, forward starting swaps and costs associated with our other supplemental hedges, such as swaptions and U.S. Treasury positions. Our cost of funds also does not include the implied financing cost of our net TBA dollar roll position, although it includes interest rate swap hedge costs related to our TBA dollar roll funded assets. Consequently, our cost of funds measured as a percentage of our outstanding mortgage borrowings is higher than if we allocated a portion of our swap hedge costs to our TBA dollar roll funded assets.

Our average cost of funds declined to 1.45% for fiscal year 2016, compared to 1.49% for the prior year period. The table below presents a reconciliation of our interest expense (the most comparable GAAP financial measure) to our adjusted net interest expense and cost of funds (non-GAAP financial measures) for fiscal years 2016 and 2015 (dollars in millions):

Adjusted Net Interest Expense and Cost of Funds	Fiscal Year 2016 Amount	Fiscal Year 2016 % [1]	Fiscal Year 2015 Amount	Fiscal Year 2015 % [1]
Interest expense:				
Interest expense on mortgage borrowings	$ 355	0.79%	$ 229	0.47%
Periodic interest costs of interest rate swaps previously designated as hedges under GAAP, net	39	0.09%	101	0.21%
Total interest expense	394	0.88%	330	0.68%
Other periodic interest costs of interest rate swaps, net	255	0.57%	393	0.81%
Total adjusted net interest expense and cost of funds	$ 649	1.45%	$ 723	1.49%

1. Percent of our average mortgage borrowings outstanding for the period.

The principal elements impacting our adjusted net interest expense are the size of our average mortgage borrowings outstanding during the period, the size of our average interest rate swap balance outstanding (excluding forward starting swaps), the average interest rate on our borrowings and the average net pay rate on our pay-fixed receive-floating interest rate swaps. The following is a summary of the estimated impact of each of these elements impacting the decrease in our adjusted net interest expense for fiscal year 2016, compared to the prior year period (in millions):

Impact of Changes in the Principal Elements of Adjusted Net Interest Expense
Fiscal Year 2016 vs. 2015

	Total Increase / (Decrease)	Due to Change in Average Borrowing / Swap Balance	Due to Change in Average Borrowing / Swap Rate
Interest expense on mortgage borrowings	$ 126	$ (21)	$ 147
Periodic interest rate swap costs [1]	(200)	(23)	(177)
Total change in adjusted net interest expense	$ (74)	$ (44)	$ (30)

1. Includes amounts recognized in interest expense and in gain (loss) on derivatives and other securities, net in our consolidated statements of comprehensive income. The change due to interest rate reflects the net impact of the change in the weighted average fixed pay and variable receive rates.

The average interest rate on our borrowings increased for fiscal year 2016 by 32 bps, which was largely a function of Fed Funds rate increases in December of 2015 and 2016. The size of our average borrowings outstanding decreased 8% for the year, which was largely due to the combination of a relative shift from Agency RMBS to TBA holdings and portfolio adjustments due to the decline in our average shareholders' equity. As shown in the tables below, the size of our interest rate swap portfolio increased relative to our mortgage borrowings, but decreased overall in both absolute dollar terms and relative to the combined total of our mortgage borrowings and TBA securities outstanding during the year. We generally ran a lower interest rate hedge ratio though-out much of 2016, compared to the prior year, before increasing our hedge ratio during the fourth quarter of 2016. The decline in the average net pay rate on our pay-fixed receive-floating interest rate swaps was a function of both a lower average pay-fixed rate and a higher average receive-floating rate.

The table below presents a summary of our average mortgage borrowings and our average interest rates swaps outstanding, excluding forward starting swaps, for fiscal years 2016 and 2015 (dollars in millions):

Average Ratio of Interest Rate Swaps Outstanding (Excluding Forward Starting Swaps) to Mortgage Borrowings Outstanding	Fiscal Year 2016	Fiscal Year 2015
Average mortgage borrowings	$ 44,566	$ 48,641
Average notional amount of interest rate swaps (excluding forward starting swaps)	$ 33,541	$ 35,220
Average ratio of interest rate swaps to mortgage borrowings	75 %	72 %
Weighted average pay rate on interest rate swaps	1.56 %	1.68 %
Weighted average receive rate on interest rate swaps	(0.69)%	(0.28)%
Weighted average net pay rate on interest rate swaps	0.87 %	1.40 %

For the fiscal year ended 2016, we had an average balance of $4.8 billion of forward starting interest rate swaps outstanding, compared to $10.2 billion for the prior year period. Forward starting interest rate swaps do not impact our adjusted net interest expense and cost of funds until they commence accruing net interest settlements on their forward start dates. We enter into forward starting interest rate swaps based on a variety of factors, including our view of the forward yield curve and the timing of potential changes in short-term interest rates, time to deploy new capital, amount and timing of expirations of our existing interest rate swap portfolio, current and anticipated swap spreads and our desire to mitigate our exposure to specific sectors of the yield curve.

Including forward starting swaps and our net TBA position, our average ratio of interest rate swaps outstanding to our average mortgage borrowings and net TBA position (at cost) was 70% for fiscal year 2016, compared to 81% for fiscal year 2015.

	Fiscal Year	
Average Ratio of Interest Rate Swaps Outstanding (Including Forward Starting Swaps) to Mortgage Borrowings and Net TBA Position	**2016**	**2015**
Average mortgage borrowings	$ 44,566	$ 48,641
Average net TBA position - at cost	10,329	7,547
Total average mortgage borrowings and net TBA position	$ 54,895	$ 56,188
Average notional amount of interest rate swaps (including of forward starting swaps)	$ 38,362	$ 45,446
Average ratio of interest rate swaps to mortgage borrowings and net TBA position	70%	81%

Net Spread and Dollar Roll Income

The table below presents a reconciliation of our net interest income (the most comparable GAAP financial measure) to our net spread and dollar roll income and to our net spread and dollar roll income, excluding estimated "catch-up" premium amortization cost, (non-GAAP financial measures) for fiscal years 2016 and 2015 (dollars in millions):

	Fiscal Year	
	2016	**2015**
Net interest income	$ 927	$ 1,136
Other periodic interest costs of interest rate swaps, net [1]	(255)	(393)
TBA dollar roll income [1]	216	237
Management fee income	8	—
Dividend from REIT equity securities [1]	2	6
Adjusted net interest and dollar roll income	898	986
Operating expenses:		
Total operating expenses	105	139
Non-recurring transaction costs	(9)	—
Adjusted operating expenses	96	139
Net spread and dollar roll income	802	847
Dividend on preferred stock	28	28
Net spread and dollar roll income available to common stockholders	774	819
Estimated "catch-up" premium amortization cost due to change in CPR forecast	10	1
Net spread and dollar roll income, excluding "catch-up" premium amortization, available to common stockholders	$ 784	$ 820
Weighted average number of common shares outstanding - basic and diluted	331.9	348.6
Net spread and dollar roll income per common share - basic and diluted	$ 2.33	$ 2.35
Net spread and dollar roll income, excluding "catch-up" premium amortization, per common share - basic and diluted	$ 2.36	$ 2.35

1. Reported in gain (loss) on derivative instruments and other securities, net in our consolidated statements of comprehensive income

Net spread and dollar roll income, excluding "catch-up" premium amortization adjustments, for fiscal year 2016 was largely unchanged at $2.36 per common share compared to $2.35 per common share for the prior year period, as the decline in our interest and TBA dollar roll income was largely offset by the decline in our funding costs, net of interest rate swap hedges, and lower operating costs as a function of our management internalization at the start of the third quarter.

Our average net interest rate spread and dollar roll income (i.e., the difference between the average yield on our assets and our average cost of funds inclusive of TBAs), excluding catch-up premium amortization cost, was 1.41% for fiscal year 2016, compared to 1.48% for the prior year period. Including catch-up premium amortization adjustments, our net interest rate spread and dollar roll income was 1.39% for fiscal year 2016, compared to 1.48%, respectively.

Gain (Loss) on Sale of Investment Securities, Net

The following table is a summary of our net gain (loss) on sale of investment securities for fiscal years 2016 and 2015 (in millions):

	Fiscal Year	
	2016	2015
Investment securities sold, at cost	$ (17,907)	$ (27,578)
Proceeds from sale [1]	18,016	27,555
Net gain (loss) on sale of investment securities	$ 109	$ (23)
Gross gain on sale of investment securities	$ 123	$ 98
Gross loss on sale of investment securities	(14)	(121)
Net gain (loss) on sale of investment securities	$ 109	$ (23)

1. Proceeds include cash received during the period, plus receivable for investment securities sold during the period as of period end.

Gain (Loss) on Derivative Instruments and Other Securities, Net

The following table is a summary of our gain (loss) on derivative instruments and other securities, net for fiscal years 2016 and 2015 (in millions):

	Fiscal Year	
	2016	2015
Periodic interest costs of interest rate swaps, net	$ (255)	$ (393)
Realized gain (loss) on derivative instruments and other securities, net:		
TBA securities - dollar roll income, net	216	237
TBA securities - mark-to-market net gain (loss)	(114)	246
Payer swaptions	(30)	(77)
Receiver swaptions	—	15
U.S. Treasury securities - long position	7	(33)
U.S. Treasury securities - short position	(85)	(72)
U.S. Treasury futures - short position	(12)	(21)
Interest rate swap termination fees	(1,145)	(327)
REIT equity securities	—	4
Other	8	1
Total realized loss on derivative instruments and other securities, net	(1,155)	(27)
Unrealized gain (loss) on derivative instruments and other securities, net:		
TBA securities - mark-to-market net gain (loss)	(161)	(178)
Interest rate swaps	1,003	(212)
Payer swaptions	27	42
Receiver swaptions	—	(11)
U.S. Treasury securities - long position	—	(5)
U.S. Treasury securities - short position	219	4
U.S. Treasury futures - short position	7	9
Debt of consolidated VIEs	(3)	16
REIT equity securities	9	(9)
Other	(1)	—
Total unrealized gain (loss) on derivative instruments and other securities, net	1,100	(344)
Total loss on derivative instruments and other securities, net	$ (310)	$ (764)

For further details regarding our use of derivative instruments and related activity refer to Notes 2 and 5 of our Consolidated Financial Statements in this Form 10-K.

Operating Expenses

Prior to our acquisition of AMM and related management internalization on July 1, 2016, we paid our Manager a management fee payable monthly in arrears in an amount equal to one-twelfth of 1.25% of our month-end stockholders' equity, adjusted to exclude the effect of any unrealized gains or losses included in either retained earnings or accumulated OCI, each as computed in accordance with GAAP. There was no incentive compensation payable to our Manager pursuant to the management agreement. We incurred management fees of $52 million and $116 million for fiscal year 2016 and 2015, respectively. Following our management internalization, we no longer incur a management fee, but we incur expenses associated with an internally managed organization, including compensation expense previously borne by our Manager. For fiscal year 2016, we had compensation and benefits expense of $19 million, consisting primarily of base salary, accrued bonuses and benefits expense, including approximately $2 million of accrued retention bonuses made to certain members of AMM's legacy work-force at the time of our Internalization.

We had a negligible amount of equity-based compensation expense during 2016, as our 2016 Equity and Incentive Compensation Plan ("2016 Equity Plan") was not approved by stockholders until December 9, 2016. Our 2016 Equity Plan provides for grants of equity-based compensation to our employees in order to both attract, motivate and retain high quality employees and align our employees' interests with the interests of our stockholders. We expect the equity-based compensation component of our total compensation and benefits expense to increase in future periods as we grant awards to employees under the Plan and expense them over subsequent periods.

We incurred other operating expenses of $34 million and $23 million for fiscal year 2016 and 2015, respectively, which primarily consisted of prime broker fees, information technology costs, accounting fees, legal fees, Board of Director fees, insurance expense and general overhead expenses. For fiscal year 2016, our other operating expenses included $9 million of non-recurring transaction costs and approximately $2 million of intangible asset amortization expense associated with our acquisition of AMM.

Our total annualized operating expense as a percentage of our average stockholders' equity was 1.36% and 1.58% for fiscal years 2016 and 2015, respectively.

Dividends and Income Taxes

For fiscal years 2016 and 2015, we had estimated taxable income available to common stockholders of $260 million and $431 million (or $0.78 and $1.24 per common share), respectively. Income as determined under GAAP differs from income as determined under tax rules because of both temporary and permanent differences in income and expense recognition. The primary differences are (i) unrealized gains and losses on derivative instruments and other securities marked-to-market in current income for GAAP purposes, but excluded from taxable income until realized or settled, (ii) timing differences, both temporary and potentially permanent, in the recognition of certain realized gains and losses and (iii) temporary differences related to the amortization of premiums and discounts on investments. Furthermore, our estimated taxable income is subject to potential adjustments up to the time of filing our appropriate tax returns, which occurs after the end of our fiscal year.

The following is a reconciliation of our GAAP net income to our estimated taxable income for fiscal years 2016 and 2015 (dollars in millions, except per share amounts):

	Fiscal Year	
	2016	2015
Net income (loss)	$ 623	$ 215
Estimated book to tax differences:		
Premium amortization, net	(46)	(32)
Realized gain/loss, net	1,034	14
Net capital loss/(utilization of net capital loss carryforward)	(232)	(77)
Unrealized gain/loss, net	(1,094)	339
Other	3	—
Total book to tax differences	(335)	244
Estimated REIT taxable income	288	459
Dividend on preferred stock	28	28
Estimated REIT taxable income available to common stockholders	$ 260	$ 431
Weighted average number of common shares outstanding - basic and diluted	331.9	348.6
Estimated REIT taxable income per common share - basic and diluted	$ 0.78	$ 1.24
Beginning cumulative non-deductible net capital loss	$ 684	$ 761
Utilization of net capital loss carryforward	(232)	(77)
Ending cumulative non-deductible net capital loss	$ 452	$ 684
Ending cumulative non-deductible net capital loss per ending common share	$ 1.37	$ 2.03

As of December 31, 2016, we had $0.5 billion (or $1.37 per common share) of net capital loss carryforwards, which can be carried forward and applied against future net capital gains through fiscal year 2018.

As of December 31, 2016 and 2015, we had distributed all of our estimated taxable income for fiscal years 2016 and 2015, respectively. Accordingly, we do not expect to incur an income tax or excise tax liability on our 2016 taxable income, nor did we incur such liabilities on our 2015 taxable income.

The following table summarizes dividends declared on our Series A Preferred Stock, depositary shares underlying our Series B Preferred Stock and common stock during fiscal years 2016 and 2015:

	Dividends Declared per Share		
Quarter Ended	**Series A Preferred Stock**	**Series B Preferred Stock (Per Depositary Share)**	**Common Stock**
December 31, 2016	$ 0.50000	$ 0.484375	$ 0.54
September 30, 2016	$ 0.50000	$ 0.484375	$ 0.56
June 30, 2016	$ 0.50000	$ 0.484375	$ 0.60
March 31, 2016	$ 0.50000	$ 0.484375	$ 0.60
Total	$ 2.00000	$ 1.937500	$ 2.30
December 31, 2015	$ 0.50000	$ 0.484375	$ 0.60
September 30, 2015	$ 0.50000	$ 0.484375	$ 0.60
June 30, 2015	$ 0.50000	$ 0.484375	$ 0.62
March 31, 2015	$ 0.50000	$ 0.484375	$ 0.66
Total	$ 2.00000	$ 1.937500	$ 2.48

Other Comprehensive Income (Loss)

Other comprehensive income (loss) primarily consists of unrealized gains and losses on our securities designated as "available-for-sale" (see Note 2 to our Consolidated Financial Statements in this Form 10-K). The following table summarizes the components of our other comprehensive income (loss) for fiscal years 2016 and 2015 (in millions):

	Fiscal Year	
	2016	**2015**
Unrealized gain (loss) on available-for-sale securities, net:		
Unrealized loss, net	$ (261)	$ (620)
Reversal of prior period unrealized (gain) loss, net, upon realization	(109)	23
Unrealized loss on available-for-sale securities, net:	(370)	(597)
Unrealized gain on interest rate swaps designated as cash flow hedges:		
Reversal of prior period unrealized loss on interest rate swaps, net, upon reclassification to interest expense	39	101
Total other comprehensive loss	$ (331)	$ (496)

For fiscal years 2016 and 2015, we had net unrealized gains/(losses) on investment securities measured at fair value through net income of $(6) million and $5 million, respectively.

FISCAL YEAR 2015 COMPARED TO FISCAL YEAR 2014:

Interest Income and Asset Yield

The following table summarizes our interest income for fiscal years 2015 and 2014 (dollars in millions):

	Fiscal Year 2015		Fiscal Year 2014	
	Amount	Yield	Amount	Yield
Cash/coupon interest income	$ 1,874	3.62 %	$ 1,945	3.63 %
Net premium amortization	(408)	(0.91)%	(473)	(1.00)%
Interest income	$ 1,466	2.71 %	$ 1,472	2.63 %
Weighted average actual portfolio CPR for securities held during the period	10%		9%	
Weighted average projected CPR for the remaining life of securities held as of period end	8%		9%	
Average 30-year fixed rate mortgage rate as of period end [1]	4.01%		3.87%	
10-year U.S. Treasury rate as of period end	2.27%		2.17%	

1. Source: Freddie Mac Primary Fixed Mortgage Rate Mortgage Market Survey

The following is a summary of the estimated impact of the principal elements impacting our interest income on the decrease in interest income from fiscal year 2014 to 2015 (in millions):

Impact of Changes in the Principal Elements Impacting Interest Income
Fiscal Year 2015 vs. 2014

		Due to Change in Average	
	Total Increase / (Decrease)	Portfolio Size	Asset Yield
Interest Income	$ (6)	$ (53)	$ 47

The size of our average investment portfolio decreased in par value, compared to the prior year period, by 3% for fiscal year 2015. The decline was largely due to a relative shift from investments recognized as securities on our consolidated financial statements to investments in TBA securities recognized as derivative assets/liabilities on our consolidated financial statements.

Our average asset yield differed from the prior year period largely due to fluctuations in "catch-up" premium amortization cost recognized due to changes in our projected CPR estimates. We recognized "catch-up" premium amortization cost of $1 million for fiscal year 2015, compared to $53 million for the prior year period. Excluding "catch-up" premium amortization cost, our average asset yield was 2.72% for fiscal year 2015, unchanged from fiscal year 2014.

Leverage

Our total "at risk" leverage was 6.8x and 6.9x our stockholders' equity as of December 31, 2015 and 2014, respectively. The table below presents our average and quarter-end mortgage borrowings, net TBA position and "at risk" leverage ratios for each of the three month periods listed below (dollars in millions):

	Mortgage Borrowings [1]			Net TBA Position Long / (Short) [2]			
Quarter Ended	Average Daily Amount	Maximum Daily Amount	Ending Amount	Average Daily Amount	Ending Amount	Average Total "At Risk" Leverage during the Period [1,3]	"At Risk" Leverage as of Period End [1,4]
December 31, 2015	$ 47,018	$ 50,078	$ 46,077	$ 7,796	$ 7,430	6.8:1	6.8:1
September 30, 2015	$ 43,308	$ 46,049	$ 44,683	$ 9,434	$ 7,265	6.2:1	6.8:1
June 30, 2015	$ 50,410	$ 55,097	$ 45,860	$ 5,973	$ 7,104	6.2:1	6.1:1
March 31, 2015	$ 53,963	$ 58,217	$ 55,056	$ 6,957	$ 4,815	6.5:1	6.4:1
December 31, 2014	$ 45,554	$ 49,170	$ 49,150	$ 18,492	$ 14,576	6.9:1	6.9:1
September 30, 2014	$ 46,694	$ 50,989	$ 44,368	$ 15,680	$ 17,769	6.7:1	6.7:1
June 30, 2014	$ 50,448	$ 52,945	$ 48,362	$ 13,963	$ 18,184	7.1:1	6.9:1
March 31, 2014	$ 57,544	$ 63,117	$ 50,454	$ 4,534	$ 14,127	7.2:1	7.6:1

1. Mortgage borrowings includes Agency repo, FHLB advances and debt of consolidated VIEs. Amounts exclude U.S. Treasury repo agreements.
2. Daily average and ending net TBA position outstanding measured at cost.
3. Average "at risk" leverage during the period was calculated by dividing the sum of our daily weighted average mortgage borrowings and net TBA position (at cost) outstanding by the sum of our average month-end stockholders' equity less our average investment in REIT equity securities.
4. "At risk" leverage as of period end was calculated by dividing the sum of the amount of mortgage borrowings outstanding, net payable and receivables for unsettled Agency securities and the cost basis of our net TBA position (at cost) by the sum of our total stockholders' equity less the fair value of our investment in REIT equity securities.

Interest Expense and Cost of Funds

Our average cost of funds increased to 1.49% for fiscal year 2015, compared to 1.40% for the prior year period. The table below presents a reconciliation of our interest expense (the most comparable GAAP financial measure) to our adjusted net interest expense and cost of funds (non-GAAP financial measures) for fiscal years 2015 and 2014 (dollars in millions):

	Fiscal Year 2015		Fiscal Year 2014	
Adjusted Net Interest Expense and Cost of Funds	**Amount**	**% [1]**	**Amount**	**% [1]**
Interest expense:				
Interest expense on mortgage borrowings	$ 229	0.47%	$ 216	0.43%
Periodic interest costs of interest rate swaps previously designated as hedges under GAAP, net	101	0.21%	156	0.31%
Total interest expense	330	0.68%	372	0.74%
Other periodic interest costs of interest rate swaps, net	393	0.81%	330	0.66%
Total adjusted net interest expense and cost of funds	$ 723	1.49%	$ 702	1.40%

1. Percent of our average mortgage borrowings outstanding for the period annualized.

The following is a summary of the estimated impact of the principal elements impacting the increase in our adjusted net interest expense for fiscal year 2015, compared to the prior year period (in millions):

Impact of Changes in the Principal Elements of Adjusted Net Interest Expense			
Fiscal Year 2015 vs. 2014			
		Due to Change in Average	
	Total Increase / (Decrease)	**Borrowing / Swap Balance**	**Borrowing / Swap Rate**
Interest expense on mortgage borrowings	$ 13	$ (6)	$ 19
Periodic interest rate swap costs [1]	8	18	(10)
Total change in adjusted net interest expense	$ 21	$ 12	$ 9

1. Includes amounts recognized in interest expense and in gain (loss) on derivatives and other securities, net in our consolidated statements of comprehensive income. The change due to interest rate reflects the net impact of the change in the weighted average fixed pay and variable receive rates.

The table below presents a summary of our average mortgage borrowings and our average interest rates swaps outstanding, excluding forward starting swaps, for fiscal years 2015 and 2014 (dollars in millions):

	Fiscal Year	
Average Ratio of Interest Rate Swaps Outstanding (Excluding Forward Starting Swaps) to Mortgage Borrowings Outstanding	**2015**	**2014**
Average mortgage borrowings	$ 48,641	$ 50,015
Average notional amount of interest rate swaps (excluding forward starting swaps)	$ 35,220	$ 33,988
Average ratio of interest rate swaps to mortgage borrowings	72 %	68 %
Weighted average pay rate on interest rate swaps	1.68 %	1.64 %
Weighted average receive rate on interest rate swaps	(0.28)%	(0.21)%
Weighted average net pay rate on interest rate swaps	1.40 %	1.43 %

For the fiscal year ended 2015, we had an average balance of $10.2 billion of forward starting interest rate swaps outstanding, compared to $2.4 billion for fiscal year 2014. Including forward starting swaps and our net TBA position, our average ratio of interest rate swaps outstanding to our average mortgage borrowings and net TBA position (at cost) was 81% for fiscal year 2015, compared to 58% for fiscal year 2014.

Average Ratio of Interest Rate Swaps Outstanding (Including Forward Starting Swaps) to Mortgage Borrowings and Net TBA Position	**Fiscal Year 2015**	**Fiscal Year 2014**
Average mortgage borrowings	$ 48,641	$ 50,015
Average net TBA position - at cost	7,547	13,212
Total average mortgage borrowings and net TBA position	$ 56,188	$ 63,227
Average notional amount of interest rate swaps (including of forward starting swaps)	$ 45,446	$ 36,408
Average ratio of interest rate swaps to mortgage borrowings and net TBA position	81%	58%

Net Spread and Dollar Roll Income

The table below presents a reconciliation of our net interest income (the most comparable GAAP financial measure) to our net spread and dollar roll income and to our net spread and dollar roll income, excluding estimated "catch-up" premium amortization cost, (non-GAAP financial measures) for fiscal years 2015 and 2014 (dollars in millions):

	Fiscal Year 2015	**Fiscal Year 2014**
Net interest income	$ 1,136	$ 1,100
Other periodic interest costs of interest rate swaps, net [1]	(393)	(330)
TBA dollar roll income [1]	237	20
Dividend from REIT equity securities [1]	6	505
Adjusted net interest and dollar roll income	986	1,295
Operating expenses	139	141
Net spread and dollar roll income	847	1,154
Dividend on preferred stock	28	23
Net spread and dollar roll income available to common stockholders	819	1,131
Estimated "catch-up" premium amortization cost due to change in CPR forecast	1	53
Net spread and dollar roll income, excluding "catch-up" premium amortization, available to common stockholders	$ 820	$ 1,184
Weighted average number of common shares outstanding - basic and diluted	348.6	353.3
Net spread and dollar roll income per common share - basic and diluted	$ 2.35	$ 3.20
Net spread and dollar roll income, excluding "catch-up" premium amortization, per common share - basic and diluted	$ 2.35	$ 3.35

1. Reported in gain (loss) on derivative instruments and other securities, net in our consolidated statements of comprehensive income

Net spread and dollar roll income, excluding "catch-up" premium amortization adjustments, for fiscal year 2015 decreased to $2.35 from $3.35 per common share for fiscal year 2014, largely due to higher repo costs and a decline in TBA dollar roll income relative to our average TBA position, partially offset by higher "at risk" leverage and lower operating costs.

Our average net interest rate spread and dollar roll income (i.e., the difference between the average yield on our assets and our average cost of funds inclusive of TBAs), excluding catch-up premium amortization cost, was 1.48% for fiscal year 2015, compared to 1.83% for fiscal year 2014. Including catch-up premium amortization adjustments, our net interest rate spread and dollar roll income was 1.48% for fiscal year 2015, compared to 1.75%, for fiscal year 2014.

Gain (Loss) on Sale of Investment Securities, Net

The following table is a summary of our net gain (loss) on sale of investment securities for fiscal years 2015 and 2014 (in millions):

	Fiscal Year	
	2015	2014
Investment securities sold, at cost	$ (27,578)	$ (30,123)
Proceeds from sale [1]	27,555	30,174
Net gain (loss) on sale of investment securities	$ (23)	$ 51
Gross gain on sale of investment securities	$ 98	$ 172
Gross loss on sale of investment securities	(121)	(121)
Net gain (loss) on sale of investment securities	$ (23)	$ 51

1. Proceeds include cash received during the period, plus receivable for MBS sold during the period as of period end.

Gain (Loss) on Derivative Instruments and Other Securities, Net

The following table is a summary of our gain (loss) on derivative instruments and other securities, net for fiscal years 2015 and 2014 (in millions):

	Fiscal Year	
	2015	2014
Periodic interest costs of interest rate swaps, net	$ (393)	$ (330)
Realized gain (loss) on derivative instruments and other securities, net:		
TBA securities - dollar roll income, net	237	505
TBA securities - mark-to-market net gain (loss)	246	416
Payer swaptions	(77)	(171)
Receiver swaptions	15	(1)
U.S. Treasury securities - long position	(33)	7
U.S. Treasury securities - short position	(72)	(378)
U.S. Treasury futures - short position	(21)	(34)
Interest rate swap termination fees	(327)	(127)
REIT equity securities	4	71
Other	1	(10)
Total realized gain (loss) on derivative instruments and other securities, net	(27)	278
Unrealized gain (loss) on derivative instruments and other securities, net:		
TBA securities - mark-to-market net gain (loss)	(178)	196
Interest rate swaps	(212)	(1,381)
Payer swaptions	42	(22)
Receiver swaptions	(11)	12
U.S. Treasury securities - long position	(5)	59
U.S. Treasury securities - short position	4	(42)
U.S. Treasury futures - short position	9	(42)
Debt of consolidated VIEs	16	(10)
REIT equity securities	(9)	4
Other	—	3
Total unrealized gain (loss) on derivative instruments and other securities, net	(344)	(1,223)
Total gain (loss) on derivative instruments and other securities, net	$ (764)	$ (1,275)

For further details regarding our use of derivative instruments and related activity refer to Notes 2 and 5 of our Consolidated Financial Statements in this Form 10-K.

Management Fees and General and Administrative Expenses

We incurred management fees of $116 million and $119 million for fiscal year 2015 and 2014, respectively. The decline in our management fees was a function of our smaller capital base due to the combination of share repurchases and net losses realized on our portfolio. General and administrative expenses were $23 million and $22 million for fiscal year 2015 and 2014, respectively. Our general and administrative expenses primarily consisted of prime broker fees, information technology costs, accounting fees, legal fees, Board of Director fees, insurance expense and general overhead expense. Our total annualized operating expense as a percentage of our average stockholders' equity was 1.58% and 1.52% for fiscal years 2015 and 2014, respectively.

Dividends and Income Taxes

For fiscal years 2015 and 2014, we had estimated taxable income available to common stockholders of $431 million and $439 million (or $1.24 and $1.24 per common share), respectively.

The following is a reconciliation of our GAAP net income to our estimated taxable income for fiscal years 2015 and 2014 (dollars in millions, except per share amounts):

	Fiscal Year	
	2015	**2014**
Net income (loss)	$ 215	$ (233)
Estimated book to tax differences:		
Premium amortization, net	(32)	34
Realized gain/loss, net	14	495
Net capital loss/(utilization of net capital loss carryforward)	(77)	(1,024)
Unrealized gain/loss, net	339	1,191
Other	—	(1)
Total book to tax differences	244	695
Estimated REIT taxable income	459	462
Dividend on preferred stock	28	23
Estimated REIT taxable income available to common stockholders	$ 431	$ 439
Weighted average number of common shares outstanding - basic and diluted	348.6	353.3
Estimated REIT taxable income per common share - basic and diluted	$ 1.24	$ 1.24
Beginning cumulative non-deductible net capital loss	$ 761	$ 1,785
Utilization of net capital loss carryforward	(77)	(1,024)
Ending cumulative non-deductible net capital loss	$ 684	$ 761
Ending cumulative non-deductible net capital loss per ending common share	$ 2.03	$ 2.16

For fiscal years 2015 and 2014, we distributed all of our taxable income within the limits prescribed by the Internal Revenue Code. Accordingly, we did not incur an income tax or excise tax liability on our 2015 and 2014 taxable income.

The following table summarizes dividends declared on our Series A Preferred Stock, depositary shares underlying our Series B Preferred Stock and common stock during fiscal years 2015 and 2014:

	Dividends Declared per Share		
Quarter Ended	Series A Preferred Stock	Series B Preferred Stock (Per Depositary Share)	Common Stock
December 31, 2015	$ 0.50000	$ 0.484375	$ 0.60
September 30, 2015	$ 0.50000	$ 0.484375	$ 0.60
June 30, 2015	$ 0.50000	$ 0.484375	$ 0.62
March 31, 2015	$ 0.50000	$ 0.484375	$ 0.66
Total	$ 2.00000	$ 1.937500	$ 2.48
December 31, 2014	$ 0.50000	$ 0.484375	$ 0.66
September 30, 2014	$ 0.50000	$ 0.484375	$ 0.65
June 30, 2014	$ 0.50000	$ 0.360590	$ 0.65
March 31, 2014	$ 0.50000	$ —	$ 0.65
Total	$ 2.00000	$ 1.329340	$ 2.61

Other Comprehensive Income (Loss)

The following table summarizes the components of our other comprehensive income (loss) for fiscal years 2015 and 2014 (in millions):

	Fiscal Year	
	2015	2014
Unrealized gain (loss) on available-for-sale securities, net:		
Unrealized gain (loss), net	$ (620)	$ 1,708
Reversal of prior period unrealized (gain) loss, net, upon realization	23	(51)
Unrealized gain (loss) on available-for-sale securities, net:	(597)	1,657
Unrealized gain on interest rate swaps designated as cash flow hedges:		
Reversal of prior period unrealized loss on interest rate swaps, net, upon reclassification to interest expense	101	156
Total other comprehensive income (loss)	$ (496)	$ 1,813

For fiscal years 2015 and 2014, we had net unrealized gains on investment securities measured at fair value through net income of $5 million and $32 million, respectively.

LIQUIDITY AND CAPITAL RESOURCES

Our primary sources of funds are borrowings under master repurchase agreements, asset sales, receipts of monthly principal and interest payments on our investment portfolio and equity offerings. We also enter into TBA contracts as a means of acquiring or disposing of Agency securities and utilize TBA dollar roll transactions to finance Agency RMBS purchases. Because the level of our borrowings can be adjusted on a daily basis, the level of cash and cash equivalents carried on our balance sheet is significantly less important than the potential liquidity available under our borrowing arrangements. Our leverage will vary periodically depending on market conditions and our assessment of risks and returns. We generally would expect our leverage to be within six to eleven times the amount of our tangible stockholders' equity. However, under certain market conditions, we may operate at leverage levels outside of this range for extended periods of time.

We currently believe that we have sufficient liquidity and capital resources available for the acquisition of additional investments, repayments on borrowings, maintenance of any margin requirements and the payment of cash dividends as required for our continued qualification as a REIT. We currently expect to distribute 100% of our taxable income so that we are not subject to U.S. federal and state corporate income taxes. Our REIT distribution requirement limits our ability to retain earnings and thereby replenish or increase capital from operations.

Debt Capital

As of December 31, 2016 and 2015, our mortgage borrowings and net TBA position consisted of the following ($ in millions):

	December 31, 2016		December 31, 2015	
Mortgage Funding	**Amount**	**%**	**Amount**	**%**
Repurchase agreements used to fund Agency RMBS [1,2]	$ 37,686	71%	$ 41,729	78%
FHLB advances	3,037	6%	3,753	7%
Debt of consolidated variable interest entities, at fair value	460	1%	595	1%
Total mortgage borrowings	41,183	78%	46,077	86%
Net TBA position, at cost	11,312	22%	7,430	14%
Total mortgage funding	$ 52,495	100%	$ 53,507	100%

1. Excludes repurchase agreements used to fund U.S. Treasury securities of $172 million and $25 million as of December 31, 2016 and 2015, respectively.
2. Excludes a net receivable of $21 million and a net payable of $182 million for unsettled purchases and sales of investment securities as of December 31, 2016 and 2015, respectively.

Our "at risk" leverage ratio was 7.1x as of December 31, 2016, compared to 6.8x as of December 31, 2015, measured as the sum of our total mortgage borrowings, net TBA position (at cost) and net payable for unsettled investment securities divided by the sum of our total stockholders' equity less our investments in REIT equity securities. Our tangible net book value "at risk" leverage was 7.7x our tangible stockholders' equity as of December 31, 2016.

Repurchase Agreements

As part of our investment strategy, we borrow against our investment portfolio pursuant to master repurchase agreements. We expect that the majority of our borrowings under such master repurchase agreements will have maturities ranging up to one year, but we may have longer-term borrowings ranging up to five years or longer. Borrowings under our master repurchase agreements with maturities greater than 90 days will typically have floating rates of interest based on LIBOR plus or minus a fixed spread.

As of December 31, 2016 , we had $37.7 billion of repurchase agreements outstanding used to fund acquisitions of investment securities with a weighted average cost of funds of 0.98% and a weighted average remaining days-to-maturity of 187 days, compared $41.7 billion, 0.61% and 173 days, respectively, as of December 31, 2015.

To limit our exposure to counterparty credit risk, we diversify our funding across multiple counterparties and by counterparty region. As of December 31, 2016, we had master repurchase agreements with 38 financial institutions located throughout North America, Europe and Asia, including counterparties accessed through our wholly-owned captive broker-dealer subsidiary, BES. As of December 31, 2016, less than 6% of our stockholders' equity was at risk with any one repo counterparty, and our top five repo counterparties represented less than 14% of our stockholders' equity. The table below includes a summary of our repurchase agreement funding by number of repo counterparties and counterparty region as of December 31, 2016. For further details regarding our borrowings under repurchase agreements and concentration of credit risk as of December 31, 2016, please refer to Notes 4 and 6 to our Consolidated Financial Statements in this Form 10-K.

	December 31, 2016	
Counter-Party Region	Number of Counter-Parties	Percent of Repurchase Agreement Funding
North America	20	68%
Europe	13	20%
Asia	5	12%
	38	100%

Amounts available to be borrowed under our repurchase agreements are dependent upon lender collateral requirements and the lender's determination of the fair value of the securities pledged as collateral, which fluctuates with changes in interest rates, credit quality and liquidity conditions within the investment banking, mortgage finance and real estate industries. In addition, our counterparties apply a "haircut" to our pledged collateral, which means our collateral is valued at slightly less than market value. This haircut reflects the underlying risk of the specific collateral and protects our counterparty against a change in its value, but conversely subjects us to counterparty risk and limits the amount we can borrow against our investment securities. Our master repurchase agreements do not specify the haircut; rather haircuts are determined on an individual repurchase transaction basis. Throughout fiscal year 2016, haircuts on our pledged collateral remained stable and, as of December 31, 2016, our weighted average haircut was approximately 5% of the value of our collateral.

Under our repurchase agreements, we may be required to pledge additional assets to the repurchase agreement counterparties in the event the estimated fair value of the existing pledged collateral under such agreements declines and such counterparties demand additional collateral (a "margin call"), which may take the form of additional securities or cash. Specifically, margin calls would result from a decline in the value of our securities securing our repurchase agreements and prepayments on the mortgages securing such securities. Similarly, if the estimated fair value of our investment securities increases due to changes in interest rates or other factors, counterparties may release collateral back to us. Our repurchase agreements generally provide that the valuations of securities securing our repurchase agreements are to be obtained from a generally recognized source agreed to by the parties. However, in certain circumstances under certain of our repurchase agreements our lenders have the sole discretion to determine their value. In such instances, our lenders are required to act in good faith in making determinations of value. Our repurchase agreements generally provide that in the event of a margin call, we must provide additional securities or cash on the same business day that a margin call is made if the lender provides us notice prior to the margin notice deadline on such day.

As of December 31, 2016, we had met all of our margin requirements and we had unrestricted cash and cash equivalents of $1.2 billion and unpledged securities of approximately $1.8 billion, including securities pledged to us and unpledged interests in our consolidated VIEs, available to meet margin calls on our repurchase agreements and other funding liabilities, derivative instruments and for other corporate purposes.

Although we believe we will have adequate sources of liquidity available to us through repurchase agreement financing to execute our business strategy, there can be no assurances that repurchase agreement financing will be available to us upon the maturity of our current repurchase agreements to allow us to renew or replace our repurchase agreement financing on favorable terms or at all. If our repurchase agreement lenders default on their obligations to resell the underlying collateral back to us at the end of the term, we could incur a loss equal to the difference between the value of the collateral and the cash we originally received.

During 2015, we formed a wholly-owned captive broker-dealer subsidiary, Bethesda Securities, LLC. BES became operational and received final membership approval to the FICC during the third quarter of 2016. BES has direct access to bilateral and triparty funding as a FINRA member broker-dealer. As an eligible institution, BES also raises funds through the General Collateral Finance Repo service offered by the FICC, with the FICC acting as the central counterparty, and thus provides us greater depth and diversity of repurchase agreement funding while also lowering our funding costs and limiting our counterparty exposure. As of December 31, 2016, we had entered into $4.7 billion of repurchase agreement funding through BES and expect to continue to expand our financing activity through BES during 2017.

To help manage the adverse impact of interest rate changes on the value of our investment portfolio as well as our cash flows, we utilize an interest rate risk management strategy under which we use derivative financial instruments. In particular, we attempt to mitigate the risk of the cost of our variable rate liabilities increasing at a faster rate than the earnings of our long-term fixed rate assets during a period of rising interest rates. The principal derivative instruments that we use are interest rate swaps, supplemented with the use of interest rate swaptions, U.S. Treasury securities, U.S. Treasury futures contracts, TBA securities and other instruments. Please refer to Notes 2 and 5 to our Consolidated Financial Statements in this Form 10-K for further details regarding our use of derivative instruments.

Our derivative agreements typically require that we pledge/receive collateral on such agreements to/from our counterparties in a similar manner as we are required to under our repurchase agreements. Our counterparties, or the central clearing agency, typically have the sole discretion to determine the value of the derivative instruments and the value of the collateral securing such instruments. In the event of a margin call, we must generally provide additional collateral on the same business day.

Similar to repurchase agreements, our use of derivatives exposes us to counterparty credit risk relating to potential losses that could be recognized in the event that our counterparties to these instruments fail to perform their obligations under the contracts. We minimize this risk by limiting our counterparties to major financial institutions with acceptable credit ratings and by monitoring positions with individual counterparties. Excluding centrally cleared interest rate swaps, as of December 31, 2016, our amount at risk with any counterparty related to our interest rate swap and swaption agreements was less than 1% of our stockholders' equity. In the case of centrally cleared interest rate swap contracts, we could be exposed to credit risk if the central clearing agency or a clearing member defaults on its respective obligation to perform under the contract. However, we believe that the risk is minimal due to the exchange's initial and daily mark to market margin requirements and a clearinghouse guarantee fund and other resources that are available in the event of a clearing member default.

TBA Dollar Roll Transactions

TBA dollar roll transactions represent a form of off-balance sheet financing accounted for as derivative instruments and we may use them as a means of leveraging (or deleveraging) our investment portfolio through the use of long (or short) TBA contracts (see Notes 2 and 5 to our Consolidated Financial Statements in this Form 10-K).

Under certain market conditions, it may be uneconomical for us to roll our TBA contracts into future months and we may need to take or make physical delivery of the underlying securities. If we were required to take physical delivery to settle a long TBA contract, we would have to fund our total purchase commitment with cash or other financing sources and our liquidity position could be negatively impacted. As of December 31, 2016, we had a net long TBA position with a total market value and a total cost basis of $11.2 billion and $11.3 billion, respectively, and a net carrying value of $(147) million recognized in derivative assets/(liabilities), at fair value, on our Consolidated Balance Sheets in this Form 10-K.

Our TBA dollar roll contracts are also subject to margin requirements governed by the Mortgage-Backed Securities Division ("MBSD") of the FICC and by our prime brokerage agreements, which may establish margin levels in excess of the MBSD. Such provisions require that we establish an initial margin based on the notional value of the TBA contract, which is subject to increase if the estimated fair value of our TBA contract or the estimated fair value of our pledged collateral declines. The MBSD has the sole discretion to determine the value of our TBA contracts and of the pledged collateral securing such contracts. In the event of a margin call, we must generally provide additional collateral on the same business day.

Settlement of our TBA obligations by taking delivery of the underlying securities as well as satisfying margin requirements could negatively impact our liquidity position. However, since we do not use TBA dollar roll transactions as our primary source of financing, we believe that we will have adequate sources of liquidity to meet such obligations.

Federal Home Loan Bank Membership

In April 2015, our wholly-owned captive insurance subsidiary, Old Georgetown Insurance Co., LLC ("OGI"), was approved as a member of the FHLB of Des Moines. The FHLBs provide a variety of products and services to their members, including short and long-term secured loans, called "advances." In January 2016, the FHFA released its final rule on changes to regulations concerning FHLB membership criteria. The final rule terminated OGI's FHLB membership and required repayment of all advances at the earlier of their contractual maturity dates or a one year period after the effective date of the final rule that concluded in February 2017. As of December 31, 2016, we had $3.0 billion of FHLB advances outstanding with a weighted average interest rate of 0.73% and a weighted average remaining days to maturity of 28 days up to February 2017. We do not expect the termination of our FHLB membership to negatively impact our liquidity position, since FHLB advances do not represent our primary source of funding.

Asset Sales and TBA Eligible Securities

We maintain a portfolio of highly liquid mortgage-backed securities. We may sell our Agency securities through the TBA market by delivering them into TBA contracts, subject to "good delivery" provisions promulgated by SIFMA. We may alternatively sell Agency securities that have more unique attributes on a specified basis when such securities trade at a premium over generic TBA securities or if the securities are not otherwise eligible for TBA delivery. Since the TBA market is the second most liquid market (second to the U.S. Treasury market), maintaining a significant level of Agency securities eligible for TBA delivery enhances our liquidity profile and provides price support for our TBA eligible securities at or above generic TBA prices. As of December 31, 2016, approximately 86% of our fixed rate Agency RMBS portfolio was eligible for TBA delivery.

Equity Capital

To the extent we raise additional equity capital through follow-on equity offerings or under our dividend reinvestment and direct stock purchase plan, we may use cash proceeds from such transactions to purchase additional investment securities, to make scheduled payments of principal and interest on our funding liabilities and for other general corporate purposes. There can be no assurance, however, that we will be able to raise additional equity capital at any particular time or on any particular terms. Furthermore, when the trading price of our common stock is significantly less than our estimate of our current tangible net asset value per common share, among other conditions, we may repurchase shares of our common stock, subject to the provisions of our stock repurchase program (see Note 9 to our Consolidated Financial Statements in this Form 10-K).

OFF-BALANCE SHEET ARRANGEMENTS

As of December 31, 2016, we did not maintain any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance, or special purpose or variable interest entities, established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. Furthermore, as of December 31, 2016, we had not guaranteed any obligations of unconsolidated entities or entered into any commitment or intent to provide funding to any such entities.

AGGREGATE CONTRACTUAL OBLIGATIONS

The following table summarizes the effect on our liquidity and cash flows from contractual obligations for repurchase agreements, FHLB advances and related interest expense (in millions):

	Fiscal Year					
	2017	**2018**	**2019**	**2020**	**2021**	**Total**
Repurchase agreements and FHLB advances	$ 35,567	$ 1,203	$ 1,300	$ 2,200	$ 625	$ 40,895
Interest expense [1]	121	63	44	14	1	243
Total	$ 35,688	$ 1,266	$ 1,344	$ 2,214	$ 626	$ 41,138

1. Interest expense is calculated based on the weighted average interest rates on our repurchase agreements and FHLB advances as of December 31, 2016.

FORWARD-LOOKING STATEMENTS

All statements contained herein that are not historical facts including, but not limited to, statements regarding anticipated activity are forward looking in nature and involve a number of risks and uncertainties. Actual results may differ materially. Among the factors that could cause actual results to differ materially are the following: (i) changes in the market value of our assets; (ii) changes in net interest rate spreads; (iii) changes in prepayment rates of the mortgage loans underlying our Agency securities; (iv) risks associated with our hedging activities; (v) availability and terms of financing arrangements; (vi) further actions by the U.S. government to stabilize the economy; (vii) changes in our business or investment strategy; (viii) legislative and regulatory changes (including changes to laws governing the taxation of REITs); (ix) our ability to meet the requirements of a REIT (including income and asset requirements); and (x) our ability to remain exempt from registration under the Investment Company Act of 1940. For a discussion of the risks and uncertainties which could cause actual results to differ from those contained in the forward-looking statements, please see the information under the caption "Risk Factors" described in this Annual Report on Form 10-K. We caution readers not to place undue reliance on any such forward-looking statements, which statements are made pursuant to the Private Securities Litigation Reform Act of 1995 and, as such, speak only as of the date made.

Item 7A. ***Quantitative and Qualitative Disclosures about Market Risk***

Market risk is the exposure to loss resulting from changes in market factors such as interest rates, foreign currency exchange rates, commodity prices and equity prices. The primary market risks that we are exposed to are interest rate, prepayment, spread, liquidity, extension and credit risk.

Interest Rate Risk

Interest rate risk is highly sensitive to many factors, including governmental monetary and tax policies, domestic and international economic and political considerations and other factors beyond our control.

Changes in the general level of interest rates can affect our net interest income, which is the difference between the interest income earned on interest-earning assets and the interest expense incurred in connection with our interest-bearing liabilities, by affecting the spread between our interest-earning assets and interest-bearing liabilities. Changes in the level of interest rates can also affect the rate of prepayments of our securities and the value of the mortgage securities that constitute our investment portfolio, which affects our net income and ability to realize gains from the sale of these assets and impacts our ability and the amount that we can borrow against these securities.

We utilize a variety of strategies to limit the effects of changes in interest rates on our operations. The principal instruments that we use are interest rate swaps and swaptions. We also utilize U.S. Treasury securities and U.S. Treasury futures contracts, primarily through short sales, as well as TBA contracts. We may also purchase or write put or call options on TBA securities and utilize other types of derivative instruments. Derivative instruments may expose us to certain risks, including the risk that losses on a hedge position will reduce the funds available for payments to holders of our common stock and that the losses may exceed the amount we invested in the instruments.

Our profitability and the value of our investment portfolio (including derivatives used for hedging purposes) may be adversely affected during any period as a result of changing interest rates including changes in the forward yield curve.

Primary measures of an instrument's price sensitivity to interest rate fluctuations are its duration and convexity. Duration measures the estimated percentage change in market value of our mortgage assets or our hedge portfolio that would be caused by a parallel change in short and long-term interest rates. The duration of our investment portfolio changes with interest rates and tends to increase when interest rates rise and decrease when interest rates fall. This "negative convexity" generally increases the interest rate exposure of our investment portfolio in excess of what is measured by duration alone.

We estimate the duration and convexity of our portfolio using both a third-party risk management system and market data. We review the duration estimates from the third-party model and may make adjustments based on our judgment. These adjustments are intended to better reflect the unique characteristics and market trading conventions associated with certain types of securities.

The table below quantifies the estimated changes in (i) net interest income (including periodic interest costs on our interest rate swaps); (ii) the fair value of our investment portfolio (including derivatives and other securities used for hedging purposes); and (iii) our net asset value as of December 31, 2016 and 2015 should interest rates go up or down by 50 and 100 basis points, assuming instantaneous parallel shifts in the yield curve and including the impact of both duration and convexity.

All changes in income and value in the table below are measured as percentage changes from the base interest rate scenario. The base interest rate scenario assumes interest rates and prepayment projections as of December 31, 2016 and 2015. We apply a floor of 0% for the down rate scenarios on our interest bearing liabilities and the variable leg of our interest rate swaps, such that any hypothetical interest rate decrease would have a limited positive impact on our funding costs beyond a certain level.

Actual results could differ materially from estimates, especially in the current market environment. To the extent that these estimates or other assumptions do not hold true, which is likely in a period of high price volatility, actual results will likely differ materially from projections. Moreover, if different models were employed in the analysis, materially different projections could result. Lastly, while the table below reflects the estimated impact of interest rate changes on a static portfolio, we actively manage our portfolio and we continuously make adjustments to the size and composition of our asset and hedge portfolio.

Interest Rate Sensitivity [1]

Change in Interest Rate	Percentage Change in Projected: Net Interest Income [2]	Percentage Change in Projected: Portfolio Market Value [3,4]	Percentage Change in Projected: Net Asset Value [3,5]
As of December 31, 2016			
-100 Basis Points	-9.7%	+0.6%	+4.6%
-50 Basis Points	-1.8%	+0.5%	+4.1%
+50 Basis Points	+4.1%	-0.8%	-6.4%
+100 Basis Points	+6.2%	-1.7%	-14.1%
As of December 31, 2015			
-100 Basis Points	-17.3%	-0.4%	-2.8%
-50 Basis Points	-4.2%	+0.1%	+0.6%
+50 Basis Points	+2.0%	-0.5%	-3.7%
+100 Basis Points	+2.5%	-1.2%	-9.4%

1. Interest rate sensitivity is derived from models that are dependent on inputs and assumptions provided by third parties, assumes there are no changes in mortgage spreads and assumes a static portfolio. Actual results could differ materially from these estimates.
2. Represents the estimated dollar change in net interest income expressed as a percent of net interest income based on asset yields and cost of funds as of such date. It includes the effect of periodic interest costs on our interest rate swaps, but excludes costs associated with our forward starting swaps and other supplemental hedges, such as swaptions and U.S. Treasury securities. Amounts also exclude costs associated with our TBA position and TBA dollar roll income/loss, which are accounted for as derivative instruments in accordance with GAAP. Base case scenario assumes interest rates and forecasted CPR of 8% as of December 31, 2016 and 2015. As of December 31, 2016, rate shock scenarios assume a forecasted CPR of 10%, 9%, 7% and 7% for the -100, -50, +50 and +100 basis points scenarios, respectively. As of December 31, 2015, rate shock scenarios assume a forecasted CPR of 12%, 10%, 8% and 7% for such scenarios, respectively. Estimated dollar change in net interest income does not include the impact of retroactive "catch-up" premium amortization adjustments due to changes in our forecasted CPR. Down rate scenarios assume a floor of 0% for anticipated interest rates.
3. Includes the effect of derivatives and other securities used for hedging purposes.
4. Estimated dollar change in investment portfolio value expressed as a percent of the total fair value of our investment portfolio as of such date.
5. Estimated dollar change in portfolio value expressed as a percent of stockholders' equity, net of the Series A and Series B Preferred Stock liquidation preference, as of such date.

Prepayment Risk

Because residential borrowers have the option to prepay their mortgage loans at par at any time, we face the risk that we will experience a return of principal on our investments faster than anticipated. Various factors affect the rate at which mortgage prepayments occur, including changes in the level of and directional trends in housing prices, interest rates, general economic conditions, loan age and size, loan-to-value ratio, the location of the property and social and demographic conditions. Additionally, changes to GSE underwriting practices or other governmental programs could also significantly impact prepayment rates or expectations. Also, the pace at which the loans underlying our securities become seriously delinquent or are modified and the timing of GSE repurchases of such loans from our securities can materially impact the rate of prepayments. Generally, prepayments on residential mortgage-backed securities increase during periods of falling mortgage interest rates and decrease during periods of rising mortgage interest rates. However, this may not always be the case.

We may reinvest principal repayments at a yield that is lower or higher than the yield on the repaid investment, thus affecting our net interest income by altering the average yield on our assets. We also amortize or accrete premiums and discounts associated with the purchase of mortgage securities into interest income over the projected lives of the securities, including contractual payments and estimated prepayments using the effective interest method. Our policy for estimating prepayment speeds for calculating the effective yield is to evaluate published prepayment data for similar securities, market consensus and current market conditions. If the actual prepayment experienced differs from our estimate of prepayments, we will be required to make an adjustment to the amortization or accretion of premiums and discounts that would have an impact on future income.

Spread Risk

When the market spread between the yield on our investment securities and benchmark interest rates widens, our net book value could decline if the value of our investment securities fall by more than the offsetting fair value increases on our hedging instruments tied to the underlying benchmark interest rates. We refer to this as "spread risk" or "basis risk." The spread risk associated with our mortgage assets and the resulting fluctuations in fair value of these securities can occur independent of changes in benchmark interest rates and may relate to other factors impacting the mortgage and fixed income markets, such as actual or anticipated monetary policy actions by the Federal Reserve, market liquidity, or changes in required rates of return on different assets. Consequently, while we use interest rate swaps and other supplemental hedges to attempt to protect against moves in interest rates, such instruments typically will not protect our net book value against spread risk.

The table below quantifies the estimated changes in the fair value of our investment portfolio (including derivatives and other securities used for hedging purposes) and in our net asset value as of December 31, 2016 and 2015 should spreads widen or tighten by 10 and 25 basis points. The estimated impact of changes in spreads is in addition to our interest rate shock sensitivity included in the interest rate shock table above. The table below assumes a spread duration of 5.4 years and 5.2 years as of December 31, 2016 and 2015, respectively, based on interest rates and RMBS prices as of such dates. However, our portfolio's sensitivity of mortgage spread changes will vary with changes in interest rates and in the size and composition of our investment portfolio. Therefore, actual results could differ materially from our estimates.

Spread Sensitivity of Agency RMBS Portfolio 1

	Percentage Change in Projected	
Change in MBS Spread	**Portfolio Market Value [2,3]**	**Net Asset Value [2,4]**
As of December 31, 2016		
-25 Basis Points	+1.3%	+11.0%
-10 Basis Points	+0.5%	+4.4%
+10 Basis Points	-0.5%	-4.4%
+25 Basis Points	-1.3%	-11.0%
As of December 31, 2015		
-25 Basis Points	+1.3%	+10.2%
-10 Basis Points	+0.5%	+4.1%
+10 Basis Points	-0.5%	-4.1%
+25 Basis Points	-1.3%	-10.2%

1. Spread sensitivity is derived from models that are dependent on inputs and assumptions provided by third parties, assumes there are no changes in interest rates and assumes a static portfolio. Actual results could differ materially from these estimates.
2. Includes the effect of derivatives and other securities used for hedging purposes.
3. Estimated dollar change in investment portfolio value expressed as a percent of the total fair value of our investment portfolio as of such date.
4. Estimated dollar change in portfolio value expressed as a percent of stockholders' equity, net of the Series A and Series B Preferred Stock liquidation preference, as of such date.

Liquidity Risk

The primary liquidity risk for us arises from financing long-term assets with shorter-term borrowings through repurchase agreements and other short-term funding agreements. As of December 31, 2016, we had unrestricted cash and cash equivalents of $1.2 billion and unpledged securities of approximately $1.8 billion, including securities pledged to us and unpledged interests in our consolidated VIEs, available to meet margin calls on our funding liabilities and derivative contracts and for other corporate purposes. However, should the value of our collateral or the value of our derivative instruments suddenly decrease, margin calls relating to our funding liabilities and derivative agreements could increase, causing an adverse change in our liquidity position. Furthermore, there is no assurance that we will always be able to renew (or roll) our short-term funding liabilities. In addition, our counterparties have the option to increase our haircuts (margin requirements) on the assets we pledge against our funding liabilities, thereby reducing the amount that can be borrowed against an asset even if they agree to renew or roll such funding liabilities. Significantly higher haircuts can reduce our ability to leverage our portfolio or even force us to sell assets, especially if correlated with asset price declines or faster prepayment rates on our assets.

In addition, we often utilize TBA dollar roll transactions as a means of investing in and financing Agency RMBS. Under certain economic conditions it may be uneconomical to roll our TBA dollar roll transactions prior to the settlement date and we could have to take physical delivery of the underlying securities and settle our obligations for cash, which could negatively impact our liquidity position, result in defaults or force us to sell assets under adverse conditions.

Extension Risk

The projected weighted-average life and estimated duration, or interest rate sensitivity, of our investments is based on our assumptions regarding the rate at which the borrowers will prepay the underlying mortgage loans. In general, we use interest rate swaps and swaptions to help manage our funding cost on our investments in the event that interest rates rise. These swaps (or swaptions) allow us to reduce our funding exposure on the notional amount of the swap for a specified period of time by establishing a fixed rate to pay in exchange for receiving a floating rate that generally tracks our financing costs under our funding liabilities.

However, if prepayment rates decrease in a rising interest rate environment, the average life or duration of our fixed rate assets generally extends. This could have a negative impact on our results from operations, as our interest rate swap maturities are fixed and will, therefore, cover a smaller percentage of our funding exposure on our mortgage assets to the extent that their average lives increase due to slower prepayments. This situation may also cause the market value of our fixed rate securities to decline by more than otherwise would be the case while most of our hedging instruments would not receive any incremental offsetting gains. In extreme situations, we may be forced to sell assets to maintain adequate liquidity, which could cause us to incur realized losses.

Credit Risk

We are exposed to credit risk related to our CRT and non-Agency investments, certain derivative transactions, and our collateral held by funding and derivative counterparties. We accept credit exposure at levels we deem prudent as an integral part of our investment and hedging strategy. We seek to manage this risk through prudent asset selection, pre-acquisition due diligence, post-acquisition performance monitoring, sale of assets where we have identified negative credit trends and the use of various types of credit enhancements. We may also use non-recourse financing, which limits our exposure to credit losses to the specific pool of mortgages subject to the non-recourse financing. Our overall management of credit exposure may also include the use of credit default swaps or other financial derivatives that we believe are appropriate. Additionally, we may vary the percentage mix of our investments or our duration gap, when we believe credit performance is inversely correlated with changes in interest rates, in an effort to actively adjust our credit exposure and to improve the risk/return profile of our investment portfolio.

Our credit risk related to certain derivative transactions is largely mitigated through daily adjustments to collateral pledged based on changes in market value and we limit our counterparties to major financial institutions with acceptable credit ratings. There is no guarantee that our efforts to manage credit risk will be successful and we could suffer losses if credit performance is worse than our expectations or if economic conditions worsen.

Item 8. *Financial Statements*

Our management is responsible for the accompanying consolidated financial statements and the related financial information. The financial statements have been prepared in conformity with accounting principles generally accepted in the United States and necessarily include certain amounts that are based on estimates and informed judgments. Our management also prepared the related financial information included in this Annual Report on Form 10-K and is responsible for its accuracy and consistency with the consolidated financial statements.

The consolidated financial statements as of December 31, 2016 and 2015 and fiscal years 2016, 2015 and 2014 have been audited by Ernst & Young LLP, an independent registered public accounting firm, who conducted their audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). The independent registered public accounting firm's responsibility is to express an opinion on these consolidated financial statements.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles. Our internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorizations of our management and Board of Directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of our internal control over financial reporting as of December 31, 2016, utilizing the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in its Internal Control-Integrated Framework (2013 framework). Based on this assessment and those criteria, management determined that our internal control over financial reporting was effective as of December 31, 2016. The effectiveness of our internal control over financial reporting as of December 31, 2016 has been audited by Ernst & Young LLP, our independent registered public accounting firm, as stated in their attestation report included in this Form 10-K.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of AGNC Investment Corp.

We have audited AGNC Investment Corp.'s internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). AGNC Investment Corp.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, AGNC Investment Corp. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of AGNC Investment Corp. as of December 31, 2016 and 2015, and the related consolidated statements of comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2016 of AGNC Investment Corp., and our report dated February 27, 2017 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

McLean, Virginia
February 27, 2017

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of AGNC Investment Corp.

We have audited the accompanying consolidated balance sheets of AGNC Investment Corp. as of December 31, 2016 and 2015, and the related consolidated statements of comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2016. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of AGNC Investment Corp. at December 31, 2016 and 2015, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2016, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), AGNC Investment Corp.'s internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 27, 2017 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

McLean, Virginia
February 27, 2017

AGNC INVESTMENT CORP.
CONSOLIDATED BALANCE SHEETS
(in millions, except per share data)

	December 31,	
	2016	2015
Assets:		
Agency securities, at fair value (including pledged securities of $43,943 and $48,380, respectively)	$ 45,393	$ 51,331
Agency securities transferred to consolidated variable interest entities, at fair value (pledged securities)	818	1,029
Non-Agency securities, at fair value (including pledged securities of $90 and $113, respectively)	124	113
Credit risk transfer securities, at fair value	164	—
U.S. Treasury securities, at fair value (including pledged securities of $173 and $25, respectively)	182	25
REIT equity securities, at fair value	—	33
Cash and cash equivalents	1,208	1,110
Restricted cash and cash equivalents	74	1,281
Derivative assets, at fair value	355	81
Receivable for securities sold (pledged securities)	21	—
Receivable under reverse repurchase agreements	7,716	1,713
Goodwill and other intangible assets, net	554	—
Other assets	271	305
Total assets	$ 56,880	$ 57,021
Liabilities:		
Repurchase agreements	$ 37,858	$ 41,754
Federal Home Loan Bank advances	3,037	3,753
Debt of consolidated variable interest entities, at fair value	460	595
Payable for securities purchased	—	182
Derivative liabilities, at fair value	256	935
Dividends payable	66	74
Obligation to return securities borrowed under reverse repurchase agreements, at fair value	7,636	1,696
Accounts payable and other liabilities	211	61
Total liabilities	49,524	49,050
Stockholders' equity:		
Preferred stock - $0.01 par value; 10.0 shares authorized:		
Redeemable Preferred Stock; $0.01 par value; 6.9 shares issued and outstanding (aggregate liquidation preference of $348)	336	336
Common stock - $0.01 par value; 600 shares authorized;		
331.0 and 337.5 shares issued and outstanding, respectively	3	3
Additional paid-in capital	9,932	10,048
Retained deficit	(2,518)	(2,350)
Accumulated other comprehensive loss	(397)	(66)
Total stockholders' equity	7,356	7,971
Total liabilities and stockholders' equity	$ 56,880	$ 57,021

See accompanying notes to consolidated financial statements.

AGNC INVESTMENT CORP.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in millions, except per share data)

	For the year ended December 31,		
	2016	**2015**	**2014**
Interest income:			
Interest income	$ 1,321	$ 1,466	$ 1,472
Interest expense	394	330	372
Net interest income	927	1,136	1,100
Other gain (loss), net:			
Gain (loss) on sale of investment securities, net	109	(23)	51
Unrealized gain (loss) on investment securities measured at fair value through net income, net	(6)	5	32
Loss on derivative instruments and other securities, net	(310)	(764)	(1,275)
Management fee income	8	—	—
Total other loss, net:	(199)	(782)	(1,192)
Expenses:			
Management fee expense	52	116	119
Compensation and benefits	19	—	—
Other operating expenses	34	23	22
Total operating expenses	105	139	141
Net income (loss)	623	215	(233)
Dividend on preferred stock	28	28	23
Net income (loss) available (attributable) to common stockholders	$ 595	$ 187	$ (256)
Net income (loss)	$ 623	$ 215	$ (233)
Other comprehensive income (loss):			
Unrealized gain (loss) on available-for-sale securities, net	(370)	(597)	1,657
Unrealized gain on derivative instruments, net	39	101	156
Other comprehensive income (loss)	(331)	(496)	1,813
Comprehensive income (loss)	292	(281)	1,580
Dividend on preferred stock	28	28	23
Comprehensive income (loss) available (attributable) to common stockholders	$ 264	$ (309)	$ 1,557
Weighted average number of common shares outstanding - basic and diluted	331.9	348.6	353.3
Net income (loss) per common share - basic and diluted	$ 1.79	$ 0.54	$ (0.72)

See accompanying notes to consolidated financial statements.

AGNC INVESTMENT CORP.
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(in millions)

	Preferred Stock		Common Stock					
	Shares	Amount	Shares	Amount	Additional Paid-in Capital	Retained Deficit	Accumulated Other Comprehensive Income (Loss)	Total
Balance, December 31 2013	6.9	$ 167	356.2	$ 4	$ 10,406	$ (497)	$ (1,383)	$ 8,697
Net loss	—	—	—	—	—	(233)	—	(233)
Other comprehensive income:								
Unrealized gain on available-for-sale securities, net	—	—	—	—	—	—	1,657	1,657
Unrealized gain on derivative instruments, net	—	—	—	—	—	—	156	156
Issuance of preferred stock	—	169	—	—	—	—	—	169
Repurchase of common stock	—	—	(3.4)	—	(74)	—	—	(74)
Preferred dividends declared	—	—	—	—	—	(23)	—	(23)
Common dividends declared	—	—	—	—	—	(921)	—	(921)
Balance, December 31, 2014	6.9	336	352.8	4	10,332	(1,674)	430	9,428
Net income	—	—	—	—	—	215	—	215
Other comprehensive income (loss):								
Unrealized loss on available-for-sale securities, net	—	—	—	—	—	—	(597)	(597)
Unrealized gain on derivative instruments, net	—	—	—	—	—	—	101	101
Repurchase of common stock	—	—	(15.3)	(1)	(284)	—	—	(285)
Preferred dividends declared	—	—	—	—	—	(28)	—	(28)
Common dividends declared	—	—	—	—	—	(863)	—	(863)
Balance, December 31, 2015	6.9	336	337.5	3	10,048	(2,350)	(66)	7,971
Net income	—	—	—	—	—	623	—	623
Other comprehensive income (loss):								
Unrealized loss on available-for-sale securities, net	—	—	—	—	—	—	(370)	(370)
Unrealized gain on derivative instruments, net	—	—	—	—	—	—	39	39
Repurchase of common stock	—	—	(6.5)	—	(116)	—	—	(116)
Preferred dividends declared	—	—	—	—	—	(28)	—	(28)
Common dividends declared	—	—	—	—	—	(763)	—	(763)
Balance, December 31, 2016	6.9	$ 336	331.0	$ 3	$ 9,932	$ (2,518)	$ (397)	$ 7,356

See accompanying notes to consolidated financial statements.

AGNC INVESTMENT CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)

	For the year ended December 31,		
	2016	2015	2014
Operating activities:			
Net income (loss)	$ 623	$ 215	$ (233)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Amortization of premiums and discounts on mortgage-backed securities, net	400	408	472
Amortization of accumulated other comprehensive loss on interest rate swaps de-designated as qualifying hedges	39	101	156
Amortization of intangible assets	2	—	—
Stock based compensation	1	—	—
(Gain) loss on sale of mortgage-backed securities, net	(109)	23	(51)
Unrealized loss on investment securities measured at fair value through net income, net	6	5	32
Loss on derivative instruments and other securities, net	310	754	1,211
(Increase) decrease in other assets	34	(83)	55
Increase (decrease) in accounts payable and other accrued liabilities	46	5	(20)
Net cash provided by operating activities	1,352	1,428	1,622
Investing activities:			
Purchases of mortgage-backed securities	(20,836)	(32,770)	(26,349)
Purchases of non-Agency securities	(34)	(116)	—
Proceeds from sale of mortgage-backed securities	18,030	27,794	30,587
Principal collections on mortgage-backed securities	8,137	7,922	7,358
Purchases of credit risk transfer securities	(195)	—	—
Purchases of U.S. Treasury securities	(4,483)	(49,724)	(51,511)
Proceeds from sale of U.S. Treasury securities	10,393	48,354	56,068
Net proceeds from (payments on) reverse repurchase agreements	(6,003)	3,505	(3,337)
Net proceeds from (payments on) other derivative instruments	(1,399)	(300)	313
Purchases of REIT equity securities	—	(11)	(234)
Proceeds from sale of REIT equity securities	39	35	416
Purchase of AGNC Mortgage Management, LLC, net of cash acquired	(555)	—	—
(Increase) decrease in restricted cash and cash equivalents	1,244	(568)	(612)
Other investing cash flows, net	107	(28)	(350)
Net cash provided by investing activities	4,445	4,093	12,349
Financing activities:			
Proceeds from repurchase arrangements	217,501	380,580	291,736
Payments on repurchase agreements	(221,434)	(389,122)	(304,973)
Proceeds from Federal Home Loan Bank advances	2,098	12,957	—
Payments on Federal Home Loan Bank advances	(2,814)	(9,204)	—
Payments on debt of consolidated variable interest entities	(135)	(155)	(158)
Net proceeds from preferred stock issuance	—	—	169
Payments for common stock repurchases	(116)	(285)	(74)
Cash dividends paid	(799)	(902)	(1,094)
Net cash used in financing activities	(5,699)	(6,131)	(14,394)
Net change in cash and cash equivalents	98	(610)	(423)
Cash and cash equivalents at beginning of period	1,110	1,720	2,143
Cash and cash equivalents at end of period	$ 1,208	$ 1,110	$ 1,720
Supplemental disclosure to cash flow information:			
Interest paid	$ 332	$ 215	$ 217
Taxes paid	$ —	$ 1	$ 3

See accompanying notes to consolidated financial statements.

Note 1. Organization

We were organized in Delaware on January 7, 2008, and commenced operations on May 20, 2008 following the completion of our initial public offering ("IPO"). Our common stock is traded on The NASDAQ Global Select Market under the symbol "AGNC."

We operate so as to qualify to be taxed as a real estate investment trust ("REIT") under the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"). As a REIT, we are required to distribute annually 90% of our taxable net income. As long as we continue to qualify as a REIT, we will generally not be subject to U.S. federal or state corporate taxes on our taxable net income to the extent that we distribute our annual taxable net income to our stockholders on a timely basis. It is our intention to distribute 100% of our taxable net income, after application of available tax attributes, within the limits prescribed by the Internal Revenue Code, which may extend into the subsequent taxable year.

We earn income primarily from investing in Agency residential mortgage-backed securities ("Agency RMBS") on a leveraged basis. These investments consist of residential pass-through mortgage securities for which the principal and interest payments are guaranteed by a U.S. Government-sponsored enterprise or a U.S. Government agency. We may also invest in other types of mortgage and mortgage-related securities, such as credit risk transfer ("CRT") securities and non-Agency residential mortgage-backed securities ("non-Agency RMBS") and commercial mortgage-backed securities ("CMBS"), where repayment of principal and interest is not guaranteed by a U.S. Government-sponsored enterprise or U.S. Government agency (see Note 2 for further details).

Our principal objective is to provide our stockholders with attractive risk-adjusted returns through a combination of monthly dividends and net asset value (also referred to as "net book value," "NAV" and "stockholders' equity") accretion. We generate income from the interest earned on our investment assets, net of associated borrowing and hedging activities, and net realized gains and losses on our investments and hedging activities. We fund our investments primarily through borrowings structured as repurchase agreements.

Prior to July 1, 2016, we were externally managed by AGNC Management, LLC, (formerly known as American Capital AGNC Management, LLC) (our "Manager"). On July 1, 2016, we completed the acquisition of all of the outstanding membership interests of AGNC Mortgage Management, LLC ("AMM," formerly known as American Capital Mortgage Management, LLC), the parent company of our Manager, from American Capital Asset Management, LLC ("ACAM"), a wholly owned portfolio company of American Capital, Ltd. ("ACAS"). AMM is also the parent company of MTGE Management, LLC ("MTGE Manager," formerly known as American Capital MTGE Management, LLC), the external manager of MTGE Investment Corp. ("MTGE," formerly known as American Capital Mortgage Investment Corp.). Following the closing of the acquisition of AMM, we became internally managed and are no longer affiliated with ACAS (see Notes 11and 12 for further details).

Note 2. Summary of Significant Accounting Policies

Basis of Presentation and Consolidation

Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States ("GAAP"). Our consolidated financial statements include the accounts of all subsidiaries and variable interest entities for which we are the primary beneficiary. Significant intercompany accounts and transactions have been eliminated.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the period reported. Actual results could differ from those estimates.

Earnings per Share

Basic earnings per share ("EPS") is computed by dividing net income (loss) available (attributable) to common stockholders by the weighted average number of common shares outstanding during the period. Diluted EPS assumes the conversion, exercise or issuance of all potential common stock equivalents unless the effect is to reduce a loss or increase the income per share.

Accumulated Other Comprehensive Income (Loss)

Accounting Standards Codification ("ASC") Topic 220, *Comprehensive Income*, divides comprehensive income into net income and other comprehensive income (loss) ("OCI"), which includes unrealized gains and losses on securities classified as available-for-sale and unrealized gains and losses on derivative financial instruments that are designated and qualify for cash flow hedge accounting under ASC Topic 815, *Derivatives and Hedging* ("ASC 815"). During fiscal year 2011, we discontinued designating our derivative financial instruments, principally interest rate swaps, as cash flow hedges. For further information regarding our discontinuation of cash flow hedge accounting, see *Derivatives Instruments* below and Note 5.

Cash and Cash Equivalents

Cash and cash equivalents consist of unrestricted demand deposits and highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried at cost, which approximates fair value.

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents includes cash and cash equivalents pledged as collateral for clearing and executing trades, repurchase agreements and other borrowings, and interest rate swaps and other derivative instruments. Restricted cash and cash equivalents are carried at cost, which approximates fair value.

Investment Securities

We primarily invest in Agency RMBS. Agency RMBS consist of residential mortgage pass-through securities and collateralized mortgage obligations ("CMOs") for which the principal and interest payments are guaranteed by a U.S. Government-sponsored enterprise, such as the Federal National Mortgage Association ("Fannie Mae") and the Federal Home Loan Mortgage Corporation ("Freddie Mac"), or by a U.S. Government agency, such as the Government National Mortgage Association ("Ginnie Mae") (collectively referred to as "GSEs"). Interest-only and inverse interest-only securities (together referred to as "interest-only securities") represent the right to receive a specified proportion of the contractual interest flows of specific Agency CMO securities. Principal-only securities represent the right to receive the contractual principal flows of specific Agency CMO securities.

CRT securities are risk sharing instruments issued by the GSEs, and similarly structured transactions issued by third party market participants, that transfer a portion of the risk associated with credit losses within pools of conventional residential mortgage loans from the GSEs and/or third parties to private investors. Unlike Agency RMBS, full repayment of the original principal balance of CRT securities is not guaranteed by a GSE or government agency; rather, "credit risk transfer" is achieved by writing down the outstanding principal balance of the CRT securities if credit losses on a related pool of loans exceed certain thresholds. By reducing the amount that they are obligated to repay to holders of CRT securities, the GSEs and/or other third parties are able to offset credit losses on the related loans.

Non-Agency RMBS and CMBS (together, "Non-Agency MBS") are backed by residential and commercial mortgage loans, respectively, packaged and securitized by a private institution, such as a commercial bank. Non-Agency MBS typically benefit from credit enhancements derived from structural elements, such as subordination, overcollateralization or insurance, but nonetheless carry a higher level of credit exposure than Agency RMBS.

REIT equity securities represent investments in the common stock of other publicly traded mortgage REITs that invest primarily in Agency RMBS.

Accounting Standards Codification ("ASC") Topic 320, *Investments—Debt and Equity Securities*, requires that at the time of purchase, we designate a security as held-to-maturity, available-for-sale or trading, depending on our ability and intent to hold such security to maturity. Alternatively, we may elect the fair value option for such securities pursuant to ASC Topic 825, *Financial Instruments*. We report securities classified as trading or available-for-sale or for which if we elected the fair value option at fair value, while securities classified as held-to-maturity are reported at amortized cost. Unrealized gains and losses on securities classified as available-for-sale are reported in accumulated other comprehensive income (loss) ("OCI"). Unrealized gains and losses on securities classified as trading or for which we elected the fair value option are reflected in net income through other gain (loss) during the period in which they occur. We may sell any of our securities as part of our overall management of our investment portfolio. Accordingly, unless we elect the fair value option, we typically designate our investment securities as available-for-sale. Investments in REIT equity securities are designated as trading securities. Upon the sale of a security designated as available-for-sale, we determine the cost of the security and the amount of unrealized gains or losses to reclassify out of accumulated OCI into earnings based on the specific identification method.

We have elected the fair value option to account for CRT securities, interest and principal-only securities and CMBS as this election simplifies the accounting for such securities. Effective January 1, 2017, we elected the fair value option for future purchases of all investment securities, including Agency RMBS and non-Agency MBS. In our view, this election will more appropriately reflect the result of our operations for a particular reporting period, as the fair value changes for these financial assets will be presented in a manner consistent with the presentation and timing of the fair value changes of our hedging instruments. We are not permitted to change the designation of available-for-sale securities acquired prior to January 1, 2017, accordingly, such securities will continue to be classified as available-for-sale securities until such time as we receive full repayment or we dispose of the security.

We estimate the fair value of Agency RMBS, non-Agency MBS and CRT securities based on a market approach using "Level 2" inputs from third-party pricing services and non-binding dealer quotes derived from common market pricing methods. Such methods incorporate, but are not limited to, reported trades and executable bid and asked prices for similar securities, benchmark interest rate curves, such as the spread to the U.S. Treasury rate and interest rate swap curves, convexity, duration and the underlying characteristics of the particular security, including coupon, periodic and life caps, rate reset period, issuer, additional credit support and expected life of the security. We estimate the fair value of REIT equity securities based on a market approach using "Level 1" inputs based on quoted market prices. Refer to Note 7 for further discussion of fair value measurements.

We evaluate our investments designated as available-for-sale for other-than-temporary impairment ("OTTI") on at least a quarterly basis. The determination of whether a security is other-than-temporarily impaired may involve judgments and assumptions based on subjective and objective factors. When a security is impaired, an OTTI is considered to have occurred if any one of the following three conditions exists as of the financial reporting date: (i) we intend to sell the security (that is, a decision has been made to sell the security), (ii) it is more likely than not that we will be required to sell the security before recovery of its amortized cost basis or (iii) we do not expect to recover the security's amortized cost basis, even if we do not intend to sell the security and it is not more likely than not that we will be required to sell the security. A general allowance for unidentified impairments in a portfolio of securities is not permitted.

If either of the first two conditions exists as of the financial reporting date, the entire amount of the impairment loss, if any, is recognized in earnings as a realized loss and the cost basis of the security is adjusted to its fair value. However, with respect to the first condition, since the liquidity of the Agency securities market allows us to obtain competitive bids and execute on a sale transaction typically within a day of making the decision to sell a security, we generally do not make decisions to sell specific mortgage securities until shortly prior to initiating a sell order. In some instances, we may sell specific Agency securities by delivering the securities into existing short "to-be-announced" ("TBA") contracts. TBA market conventions require the identification of the specific securities to be delivered no later than 48 hours prior to settlement. If we settle a short TBA contract through the delivery of securities, we will generally identify the specific securities to be delivered within one to two days before the 48-hour deadline.

If the third condition exists, the OTTI is separated into (i) the amount relating to credit loss (the "credit component") and (ii) the amount relating to all other factors (the "non-credit components"). Only the credit component is recognized in earnings, with the non-credit components recognized in OCI. However, in evaluating if the third condition exists, our investments in Agency securities typically would not have a credit component since the principal and interest are guaranteed by a GSE and, therefore, any unrealized loss is not the result of a credit loss. In addition, since unrealized gains and losses for securities designated as available-for-sale are recognized in OCI, any impairment loss for non-credit components is already recognized in OCI.

We did not recognize any OTTI charges on our investment securities for fiscal years 2016, 2015 or 2014.

Interest Income

Interest income is accrued based on the outstanding principal amount of the investment securities and their contractual terms. Premiums or discounts associated with the purchase of Agency RMBS and non-Agency MBS of high credit quality are amortized or accreted into interest income, respectively, over the projected lives of the securities, including contractual payments and estimated prepayments using the effective interest method in accordance with ASC Subtopic 310-20, *Receivables—Nonrefundable Fees and Other Costs*.

We estimate long-term prepayment speeds of our mortgage securities using a third-party service and market data. The third-party service estimates prepayment speeds using models that incorporate the forward yield curve, current mortgage rates and mortgage rates of the outstanding loans, age and size of the outstanding loans, loan-to-value ratios, interest rate volatility and other factors. We review the prepayment speeds estimated by the third-party service and compare the results to market consensus prepayment speeds, if available. We also consider historical prepayment speeds and current market conditions to validate the reasonableness of the prepayment speeds estimated by the third-party service and, based on our judgment, we may make adjustments to its estimates. Actual and anticipated prepayment experience is reviewed quarterly and effective yields are recalculated when differences arise between (i) our previously estimated future prepayments and (ii) the actual prepayments to date plus our currently estimated future prepayments. If the actual and estimated future prepayment experience differs from our prior estimate of prepayments, we are required to record an adjustment in the current period to the amortization or accretion of premiums and discounts for the cumulative difference in the effective yield through the reporting date.

At the time we purchase CRT securities and non-Agency MBS that are not of high credit quality, we determine an effective yield based on our estimate of the timing and amount of future cash flows and our cost basis. Our initial cash flow estimates for these investments are based on our observations of current information and events and include assumptions related to interest rates, prepayment rates and the impact of default and severity rates on the timing and amount of credit losses. On at least a quarterly basis, we review the estimated cash flows and make appropriate adjustments, based on inputs and analysis received from external sources, internal models, and our judgment about interest rates, prepayment rates, the timing and amount of credit losses, and other factors. Any resulting changes in effective yield are recognized prospectively based on the current amortized cost of the investment as adjusted for credit impairment, if any.

Repurchase Agreements

We finance the acquisition of securities for our investment portfolio primarily through repurchase transactions under master repurchase agreements. Pursuant to ASC Topic 860, *Transfers and Servicing* ("ASC 860"), we account for repurchase transactions as collateralized financing transactions, which are carried at their contractual amounts (cost), plus accrued interest, as specified in the respective transactions. Our repurchase agreements typically have maturities of less than one year, but may extend up to five years or more. Interest rates under our repurchase agreements generally correspond to one, three or six month LIBOR plus or minus a fixed spread. The fair value of our repurchase agreements is assumed to equal cost as the interest rates are considered to be at market.

Federal Home Loan Bank Advances

Federal Home Loan Bank ("FHLB") advances are secured loans from the FHLB of Des Moines used to finance the acquisitions of investment securities. We account for FHLB advances as collateralized financing transactions, which are carried at their contractual amounts (cost), plus accrued interest, as specified in the respective transactions. In April 2015, our wholly-owned captive insurance subsidiary, Old Georgetown Insurance Co., LLC ("OGI"), was approved as a member of the FHLB of Des Moines. The FHLBs provide a variety of products and services to their members, including short and long-term secured loans. In January 2016, the Federal Housing Finance Agency released its final rule on changes to regulations concerning FHLB membership criteria. The final rule terminated OGI's FHLB membership and required repayment of all advances at the earlier of their contractual maturity dates or a one year period after the effective date of the final rule that concluded in February 2017. Interest rates under our FHLB advances generally correspond to the FHLB's Member Option Variable Rate or to one or three month LIBOR plus or minus a fixed spread. The fair value of our FHLB advances is assumed to equal cost as the interest rates are considered to be at market.

Reverse Repurchase Agreements and Obligation to Return Securities Borrowed under Reverse Repurchase Agreements

We from time to time borrow securities to cover short sales of U.S. Treasury securities through reverse repurchase transactions under our master repurchase agreements (see *Derivatives Instruments* below). We account for these as securities borrowing transactions and recognize an obligation to return the borrowed securities at fair value on the balance sheet based on the value of the underlying borrowed securities as of the reporting date. Our reverse repurchase agreements generally mature daily. The fair value of our reverse repurchase agreements is assumed to equal cost as the interest rates are generally reset daily.

Derivative Instruments

We use a variety of derivative instruments to hedge a portion of our exposure to market risks, including interest rate, prepayment, extension and liquidity risk. The objective of our risk management strategy is to reduce fluctuations in net book value over a range of interest rate scenarios. In particular, we attempt to mitigate the risk of the cost of our variable rate liabilities increasing during a period of rising interest rates. The principal instruments that we use are interest rate swaps and options to enter into interest rate swaps ("swaptions"). We also utilize U.S. Treasury securities and U.S. Treasury futures contracts, primarily through short sales, and forward contracts for the purchase or sale of Agency RMBS securities on a generic pool basis in the "to-be-announced" market ("TBA securities") and on a specified pool basis. We may also purchase or write put or call options on TBA securities and utilize other types of derivative instruments to hedge a portion of our risk.

We also enter into TBA contracts as a means of investing in and financing Agency securities (thereby increasing our "at risk" leverage) or as a means of disposing of or reducing our exposure to Agency securities (thereby reducing our "at risk" leverage). Under TBA contracts, we agree to purchase or sell, for future delivery, Agency securities with certain principal and interest terms and certain types of collateral, but the particular Agency securities to be delivered are not identified until shortly before the TBA settlement date. We may also choose, prior to settlement, to move the settlement of these securities out to a later date by entering into an offsetting short or long position (referred to as a "pair off"), net settling the paired off positions for cash, and simultaneously purchasing or selling a similar TBA contract for a later settlement date. This transaction is commonly referred to as a "dollar roll." The Agency securities purchased or sold for a forward settlement date are typically priced at a discount to Agency securities for settlement in the current month. This difference (or discount) is referred to as the "price drop." The price drop is the economic equivalent of net interest carry income on the underlying Agency securities over the roll period (interest income less implied financing cost) and is commonly referred to as "dollar roll income/loss." Consequently, forward purchases of Agency securities and dollar roll transactions represent a form of off-balance sheet financing.

We account for derivative instruments in accordance with ASC Topic 815, *Derivatives and Hedging* ("ASC 815"). ASC 815 requires an entity to recognize all derivatives as either assets or liabilities in our accompanying consolidated balance sheets and to measure those instruments at fair value.

Our derivative agreements generally contain provisions that allow for netting or setting off derivative assets and liabilities with the counterparty; however, we report related assets and liabilities on a gross basis in our consolidated balance sheets. Derivative instruments in a gain position are reported as derivative assets at fair value and derivative instruments in a loss position are reported as derivative liabilities at fair value in our consolidated balance sheets. Changes in fair value of derivative instruments and periodic settlements related to our derivative instruments are recorded in gain (loss) on derivative instruments and other securities, net in our consolidated statements of comprehensive income. Cash receipts and payments related to derivative instruments are classified in our consolidated statements of cash flows according to the underlying nature or purpose of the derivative transaction, generally in the investing section.

The use of derivative instruments creates exposure to credit risk relating to potential losses that could be recognized in the event that the counterparties to these instruments fail to perform their obligations under the contracts. We attempt to minimize this risk by limiting our counterparties to major financial institutions with acceptable credit ratings, monitoring positions with individual counterparties and adjusting posted collateral as required.

Discontinuation of hedge accounting for interest rate swap agreements

Prior to fiscal year 2011, we entered into interest rate swap agreements typically with the intention of qualifying for hedge accounting under ASC 815. However, during fiscal year 2011, we elected to discontinue hedge accounting for our interest rate swaps. Upon discontinuation of hedge accounting, the net deferred loss related to our de-designated interest rate swaps remained in accumulated OCI and has been reclassified from accumulated OCI into interest expense on a straight-line basis over the remaining term of each interest rate swap through December 2016.

Interest rate swap agreements

We use interest rate swaps to hedge the variable cash flows associated with borrowings made under our repurchase agreement facilities. Under our interest rate swap agreements, we typically pay a fixed rate and receive a floating rate based on one, three or six-month LIBOR ("payer swaps") with terms up to 20 years. The floating rate we receive under our swap agreements has the effect of offsetting the repricing characteristics of our repurchase agreements and cash flows on such liabilities. Our swap agreements are privately negotiated in the over−the−counter ("OTC") market. Swap agreements entered into subsequent to May 2013 are centrally cleared through a registered commodities exchange ("centrally cleared swaps").

We estimate the fair value of our centrally cleared interest rate swaps using the daily settlement price determined by the respective exchange. Centrally cleared swaps are valued by the exchange using a pricing model that references the underlying rates including the overnight index swap rate and LIBOR forward rate to produce the daily settlement price.

We estimate the fair value of our "non-centrally cleared" swaps using a combination of inputs from counterparty and third-party pricing models to estimate the net present value of the future cash flows using the forward interest rate yield curve in effect as of the end of the measurement period. We also incorporate both our own and our counterparties' nonperformance risk in estimating the fair value of our interest rate swaps. In considering the effect of nonperformance risk, we consider the impact of netting and credit enhancements, such as collateral postings and guarantees, and have concluded that our own and our counterparty risk is not significant to the overall valuation of these agreements.

Interest rate swaptions

We purchase interest rate swaptions generally to help mitigate the potential impact of larger, more rapid changes in interest rates on the performance of our investment portfolio. Interest rate swaptions provide us the option to enter into an interest rate swap agreement for a predetermined notional amount, stated term and pay and receive interest rates in the future. Our swaption agreements typically provide us the option to enter into a pay-fixed rate interest rate swap, which we refer as "payer swaptions." We may also enter into swaption agreements that provide us the option to enter into a receive-fixed interest rate swap, which we refer to as "receiver swaptions." The premium paid for interest rate swaptions is reported as an asset in our consolidated balance sheets. The premium is valued at an amount equal to the fair value of the swaption that would have the effect of closing the position adjusted for nonperformance risk, if any. The difference between the premium and the fair value of the swaption is reported in gain (loss) on derivative instruments and other securities, net in our consolidated statements of comprehensive income. If a swaption expires unexercised, the realized loss on the swaption would be equal to the premium paid. If we sell or exercise a swaption, the realized gain or loss on the swaption would be equal to the difference between the cash or the fair value of the underlying interest rate swap received and the premium paid.

Our interest rate swaption agreements are privately negotiated in the OTC market and are not subject to central clearing. We estimate the fair value of interest rate swaptions using a combination of inputs from counterparty and third-party pricing models based on the fair value of the future interest rate swap that we have the option to enter into as well as the remaining length of time that we have to exercise the option, adjusted for non-performance risk, if any.

TBA securities

A TBA security is a forward contract for the purchase ("long position") or sale ("short position") of Agency RMBS at a predetermined price, face amount, issuer, coupon and stated maturity on an agreed-upon future date. The specific Agency RMBS delivered into the contract upon the settlement date, published each month by the Securities Industry and Financial Markets Association, are not known at the time of the transaction. We may enter into TBA contracts as a means of hedging against short-term changes in interest rates. We may also enter into TBA contracts as a means of acquiring or disposing of Agency securities and utilize TBA dollar roll transactions to finance Agency RMBS purchases.

We account for TBA contracts as derivative instruments since either the TBA contracts do not settle in the shortest period of time possible or we cannot assert that it is probable at inception and throughout the term of the TBA contract that we will take physical delivery of the Agency security upon settlement of the contract. We account for TBA dollar roll transactions as a series of derivative transactions. Gains, losses and dollar roll income associated with our TBA contracts and dollar roll transactions are recognized in our consolidated statements of comprehensive income in gain (loss) on derivative instruments and other securities, net.

We estimate the fair value of TBA securities based on similar methods used to value our Agency RMBS securities.

U.S. Treasury securities

We purchase and sell short U.S. Treasury securities and U.S. Treasury futures contracts to help mitigate the potential impact of changes in interest rates on the performance of our portfolio. We borrow securities to cover short sales of U.S. Treasury securities under reverse repurchase agreements. We account for these as securities borrowing transactions and recognize an obligation to return the borrowed securities at fair value on our accompanying consolidated balance sheets based on the value of the underlying borrowed securities as of the reporting date. Gains and losses associated with purchases and short sales of U.S. Treasury securities and U.S. Treasury futures contracts are recognized in gain (loss) on derivative instruments and other securities, net in our consolidated statements of comprehensive income.

Variable Interest Entities

ASC Topic 810, *Consolidation* ("ASC 810"), requires an enterprise to consolidate a variable interest entity ("VIE") if it is deemed the primary beneficiary of the VIE. Further, ASC 810 requires a qualitative assessment to determine the primary beneficiary of a VIE and ongoing assessments of whether an enterprise is the primary beneficiary of a VIE as well as additional disclosures for entities that have variable interests in VIEs.

We have entered into transactions involving CMO trusts, which are VIEs. We will consolidate a CMO trust if we are the CMO trust's primary beneficiary; that is, if we have a variable interest that provides us with a controlling financial interest in the CMO trust. An entity is deemed to have a controlling financial interest if the entity has the power to direct the activities of a VIE that most significantly impact the VIE's economic performance and the obligation to absorb losses of or right to receive benefits from the VIE that could potentially be significant to the VIE. As part of the qualitative assessment in determining if we have a controlling financial interest, we evaluate whether we control the selection of financial assets transferred to the CMO trust. For each of our consolidated CMO trusts we controlled the selection of the Agency RMBS transferred from our investment portfolio to an investment bank in exchange for cash proceeds and at the same time entered into a commitment with the investment bank to purchase to-be-issued securities collateralized by the Agency RMBS transferred, which resulted in our consolidation of the CMO trusts.

Agency RMBS transferred to consolidated VIEs are reported on our consolidated balance sheets in Agency securities transferred to consolidated VIEs, at fair value and can only be used to settle the obligations of each respective VIE. We elected the option to account for the consolidated debt at fair value, with changes in fair value reflected in earnings during the period in which they occur, because we believe this election more appropriately reflects our financial position as both the consolidated assets and consolidated debt are presented in a consistent manner on our consolidated balance sheets.

We estimate the fair value of the consolidated debt based on the fair value of the Agency RMBS transferred to consolidated VIEs, less the fair value of our retained interests, which are measured on a market approach using "Level 2" inputs from third-party pricing services and dealer quotes. The fair value of the Agency RMBS transferred to the consolidated VIEs and the fair value of our retained interests are based on more observable inputs than inputs used to independently determine the value of our consolidated debt.

Loss Contingencies

We evaluate the existence of any pending or threatened litigation or other potential claims against the Company in accordance with ASC Topic 450, *Contingencies,* which requires that we assess the likelihood and range of potential outcomes of any such matters. We are the defendant in two stockholder derivative lawsuits alleging that certain of our current and former directors and officers breached fiduciary duties and wasted corporate assets in connection with past renewals of the management agreement with our former external Manager and the internalization of our management, which occurred on July 1, 2016. Although the outcomes of these cases cannot be predicted with certainty, we do not believe that these cases have merit or will result in a material liability and, as of December 31, 2016, we did not accrue a loss contingency related to these matters.

Income Taxes

We elected to be taxed as a REIT under the provisions of the Internal Revenue Code and the corresponding provisions of state law, commencing with our initial tax year ended December 31, 2008. In order to continue to qualify as a REIT, we must annually distribute, in a timely manner to our stockholders, at least 90% of our taxable ordinary income, amongst other conditions. A REIT is generally not subject to U.S. federal and state corporate income tax on its earnings to the extent that it distributes its annual taxable net income to its stockholders and as long as certain asset, income and stock ownership tests are met. We operate in a manner that will allow us to be taxed as a REIT. As permitted by the Internal Revenue Code, a REIT can designate dividends paid in the subsequent year as dividends of the current year if those dividends are both declared by the extended due date of the REIT's federal income tax return and paid to stockholders by the last day of the subsequent year; however, we may still be subject to a non-deductible 4% excise tax if the actual amount distributed to our stockholders in a calendar year is less than the minimum amount specified under federal tax laws.

We have a wholly-owned subsidiary for which we elected to treat as taxable REIT subsidiary. As such it is subject to federal and state income tax based on its taxable income. All other subsidiaries are disregarded entities for U.S. federal income tax purposes. As such, their assets, liabilities and income are generally treated as our assets, liabilities and income for purposes of U.S. federal and state corporate income taxes.

We evaluate uncertain income tax positions, if any, in accordance with ASC Topic 740, *Income Taxes* ("ASC 740"). To the extent we incur interest and/or penalties in connection with our tax obligations, such amounts shall be classified as income tax expense on our consolidated statements of operations.

Goodwill and Other Intangible Assets, Net

Goodwill is the cost of an acquisition in excess of the fair value of identified assets acquired and liabilities assumed. Goodwill is recorded as an asset on our balance sheet. Acquired intangible assets that do not meet the criteria for recognition as a separate asset are included in goodwill. Goodwill is not subject to amortization but must be tested for impairment at least annually. Intangible assets meeting the criteria for recognition as separate assets are recorded at their respective fair market values at the date of acquisition. Intangible assets with an estimated useful life are amortized over their expected useful life. As of December 31, 2016, we had $526 million of goodwill and $28 million of other intangible assets, net of accumulated amortization, reported in goodwill and other intangible assets, net in our accompanying consolidated balance sheets related to our acquisition of AMM on July 1, 2016 (see Note 12 for further details).

We test goodwill for impairment on an annual basis and at interim periods when events or circumstances may make it more likely than not that an impairment has occurred. If a qualitative analysis indicates that there may be an impairment, a quantitative analysis is performed. The quantitative impairment test for goodwill utilizes a two-step approach whereby we compare the carrying value of the identified reporting unit comprising the goodwill to its fair value. If the carrying value of the reporting unit is greater than its fair value, the second step is performed, where the implied fair value of goodwill is determined and compared to its carrying value. An impairment charge is recognized to the extent the carrying amount of goodwill exceeds its fair value.

Recent Accounting Pronouncements

We consider the applicability and impact of all Accounting Standards Updates (“ASUs”) issued by the Financial Accounting Standards Board. ASUs not listed below were determined to be either not applicable, are not expected to have a significant impact on our consolidated financial statements when adopted, or did not have a significant impact on our consolidated financial statements upon adoption.

ASU 2014-09, Revenue from Contracts with Customers (Topic 606): ASU 2014-09 is a comprehensive revenue recognition standard that supersedes virtually all existing revenue guidance under U.S. GAAP. The standard's core principle is that an entity will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. Revenue recognition with respect to financial instruments is not within the scope of ASU 2014-09 and, therefore, it is not expected to have a significant impact on our consolidated financial statements. ASU 2014-09 is effective on January 1, 2018.

ASU 2016-09, Compensation — Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting: ASU 2016-09 simplifies several aspects of the accounting for employee share-based payment transactions for both public and nonpublic entities, including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification in the statement of cash flows. The ASU is effective on January 1, 2017, with early adoption permitted. We early adopted ASU 2016-09 during fiscal year 2016, which did not have a significant impact on our consolidated financial statements.

ASU 2016-13, Financial Instruments - Credit Losses (Topic 606): ASU 2016-13 changes the impairment model for most financial assets and certain other instruments. Allowances for credit losses on available-for-sale debt securities will be recognized, rather than direct reductions in the amortized cost of the investments. The new model also requires the estimation of lifetime expected credit losses and corresponding recognition of allowance for losses on trade and other receivables, held-to-maturity debt securities, loans, and other instruments held at amortized cost. The ASU requires certain recurring disclosures and is effective for annual periods, and interim periods within those annual periods, beginning on or after December 15, 2019, with early adoption permitted for annual periods, and interim periods within those annual periods, beginning on or after December 15, 2018. ASU 2016-13 is not expected to have a significant impact on our consolidated financial statements.

ASU 2016-18, Statement of Cash Flows (Topic 230) - Restricted Cash: ASU 2016-18 requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. ASU 2016-18 will be effective on January 1, 2018 and is not expected to have a significant impact on our consolidated financial statements.

Note 3. Investment Securities

As of December 31, 2016 and 2015, our investment portfolio consisted of $46.5 billion and $52.5 billion of investment securities, at fair value, respectively, summarized in the tables below, and $11.2 billion and $7.4 billion net TBA securities, at fair value, respectively. Our TBA position is reported at its net carrying value of $(147) million and $14 million as of December 31, 2016 and 2015, respectively, in derivative assets/(liabilities) on our accompanying consolidated balance sheets. The net carrying value of our TBA position represents the difference between the fair value of the underlying Agency security in the TBA contract and the cost basis or the forward price to be paid or received for the underlying Agency security (see Note 5 for further details of our net TBA position as of December 31, 2016 and 2015).

As of December 31, 2016 and 2015, our investment securities had a net unamortized premium balance of $2.1 billion and $2.3 billion, respectively, including interest and principal-only securities.

The following tables summarize our investment securities as of December 31, 2016 and 2015 (dollars in millions):

	December 31, 2016			
Investment Securities	**Amortized Cost**	**Gross Unrealized Gain**	**Gross Unrealized Loss**	**Fair Value**
Agency RMBS:				
Fixed rate	$ 45,145	$ 210	$ (619)	$ 44,736
Adjustable rate	371	8	—	379
CMO	796	7	(2)	801
Interest-only and principal-only strips	268	31	(4)	295
Total Agency RMBS	46,580	256	(625)	46,211
Non-Agency RMBS	102	—	(1)	101
CMBS	23	—	—	23
CRT securities	161	3	—	164
Total investment securities	$ 46,866	$ 259	$ (626)	$ 46,499

	December 31, 2015			
Investments Securities	**Amortized Cost**	**Gross Unrealized Gain**	**Gross Unrealized Loss**	**Fair Value**
Agency RMBS:				
Fixed rate	$ 50,576	$ 339	$ (393)	$ 50,522
Adjustable rate	484	11	—	495
CMO	973	18	(1)	990
Interest-only and principal-only strips	317	39	(3)	353
Total Agency RMBS	52,350	407	(397)	52,360
Non-Agency RMBS	114	—	(1)	113
Total investment securities	$ 52,464	$ 407	$ (398)	$ 52,473

Investment Securities	December 31, 2016 Agency RMBS Fannie Mae	 Freddie Mac	 Ginnie Mae	 Non-Agency RMBS	 CMBS	 CRT	 Total
Available-for-sale securities:							
Par value	$ 34,244	$ 10,008	$ 44	$ 101	$ —	$ —	$ 44,397
Unamortized discount	(43)	(3)	—	—	—	—	(46)
Unamortized premium	1,518	544	—	1	—	—	2,063
Amortized cost	35,719	10,549	44	102	—	—	46,414
Gross unrealized gains	176	48	1	—	—	—	225
Gross unrealized losses	(442)	(179)	—	(1)	—	—	(622)
Total available-for-sale securities, at fair value	35,453	10,418	45	101	—	—	46,017
Securities remeasured at fair value through earnings:							
Par value [1]	171	—	—	—	24	157	352
Unamortized discount	(35)	—	—	—	(1)	—	(36)
Unamortized premium	118	14	—	—	—	4	136
Amortized cost	254	14	—	—	23	161	452
Gross unrealized gains	28	3	—	—	—	3	34
Gross unrealized losses	(3)	(1)	—	—	—	—	(4)
Total securities remeasured at fair value through earnings	279	16	—	—	23	164	482
Total securities, at fair value	$ 35,732	$ 10,434	$ 45	$ 101	$ 23	$ 164	$ 46,499
Weighted average coupon as of December 31, 2016	3.59%	3.67%	2.75%	3.42%	6.55%	5.25%	3.61%
Weighted average yield as of December 31, 2016 [2]	2.77%	2.72%	2.00%	3.27%	7.54%	6.28%	2.77%

1. Par value amount excludes the underlying unamortized principal balance ("UPB") of interest-only securities of $0.9 billion as of December 31, 2016.
2. Incorporates a weighted average future constant prepayment rate assumption of 8% based on forward rates as of December 31, 2016.

Investment Securities	December 31, 2015 Agency RMBS Fannie Mae	 Freddie Mac	 Ginnie Mae	 Non-Agency RMBS	 Total
Available-for-sale securities:					
Par value	$ 39,205	$ 10,575	$ 62	$ 113	$ 49,955
Unamortized discount	(32)	(4)	—	—	(36)
Unamortized premium	1,707	519	1	1	2,228
Amortized cost	40,880	11,090	63	114	52,147
Gross unrealized gains	286	80	2	—	368
Gross unrealized losses	(283)	(111)	—	(1)	(395)
Total available-for-sale securities, at fair value	40,883	11,059	65	113	52,120
Securities remeasured at fair value through earnings:					
Par value [1]	208	—	—	—	208
Unamortized discount	(42)	—	—	—	(42)
Unamortized premium	132	19	—	—	151
Amortized cost	298	19	—	—	317
Gross unrealized gains	35	4	—	—	39
Gross unrealized losses	(2)	(1)	—	—	(3)
Total securities remeasured at fair value through earnings	331	22	—	—	353
Total securities, at fair value	$ 41,214	$ 11,081	$ 65	$ 113	$ 52,473
Weighted average coupon as of December 31, 2015	3.62%	3.69%	3.18%	3.50%	3.63%
Weighted average yield as of December 31, 2015 [2]	2.79%	2.77%	1.97%	3.33%	2.78%

1. Par value amount excludes the UPB of interest-only securities of $1.0 billion as of December 31, 2015.
2. Incorporates a weighted average future constant prepayment rate assumption of 8% based on forward rates as of December 31, 2015.

As of December 31, 2016 and 2015, our investments in non-Agency securities had the following credit ratings:

	December 31, 2016			December 31, 2015		
Non-Agency Security Credit Ratings [1]	**CRT**	**RMBS**	**CMBS**	**CRT**	**RMBS**	**CMBS**
AAA	$ —	$ 99	$ —	$ —	$ 113	$ —
BBB	—	—	23	—	—	—
B	164	2	—	—	—	—
Total	$ 164	$ 101	$ 23	$ —	$ 113	$ —

1. Represents the lowest of Standard and Poor's ("S&P"), Moody's and Fitch credit ratings, stated in terms of the S&P equivalent rating as of each date.

Our CRT securities reference the performance of loans that have been guaranteed by Fannie Mae or Freddie Mac, subject to their underwriting standards. As of December 31, 2016, our CRT securities had floating rate coupons ranging from 4.6% to 7.1%, with weighted average coupons of underlying collateral ranging from 4.0% to 4.2%. The loans underlying our CRT securities were originated between 2015 and 2016.

The actual maturities of our investment securities are generally shorter than their stated contractual maturities. Actual maturities are affected by the contractual lives of the underlying mortgages, periodic contractual principal payments and principal prepayments. As of December 31, 2016 and 2015, the weighted average expected constant prepayment rate ("CPR") over the remaining life of our aggregate investment portfolio was 8%. Our estimates differ materially for different types of securities and thus individual holdings have a wide range of projected CPRs.

The following table summarizes our investments classified as available-for-sale as of December 31, 2016 and 2015 according to their estimated weighted average life classification (dollars in millions):

	December 31, 2016				December 31, 2015			
Estimated Weighted Average Life of Securities Classified as Available-for-Sale	**Fair Value**	**Amortized Cost**	**Weighted Average Coupon**	**Weighted Average Yield**	**Fair Value**	**Amortized Cost**	**Weighted Average Coupon**	**Weighted Average Yield**
≥ 1 year and ≤ 3 years	$ 414	$ 410	3.99%	2.52%	$ 167	$ 163	4.02%	2.66%
> 3 years and ≤ 5 years	13,534	13,449	3.26%	2.40%	17,497	17,343	3.27%	2.40%
> 5 years and ≤10 years	30,226	30,713	3.65%	2.86%	34,206	34,391	3.67%	2.93%
> 10 years	1,843	1,842	3.02%	3.07%	250	250	3.56%	3.08%
Total	$ 46,017	$ 46,414	3.52%	2.73%	$ 52,120	$ 52,147	3.54%	2.75%

The following table presents the gross unrealized loss and fair values of our available-for-sale securities by length of time that such securities have been in a continuous unrealized loss position as of December 31, 2016 and 2015 (in millions):

	Unrealized Loss Position For					
	Less than 12 Months		12 Months or More		Total	
Securities Classified as Available-for-Sale	**Estimated Fair Value**	**Unrealized Loss**	**Estimated Fair Value**	**Unrealized Loss**	**Estimated Fair Value**	**Unrealized Loss**
December 31, 2016	$ 28,397	$ (554)	$ 1,719	$ (68)	$ 30,116	$ (622)
December 31, 2015	$ 24,035	$ (200)	$ 6,793	$ (195)	$ 30,828	$ (395)

We did not recognize any OTTI charges on our investment securities for fiscal years 2016 and 2015. As of the end of each respective reporting period, a decision had not been made to sell any of our securities in an unrealized loss position and we did not believe it was more likely than not that we would be required to sell such securities before recovery of their amortized cost basis. The unrealized losses on our securities were not due to credit losses given the GSE guarantees, but rather were due to changes in interest rates and prepayment expectations. However, as we continue to actively manage our portfolio, we may recognize additional realized losses on our investment securities upon selecting specific securities to sell.

Gains and Losses on Sale of Investment Securities

The following table is a summary of our net gain (loss) from the sale of securities classified as available-for-sale for fiscal years 2016, 2015 and 2014 (in millions). Please refer to Note 8 for a summary of changes in accumulated OCI for the same periods.

	Fiscal Year		
Securities Classified as Available-for-Sale	**2016**	**2015**	**2014**
RMBS sold, at cost	$ (17,907)	$ (27,578)	$ (30,123)
Proceeds from RMBS sold [1]	18,016	27,555	30,174
Net gain (loss) on sale of RMBS	$ 109	$ (23)	$ 51
Gross gain on sale of RMBS	$ 123	$ 98	$ 172
Gross loss on sale of RMBS	(14)	(121)	(121)
Net gain (loss) on sale of RMBS	$ 109	$ (23)	$ 51

1. Proceeds include cash received during the period, plus receivable for RMBS sold during the period as of period end.

Securitizations and Variable Interest Entities

As of December 31, 2016 and 2015, we held investments in CMO trusts, which are variable interest entities ("VIEs"). We have consolidated certain of these CMO trusts in our consolidated financial statements where we have determined we are the primary beneficiary of the trusts. All of our CMO securities are backed by fixed or adjustable-rate Agency RMBS. Fannie Mae or Freddie Mac guarantees the payment of interest and principal and acts as the trustee and administrator of their respective securitization trusts. Accordingly, we are not required to provide the beneficial interest holders of the CMO securities any financial or other support. Our maximum exposure to loss related to our involvement with CMO trusts is the fair value of the CMO securities and interest and principal-only securities held by us, less principal amounts guaranteed by Fannie Mae and Freddie Mac.

In connection with our consolidated CMO trusts, we recognized Agency securities with a total fair value of $0.8 billion and $1.0 billion as of December 31, 2016 and 2015, respectively, and debt with a total fair value of $460 million and $595 million, respectively, in our accompanying consolidated balance sheets. As of December 31, 2016 and 2015, the Agency securities had an aggregate unpaid principal balance of $0.8 billion and $1.0 billion, respectively, and the debt had an aggregate unpaid principal balance of $452 million and $587 million, respectively. We re-measure our consolidated debt at fair value through earnings in gain (loss) on derivative instruments and other securities, net in our consolidated statements of comprehensive income. For fiscal years 2016, 2015 and 2014, we recorded a loss of $3 million, a gain of $16 million and a loss of $10 million, respectively, associated with our consolidated debt. Our involvement with the consolidated trusts is limited to the Agency securities transferred by us upon the formation of the trusts and the CMO securities subsequently held by us. There are no arrangements that could require us to provide financial support to the trusts.

As of December 31, 2016 and 2015, the fair value of our CMO securities and interest and principal-only securities was $1.1 billion and $1.3 billion, respectively, excluding the consolidated CMO trusts discussed above, or $1.5 billion and $1.8 billion, respectively, including the net asset value of our consolidated CMO trusts. Our maximum exposure to loss related to our CMO securities and interest and principal-only securities, including our consolidated CMO trusts, was $182 million and $238 million as of December 31, 2016 and 2015, respectively.

Note 4. Repurchase Agreements and Other Secured Borrowings

We pledge certain of our securities as collateral under our repurchase agreements with financial institutions and under our secured borrowing facility with the Federal Home Loan Bank ("FHLB") of Des Moines. Interest rates on our borrowings are generally based on LIBOR plus or minus a margin and amounts available to be borrowed are dependent upon the fair value of the securities pledged as collateral, which fluctuates with changes in interest rates, type of security and liquidity conditions within the banking, mortgage finance and real estate industries. If the fair value of our pledged securities declines, lenders will typically require us to post additional collateral or pay down borrowings to re-establish agreed upon collateral requirements, referred to as "margin calls." Similarly, if the fair value of our pledged securities increases, lenders may release collateral back to us. As of December 31, 2016, we had met all margin call requirements. For additional information regarding our pledged assets, please refer to Note 6.

Repurchase Agreements

As of December 31, 2016 and 2015, we had $37.9 billion and $41.8 billion, respectively, of repurchase agreements outstanding. The terms and conditions of our repurchase agreements are typically negotiated on a transaction-by-transaction basis.

Our repurchase agreements with original maturities greater than 90 days have floating interest rates based on an index plus or minus a fixed spread. Substantially all of our repurchase agreements were used to fund purchases of Agency securities ("Agency repo"). The remainder of our repurchase agreements were used to fund temporary holdings of U.S. Treasury securities ("U.S. Treasury repo").

The following table summarizes our borrowings under repurchase agreements by their remaining maturities as of December 31, 2016 and 2015 (dollars in millions):

	December 31, 2016			December 31, 2015		
Remaining Maturity	**Repurchase Agreements**	**Weighted Average Interest Rate**	**Weighted Average Days to Maturity**	**Repurchase Agreements**	**Weighted Average Interest Rate**	**Weighted Average Days to Maturity**
Agency repo:						
≤ 1 month	$ 17,481	0.90 %	11	$ 17,579	0.54%	14
> 1 to ≤ 3 months	10,011	0.93 %	55	14,283	0.64%	58
> 3 to ≤ 6 months	2,030	1.02 %	136	3,154	0.61%	121
> 6 to ≤ 9 months	1,270	0.98 %	214	589	0.65%	199
> 9 to ≤ 12 months	1,566	1.08 %	299	1,201	0.65%	307
> 12 to ≤ 24 months	1,203	1.28 %	538	1,473	0.73%	600
> 24 to ≤ 36 months	1,300	1.36 %	865	650	0.81%	901
> 36 to ≤ 48 months	2,200	1.32 %	1,168	1,300	0.86%	1,231
> 48 to < 60 months	625	1.38 %	1,506	1,500	0.76%	1,477
Total Agency repo	37,686	0.98 %	187	41,729	0.61%	173
U.S. Treasury repo:						
1 day	—	— %	—	25	—%	1
> 1 day to ≤ 1 month	172	(0.30)%	17	—	—%	—
Total	$ 37,858	0.98 %	186	$ 41,754	0.61%	173

Federal Home Loan Bank Advances

On January 12, 2016, the Federal Housing Finance Agency ("FHFA") released its final rule on FHLB membership, which terminated of our wholly-owned captive insurance subsidiary's FHLB membership and required repayment of all FHLB advances at the earlier of their contractual maturity or a one year period that concluded in February 2017. As of December 31, 2016 and 2015, we had $3.0 billion and $3.8 billion, respectively, of outstanding secured FHLB advances, with a weighted average borrowing rate of 0.73% and 0.53%, respectively, and a weighted average remaining term to maturity of 28 and 141 days, respectively, consisting of 30 day and longer-term floating rate advances:

	December 31, 2016			December 31, 2015		
Remaining Maturity	**FHLB Advances**	**Weighted Average Interest Rate**	**Weighted Average Days to Maturity**	**FHLB Advances**	**Weighted Average Interest Rate**	**Weighted Average Days to Maturity**
≤ 1 month	$ 1,353	0.67%	7	$ 1,952	0.47%	14
> 1 to ≤ 3 months	1,684	0.77%	44	681	0.60%	84
13 months	—	—%	—	1,120	0.58%	397
Total FHLB advances	$ 3,037	0.73%	28	$ 3,753	0.53%	141

Debt of Consolidated Variable Interest Entities

As of December 31, 2016 and 2015, debt of consolidated VIEs, at fair value, was $460 million and $595 million, respectively, and had a weighted average interest rate of LIBOR plus 36 and 34 basis points, respectively, and a principal balance of $452 million and $587 million, respectively. The actual maturities of our debt of consolidated VIEs are generally shorter than the stated contractual maturities. The actual maturities are affected by the contractual lives of the underlying Agency RMBS securitizing the debt of our consolidated VIEs and periodic principal prepayments of such underlying securities. The estimated weighted average life of the debt of our consolidated VIEs as of December 31, 2016 and 2015 was 5.8 and 4.9 years, respectively.

Note 5. Derivative and Other Hedging Instruments

As a function of our risk management strategy, we hedge a portion of our interest rate risk by entering into derivative and other hedging instrument contracts. The principal instruments that we use are interest rate swaps and interest rate swaptions and U.S. Treasury securities and U.S. Treasury futures contracts, primarily through short sales. We may also utilize TBA securities, purchase or write put or call options on TBA securities and other types of derivative instruments to hedge a portion of our risk. We also enter into TBA contracts as a means of investing in and financing Agency securities (thereby increasing our "at risk" leverage) or as a means of disposing of or reducing our exposure to Agency securities (thereby reducing our "at risk" leverage). Our risk management strategy attempts to manage the overall risk of the portfolio, reduce fluctuations in our net book value and generate additional income distributable to stockholders. For additional information regarding our derivative instruments and our overall risk management strategy, please refer to the discussion of derivative and other hedging instruments in Note 2.

Prior to September 30, 2011, our interest rate swaps were typically designated as cash flow hedges under ASC 815; however, as of September 30, 2011, we elected to discontinue hedge accounting for our interest rate swaps in order to increase our funding flexibility. For fiscal years 2016, 2015 and 2014, we reclassified $39 million, $101 million and $156 million, respectively, of net deferred losses from accumulated OCI into interest expense related to our de-designated interest rate swaps and recognized an equal, but offsetting, amount in other comprehensive income. Our total net periodic interest costs on our swap portfolio were $294 million, $494 million and 486 million for fiscal years 2016, 2015 and 2014, respectively. The difference between our total net periodic interest costs on our swap portfolio and the amount recorded in interest expense related to our de-designated hedges is reported in gain (loss) on derivative instruments and other securities, net in our accompanying consolidated statements of comprehensive income (totaling $255 million, $393 million and 330 million for fiscal years 2016, 2015 and 2014, respectively). As of December 31, 2016, all of the net deferred losses related to de-designated interest rate swaps had been reclassified from accumulated OCI into interest expense.

Derivative and Other Hedging Instrument Assets (Liabilities), at Fair Value

The table below summarizes fair value information about our derivative and other hedging instrument assets/(liabilities) as of December 31, 2016 and 2015 (in millions):

		December 31,	
Derivative and Other Hedging Instruments	**Balance Sheet Location**	**2016**	**2015**
Interest rate swaps	Derivative assets, at fair value	$ 321	$ 31
Swaptions	Derivative assets, at fair value	22	17
TBA securities	Derivative assets, at fair value	4	29
U.S. Treasury futures - short	Derivative assets, at fair value	8	4
Total derivative assets, at fair value		$ 355	$ 81
Interest rate swaps	Derivative liabilities, at fair value	$ (105)	$ (920)
TBA securities	Derivative liabilities, at fair value	(151)	(15)
Total derivative liabilities, at fair value		$ (256)	$ (935)
U.S. Treasury securities - long	U.S. Treasury securities, at fair value	$ 182	$ 25
U.S. Treasury securities - short	Obligation to return securities borrowed under reverse repurchase agreements, at fair value	(7,636)	(1,696)
Total U.S. Treasury securities, net at fair value		$ (7,454)	$ (1,671)

The following table summarizes our interest rate swap agreements outstanding as of December 31, 2016 and 2015 (dollars in millions):

	December 31, 2016					December 31, 2015				
Payer Interest Rate Swaps	Notional Amount [1]	Average Fixed Pay Rate [2]	Average Receive Rate [3]	Net Fair Value	Average Maturity (Years)	Notional Amount [1]	Average Fixed Pay Rate [2]	Average Receive Rate [3]	Net Fair Value	Average Maturity (Years)
≤ 3 years	$ 19,775	1.16%	0.92%	$ 39	1.5	$ 14,775	1.06%	0.40%	$ (23)	1.6
> 3 to ≤ 5 years	7,450	1.62%	0.91%	44	4.0	9,950	2.03%	0.40%	(203)	4.0
> 5 to ≤ 7 years	4,725	1.89%	0.91%	28	5.9	7,175	2.47%	0.44%	(230)	6.1
> 7 to ≤ 10 years	3,325	1.90%	0.91%	114	9.2	7,450	2.57%	0.39%	(342)	8.3
> 10 years	1,900	2.64%	0.91%	(9)	13.8	1,175	3.20%	0.39%	(91)	14.7
Total	$ 37,175	1.48%	0.92%	$ 216	3.9	$ 40,525	1.89%	0.40%	$ (889)	4.6

1. As of December 31, 2016 and 2015, notional amount includes forward starting swaps of $0.6 billion and $4.5 billion, respectively, with an average forward start date of 1.2 and 0.7 years, respectively, and an average maturity of 10.7 and 5.5 years, respectively.
2. Average fixed pay rate includes forward starting swaps. Excluding forward starting swaps, the average fixed pay rate was 1.46% and 1.75% as of December 31, 2016 and 2015, respectively.
3. Average receive rate excludes forward starting swaps.

The following tables summarize our interest rate payer swaption agreements, U.S. Treasury securities and U.S. Treasury futures outstanding as of December 31, 2016 and 2015 (dollars in millions):

Payer Swaptions	Option			Underlying Payer Swap			
Years to Expiration	Cost	Fair Value	Average Months to Expiration	Notional Amount	Average Fixed Pay Rate	Average Receive Rate (LIBOR)	Average Term (Years)
December 31, 2016							
Total ≤ 1 year	$ 52	$ 22	6	$ 1,200	3.06%	3M	8.3
December 31, 2015							
Total ≤ 1 year	$ 74	$ 17	4	$ 2,150	3.51%	3M	7.0

U.S. Treasury Securities	December 31, 2016			December 31, 2015		
Maturity	Face Amount Net Long / (Short)	Cost Basis	Net Fair Value	Face Amount Net Long / (Short)	Cost Basis	Net Fair Value
5 years	$ (400)	$ (404)	$ (392)	$ (250)	$ (249)	$ (249)
7 years	(3,056)	(3,041)	(2,930)	(354)	(353)	(352)
10 years	(4,416)	(4,236)	(4,132)	(1,085)	(1,078)	(1,070)
Total U.S. Treasury securities, net	$ (7,872)	$ (7,681)	$ (7,454)	$ (1,689)	$ (1,680)	$ (1,671)

U.S. Treasury Futures	December 31, 2016				December 31, 2015			
Maturity	Notional Amount - Long (Short) [1]	Cost Basis [2]	Market Value [3]	Net Carrying Value [4]	Notional Amount - Long (Short) [1]	Cost Basis [2]	Market Value [3]	Net Carrying Value [4]
5 years	$ (730)	$ (862)	$ (859)	$ 3	$ (730)	$ (866)	$ (864)	$ 2
10 years	(1,080)	(1,347)	(1,342)	5	(1,130)	(1,424)	(1,422)	2
Total U.S. Treasury futures	$ (1,810)	$ (2,209)	$ (2,201)	$ 8	$ (1,860)	$ (2,290)	$ (2,286)	$ 4

1. U.S. Treasury futures notional amount represents the par value (or principal balance) of the underlying U.S. Treasury security.
2. U.S. Treasury futures cost basis represents the forward price to be paid/(received) for the underlying U.S. Treasury security.
3. U.S. Treasury futures market value represents the current market value of U.S. Treasury futures as of period-end.
4. Net carrying value represents the difference between the fair value and the cost basis of U.S. Treasury futures as of period-end and is reported in derivative assets/(liabilities), at fair value in our consolidated balance sheets.

The following tables summarize our TBA securities as of December 31, 2016 and 2015 (in millions):

	December 31, 2016				December 31, 2015			
TBA Securities by Coupon	**Notional Amount - Long (Short) [1]**	**Cost Basis [2]**	**Market Value [3]**	**Net Carrying Value [4]**	**Notional Amount - Long (Short) [1]**	**Cost Basis [2]**	**Market Value [3]**	**Net Carrying Value [4]**
15-Year TBA securities:								
2.5%	$ 1,853	$ 1,870	$ 1,856	$ (14)	$ (80)	$ (81)	$ (80)	$ 1
3.0%	292	302	300	(2)	225	233	232	(1)
3.5%	15	16	16	—	136	143	142	(1)
Total 15-Year TBA securities	2,160	2,188	2,172	(16)	281	295	294	(1)
30-Year TBA securities:								
3.0%	3,027	3,114	3,007	(107)	3,914	3,911	3,916	5
3.5%	1,209	1,251	1,236	(15)	1,497	1,536	1,539	3
4.0%	4,530	4,769	4,760	(9)	1,575	1,658	1,665	7
4.5%	(10)	(10)	(10)	—	28	30	30	—
Total 30-Year TBA securities, net	8,756	9,124	8,993	(131)	7,014	7,135	7,150	15
Total TBA securities, net	$ 10,916	$ 11,312	$ 11,165	$ (147)	$ 7,295	$ 7,430	$ 7,444	$ 14

	December 31, 2016				December 31, 2015			
TBA Securities by Issuer	**Notional Amount - Long (Short) [1]**	**Cost Basis [2]**	**Market Value [3]**	**Net Carrying Value [4]**	**Notional Amount - Long (Short) [1]**	**Cost Basis [2]**	**Market Value [3]**	**Net Carrying Value [4]**
Fannie Mae	$ 9,881	$ 10,251	$ 10,118	$ (133)	$ 6,033	$ 6,145	$ 6,159	$ 14
Freddie Mac	1,035	1,060	1,047	(13)	689	703	703	—
Ginnie Mae	—	1	—	(1)	573	582	582	—
TBA securities, net	$ 10,916	$ 11,312	$ 11,165	$ (147)	$ 7,295	$ 7,430	$ 7,444	$ 14

1. Notional amount represents the par value (or principal balance) of the underlying Agency security.
2. Cost basis represents the forward price to be paid/(received) for the underlying Agency security.
3. Market value represents the current market value of the TBA contract (or of the underlying Agency security) as of period-end.
4. Net carrying value represents the difference between the market value and the cost basis of the TBA contract as of period-end and is reported in derivative assets/(liabilities), at fair value in our consolidated balance sheets.

Gain (Loss) From Derivative Instruments and Other Securities, Net

The tables below summarize changes in our derivative and other hedge portfolio and their effect on our consolidated statements of comprehensive income for fiscal years 2016, 2015 and 2014 (in millions):

	Fiscal Year 2016				
Derivative and Other Hedging Instruments	**Notional Amount December 31, 2015**	**Additions**	**Settlement, Termination, Expiration or Exercise**	**Notional Amount December 31, 2016**	**Amount of Gain/(Loss) Recognized in Income on Derivatives [1]**
TBA securities, net	$ 7,295	116,439	(112,818)	$ 10,916	$ (59)
Interest rate swaps	$ 40,525	15,650	(19,000)	$ 37,175	(397)
Payer swaptions	$ 2,150	500	(1,450)	$ 1,200	(3)
U.S. Treasury securities - short position	$ (1,714)	(9,884)	3,537	$ (8,061)	134
U.S. Treasury securities - long position	$ 25	961	(797)	$ 189	7
U.S. Treasury futures contracts - short position	$ (1,860)	(7,840)	7,890	$ (1,810)	(5)
					$ (323)

1. Excludes a net loss of $3 million from debt of consolidated VIEs and other miscellaneous net gains of $16 million recognized in gain (loss) on derivative instruments and other securities, net in our consolidated statements of comprehensive income.

Derivative and Other Hedging Instruments	Fiscal Year 2015 Notional Amount December 31, 2014	Additions	Settlement, Termination, Expiration or Exercise	Notional Amount December 31, 2015	Amount of Gain/(Loss) Recognized in Income on Derivatives [1]
TBA securities, net	$ 14,412	119,922	(127,039)	$ 7,295	$ 305
Interest rate swaps	$ 43,700	4,950	(8,125)	$ 40,525	(932)
Payer swaptions	$ 6,800	1,500	(6,150)	$ 2,150	(35)
Receiver swaptions	$ (4,250)	—	4,250	$ —	4
U.S. Treasury securities - short position	$ (5,392)	(12,503)	16,181	$ (1,714)	(68)
U.S. Treasury securities - long position	$ 2,411	33,525	(35,911)	$ 25	(38)
U.S. Treasury futures contracts - short position	$ (730)	(4,480)	3,350	$ (1,860)	(12)
					$ (776)

1. Excludes a net gain of $16 million from debt of consolidated VIEs and other miscellaneous net losses of $4 million recognized in gain (loss) on derivative instruments and other securities, net in our consolidated statements of comprehensive income.

Derivative and Other Hedging Instruments	Fiscal Year 2014 Notional Amount December 31, 2013	Additions	Settlement, Termination, Expiration or Exercise	Notional Amount December 31, 2014	Amount of Gain/(Loss) Recognized in Income on Derivatives [1]
TBA securities, net	$ 2,119	213,627	(201,334)	$ 14,412	$ 1,117
Interest rate swaps	$ 43,250	20,550	(20,100)	$ 43,700	(1,838)
Payer swaptions	$ 14,250	5,250	(12,700)	$ 6,800	(193)
Receiver swaptions	$ —	(5,500)	1,250	$ (4,250)	11
U.S. Treasury securities - short position	$ (2,007)	(36,489)	33,104	$ (5,392)	(420)
U.S. Treasury securities - long position	$ 3,927	18,549	(20,065)	$ 2,411	66
U.S. Treasury futures contracts - short position	$ (1,730)	(2,920)	3,920	$ (730)	(76)
TBA put option	$ —	(150)	150	$ —	—
					$ (1,333)

1. Excludes a net gain of $75 million from investments in REIT equity securities, a net loss of $10 million from debt of consolidate VIEs and other miscellaneous net losses of $7 million recognized in gain (loss) on derivative instruments and other securities, net in our consolidated statements of comprehensive income.

Note 6. Pledged Assets

Our funding agreements require us to fully collateralize our obligations under the agreements based upon our counterparties' collateral requirements and their determination of the fair value of the securities pledged as collateral, which fluctuates with changes in interest rates, credit quality and liquidity conditions within the investment banking, mortgage finance and real estate industries. Our derivative contracts similarly require us to fully collateralize our obligations under such agreements, which will vary over time based on similar factors as well as our counterparties' determination of the value of the derivative contract. We are typically required to post initial collateral upon execution of derivative transactions, such as under our interest rate swap agreements and TBA contracts. Our prime brokerage agreements, pursuant to which we receive custody and settlement services, also require that we post minimum clearing deposits. If we breach our collateral requirements, we will be required to fully settle our obligations under the agreements, which could include a forced liquidation of our pledged collateral.

Our counterparties also apply a "haircut" to our pledged collateral, which means our collateral is valued at slightly less than market value and limits the amount we can borrow against our securities. This haircut reflects the underlying risk of the specific collateral and protects our counterparty against a change in its value. Our agreements do not specify the haircut; rather haircuts are determined on an individual transaction basis. Consequently, our funding agreements and derivative contracts expose us to credit risk relating to potential losses that could be recognized in the event that our counterparties fail to perform their obligations under such agreements. We minimize this risk by limiting our counterparties to major financial institutions with acceptable credit ratings or to registered clearinghouses and U.S. government agencies and we monitor our positions with individual counterparties. In the event of a default by a counterparty we may have difficulty obtaining our assets pledged as collateral to such counterparty and may not receive payments provided for under the terms of our derivative agreements. In the case of centrally cleared instruments, we could be exposed to credit risk if the central clearing agency or a clearing member defaults on its respective obligation to perform under the contract. However, we believe that the risk is minimal due to the clearing exchanges' initial and daily mark to market margin requirements and clearinghouse guarantee funds and other resources that are available in the event of a clearing member default.

Further, each of our International Swaps and Derivatives Association ("ISDA") Master Agreements also contains a cross default provision under which a default under certain of our other indebtedness in excess of certain thresholds causes an event of default under the ISDA Master Agreement. Threshold amounts vary by lender. Following an event of default, we could be required to settle our obligations under the agreements. Additionally, under certain of our ISDA Master Agreements, we could be required to settle our obligations under the agreements if we fail to maintain certain minimum stockholders' equity thresholds or our REIT status or if we fail to comply with limits on our leverage up to certain specified levels. As of December 31, 2016, the fair value of additional collateral that could be required to be posted as a result of the credit-risk-related contingent features being triggered was not material to our financial statements.

As of December 31, 2016, our maximum amount at risk with any counterparty related to our repurchase agreements was less than 6% of our stockholders' equity and our maximum amount at risk with any counterparty related to our interest rate swap and swaption agreements, excluding centrally cleared swaps, was less than 1% of our stockholders' equity. The following table summarizes certain characteristics of our repurchase agreements outstanding with counterparties representing amounts at risk greater than or equal to 5% of our stockholders' equity as of December 31, 2016 (dollars in millions). As of December 31, 2015 the maximum amount of risk with any counterparty related to our repurchase agreements was less than 5% of our stockholders equity.

	December 31, 2016			
	Amount Outstanding	**Net Counterparty Exposure [1]**	**Percent of Equity**	**Weighted Average Months to Maturity**
J.P. Morgan Securities, LLC	$ 4,875	$ 405	5.5%	34

1. Represents the net carrying value of the securities pledged under repurchase agreements, including accrued interest plus any cash or assets on deposit to secure the repurchase obligation, less the amount of the repurchase liability, including accrued interest.

Assets Pledged to Counterparties

The following tables summarize our assets pledged as collateral under our funding, derivative and prime broker agreements by type, including securities pledged related to securities sold but not yet settled, as of December 31, 2016 and 2015 (in millions):

	December 31, 2016				
Assets Pledged to Counterparties	**Repurchase Agreements and FHLB Advances [1]**	**Debt of Consolidated VIEs**	**Derivative Agreements**	**Prime Broker Agreements**	**Total**
Agency RMBS - fair value	$ 43,005	$ 818	$ 275	$ 865	$ 44,963
Non-Agency RMBS - fair value	90	—	—	—	90
U.S. Treasury securities - fair value	173	—	—	—	173
Accrued interest on pledged securities	122	3	1	2	128
Restricted cash and cash equivalents	60	—	14	—	74
Total	$ 43,450	$ 821	$ 290	$ 867	$ 45,428

1. Includes $181 million of retained interests in our consolidated VIEs pledged as collateral under repurchase agreements.

	December 31, 2015				
Assets Pledged to Counterparties	**Repurchase Agreements and FHLB Advances [1]**	**Debt of Consolidated VIEs**	**Derivative Agreements**	**Prime Broker Agreements**	**Total**
Agency RMBS - fair value	$ 47,992	$ 1,029	$ 148	$ 485	$ 49,654
Non-Agency RMBS - fair value	113	—	—	—	113
U.S. Treasury securities - fair value	25	—	—	—	25
Accrued interest on pledged securities	135	3	—	2	140
Restricted cash and cash equivalents	23	—	1,226	32	1,281
Total	$ 48,288	$ 1,032	$ 1,374	$ 519	$ 51,213

1. Includes $245 million of retained interests in our consolidated VIEs pledged as collateral under repurchase agreements.

As of December 31, 2016 and 2015, we held $126 million and $150 million, respectively, of membership and activity-based stock in the FHLB of Des Moines. FHLB stock is reported at cost, which equals par value, in other assets on our accompanying consolidated balance sheets. FHLB stock can only be redeemed or sold at its par value, and only to the FHLB of Des Moines.

The cash and cash equivalents and Agency securities pledged as collateral under our derivative agreements are included in restricted cash and cash equivalents and Agency securities, at fair value, respectively, on our consolidated balance sheets.

The following table summarizes our securities pledged as collateral under our repurchase agreements and FHLB advances by the remaining maturity of our borrowings, including securities pledged related to sold but not yet settled securities, as of December 31, 2016 and 2015 (in millions). For the corresponding borrowings associated with the following amounts and the interest rates thereon, refer to Note 4.

Securities Pledged by Remaining Maturity of Repurchase Agreements and FHLB Advances	December 31, 2016 Fair Value of Pledged Securities	December 31, 2016 Amortized Cost of Pledged Securities	December 31, 2016 Accrued Interest on Pledged Securities	December 31, 2015 Fair Value of Pledged Securities	December 31, 2015 Amortized Cost of Pledged Securities	December 31, 2015 Accrued Interest on Pledged Securities
RMBS:[1]						
≤ 30 days	$ 19,681	$ 19,863	$ 56	$ 20,053	$ 20,075	$ 57
> 30 and ≤ 60 days	8,103	8,158	23	8,311	8,340	23
> 60 and ≤ 90 days	4,034	4,070	11	7,534	7,525	21
> 90 days	11,278	11,380	32	12,207	12,187	34
Total MBS	43,096	43,471	122	48,105	48,127	135
U.S. Treasury securities:						
1 day	—	—	—	25	25	—
> 1 day ≤ 30 days	173	173	—	—	—	—
Total	$ 43,269	$ 43,644	$ 122	$ 48,130	$ 48,152	$ 135

1. Includes $181 million and $245 million of retained interests in our consolidated VIEs pledged as collateral under repurchase agreements as of December 31, 2016 and 2015, respectively.

As of December 31, 2016 and 2015, none of our borrowings backed by RMBS were due on demand or mature overnight.

The table above excludes Agency securities transferred to our consolidated VIEs. Securities transferred to our consolidated VIEs can only be used to settle the obligations of each respective VIE. However, we may pledge our retained interests in our consolidated VIEs as collateral under our repurchase agreements and derivative contracts. Please refer to Notes 3 and 4 for additional information regarding our consolidated VIEs.

Assets Pledged from Counterparties

As of December 31, 2016 and 2015, we had assets pledged to us from counterparties as collateral under our reverse repurchase, repurchase and derivative agreements summarized in the tables below (in millions).

Assets Pledged to AGNC	December 31, 2016 Reverse Repurchase Agreements	December 31, 2016 Derivative Agreements	December 31, 2016 Repurchase Agreements	December 31, 2016 Total	December 31, 2015 Reverse Repurchase Agreements	December 31, 2015 Derivative Agreements	December 31, 2015 Repurchase Agreements	December 31, 2015 Total
Agency MBS - fair value	$ —	$ —	$ 14	$ 14	$ —	$ —	$ —	$ —
U.S. Treasury securities - fair value	7,636	—	—	7,636	1,702	—	—	1,702
Cash	—	107	—	107	—	—	—	—
Total	$ 7,636	$ 107	$ 14	$ 7,757	$ 1,702	$ —	$ —	$ 1,702

U.S Treasury securities received as collateral under our reverse repurchase agreements that we use to cover short sales of U.S. Treasury securities are accounted for as securities borrowing transactions. We recognize a corresponding obligation to return the borrowed securities at fair value on the accompanying consolidated balance sheets based on the value of the underlying borrowed securities as of the reporting date.

Cash collateral received is recognized in cash and cash equivalents with a corresponding amount recognized in accounts payable and other accrued liabilities on the accompanying consolidated balance sheets.

Offsetting Assets and Liabilities

Certain of our repurchase agreements and derivative transactions are governed by underlying agreements that generally provide for a right of setoff under master netting arrangements (or similar agreements), including in the event of default or in the event of bankruptcy of either party to the transactions. We present our assets and liabilities subject to such arrangements on a gross basis in our consolidated balance sheets. The following tables present information about our assets and liabilities that are subject to master netting arrangements and can potentially be offset on our consolidated balance sheets as of December 31, 2016 and 2015 (in millions):

	Offsetting of Financial and Derivative Assets					
				Gross Amounts Not Offset in the Consolidated Balance Sheets		
	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Consolidated Balance Sheets	Net Amounts of Assets Presented in the Consolidated Balance Sheets	Financial Instruments	Collateral Received [2]	Net Amount
December 31, 2016						
Interest rate swap and swaption agreements, at fair value [1]	$ 342	$ —	$ 342	$ (80)	$ (49)	$ 213
TBA	4	—	4	(4)	—	—
Receivable under reverse repurchase agreements	7,716	—	7,716	(6,963)	(753)	—
Total	$ 8,062	$ —	$ 8,062	$ (7,047)	$ (802)	$ 213
December 31, 2015						
Interest rate swap and swaption agreements, at fair value [1]	$ 48	$ —	$ 48	$ (31)	$ —	$ 17
TBA	29	—	29	(15)	—	14
Receivable under reverse repurchase agreements	1,713	—	1,713	(1,356)	(357)	—
Total	$ 1,790	$ —	$ 1,790	$ (1,402)	$ (357)	$ 31

	Offsetting of Financial and Derivative Liabilities					
				Gross Amounts Not Offset in the Consolidated Balance Sheets		
	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Consolidated Balance Sheets	Net Amounts of Liabilities Presented in the Consolidated Balance Sheets	Financial Instruments	Collateral Pledged [2]	Net Amount
December 31, 2016						
Interest rate swap agreements, at fair value [1]	$ 105	$ —	$ 105	$ (80)	$ (25)	$ —
TBA	151	—	151	(4)	(147)	—
Repurchase agreements and FHLB advances	40,895	—	40,895	(6,963)	(33,932)	—
Total	$ 41,151	$ —	$ 41,151	$ (7,047)	$ (34,104)	$ —
December 31, 2015						
Interest rate swap agreements, at fair value [1]	$ 920	$ —	$ 920	$ (31)	$ (889)	$ —
TBA	15		15	(15)	—	—
Repurchase agreements and FHLB advances	45,507	—	45,507	(1,356)	(44,151)	—
Total	$ 46,442	$ —	$ 46,442	$ (1,402)	$ (45,040)	$ —

1. Reported under derivative assets/liabilities, at fair value in the accompanying consolidated balance sheets. Refer to Note 5 for a reconciliation of derivative assets/liabilities, at fair value to their sub-components.
2. Includes cash and securities pledged/received as collateral, at fair value. Amounts presented are limited to collateral pledged sufficient to reduce the net amount to zero for individual counterparties, as applicable.

Note 7. Fair Value Measurements

We determine the fair value of our investment securities and debt of consolidated VIEs based upon fair value estimates obtained from multiple third party pricing services and dealers. In determining fair value, third party pricing sources use various valuation approaches, including market and income approaches. Factors used by third party sources in estimating the fair value of an instrument may include observable inputs such as coupons, primary and secondary mortgage rates, pricing information, credit data, volatility statistics, and other market data that are current as of the measurement date. The availability of observable inputs can vary by instrument and is affected by a wide variety of factors, including the type of instrument, whether the instrument is new and not yet established in the marketplace and other characteristics particular to the instrument. Third party pricing sources may also use certain unobservable inputs, such as assumptions of future levels of prepayment, defaults and foreclosures, especially when estimating fair values for securities with lower levels of recent trading activity. We make inquiries of third party pricing sources to understand the significant inputs and assumptions they used to determine their prices. For further information regarding valuation of our derivative instruments, please refer to the discussion of derivative and other hedging instruments in Note 2.

We review the various third party fair value estimates and perform procedures to validate their reasonableness, including an analysis of the range of third party estimates for each position, comparison to recent trade activity for similar securities, and management review for consistency with market conditions observed as of the measurement date. While we do not adjust prices we obtain from third party pricing sources, we will exclude third party prices for securities from our determination of fair value if we determine (based on our validation procedures and our market knowledge and expertise) that the price is significantly different from observable market data would indicate and we cannot obtain an understanding from the third party source as to the significant inputs used to determine the price.

The validation procedures described above also influence our determination of the appropriate fair value measurement classification. We utilize a three-level valuation hierarchy for disclosure of fair value measurement. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. A financial instrument's categorization within the hierarchy is based upon the lowest level of input that is significant to the fair value measurement. There were no transfers between hierarchy levels during fiscal years December 31, 2016. The three levels of hierarchy are defined as follows:

- Level 1 Inputs —Quoted prices (unadjusted) for identical unrestricted assets and liabilities in active markets that are accessible at the measurement date.
- Level 2 Inputs —Quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.
- Level 3 Inputs —Instruments with primarily unobservable market data that cannot be corroborated.

The following table provides a summary of our assets and liabilities that are measured at fair value on a recurring basis as of December 31, 2016 and 2015 (in millions):

	December 31, 2016			December 31, 2015		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets:						
Agency securities	$ —	$ 45,393	$ —	$ —	$ 51,331	$ —
Agency securities transferred to consolidated VIEs	—	818	—	—	1,029	—
Non-Agency securities	—	124	—	—	113	—
Credit risk transfer securities	—	164	—	—	—	—
U.S. Treasury securities	182	—	—	25	—	—
Interest rate swaps	—	321	—	—	31	—
Swaptions	—	22	—	—	17	—
TBA securities	—	4	—	—	29	—
U.S. Treasury futures	8	—	—	4	—	—
REIT equity securities	—	—	—	33	—	—
Total	$ 190	$ 46,846	$ —	$ 62	$ 52,550	$ —
Liabilities:						
Debt of consolidated VIEs	$ —	$ 460	$ —	$ —	$ 595	$ —
Obligation to return U.S. Treasury securities borrowed under reverse repurchase agreements	7,636	—	—	1,696	—	—
Interest rate swaps	—	105	—	—	920	—
TBA securities	—	151	—	—	15	—
Total	$ 7,636	$ 716	$ —	$ 1,696	$ 1,530	$ —

We elected the option to account for debt of consolidated VIEs at fair value with changes in fair value reflected in earnings during the period in which they occur, because we believe this election more appropriately reflects our financial position as both the consolidated Agency securities and consolidated debt are presented in a consistent manner, at fair value, on our consolidated balance sheets. We estimate the fair value of the consolidated debt based on difference between the fair value of the RMBS transferred to consolidated VIEs and the fair value of our retained interests, each of which is based on valuations obtained from third-party pricing services and non-binding dealer quotes derived from common market pricing methods using "Level 2" inputs, and are more observable than using inputs to estimate the fair value of the consolidated debt on a stand-alone basis.

Excluded from the table above are financial instruments, including cash and cash equivalents, restricted cash and cash equivalents, receivables, payables and borrowings under repurchase agreements and FHLB advances, which are presented in our consolidated financial statements at cost. The cost basis of these instruments is determined to approximate fair value due to their short duration or, in the case of longer-term repo and FHLB advances, due to floating rates of interest based on an index plus or minus a fixed spread which is consistent with fixed spreads demanded in the market. We estimate the fair value of these instruments using "Level 1" or "Level 2" inputs.

Note 8. Stockholders' Equity

Preferred Stock

Pursuant to our amended and restated certificate of incorporation, we are authorized to designate and issue up to 10.0 million shares of preferred stock in one or more classes or series. Our Board of Directors has designated 6.9 million shares as 8.000% Series A Cumulative Redeemable Preferred Stock ("Series A Preferred Stock") and 8,050 shares as 7.750% Series B Cumulative Redeemable Preferred Stock ("Series B Preferred Stock"). As of December 31, 2016, we had 3.1 million shares of authorized but unissued shares of preferred stock. Our Board of Directors may designate additional series of authorized preferred stock ranking junior to or in parity with the Series A or Series B Preferred Stock or designate additional shares of the Series A or Series B Preferred Stock and authorize the issuance of such shares.

In April 2012, we completed a public offering in which 6.9 million shares of our Series A Preferred Stock were sold to the underwriters at a price of $24.2125 per share for proceeds, net of offering expenses, of $167 million. In May 2014, we completed a public offering in which 7.0 million depositary shares were sold to the underwriters at a price of $24.2125 per depositary share for proceeds, net of offering expenses, of $169 million. Each depositary share represents a 1/1,000th interest in a share of our Series B Preferred Stock.

Our Series A and Series B Preferred Stock have no stated maturity, are not subject to any sinking fund or mandatory redemption and rank on parity with each other. Under certain circumstances upon a change of control, our Series A and Series B Preferred Stock are convertible to shares of our common stock. Holders of our Series A Preferred Stock and depository shares underlying our Series B Preferred Stock have no voting rights, except under limited conditions, and are entitled to receive cumulative cash dividends at a rate of 8.000% and 7.750% per annum, respectively, of their $25.00 per share and $25.00 per depositary share liquidation preference, respectively, before holders of our common stock are entitled to receive any dividends. Shares of our Series A Preferred Stock and depository shares underlying our Series B Preferred Stock are each redeemable at $25.00 per share, plus accumulated and unpaid dividends (whether or not declared) exclusively at our option commencing on April 5, 2017 and May 8, 2019, respectively, or earlier under certain circumstances intended to preserve our qualification as a REIT for federal income tax purposes. Dividends are payable quarterly in arrears on the 15th day of each January, April, July and October. As of December 31, 2016, we had declared all required quarterly dividends on our Series A and Series B Preferred Stock.

Common Stock Repurchase Program

In October 2012, our Board of Directors adopted a program that provided for stock repurchases, which, as amended, authorized repurchases of our common stock up to $2 billion through December 31, 2016. In October 2016, our Board of Directors terminated the existing stock repurchase program, which had a total of $0.6 billion remaining for authorized repurchases of our common stock, and replaced it with a new stock repurchase authorization. Under the new stock repurchase program, we are authorized to repurchase up to $1 billion of our outstanding shares of common stock through December 31, 2017.

Shares of our common stock may be purchased in the open market, including through block purchases, or through privately negotiated transactions, or pursuant to any trading plan that may be adopted in accordance with Rule 10b5-1 of the Securities Exchange Act of 1934, as amended. The timing, manner, price and amount of any repurchases will be determined at our discretion and the program may be suspended, terminated or modified at any time for any reason. Among other factors, we intend to only consider repurchasing shares of our common stock when the purchase price is less than our estimate of our current tangible net asset value per common share. Generally, when we repurchase our common stock at a discount to our tangible net asset value, the tangible net asset value of our remaining shares of common stock outstanding increases. In addition, we do not intend to repurchase any shares from directors, officers or other affiliates. The program does not obligate us to acquire any specific number of shares, and all repurchases will be made in accordance with Rule 10b-18, which sets certain restrictions on the method, timing, price and volume of stock repurchases.

During the fiscal years 2016, 2015 and 2014, we repurchased 6.5 million, 15.3 million, and 3.4 million shares of our common stock at an average repurchase price of $17.89, $18.58 and $22.10 per share, including expenses, totaling $116 million, $285 million and $74 million. As of December 31, 2016, the total remaining amount authorized for repurchases of our common stock was $1 billion.

Distributions to Stockholders

The following table summarizes cash dividends declared for fiscal years 2016, 2015 and 2014 (in millions, except per share amounts):

	Dividends Declared	Dividends Declared Per Share
8.000 % Series A Cumulative Redeemable Preferred Stock		
Fiscal year 2016	$ 14	$ 2.000000
Fiscal year 2015	$ 14	$ 2.000000
Fiscal year 2014	$ 14	$ 2.000000
7.750% Series B Cumulative Redeemable Preferred Stock (Per Depositary Share)		
Fiscal year 2016	$ 14	$ 1.937500
Fiscal year 2015	$ 14	$ 1.937500
Fiscal year 2014	$ 6	$ 0.844965
Common Stock		
Fiscal year 2016	$ 763	$ 2.300000
Fiscal year 2015	$ 863	$ 2.480000
Fiscal year 2014	$ 921	$ 2.610000

Accumulated Other Comprehensive Income (Loss)

The following table summarizes changes to accumulated OCI for fiscal years 2016, 2015 and 2014 (in millions):

Accumulated Other Comprehensive Income (Loss)	Net Unrealized Gain (Loss) on Available-for-Sale MBS	Net Unrealized Gain (Loss) on Swaps	Total Accumulated OCI Balance
Balance as of December 31, 2013	$ (1,087)	$ (296)	$ (1,383)
OCI before reclassifications	1,708	—	1,708
Amounts reclassified from accumulated OCI	(51)	156	105
Balance as of December 31, 2014	570	(140)	430
OCI before reclassifications	(620)	—	(620)
Amounts reclassified from accumulated OCI	23	101	124
Balance as of December 31, 2015	(27)	(39)	(66)
OCI before reclassifications	(261)	—	(261)
Amounts reclassified from accumulated OCI	(109)	39	(70)
Balance as of December 31, 2016	$ (397)	$ —	$ (397)

The following table summarizes reclassifications out of accumulated OCI for fiscal years 2016 and 2015 (in millions):

Amounts Reclassified from Accumulated OCI	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014	Line Item in the Consolidated Statements of Comprehensive Income Where Net Income is Presented
(Gain) loss amounts reclassified from accumulated OCI for available-for-sale MBS upon realization	$ (109)	$ 23	$ (51)	Gain (loss) on sale of mortgage-backed securities, net
Periodic interest costs of interest rate swaps previously designated as hedges under GAAP, net	39	101	156	Interest expense
Total reclassifications	$ (70)	$ 124	$ 105	

Note 9. Equity Incentive Plans

We sponsor an equity incentive plan to provide for the issuance of equity-based awards, including stock options, restricted stock, restricted stock units and unrestricted stock awards to our independent directors (the "Director Plan"). During fiscal years 2016, 2015 and 2014, we granted restricted stock unit ("RSU") awards under the plan totaling $625,000, $625,000 and $375,000, respectively. The awards represent the right to receive an equivalent number of shares of common stock as measured by the closing price of our common stock on the grant date, plus any equivalent shares for dividends declared on our common stock, and vest over a 13 month period, subject to the terms and conditions of the plan. Prior to fiscal year 2013, we granted restricted stock awards under the Plan. The restricted stock awards had a grant date fair value equal to the closing price of our common stock on such date and vested annually over three years. The Director Plan was terminated and succeeded in its entirety by the 2016 Equity and Incentive Compensation Plan (the "2016 Equity Plan"), which was approved by our stockholders on December 9, 2016. Outstanding awards under the Director Plan, however, will continue in effect in accordance with their terms. The following table summarizes restricted stock and RSU transactions under the Director Plan for fiscal years 2016, 2015 and 2014:

Director Plan	Shares of Restricted Stock	Restricted Stock Units	Weighted Average Grant Date Fair Value [1]	Weighted Average Vest Date Fair Value [2]
Unvested balance as of December 31, 2013	27,000	—	$ 30.37	$ —
Granted	—	16,770	$ 22.36	$ —
Accrued RSU dividend equivalents	—	1,469	$ —	$ —
Vested	(13,000)	—	$ 30.01	$ 22.01
Unvested balance as of December 31, 2014	14,000	18,239	$ 25.11	$ —
Granted	—	28,880	$ 21.64	$ —
Accrued RSU dividend equivalents	—	3,319	$ —	$ —
Vested	(9,000)	(19,007)	$ 23.17	$ 21.03
Unvested balance as of December 31, 2015	5,000	31,431	$ 21.44	$ —
Granted	—	33,015	$ 18.93	$ —
Accrued RSU dividend equivalents	—	3,527	$ —	$ —
Vested	(5,000)	(46,538)	$ 20.00	$ 18.99
Unvested balance as of December 31, 2016	—	21,435	$ 17.49	$ —

1. Accrued RSU dividend equivalents have a weighted average grant date fair value of $0.
2. Weighted average vest date fair value is based on the closing price of our common stock on the vest date.

The 2016 Equity Plan provides for grants of equity-based compensation in the form of stock options, appreciation rights ("SARs"), restricted shares, RSUs, performance shares, performance units, dividend equivalents and certain other awards denominated or payable in, or otherwise based on, shares of our common stock, plus cash incentive awards, for the purpose of providing our non-employee directors, officers and other employees, and those of our subsidiaries, incentives and rewards for service or performance. The 2016 Equity Plan authorizes a total of 10 million shares our common stock that may be used to satisfy awards under the plan, subject to the share counting rules set forth within the plan. The Compensation Committee of our Board of Directors determines awards to be granted under the 2016 Equity Plan and the terms of such awards, including vesting schedules. During fiscal year 2016, we granted RSU awards under the plan totaling $2 million. The awards represent the right to receive an equivalent number of shares of common stock as measured by the closing price of our common stock on the grant date, or 101,407 shares, plus any equivalent shares for dividends declared on our common stock, and vest over a three year period, subject to the terms and conditions of the plan. As of December 31, 2016, 9.9 million shares remained available for awards under the 2016 Equity Plan, excluding securities to be issued for prior awards granted under the plan.

We recognize the cost of equity-based compensation awards based on the grant-date fair value of those awards, or the fair value of liabilities incurred, over the requisite service period. We recognize the impact of forfeitures as they occur. During fiscal years 2016, 2015 and 2014, we recognized other operating expense of $731,000, $704,000 and $540,000, respectively, under the Director Plan and during fiscal year 2016 we recognized compensation expense of $28,000 under the 2016 Equity Plan. As of December 31, 2016, we had unrecognized expense related to awards granted under the plans of approximately $2 million, which is expected to be recognized over a weighted average period of 2.8 years.

Note 10. Income Taxes

As of December 31, 2016, we have distributed all of our estimated taxable income for fiscal year 2016. Accordingly, we do not expect to incur an income tax liability on our 2016 taxable income. For fiscal years 2015 and 2014, we distributed all of our taxable income within the limits prescribed by the Internal Revenue Code. Accordingly, we did not incur an income tax liability on our taxable income for such periods.

Based on our analysis of any potential uncertain income tax positions, we concluded that we do not have any uncertain tax positions that meet the recognition or measurement criteria of ASC 740 as of December 31, 2016, 2015 and 2014. Our tax returns for tax years 2013 and forward are open to examination by the IRS. In the event that we incur income tax related interest and penalties, our policy is to classify them as a component of provision for income taxes.

Note 11. Management Agreement and Related Party Transactions

Prior to our acquisition of AMM on July 1, 2016, we were externally managed by AGNC Management, LLC (our "Manager"). We paid our Manager a management fee payable monthly in arrears in an amount equal to one-twelfth of 1.25% of our month-end stockholders' equity, adjusted to exclude the effect of any unrealized gains or losses included in either retained earnings or accumulated OCI, each as computed in accordance with GAAP. There was no incentive compensation payable to our Manager pursuant to the management agreement. We incurred management fees of $52 million, $116 million and $119 million for the first half of fiscal year 2016 and for fiscal years 2015 and 2014, respectively. Following our management internalization, we no longer incur a management fee, but we incur expenses associated with an internally managed organization, including compensation expense previously borne by our Manager. For fiscal year 2016, we had compensation and benefits expense of $19 million, consisting of base salary, bonus accruals and benefits expense.

Our management agreement provided for automatic annual one-year renewal terms and could only be terminated by us or our Manager without cause, as defined in the management agreement, after the completion of the then current renewal term, provided that either party provided 180-days prior written notice of non-renewal of the management agreement. If we were to not renew the management agreement without cause, we would have been required to pay a termination fee on the last day of the applicable term, equal to three times the average annual management fee earned by our Manager during the prior 24-month period immediately preceding the most recently completed month prior to the effective date of termination. We could only not renew the management agreement with or without cause with the consent of the majority of our independent directors.

Pursuant to our management agreement, we were also obligated to reimburse our Manager for its expenses incurred directly related to our operations, excluding employment-related expenses of our Manager's officers and employees and any American Capital employees who provided services to us pursuant to the management agreement. For fiscal years 2016, 2015 and 2014, we recorded expense reimbursements to our Manager of $3 million, $8 million and $8 million, respectively, primarily consisting of costs related to information technology systems.

During fiscal year 2016, following our acquisition of AMM, we earned management fees of $8 million from our management of MTGE.

Note 12. Business Combination - Acquisition of AGNC Mortgage Management, LLC

On July 1, 2016, we completed our acquisition of all of the outstanding membership interests of AMM from ACAM, a wholly owned portfolio company of ACAS, for a purchase price of $562 million in cash. Following the closing of the acquisition, we became internally managed and are no longer affiliated with ACAS. The results of AMM's operations have been included in our consolidated financial statements since that date. We believe internalizing our management function will result in lower operating costs as well as provide management fee income from MTGE.

Our acquisition of AMM is accounted for as a business combination using the acquisition method of accounting, whereby the total purchase price has been allocated to identifiable assets acquired and liabilities assumed based on their respective fair values as of the acquisition date. Goodwill is calculated as the excess of the consideration transferred over the net assets acquired that meet the criteria for separate recognition and represents the estimated future economic benefits arising from these and other assets acquired that could not be individually identified or do not qualify for recognition as a separate asset. A large majority of the acquisition price has been recognized as goodwill, which is attributable to our pre-existing management agreement with AMM that does not qualify for separate recognition. Goodwill is expected to be deductible for income tax purposes over a 15 year amortization period. We did not recognize a gain or loss associated with the effective settlement of our management agreement with AMM on the acquisition date based on comparable agreements available in the market.

The fair values of intangible assets acquired were determined using a market-based measurement under the income approach based on primarily unobservable market data that cannot be corroborated and, thus, represent a level 3 measurement (see Note 7). The primary market-based inputs include forecasted revenues and expenses, discount rate and corporate income tax rate.

The following table summarizes the fair values of assets acquired and liabilities assumed at the acquisition date (in millions).

	July 1, 2016(Acquisition Date)
Cash	$ 7
MTGE management agreement	29
Other intangible asset	1
Total identifiable assets	37
Accounts payable and other liabilities	(1)
Identifiable net assets acquired	36
Goodwill	526
Net assets acquired	$ 562

The MTGE management agreement is being amortized over a 10 year amortization period. We recognized $9 million of transaction related costs that were expensed during fiscal year 2016. These costs are included in other operating expenses in our consolidated statements of comprehensive income.

AMM's revenue and net loss included in our consolidated statements of comprehensive income from the acquisition date to December 31, 2016 are $8 million and $(11) million, respectively, after elimination of AGNC's management fee and other intercompany transactions. The following table represents our pro forma consolidated revenue and net income as if AMM had been included in our consolidated results for fiscal year 2015 and for all of fiscal year 2016 (in millions). Revenue includes interest income from our investment portfolio and management fee income from managing MTGE. Amounts have been calculated after applying our accounting policies and adjusting AMM's results to reflect amortization expense that would have been charged assuming the fair value adjustments to intangible assets had been applied on January 1, 2015. All AGNC management fees and all other actual and pro forma intercompany transactions have been eliminated. These pro forma results have been prepared for comparative purposes only and do not purport to be indicative of what operating results would have been had the AMM acquisition occurred on January 1, 2015 and may not be indicative of future operating results.

	Pro Forma Consolidated Revenue and Net Income	
	Fiscal Year	
	2016	2015
Revenue	$ 1,337	$ 1,483
Net Income	$ 661	$ 303

Note 13. Quarterly Results (Unaudited)

The following is a presentation of the quarterly results of operations and comprehensive income for fiscal years 2016 and 2015 (in millions, except per share data).

	Quarter Ended			
	March 31, 2016	June 30, 2016	September 30, 2016	December 31, 2016
Interest income:				
Interest income	$ 295	$ 318	$ 315	$ 393
Interest expense	99	101	96	98
Net interest income	196	217	219	295
Other gain (loss):				
Gain (loss) on sale of investment securities, net	(2)	55	61	(5)
Unrealized gain (loss) on investment securities measured at fair value through net income, net	11	—	(6)	(11)
Gain (loss) on derivative instruments and other securities, net	(944)	(367)	248	753
Management fee income	—	—	4	4
Total other gain (loss), net	(935)	(312)	307	741
Expenses:				
Management fee expense	27	25	—	—
Compensation and benefits	—	—	9	10
Other operating expenses	6	15	6	7
Total expenses	33	40	15	17
Net income (loss)	(772)	(135)	511	1,019
Dividend on preferred stock	7	7	7	7
Net income (loss) available (attributable) to common shareholders	$ (779)	$ (142)	$ 504	$ 1,012
Net income (loss)	$ (772)	$ (135)	$ 511	$ 1,019
Other comprehensive income (loss):				
Unrealized gain (loss) on available-for-sale securities, net	765	370	(97)	(1,408)
Unrealized gain on derivative instruments, net	19	12	7	1
Other comprehensive income (loss)	784	382	(90)	(1,407)
Comprehensive income (loss)	12	247	421	(388)
Dividend on preferred stock	7	7	7	7
Comprehensive income (loss) available (attributable) to common shareholders	$ 5	$ 240	$ 414	$ (395)
Weighted average number of common shares outstanding - basic and diluted	334.4	331.0	331.0	331.0
Net income (loss) per common share - basic and diluted	$ (2.33)	$ (0.43)	$ 1.52	$ 3.06
Comprehensive income (loss) per common share - basic and diluted	$ 0.01	$ 0.73	$ 1.25	$ (1.19)
Dividends declared per common share	$ 0.60	$ 0.60	$ 0.56	$ 0.54

	Quarter Ended			
	March 31, 2015	June 30, 2015	September 30, 2015	December 31, 2015
Interest income:				
Interest income	$ 383	$ 414	$ 295	$ 374
Interest expense	86	81	77	86
Net interest income	297	333	218	288
Other gain (loss):				
Gain (loss) on sale of investment securities, net	36	(22)	(39)	2
Unrealized gain (loss) on investment securities measured at fair value through net income, net	11	(7)	10	(9)
Gain (loss) on derivative instruments and other securities, net	(560)	244	(788)	340
Total other gain (loss), net	(513)	215	(817)	333
Expenses:				
Management fees	30	29	29	28
General and administrative expenses	6	7	5	5
Total expenses	36	36	34	33
Net income (loss)	(252)	512	(633)	588
Dividend on preferred stock	7	7	7	7
Net income (loss) available (attributable) to common shareholders	$ (259)	$ 505	$ (640)	$ 581
Net income (loss)	$ (252)	$ 512	$ (633)	$ 588
Other comprehensive income (loss):				
Unrealized gain (loss) on available-for-sale securities, net	391	(872)	467	(583)
Unrealized gain on derivative instruments, net	29	26	24	22
Other comprehensive income (loss)	420	(846)	491	(561)
Comprehensive income (loss)	168	(334)	(142)	27
Dividend on preferred stock	7	7	7	7
Comprehensive income (loss) available (attributable) to common shareholders	$ 161	$ (341)	$ (149)	$ 20
Weighted average number of common shares outstanding-basic and diluted	352.8	352.1	347.8	341.6
Net income (loss) per common share - basic and diluted	$ (0.73)	$ 1.43	$ (1.84)	$ 1.70
Comprehensive income (loss) per common share - basic and diluted	$ 0.46	$ (0.97)	$ (0.43)	$ 0.06
Dividends declared per common share	$ 0.66	$ 0.62	$ 0.60	$ 0.60

Note 14. Subsequent Events

On each of January 12, 2017 and February 14, 2017, our Board of Directors declared a monthly dividend of $0.18 per common share, payable on February 8, 2017 and March 8, 2017, respectively, to common stockholders of record as of January 31, 2017 and February 28, 2017, respectively.

On February 1, 2017, we entered into sales agreements with underwriters to publicly offer and sell shares of our common stock, from time-to-time, through publicly negotiated and/or at-the-market transactions, up to an aggregate offering amount of $750 million.

Item 9. ***Changes in and Disagreements with Accountants on Accounting and Financial Disclosure***

None.

Item 9A. ***Controls and Procedures***

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Securities Exchange Act of 1934, as amended (the "Exchange Act") reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure based on the definition of "disclosure controls and procedures" as promulgated under the Exchange Act and the rules and regulations thereunder. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

We, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2016. Based on the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective.

Management's Report on Internal Control over Financial Reporting

Management Report on Internal Control over Financial Reporting is included in "Item 8. Financial Statements and Supplementary Data."

Attestation Report of Registered Public Accounting Firm

The attestation report of our registered public accounting firm is included in "Item 8. Financial Statements and Supplementary Data."

Changes in Internal Control over Financial Reporting

There have been no changes in our "internal control over financial reporting" (as defined in Rule 13a-15(f) of the Exchange Act) that occurred during the last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. As previously disclosed, we completed the acquisition of AMM on July 1, 2016. Where appropriate, we are reviewing related internal controls and making changes to align and integrate AMM into our financial control environment. This initiative is being done as a part of our integration plan and is not in response to any identified deficiency or weakness in the Company’s or AMM’s internal control over financial reporting.

Item 9B. ***Other Information***

None.

PART III.

Item 10. ***Directors, Executive Officers and Corporate Governance***

Information in response to this Item is incorporated herein by reference to the information provided in our Proxy Statement for our 2017 Annual Meeting of Stockholders (the "2017 Proxy Statement") under the headings "PROPOSAL 1: ELECTION OF DIRECTORS", "EXECUTIVE OFFICERS", "BOARD AND GOVERNANCE MATTERS", and "SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE."

Item 11. ***Executive Compensation***

Information in response to this Item is incorporated herein by reference to the information provided in the 2017 Proxy Statement under the headings "PROPOSAL 1: ELECTION OF DIRECTORS", "EXECUTIVE COMPENSATION", "COMPENSATION DISCUSSION AND ANALYSIS", "REPORT OF THE COMPENSATION AND CORPORATE GOVERNANCE COMMITTEE", and "COMPENSATION AND CORPORATE GOVERNANCE COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION."

Item 12. ***Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters***

Information in response to this Item is incorporated herein by reference to the information provided in the 2017 Proxy Statement under the heading "SECURITY OWNERSHIP OF MANAGEMENT AND CERTAIN BENEFICIAL OWNERS."

Item 13. ***Certain Relationships and Related Transactions, and Director Independence***

Information in response to this Item is incorporated herein by reference to the information provided in the 2017 Proxy Statement under the headings "CERTAIN TRANSACTIONS WITH RELATED PERSONS" and "PROPOSAL 1: ELECTION OF DIRECTORS."

Item 14. ***Principal Accounting Fees and Services***

Information in response to this Item is incorporated herein by reference to the information provided in the 2017 Proxy Statement under the heading "PROPOSAL 4: RATIFICATION OF APPOINTMENT OF INDEPENDENT PUBLIC ACCOUNTANT."

Item 15. ***Exhibits and Financial Statement Schedules***

(a) List of documents filed as part of this report:

(1) The following financial statements are filed herewith:

Consolidated Balance Sheets as of December 31, 2016 and 2015
Consolidated Statements of Comprehensive Income for fiscal years 2016, 2015 and 2014
Consolidated Statements of Stockholders' Equity for fiscal years 2016, 2015 and 2014
Consolidated Statements of Cash Flows for fiscal years 2016, 2015 and 2014

(2) The following exhibits are filed herewith or incorporated herein by reference

Exhibit No.	Description
*2.1	Purchase and Sale Agreement, dated as of May 23, 2016, by and among American Capital Asset Management, LLC, American Capital Mortgage Management, LLC, American Capital, Ltd. and American Capital Agency Corp., incorporated by reference to Exhibit 2.1 of Form 8-K (File No. 001-34057), filed May 25, 2016.
*3.1	AGNC Investment Corp. Amended and Restated Certificate of Incorporation, as amended, incorporated herein by reference to Exhibit 3.1 of Form 10-Q for the quarter ended September 30, 2016 (File No. 001-34057), filed November 7, 2016.
*3.2	AGNC Investment Corp. Third Amended and Restated Bylaws, as amended, incorporated herein by reference to Exhibit 3.2 of Form 10-Q for the quarter ended September 30, 2016 (File No. 001-34057), filed November 7, 2016.
*3.3	Certificate of Designations of 8.000% Series A Cumulative Redeemable Preferred Stock, incorporated herein by reference to Exhibit 3.1 of Form 8-K (File No 001-34057), filed April 3, 2012.
*3.4	Certificate of Designations of 7.750% Series B Cumulative Redeemable Preferred Stock, incorporated herein by reference to Exhibit 3.3 of Form 8-A (File No. 001-34057), filed May 7, 2014.
*4.1	Instruments defining the rights of holders of securities: See Article IV of our Amended and Restated Certificate of Incorporation, as amended, incorporated herein by reference to Exhibit 3.1 of Form 10-Q for the quarter ended September 30, 2016 (File No. 001-34057) filed November 7, 2016.
*4.2	Instruments defining the rights of holders of securities: See Article VI of our Third Amended and Restated Bylaws, as amended, incorporated herein by reference to Exhibit 3.2 of Form 10-Q for the quarter ended September 30, 2016 (File No. 001-34057) filed November 7, 2016.
*4.3	Form of Certificate for Common Stock, incorporated herein by reference to Exhibit 4.3 of Form 10-Q for the quarter ended September 30, 2016 (File No. 001-34057), filed November 7, 2016.
*4.4	Specimen 8.000% Series A Cumulative Redeemable Preferred Stock Certificate, incorporated herein by reference to Exhibit 4.1 of Form 8-K (File No. 001-34057), filed April 3, 2012.
*4.5	Specimen 7.750% Series B Cumulative Redeemable Preferred Stock Certificate, incorporated herein by reference to Exhibit 4.1 of Form 8-A (File No. 001-34057), filed May 7, 2014.
*4.6	Deposit Agreement, dated May 8, 2014, among American Capital Agency Corp., Computershare Inc. and Computershare Trust Company, N.A., jointly as depositary, incorporated herein by reference to Exhibit 4.2 of Form 8-K (File No. 001-34067), filed May 8, 2014.
*4.7	Form of Depositary Receipt, incorporated herein by reference to Exhibit 4.3 of Form 8-K (File No. 001-34067), filed May 8, 2014.
†*10.1	Third Amended and Restated Employment Agreement, dated September 22, 2014, as amended on November 1, 2016, by and between AGNC Mortgage Management, LLC and Gary Kain, incorporated herein by reference to Exhibit 10.1 of Form 8-K (File No. 001-34057), filed November 4, 2016.
†*10.2	Amended and Restated Employment Agreement, dated March 30, 2012, as amended on November 1, 2016, by and between AGNC Mortgage Management, LLC and Peter J. Federico, incorporated herein by reference to Exhibit 10.2 of Form 8-K (File No. 001-34057), filed November 4, 2016.
†*10.3	Amended and Restated Employment Agreement, dated March 30, 2012, as amended on November 1, 2016, by and between AGNC Mortgage Management, LLC and Christopher J. Kuehl, incorporated herein by reference to Exhibit 10.3 of Form 8-K (File No. 001-34057), filed November 4, 2016.

†*10.4	Letter Agreement, dated December 1, 2015, as amended on July 1, 2016, by and between American Capital Mortgage Management, LLC and Bernice E. Bell, incorporated herein by reference to Exhibit 10.4 of Form 8-K (File No. 001-34057), filed July 8, 2016.
†*10.5	Retention Bonus Grant Letter, dated July 1, 2016, by and between American Capital Mortgage Management, LLC and Bernice E. Bell, incorporated herein by reference to Exhibit 10.5 of Form 8-K (File No. 001-34057), filed July 8, 2016.
†*10.6	Transition Services Agreement, dated July 1, 2016, by and among American Capital Agency Corp., American Capital, Ltd., American Capital Asset Management, LLC and American Capital Mortgage Management, LLC, incorporated herein by reference to Exhibit 2.1 of Form 8-K (File No. 001-34057), filed July 8, 2016.
†10.7	AGNC Investment Corp. 2016 Equity and Incentive Compensation Plan, as adopted at a Special Meeting of Stockholders held on December 9, 2016, filed herewith.
†10.8	Form of AGNC Investment Corp. 2016 Equity and Incentive Compensation Plan Restricted Stock Unit Agreement for Section 16 Officers with Employment Contracts, filed herewith.
†10.9	Form of AGNC Investment Corp. 2016 Equity and Incentive Compensation Plan Performance-Based Restricted Stock Unit Agreement for Section 16 Officers with Employment Contracts, filed herewith.
†10.10	Form of AGNC Investment Corp. 2016 Equity and Incentive Compensation Plan Restricted Stock Unit Agreement for Section 16 officers without Employment Contracts, filed herewith.
†10.11	Form of AGNC Investment Corp. 2016 Equity and Incentive Compensation Plan Performance-Based Restricted Stock Unit Agreement for Section 16 officers without Employment Contracts, filed herewith.
†*10.12	AGNC Mortgage Management, LLC Performance Incentive Plan - MTGE, incorporated herein by reference to Exhibit 10.1 of Form 8-K (File No. 001-34057), filed January 27, 2017.
†10.13	Form of Memorandum and Acceptance Agreement for Incentive Awards under the AGNC Mortgage Management, LLC Performance Incentive Plan - MTGE for Section 16 Officers with Employment Contracts, filed herewith.
†10.14	Form of Memorandum and Acceptance Agreement for Incentive Awards under the AGNC Mortgage Management, LLC Performance Incentive Plan - MTGE for Section 16 Officers without Employment Contracts, filed herewith.
12.1	Computation of ratio of earnings to fixed charges and ratio of earnings to combined fixed charges and preferred stock dividends, filed herewith.
14	AGNC Investment Corp. Code of Ethics and Conduct, adopted October 18, 2016, filed herewith.
21	Subsidiaries of the Company and jurisdiction of incorporation: 1) AGNC TRS, LLC, a Delaware limited liability company 2) Old Georgetown Insurance Co. LLC, a Missouri limited liability company 3) Bethesda Securities, LLC, a Delaware limited liability company 4) AGNC Mortgage Management, LLC, a Delaware limited liability company
23	Consent of Ernst & Young LLP, filed herewith.
24	Powers of Attorneys of directors and officers, filed herewith.
31.1	Certification of CEO Pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002.
31.2	Certification of CFO Pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002.
32	Certification of CEO and CFO Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS**	XBRL Instance Document
101.SCH**	XBRL Taxonomy Extension Schema Document
101.CAL**	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB**	XBRL Taxonomy Extension Labels Linkbase Document
101.PRE**	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF**	XBRL Taxonomy Extension Definition Linkbase Document

* Previously filed

** This exhibit is being furnished rather than filed, and shall not be deemed incorporated by reference into any filing, in accordance with Item 601 of Regulation S-K

† Management contract or compensatory plan or arrangement

(b) Exhibits

See the exhibits filed herewith.

(c) Additional financial statement schedules

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

AGNC INVESTMENT CORP.

By: /s/ GARY KAIN

Gary Kain
Chief Executive Officer, President and Chief Investment Officer (Principal Executive Officer)

Date: February 27, 2017

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Name	Title	Date
/s/ GARY KAIN **Gary Kain**	Chief Executive Officer, President and Chief Investment Officer (Principal Executive Officer)	February 27, 2017
/s/ PETER FEDERICO **Peter Federico**	Chief Financial Officer and Executive Vice President (Principal Financial Officer)	February 27, 2017
/s/ BERNICE E. BELL **Bernice E. Bell**	Senior Vice President and Chief Accounting Officer (Principal Accounting Officer)	February 27, 2017
* **Morris A. Davis**	Director	February 27, 2017
* **Larry K. Harvey**	Director	February 27, 2017
* **Prue B. Larocca**	Director	February 27, 2017
* **Paul E. Mullings**	Director	February 27, 2017

*By: /s/ KENNETH L. POLLACK

Kenneth L. Pollack

Attorney-in-fact

AGNC Investment Corp.

2016 EQUITY AND INCENTIVE COMPENSATION PLAN

1. **Purpose**. The purpose of this Plan is to attract and retain non-employee Directors and officers and other employees of the Company and the Subsidiaries and to provide to such persons incentives and rewards for service or performance.
2. **Definitions**. As used in this Plan:
   (a) "Affiliate" means any Person that directly or indirectly Controls, is Controlled by or is under common Control with the Company.
   (b) "Appreciation Right" means a right granted pursuant to **Section 5** of this Plan.
   (c) "Base Price" means the price to be used as the basis for determining the Spread upon the exercise of an Appreciation Right.
   (d) "Board" means the Board of Directors of the Company.
   (e) "Cash Incentive Award" means a cash award granted pursuant to **Section 8** of this Plan.
   (f) "Change of Control" has the meaning set forth in **Section 12** of this Plan.
   (g) "Code" means the Internal Revenue Code of 1986, as amended from time to time.
   (h) "Committee" means the Compensation and Corporate Governance Committee of the Board (or its successor(s)) or any other committee of the Board designated by the Board to administer this Plan pursuant to **Section 10** of this Plan, and to the extent of any delegation by the Committee to a subcommittee pursuant to **Section 10** of this Plan, such subcommittee.
   (i) "Common Stock" means the common stock, par value $0.01 per share, of the Company or any security into which such common stock may be changed by reason of any transaction or event of the type referred to in **Section 11** of this Plan.
   (j) "Company" means AGNC Investment Corp., a Delaware corporation, and its successors.
   (k) "Control", "Controlled by" and "under common Control with" means, as applied to any Person, the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting or other securities, by contract or otherwise.
   (l) "Date of Grant" means the date specified by the Committee on which a grant of an Option Right, an Appreciation Right, Performance Shares, Performance Units, a Cash Incentive Award or other award contemplated by **Section 9** of this Plan, or a grant or sale of Restricted Shares, Restricted Stock Units or other awards contemplated by **Section 9** of this Plan, will become effective (which date will not be earlier than the date on which the Committee takes action with respect thereto).
   (m) "Director" means a member of the Board.
   (n) "Effective Date" means October 18, 2016, the date on which this Plan was adopted by the Board, subject to obtaining the approval of the Stockholders.
   (o) "Evidence of Award" means an agreement, certificate, resolution or other type or form of writing or other evidence approved by the Committee that sets forth the terms and conditions of the awards granted under this Plan. An Evidence of Award may be in an electronic medium, may be limited to notation on the books and records of the Company and, unless otherwise determined by the Committee, need not be signed by a representative of the Company or a Participant.
   (p) "Exchange Act" means the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder, as such law, rules and regulations may be amended from time to time.
   (q) "Incentive Stock Option" means an Option Right that is intended to qualify as an "incentive stock option" under Section 422 of the Code or any successor provision.
   (r) "Incumbent Directors" means the individuals who, as of the Effective Date, are Directors and any individual becoming a Director subsequent to the Effective Date whose election, nomination for election by the Stockholders or appointment was approved by a vote of at least a majority of the then-Incumbent Directors (either by a specific vote or by approval of the proxy statement of the Company in which such Person is named as a nominee for Director without objection to such nomination); provided, however, that an individual shall not be an Incumbent Director if such individual's election or appointment to the Board occurs as a result of an actual or threatened election contest (as described in Rule 14a-12(c) of the Exchange Act) with respect to the election or removal of Directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board.
   (s) "Management Objectives" means the measurable performance objective or objectives established pursuant to this Plan for Participants who have received grants of Performance Shares, Performance Units or Cash Incentive Awards or, when so determined by the Committee, Option Rights, Appreciation Rights, Restricted Shares, Restricted Stock Units, dividend equivalents or other awards pursuant to this Plan. Management Objectives may be described in

terms of Company-wide objectives or objectives that are related to the performance of the individual Participant or of one or more of the Subsidiaries, divisions, departments, regions, functions or other organizational units within the Company or the Subsidiaries. The Management Objectives may be made relative to the performance of other companies or subsidiaries, divisions, departments, regions, functions or other organizational units within such other companies and may be made relative to an index or one or more of the performance objectives themselves. The Committee may grant awards subject to Management Objectives that are either Qualified Performance-Based Awards or are not Qualified Performance-Based Awards. The Management Objectives applicable to any Qualified Performance-Based Award will be based on one or more, or a combination, of the following metrics (including relative or growth achievement regarding such metrics), which may be determined on an absolute, aggregate, per share, cash or other basis: (i) cash flow measures; (ii) cash available for distribution; (iii) earnings; (iv) net income, net operating income or other earnings or income measures (including earnings adjusted to exclude interest, taxes, depreciation, amortization and/or rent); (v) share price performance; (vi) book value; (vii) dividends; (viii) return measures (including total economic return (including by taking into account changes in net asset value and dividends declared or paid), total stock return or total shareholder return (including by taking into account changes in share prices plus dividends declared or paid) or return on assets, capital, invested capital, equity or revenue); (ix) valuation metrics (including price-to-book ratio); (x) revenue; (xi) profit margin; (xii) expense levels or ratios and reduction of expenses and costs; (xiii) cost control measures; (xiv) balance sheet metrics or objectives; (xv) debt levels or reduction of debt ratios; (xvi) operating efficiency and productivity; (xvii) funds from operations; (xviii) completion of, or achievement of milestones or objectives related to, financing or capital raising transactions, strategic acquisitions or divestitures, joint ventures, partnerships, collaborations or other transactions or improvements in capital structure; or (xix) strategic objectives consisting of capital allocation and investment strategy, maintenance or achievement of credit ratings, execution of business extensions or expansion plans, execution or implementation of transition or development plans or transactions, branding or rebranding, management effectiveness, staffing development, team building and management, management of legal and regulatory matters, regulatory and legal compliance, satisfactory internal or external audits, budget and expense management and management of co-investment relationships.

In the case of a Qualified Performance-Based Award, each Management Objective will be objectively determinable to the extent required under Section 162(m) of the Code, and, unless otherwise determined by the Committee and to the extent consistent with Section 162(m) of the Code, will exclude the effects of certain designated items identified at the time of grant. If the Committee determines that a change in the business, operations, corporate structure or capital structure of the Company, the manner in which it conducts its business or other events or circumstances render the Management Objectives unsuitable, the Committee may in its discretion modify such Management Objectives or the related minimum acceptable level of achievement, in whole or in part, as the Committee deems appropriate and equitable, except in the case of a Qualified Performance-Based Award (other than in connection with a Participant's death or disability or a Change of Control) where such action would result in the loss of the otherwise available exemption of the award under Section 162(m) of the Code.

(t) "<u>Market Value per Share</u>" means, as of any particular date, the closing price of a share of Common Stock as reported for that date on the NASDAQ Stock Market or, if the shares of Common Stock are not then listed on the NASDAQ Stock Market, on any other national securities exchange on which the shares of Common Stock are listed, or if there are no sales on such date, on the next preceding trading day during which a sale occurred. If there is no regular public trading market for the shares of Common Stock, then the Market Value per Share shall be the fair market value as determined in good faith by the Committee. The Committee is authorized to adopt another fair market value pricing method provided such method is stated in the applicable Evidence of Award and is in compliance with the fair market value pricing rules set forth in Section 409A of the Code.

(u) "<u>Optionee</u>" means the optionee named in an Evidence of Award evidencing an outstanding Option Right.

(v) "<u>Option Price</u>" means the purchase price payable on exercise of an Option Right.

(w) "<u>Option Right</u>" means the right to purchase shares of Common Stock upon exercise of an award granted pursuant to **<u>Section 4</u>** of this Plan.

(x) "<u>Participant</u>" means a person who is selected by the Committee to receive an award under this Plan and who is at the time (i) an officer or other employee of the Company or any Subsidiary, including a person who has agreed to commence serving in such capacity within 90 days after the Date of Grant, (ii) a Person who provides services to the Company or any Subsidiary that are equivalent to those typically provided by an officer or other employee (provided that such Person satisfies the Form S-8 definition of an "employee") or (iii) a non-employee Director.

(y) "<u>Performance Period</u>" means, in respect of a Cash Incentive Award, Performance Shares or Performance Units, a period of time established pursuant to **<u>Section 8</u>** of this Plan within which the Management Objectives relating to such Cash Incentive Award, Performance Shares or Performance Units are to be achieved.

(z) "<u>Performance Share</u>" means a bookkeeping entry that records the equivalent of one share of Common Stock awarded pursuant to **<u>Section 8</u>** of this Plan.

(aa) "Performance Unit" means a bookkeeping entry awarded pursuant to **Section 8** of this Plan that records a unit valued by reference to a designated amount of cash or property other than shares of Common Stock, as is determined by the Committee.

(ab) "Person" means any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act).

(ac) "Plan" means this AGNC Investment Corp. 2016 Equity and Incentive Compensation Plan, as amended from time to time.

(ad) "Qualified Performance-Based Award" means any Cash Incentive Award or award of Performance Shares, Performance Units, Restricted Shares, Restricted Stock Units or other awards contemplated under **Section 9** of this Plan, or portion of such award, that is intended to satisfy the requirements for "qualified performance-based compensation" under Section 162(m) of the Code. Notwithstanding anything in this Plan to the contrary, Qualified Performance-Based Awards may be granted under this Plan only to officers or other key employees of the Company or any Subsidiary.

(ae) "Restricted Shares" means shares of Common Stock granted or sold pursuant to **Section 6** of this Plan as to which neither the substantial risk of forfeiture nor the prohibition on transfers has expired.

(af) "Restricted Stock Units" means an award made pursuant to **Section 7** of this Plan of the right to receive shares of Common Stock, cash or a combination thereof at the end of the Restriction Period.

(ag) "Restriction Period" means the period of time during which Restricted Stock Units are subject to restrictions, as provided in **Section 7** of this Plan.

(ah) "Spread" means the excess of the Market Value per Share on the date when an Appreciation Right is exercised over the Base Price provided for with respect to the Appreciation Right.

(ai) "Stockholder" means an individual or entity that owns one or more shares of Common Stock.

(aj) "Subsidiary" means a corporation, company or other entity (i) more than 50% of whose outstanding shares or securities (representing the right to vote for the election of directors or other managing authority) are, or (ii) which does not have outstanding shares or securities (as may be the case in a partnership, joint venture, limited liability company, unincorporated association or other similar entity), but more than 50% of whose ownership interest representing the right generally to make decisions for such other entity is, in either such case, owned or Controlled, directly or indirectly, by the Company; provided, however, that for purposes of determining whether any Person may be a Participant for purposes of any grant of Incentive Stock Options, "Subsidiary" means any corporation in which the Company at the time owns or Controls, directly or indirectly, more than 50% of the total combined Voting Power represented by all classes of stock issued by such corporation.

(ak) "Voting Power" means, at any time, the combined voting power of the then-outstanding securities entitled to vote generally in the election of Directors in the case of the Company or members of the board of directors or similar body in the case of another entity.

3. **Shares Available Under this Plan**.

(a) Maximum Shares Available Under this Plan.

(i) Subject to adjustment as provided in **Section 11** of this Plan and the share counting rules set forth in **Section 3(b)** below, the number of shares of Common Stock available under this Plan for awards of (A) Option Rights or Appreciation Rights, (B) Restricted Shares, (C) Restricted Stock Units, (D) Performance Shares or Performance Units, (E) awards contemplated by **Section 9** of this Plan or (F) dividend equivalents paid with respect to awards made under this Plan will not exceed in the aggregate 10,000,000 shares of Common Stock. Such shares may be shares of original issuance or treasury shares or a combination of the foregoing.

(ii) The aggregate number of shares of Common Stock available under **Section 3(a)(i)** above will be reduced by one share of Common Stock for every one share of Common Stock subject to an award granted under this Plan.

(b) Share Counting Rules.

(i) Except as provided in **Section 22** of this Plan, if any award granted under this Plan is cancelled or forfeited, expires or is settled for cash (in whole or in part), the shares of Common Stock subject to such award will, to the extent of such cancellation, forfeiture, expiration or cash settlement, again be available under **Section 3(a)(i)** above.

(ii) Notwithstanding anything to the contrary contained in this Plan, (A) shares of Common Stock withheld by the Company, tendered or otherwise used in payment of the Option Price of an Option Right will not be added (or added back, as applicable) to the aggregate number of shares of Common Stock available under **Section 3(a)(i)** above; (B) shares of Common Stock withheld by the Company, tendered or otherwise used to satisfy a tax withholding obligation with respect to an Option Right or an Appreciation Right will not be added (or added back, as applicable) to the aggregate number of shares of Common Stock available under **Section 3(a)(i)** above; (C) shares of Common Stock withheld by the Company, tendered or otherwise used to satisfy (up to but not exceeding) the minimum tax withholding obligation with respect to Restricted Shares, Restricted Stock Units, Performance Shares, Performance Units, awards contemplated by **Section 9** of this Plan or dividend equivalents paid with respect to awards made under this Plan will be added (or added back, as applicable) to the aggregate number of shares of Common Stock available under **Section 3(a)(i)** above; and (D) shares of Common Stock subject to an Appreciation Right that are not actually issued in connection with the settlement in shares of Common Stock of such Appreciation Right on the exercise thereof will not be added (or added back) to the aggregate number of shares of Common Stock available under **Section 3(a)(i)** above.

(iii) Notwithstanding anything to the contrary contained in this Plan, shares of Common Stock reacquired by the Company on the open market or otherwise using cash proceeds from the exercise of Option Rights will not be added to the aggregate number of shares of Common Stock available under **Section 3(a)(i)** above.

(iv) If, under this Plan, a Participant has elected to give up the right to receive compensation in exchange for shares of Common Stock based on fair market value, such shares of Common Stock will not count against the aggregate limit under **Section 3(a)(i)** above.

(c) Limit on Incentive Stock Options. Notwithstanding anything to the contrary contained in this **Section 3** or elsewhere in this Plan, and subject to adjustment as provided in **Section 11** of this Plan, the aggregate number of shares of Common Stock actually issued or transferred by the Company upon the exercise of Incentive Stock Options will not exceed 10,000,000 shares of Common Stock.

(d) Individual Participant Limits. Notwithstanding anything to the contrary contained in this **Section 3** or elsewhere in this Plan, and subject to adjustment as provided in **Section 11** of this Plan:

(i) In no event will any Participant in any calendar year be granted Option Rights and/or Appreciation Rights, in the aggregate, for more than 1,000,000 shares of Common Stock; provided, however, that with respect to a Participant's first year of service with the Company, the amount set forth in this **Section 3(d)(i)** is multiplied by two.

(ii) In no event will any Participant in any calendar year be granted Qualified Performance-Based Awards of Restricted Shares, Restricted Stock Units, Performance Shares and/or other awards under **Section 9** of this Plan, in the aggregate, for more than 1,000,000 shares of Common Stock; provided, however, that with respect to a Participant's first year of service with the Company, the amount set forth in this **Section 3(d)(ii)** is multiplied by two.

(iii) In no event will any Participant in any calendar year receive Qualified Performance-Based Awards of Cash Incentive Awards, Performance Units and/or other awards payable in cash under **Section 9** of this Plan having an aggregate maximum value as of their respective Dates of Grant in excess of $15,000,000; provided, however, that with respect to a Participant's first year of service with the Company, the amount set forth in this **Section 3(d)(iii)** is multiplied by two.

(iv) In no event will any non-employee Director in any calendar year be granted awards under this Plan having an aggregate maximum value at the Date of Grant (calculating the value of any such awards based on the grant date fair value for financial reporting purposes), taken together with any cash fees payable to such non-employee Director for such calendar year, in excess of $750,000.

4. **Option Rights**. The Committee may, from time to time and upon such terms and conditions as it may determine, authorize the granting to Participants of Option Rights. Each such grant may utilize any or all of the authorizations and will be subject to all of the requirements contained in the following provisions:

(a) Each grant will specify the number of shares of Common Stock to which it pertains, subject to the limitations set forth in **Section 3** of this Plan.

(b) Each grant will specify an Option Price per share of Common Stock, which (except with respect to awards under **Section 22** of this Plan) may not be less than the Market Value per Share on the Date of Grant.

(c) Each grant will specify whether the Option Price will be payable (i) in cash, by check acceptable to the Company or by wire transfer of immediately available funds, (ii) by the actual or constructive transfer to the Company of shares of Common Stock owned by the Optionee having a value at the time of exercise equal to the total Option Price, (iii) subject to any conditions or limitations established by the Committee, by the Company's withholding of shares of Common Stock otherwise issuable upon exercise of an Option Right pursuant to a "net exercise" arrangement (it being understood that, solely for purposes of determining the number of treasury shares held by the Company, the shares of Common Stock so withheld will not be treated as issued and acquired by the Company upon such exercise), (iv) by a combination of such methods of payment or (v) by such other methods as may be approved by the Committee.

(d) To the extent permitted by law, any grant may provide for deferred payment of the Option Price from the proceeds of sale through a bank or broker on a date satisfactory to the Company of some or all of the shares of Common Stock to which such exercise relates.

(e) Successive grants may be made to the same Participant whether or not any Option Rights previously granted to such Participant remain unexercised. No grant may provide for the automatic grant of reload Option Rights to a Participant upon the exercise of an Option Right.

(f) Each grant will specify the period or periods of continuous service by the Optionee with the Company or any Subsidiary that is necessary before the Option Right or installments thereof will become exercisable. A grant of an Option Right may provide for the earlier exercise of such Option Right, including (i) in the event of the retirement, death or disability of a Participant or (ii) in the event of a Change of Control where either (A) within a specified period the Participant experiences a qualifying termination of employment or service, as applicable, in a manner described in the applicable Evidence of Award or (B) such Option Right is not continued, assumed or converted into a replacement award in a manner described in the applicable Evidence of Award.

(g) Any grant of an Option Right may specify Management Objectives that must be achieved as a condition to the exercise of such right.

(h) Option Rights granted under this Plan may be (i) options, including Incentive Stock Options, that are intended to qualify under particular provisions of the Code, (ii) options that are not intended to so qualify or (iii) combinations of the foregoing. Incentive Stock Options may only be granted to Participants who meet the definition of "employees" under Section 3401(c) of the Code.

(i) No Option Right will be exercisable more than 10 years from the Date of Grant.

(j) Option Rights granted under this Plan may not provide for any dividends or dividend equivalents thereon.

(k) Each grant of an Option Right will be evidenced by an Evidence of Award. Each Evidence of Award will be subject to this Plan and will contain such terms and provisions, consistent with this Plan, as the Committee may approve.

5. **Appreciation Rights**.

(a) The Committee may, from time to time and upon such terms and conditions as it may determine, authorize the granting to any Participant of an Appreciation Right. An Appreciation Right will be a right of the Participant to receive from the Company an amount determined by the Committee, which will be expressed as a percentage of the Spread (not exceeding 100%) at the time of exercise.

(b) Each grant of an Appreciation Right may utilize any or all of the authorizations and will be subject to all of the requirements contained in the following provisions:

(i) Each grant may specify that the amount payable on exercise of an Appreciation Right will be paid by the Company in cash, shares of Common Stock or any combination thereof.

(ii) Any grant may specify that the amount payable on exercise of an Appreciation Right may not exceed a maximum specified by the Committee on the Date of Grant.

(iii) Any grant may specify waiting periods before exercise and permissible exercise dates or periods.

(iv) Each grant will specify the period or periods of continuous service by the Participant with the Company or any Subsidiary that is necessary before the Appreciation Right or any installment thereof will become exercisable. A grant of an Appreciation Right may provide for the earlier exercise of such Appreciation Right, including (A) in the event of the retirement, death or disability of a Participant or (B) in the event of a Change of Control where either (I) within a specified period the Participant experiences a qualifying termination of employment or service, as applicable, in a manner described in the applicable Evidence of Award or (II) such Appreciation Right is not continued, assumed or converted into a replacement award in a manner described in the applicable Evidence of Award.

(v) Any grant of an Appreciation Right may specify Management Objectives that must be achieved as a condition of the exercise of such Appreciation Right.

(vi) Each grant of an Appreciation Right will be evidenced by an Evidence of Award, which Evidence of Award will describe such Appreciation Right and contain such other terms and provisions, consistent with this Plan, as the Committee may approve.

(c) Successive grants of Appreciation Rights may be made to the same Participant regardless of whether any Appreciation Right previously granted to the Participant remains unexercised. No grant may provide for the automatic grant of reload Appreciation Rights to a Participant upon the exercise of an Appreciation Right.

(d) Also, regarding Appreciation Rights:

(i) Each grant will specify in respect of each Appreciation Right a Base Price, which (except with respect to awards under **Section 22** of this Plan) may not be less than the Market Value per Share on the Date of Grant; and

(ii) No Appreciation Right granted under this Plan may be exercised more than 10 years from the Date of Grant.

6. **Restricted Shares**. The Committee may, from time to time and upon such terms and conditions as it may determine, authorize the grant or sale of Restricted Shares to Participants. Each such grant or sale may utilize any or all of the authorizations and will be subject to all of the requirements contained in the following provisions:

(a) Each such grant or sale will constitute an immediate transfer of the ownership of shares of Common Stock to the Participant in consideration of the performance of services, entitling such Participant to voting, dividend and other ownership rights but subject to the substantial risk of forfeiture and restrictions on transfer hereinafter described.

(b) Each such grant or sale may be made without additional consideration or in consideration of a payment by such Participant that is less than the Market Value per Share on the Date of Grant.

(c) Each such grant or sale will provide that the Restricted Shares covered by such grant or sale will be subject to a "substantial risk of forfeiture" within the meaning of Section 83 of the Code for a period to be determined by the Committee on the Date of Grant or until achievement of Management Objectives referred to in **Section 6(e)** below.

(d) Each such grant or sale will provide that during or after the period for which such substantial risk of forfeiture is to continue, the transferability of the Restricted Shares will be prohibited or restricted in the manner and to the extent prescribed by the Committee on the Date of Grant (which restrictions may include rights of repurchase or first refusal of the Company or provisions subjecting the Restricted Shares to a continuing substantial risk of forfeiture while held by any transferee).

(e) Any grant of Restricted Shares may specify Management Objectives that, if achieved, will result in termination or early termination of the restrictions applicable to such Restricted Shares.

(f) Notwithstanding anything to the contrary contained in this Plan, any grant or sale of Restricted Shares may provide for the earlier termination of restrictions on such Restricted Shares, including (i) in the event of the retirement, death or disability of a Participant or (ii) in the event of a Change of Control where either (A) within a specified period the Participant experiences a qualifying termination of employment or service, as applicable, in a manner described in the applicable Evidence of Award or (B) such Restricted Shares are not continued, assumed or converted into replacement awards in a manner described in the applicable Evidence of Award; provided, however, that no award of Restricted Shares intended to be a Qualified Performance-Based Award will provide for such early termination of restrictions (other than in connection with the death or disability of the Participant or a Change of Control) to the extent such provisions would result in the loss of the otherwise available exemption of the award under Section 162(m) of the Code.

(g) Any such grant or sale of Restricted Shares may require that any or all dividends or other distributions paid thereon during the period of such restrictions be automatically deferred and/or reinvested in additional Restricted Shares, which may be subject to the same restrictions as the underlying award; provided, however, that dividends or other distributions on Restricted Shares with restrictions that lapse as a result of the achievement of Management Objectives will be deferred until, and paid contingent upon, the achievement of the applicable Management Objectives.

(h) Each grant or sale of Restricted Shares will be evidenced by an Evidence of Award and will contain such terms and provisions, consistent with this Plan, as the Committee may approve. Unless otherwise directed by the Committee, (i) all certificates representing Restricted Shares will be held in custody by the Company until all restrictions thereon will have lapsed, together with a stock power or powers executed by the Participant in whose name such certificates are registered, endorsed in blank and covering such shares, or (ii) all Restricted Shares will be held at the Company's transfer agent in book entry form with appropriate restrictions relating to the transfer of such Restricted Shares.

7. **Restricted Stock Units**. The Committee may, from time to time and upon such terms and conditions as it may determine, authorize the granting or sale of Restricted Stock Units to Participants. Each such grant or sale may utilize any or all of the authorizations and will be subject to all of the requirements contained in the following provisions:

(a) Each such grant or sale will constitute the agreement by the Company to deliver shares of Common Stock or cash, or a combination thereof, to the Participant in the future in consideration of the performance of services but subject to the fulfillment of such conditions (which may include the achievement of Management Objectives) during the Restriction Period as the Committee may specify.

(b) Each such grant or sale may be made without additional consideration or in consideration of a payment by such Participant that is less than the Market Value per Share on the Date of Grant.

(c) Notwithstanding anything to the contrary contained in this Plan, any grant or sale of Restricted Stock Units may provide for the earlier lapse or other modification of the Restriction Period, including (i) in the event of the retirement, death or disability of a Participant or (ii) in the event of a Change of Control where either (A) within a specified period the Participant experiences a qualifying termination of employment or service, as applicable, in a manner described in the applicable Evidence of Award or (B) such Restricted Stock Units are not continued, assumed or converted into replacement awards in a manner described in the applicable Evidence of Award; provided, however, that no award of Restricted Stock Units intended to be a Qualified Performance-Based Award will provide for such early lapse or modification of the Restriction Period (other than in connection with the death or disability of the Participant or a Change of Control) to the extent such provisions would result in the loss of the otherwise available exemption of the award under Section 162(m) of the Code.

(d) During the Restriction Period, the Participant will have no right to transfer any rights under his or her award and will have no rights of ownership in the shares of Common Stock deliverable upon payment of the Restricted Stock Units and will have no right to vote them, but the Committee may, at or after the Date of Grant, authorize the payment of dividend equivalents on such Restricted Stock Units on either a current, deferred or contingent basis, either in cash or in additional shares of Common Stock; provided, however, that dividend equivalents or other distributions on shares of Common Stock underlying Restricted Stock Units with restrictions that lapse as a result of the achievement of Management Objectives will be deferred until, and paid contingent upon, the achievement of the applicable Management Objectives.

(e) Each grant or sale of Restricted Stock Units will specify the time and manner of payment of the Restricted Stock Units that have been earned. Each grant or sale will specify that the amount payable with respect thereto will be paid by the Company in shares of Common Stock or cash, or a combination thereof.

(f) Each grant or sale of Restricted Stock Units will be evidenced by an Evidence of Award and will contain such terms and provisions, consistent with this Plan, as the Committee may approve.

8. **Cash Incentive Awards, Performance Shares and Performance Units**. The Committee may, from time to time and upon such terms and conditions as it may determine, authorize the granting of Cash Incentive Awards, Performance Shares

and Performance Units. Each such grant may utilize any or all of the authorizations and will be subject to all of the requirements, contained in the following provisions:

(a) Each grant will specify the number or amount of Performance Shares or Performance Units, or amount payable with respect to a Cash Incentive Award, which number or amount may be subject to adjustment to reflect changes in compensation or other factors; <u>provided</u>, <u>however</u>, that no such adjustment will be made in the case of a Qualified Performance-Based Award (other than in connection with the death or disability of the Participant or a Change of Control) where such action would result in the loss of the otherwise available exemption of the award under Section 162(m) of the Code.

(b) The Performance Period with respect to each Cash Incentive Award or grant of Performance Shares or Performance Units will be such period of time as will be determined by the Committee, which may be subject to earlier lapse or other modification, including (i) in the event of the retirement, death or disability of a Participant or (ii) in the event of a Change of Control where either (A) within a specified period the Participant experiences a qualifying termination of employment or service, as applicable, in a manner described in the applicable Evidence of Award or (B) such Cash Incentive Awards, Performance Shares and Performance Units are not continued, assumed or converted into replacement awards in a manner described in the applicable Evidence of Award; <u>provided</u>, <u>however</u>, that no such adjustment will be made in the case of a Qualified Performance-Based Award (other than in connection with the death or disability of the Participant or a Change of Control) where such action would result in the loss of the otherwise available exemption of the award under Section 162(m) of the Code. In such event, the Evidence of Award will specify the time and terms of delivery.

(c) Each grant of a Cash Incentive Award, Performance Shares or Performance Units will specify Management Objectives which, if achieved, will result in payment or early payment of the award, and each grant may specify in respect of such specified Management Objectives a minimum acceptable level or levels of achievement and may set forth a formula for determining the number of Performance Shares or Performance Units, or amount payable with respect to a Cash Incentive Award, that will be earned if performance is at or above the minimum or threshold level or levels, or is at or above the target level or levels, but falls short of maximum achievement of the specified Management Objectives.

(d) Each grant will specify the time and manner of payment of a Cash Incentive Award, Performance Shares or Performance Units that have been earned. Any grant may specify that the amount payable with respect thereto may be paid by the Company in cash, in shares of Common Stock, in Restricted Shares or Restricted Stock Units or in any combination thereof.

(e) Any grant of a Cash Incentive Award, Performance Shares or Performance Units may specify that the amount payable or the number of shares of Common Stock, Restricted Shares or Restricted Stock Units payable with respect thereto may not exceed a maximum specified by the Committee on the Date of Grant.

(f) The Committee may, on the Date of Grant of Performance Shares, provide for the payment of dividend equivalents to the holder thereof either in cash or in additional shares of Common Stock, subject in all cases to deferral and payment on a contingent basis based on the Participant's earning of the Performance Shares with respect to which such dividend equivalents are paid.

(g) Each grant of a Cash Incentive Award, Performance Shares or Performance Units will be evidenced by an Evidence of Award and will contain such terms and provisions, consistent with this Plan, as the Committee may approve.

9. **Other Awards**.

(a) Subject to applicable law and the applicable limits set forth in **<u>Section 3</u>** of this Plan, the Committee may grant to any Participant shares of Common Stock or such other awards that may be denominated or payable in, valued in whole or in part by reference to, or otherwise based on or related to, shares of Common Stock or factors that may influence the value of such shares, including convertible or exchangeable debt securities, other rights convertible or exchangeable into shares of Common Stock, purchase rights for shares of Common Stock, awards with value and payment contingent upon performance of the Company or specified Subsidiaries, Affiliates or other business units thereof or any other factors designated by the Committee, and awards valued by reference to the book value of the shares of Common Stock or the value of securities of, or the performance of, specified Subsidiaries or Affiliates or other business units of, the Company. The Committee will determine the terms and conditions of such awards. Shares of Common Stock delivered pursuant to an award in the nature of a purchase right granted under this **<u>Section 9</u>** will be purchased for such consideration, paid for at such time, by such methods, and in such forms, including shares of Common Stock, other awards, notes or other property, as the Committee determines.

(b) Cash awards, or awards of other property, as an element of or supplement to any other award granted under this Plan, may also be granted pursuant to this **<u>Section 9</u>**.

(c) The Committee may grant shares of Common Stock as a bonus or may grant other awards (including of other property) in lieu of obligations of the Company or a Subsidiary to pay cash or deliver other property, under this Plan or under other plans or compensatory arrangements, subject to such terms as will be determined by the Committee in a manner that complies with Section 409A of the Code.

(d) Notwithstanding anything to the contrary contained in this Plan, any grant of an award under this **Section 9** may provide for the earning or vesting of, or earlier elimination of restrictions applicable to, such award, including (i) in the event of the retirement, death or disability of the Participant or (ii) in the event of a Change of Control where either (A) within a specified period the Participant experiences a qualifying termination of employment or service, as applicable, in a manner described in the applicable Evidence of Award or (B) such awards are not continued, assumed or converted into replacement awards in a manner described in the applicable Evidence of Award; provided, however, that no such adjustment will be made in the case of a Qualified Performance-Based Award (other than in connection with the death or disability of the Participant or a Change of Control) where such action would result in the loss of the otherwise available exemption of the award under Section 162(m) of the Code. In such event, the Evidence of Award will specify the time and terms of delivery.

10. **Administration of this Plan**.

(a) This Plan will be administered by the Committee. The Committee may from time to time delegate all or any part of its authority under this Plan to a subcommittee thereof. To the extent of any such delegation, references in this Plan to the Committee will be deemed to be references to such subcommittee.

(b) The interpretation and construction by the Committee of any provision of this Plan or of any Evidence of Award (or related documents) and any determination by the Committee pursuant to any provision of this Plan or of any such agreement, notification or document will be final and conclusive. No member of the Committee shall be liable for any such action or determination made in good faith. In addition, the Committee is authorized to take any action it determines in its sole discretion to be appropriate subject only to the express limitations contained in this Plan, and no authorization in any Plan section or other provision of this Plan is intended or may be deemed to constitute a limitation on the authority of the Committee.

(c) To the extent permitted by law, the Committee may delegate to one or more of its members, to one or more officers of the Company or to one or more agents or advisors, such administrative duties or powers as it may deem advisable, and the Committee, the subcommittee or any Person to whom duties or powers have been delegated as aforesaid may employ one or more Persons to render advice with respect to any responsibility the Committee, the subcommittee or such Person may have under this Plan. The Committee may, by resolution and to the extent permitted by law, authorize one or more officers of the Company to do one or both of the following on the same basis as the Committee: (i) designate employees to be recipients of awards under this Plan and (ii) determine the size of any such awards; provided, however, that (A) the Committee will not delegate such responsibilities to any such officer for awards granted to an employee who is an officer, Director or more than 10% "beneficial owner" (as such term is defined in Rule 13-d promulgated under the Exchange Act) of any class of the Company's equity securities that is registered pursuant to Section 12 of the Exchange Act, as determined by the Committee in accordance with Section 16 of the Exchange Act, or to any Participant who is, or is determined by the Committee to likely become, a "covered employee" within the meaning of Section 162(m) of the Code (or any successor provision); (B) the resolution providing for such authorization shall set forth the total number of shares of Common Stock such officer(s) may grant and (C) the officer(s) will report periodically to the Committee regarding the nature and scope of the awards granted pursuant to the authority delegated.

11. **Adjustments**. The Committee shall make or provide for such adjustments (a) in the number of, and kind of, shares of Common Stock covered by outstanding Option Rights, Appreciation Rights, Restricted Shares, Restricted Stock Units, Performance Shares and Performance Units granted hereunder and, if applicable, in the number of, and kind of, shares of Common Stock covered by other awards granted pursuant to **Section 9** of this Plan, (b) in the Option Price and Base Price provided in outstanding Option Rights and Appreciation Rights, respectively and (c) in any other terms of awards granted under this Plan, in any such case, as the Committee, in its sole discretion, exercised in good faith, determines is equitably required to prevent dilution or enlargement of the rights of Participants that otherwise would result from (i) any extraordinary cash dividend, stock dividend, stock split, combination of shares, recapitalization or other change in the capital structure of the Company, (ii) any merger, consolidation, spin-off, split-off, spin-out, split-up, reorganization, partial or complete liquidation or other distribution of assets, issuance of rights or warrants to purchase securities or (iii) any other corporate transaction or event having an effect similar to any of the foregoing. Moreover, in the event of any such transaction or event or in the event of a Change of Control, the Committee may provide in substitution for any or all outstanding awards under this Plan such alternative consideration (including cash), if any, as it, in good faith, may determine to be equitable in the circumstances and shall require in connection therewith the surrender of all awards so replaced in a manner that complies with Section 409A of the Code. In addition, for each Option Right or Appreciation Right with an Option Price or Base Price, respectively, greater than the consideration offered in connection with any such transaction or event or Change of Control, the Committee may in its discretion elect to cancel such Option Right or Appreciation Right without any payment to the Person holding such Option Right or Appreciation Right. The Committee shall also make or provide for such adjustments in the numbers of shares of Common Stock specified in **Section 3** of this Plan as the Committee in its sole discretion, exercised in good faith, determines is appropriate to reflect any transaction or event described in this **Section 11**; provided, however, that any such adjustment to the number specified in **Section 3**

(c) of this Plan will be made only if and to the extent that such adjustment would not cause any Option Right intended to qualify as an Incentive Stock Option to fail to so qualify.

12. **Change of Control**. For purposes of this Plan, except as may be otherwise prescribed by the Committee in an Evidence of Award made under this Plan, a "Change of Control" will be deemed to have occurred upon the occurrence of any of the following events:
    (a) any Person becomes the beneficial owner (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 35% or more of either (i) the then-outstanding common stock of the Company (the "Outstanding Company Common Stock") or (ii) the combined voting power of the then-outstanding voting securities of the Company entitled to vote generally in the election of Directors (the "Outstanding Company Voting Securities"); provided, however, that, for purposes of this **Section 12(a)**, the following acquisitions shall not constitute a Change of Control: (A) any acquisition of Outstanding Company Common Stock or Outstanding Company Voting Securities by the Company or any Affiliate, (B) any acquisition of Outstanding Company Common Stock or Outstanding Company Voting Securities by any employee benefit plan (or related trust) sponsored or maintained by the Company or any Affiliate or (C) any acquisition pursuant to a transaction that complies with each of **Section 12(c)(i)**, **(ii)** and **(iii)** below;
    (b) a majority of the Directors are not Incumbent Directors;
    (c) consummation of a reorganization, merger, statutory share exchange or consolidation, share sale or similar transaction involving the Company or any of the Subsidiaries, a sale or other disposition of all or substantially all of the assets of the Company or the acquisition of assets or securities of another entity by the Company or any of the Subsidiaries (each, a "Business Combination"), in each case unless, following such Business Combination, (i) all or substantially all of the individuals and entities that were the beneficial owners of the Outstanding Company Common Stock and the Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of the then-outstanding shares of common stock (or, for a non-corporate entity, equivalent securities) and the combined voting power of the then-outstanding voting securities entitled to vote generally in the election of directors (or, for a non-corporate entity, equivalent governing body), as the case may be, of the entity resulting from such Business Combination (including an entity that, as a result of such transaction, owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership immediately prior to such Business Combination of the Outstanding Company Common Stock and the Outstanding Company Voting Securities, as the case may be, (ii) no Person (excluding any entity resulting from such Business Combination or any employee benefit plan (or related trust) of the Company or such entity resulting from such Business Combination) beneficially owns, directly or indirectly, 35% or more of, respectively, the then-outstanding shares of common stock (or, for a non-corporate entity, equivalent securities) of the entity resulting from such Business Combination or the combined voting power of the then-outstanding voting securities of such entity, except to the extent that such ownership existed prior to the Business Combination and (iii) at least a majority of the members of the board of directors (or, for a non-corporate entity, equivalent governing body) of the entity resulting from such Business Combination were Incumbent Directors at the time of the execution of the initial agreement or of the action of the Board providing for such Business Combination; or
    (d) approval by the Stockholders of a complete liquidation or dissolution of the Company.
13. **Detrimental Activity and Recapture Provisions**. Any Evidence of Award may provide for the cancellation or forfeiture of an award or the forfeiture and repayment to the Company of any gain related to an award, or other provisions intended to have a similar effect, upon such terms and conditions as may be determined by the Committee from time to time, if a Participant, either (a) during employment or other service with the Company or a Subsidiary or (b) within a specified period after termination of such employment or service, engages in any detrimental activity (as further described in the applicable Evidence of Award). Any such detrimental activity could include malfeasance in the performance of the Participant's duties that is discovered by the Company or any Subsidiary after termination of employment or service or the Participant's violation of his or her obligations under a restrictive covenant agreement with the Company or any Subsidiary. In addition, notwithstanding anything to the contrary contained in this Plan, any Evidence of Award may also provide for the cancellation or forfeiture of an award or the forfeiture and repayment to the Company of any shares of Common Stock issued under, and/or any other benefit related to, an award, or other provisions intended to have a similar effect, upon such terms and conditions as may be required by the Committee or under Section 10D of the Exchange Act and any applicable rules or regulations promulgated by the Securities and Exchange Commission or any national securities exchange or national securities association on which the shares of Common Stock may be traded.
14. **Non-U.S. Participants**. In order to facilitate the making of any grant or combination of grants under this Plan, the Committee may provide for such special terms for awards to Participants who are foreign nationals or who are employed by the Company or any Subsidiary outside of the United States of America or who provide services to the Company or any Subsidiary under an agreement with a foreign nation or agency, as the Committee may consider necessary or appropriate to accommodate differences in local law, tax policy or custom. Moreover, the Committee may approve such supplements to, or amendments, restatements or alternative versions of, this Plan (including sub-plans) as it may consider necessary or appropriate for such purposes, without thereby affecting the terms of this Plan as in effect for any other

purpose, and the secretary or other appropriate officer of the Company may certify any such document as having been approved and adopted in the same manner as this Plan. No such special terms, supplements, amendments or restatements, however, will include any provisions that are inconsistent with the terms of this Plan as then in effect unless this Plan could have been amended to eliminate such inconsistency without further approval by the Stockholders.

15. **Transferability**.
   (a) Except as otherwise determined by the Committee, no Option Right, Appreciation Right, Restricted Shares, Restricted Stock Unit, Performance Share, Performance Unit, Cash Incentive Award, award contemplated by **Section 9** of this Plan or dividend equivalents paid with respect to awards made under this Plan will be transferable by the Participant except by will or the laws of descent and distribution. In no event will any such award granted under this Plan be transferred for value. Except as otherwise determined by the Committee, Option Rights and Appreciation Rights will be exercisable during the Participant's lifetime only by him or her or, in the event of the Participant's legal incapacity to do so, by his or her guardian or legal representative acting on behalf of the Participant in a fiduciary capacity under state law or court supervision.
   (b) The Committee may specify on the Date of Grant that part or all of the shares of Common Stock that are (i) to be issued or transferred by the Company upon the exercise of an Option Right or Appreciation Right, upon the termination of the Restriction Period applicable to Restricted Stock Units or upon payment under any grant of Performance Shares or Performance Units or (ii) no longer subject to the substantial risk of forfeiture and restrictions on transfer referred to in **Section 6** of this Plan, will be subject to further restrictions on transfer.
16. **Withholding Taxes**. To the extent that the Company is required to withhold federal, state, local or foreign taxes or other amounts in connection with any payment made or benefit realized by a Participant or other Person under this Plan, and the amounts available to the Company for such withholding are insufficient, it will be a condition to the receipt of such payment or the realization of such benefit that the Participant or such other Person make arrangements satisfactory to the Company for payment of the balance of such taxes or other amounts required to be withheld, which arrangements (in the discretion of the Committee) may include relinquishment of a portion of such benefit. If a Participant's benefit is to be received in the form of shares of Common Stock, and such Participant fails to make arrangements for the payment of taxes or other amounts, then, unless otherwise determined by the Committee, the Company will withhold shares of Common Stock having a value equal to the amount required to be withheld. Notwithstanding the foregoing, when a Participant is required to pay the Company an amount required to be withheld under applicable income, employment, tax or other laws, the Participant may elect, unless otherwise determined by the Committee, to satisfy the obligation, in whole or in part, by having withheld, from the shares of Common Stock required to be delivered to the Participant, shares of Common Stock having a value equal to the amount required to be withheld or by delivering to the Company other shares of Common Stock held by such Participant. The shares of Common Stock used for tax or other withholding will be valued at an amount equal to the fair market value of such shares of Common Stock on the date the benefit is to be included in Participant's income. In no event will the amount that is withheld pursuant to this **Section 16** with respect to an employee to satisfy applicable withholding taxes in connection with the benefit exceed the maximum statutory tax rates applicable with respect to such employee regarding the applicable jurisdiction. Participants will also make such arrangements as the Company may require for the payment of any withholding tax or other obligation that may arise in connection with the disposition of shares of Common Stock acquired upon the exercise of Option Rights.
17. **Compliance with Section 409A of the Code**.
   (a) To the extent applicable, it is intended that this Plan and any grants made hereunder comply with the provisions of Section 409A of the Code so that the income inclusion provisions of Section 409A(a)(1) of the Code do not apply to the Participants. This Plan and any grants made hereunder will be administered in a manner consistent with this intent. Any reference in this Plan to Section 409A of the Code will also include any regulations or any other formal guidance promulgated with respect to such section by the U.S. Department of the Treasury or the Internal Revenue Service.
   (b) Neither a Participant nor any of a Participant's creditors or beneficiaries will have the right to subject any deferred compensation (within the meaning of Section 409A of the Code) payable under this Plan and grants hereunder to any anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment or garnishment. Except as permitted under Section 409A of the Code, any deferred compensation (within the meaning of Section 409A of the Code) payable to a Participant or for a Participant's benefit under this Plan and grants hereunder may not be reduced by, or offset against, any amount owed by a Participant to the Company or any of the Subsidiaries.
   (c) If, at the time of a Participant's separation from service (within the meaning of Section 409A of the Code), (i) the Participant is a specified employee (within the meaning of Section 409A of the Code and using the identification methodology selected by the Company from time to time) and (ii) the Company makes a good faith determination that an amount payable hereunder constitutes deferred compensation (within the meaning of Section 409A of the Code) the payment of which is required to be delayed pursuant to the six-month delay rule set forth in Section 409A of the Code in order to avoid taxes or penalties under Section 409A of the Code, then the Company will not pay such amount on the otherwise scheduled payment date but will instead pay it, without interest, on the fifth business day of the seventh month after such separation from service.

(d) Solely with respect to any award that constitutes nonqualified deferred compensation subject to Section 409A of the Code and that is payable on account of a Change of Control (including any installments or stream of payments that are accelerated on account of a Change of Control), a Change of Control shall occur only if such event also constitutes a "change in the ownership," "change in effective control," and/or a "change in the ownership of a substantial portion of assets" of the Company as those terms are defined under Treasury Regulation §1.409A-3(i)(5), but only to the extent necessary to establish a time and form of payment that complies with Section 409A of the Code, without altering the definition of Change of Control for any purpose in respect of such award.

(e) Notwithstanding any provision of this Plan and grants hereunder to the contrary, in light of the uncertainty with respect to the proper application of Section 409A of the Code, the Company reserves the right to make amendments to this Plan and grants hereunder as and to the extent that the Company deems necessary or desirable to avoid the imposition of taxes or penalties under Section 409A of the Code. In any case, a Participant will be solely responsible and liable for the satisfaction of all taxes and penalties that may be imposed on a Participant or for a Participant's account in connection with this Plan and grants hereunder (including any taxes and penalties under Section 409A of the Code), and neither the Company nor any of its Affiliates will have any obligation to indemnify or otherwise hold a Participant harmless from any or all of such taxes or penalties.

18. **Amendments**.

(a) The Board may at any time and from time to time amend this Plan in whole or in part; provided, however, that if an amendment to this Plan (i) would materially increase the benefits accruing to Participants under this Plan, (ii) would materially increase the number of securities which may be issued under this Plan, (iii) would materially modify the requirements for participation in this Plan or (iv) must otherwise be approved by the Stockholders in order to comply with applicable law or the rules of the NASDAQ Stock Market or, if the shares of Common Stock are not traded on the NASDAQ Stock Market, the principal national securities exchange upon which the shares of Common Stock are traded or quoted, then, such amendment will be subject to Stockholder approval and will not be effective unless and until such approval has been obtained.

(b) Except in connection with a corporate transaction or event described in **Section 11** of this Plan or in connection with a Change of Control, the terms of outstanding awards may not be amended to reduce the Option Price of outstanding Option Rights or the Base Price of outstanding Appreciation Rights, or cancel outstanding "underwater" Option Rights or Appreciation Rights in exchange for cash, other awards or Option Rights or Appreciation Rights with an Option Price or Base Price, as applicable, that is less than the Option Price of the original Option Rights or Base Price of the original Appreciation Rights, as applicable, without Stockholder approval. This **Section 18(b)** is intended to prohibit the repricing of "underwater" Option Rights and Appreciation Rights and will not be construed to prohibit the adjustments provided for in **Section 11** of this Plan. Notwithstanding any provision of this Plan to the contrary, this **Section 18(b)** may not be amended without approval by the Stockholders.

(c) If permitted by Section 409A of the Code and Section 162(m) of the Code, but subject to the paragraph that follows, including in the case of termination of employment or service by reason of death, disability or retirement, or in the case of unforeseeable emergency or other circumstances or in the event of a Change of Control, to the extent a Participant holds an Option Right or Appreciation Right not immediately exercisable in full, or any Restricted Shares as to which the substantial risk of forfeiture or the prohibition or restriction on transfer has not lapsed, or any Restricted Stock Units as to which the Restriction Period has not been completed, or any Cash Incentive Awards, Performance Shares or Performance Units which have not been fully earned, or any other awards made pursuant to **Section 9** of this Plan subject to any vesting schedule or transfer restriction, or who holds shares of Common Stock subject to any transfer restriction imposed pursuant to **Section 15(b)** of this Plan, the Committee may, in its sole discretion, accelerate the time at which such Option Right, Appreciation Right or other award may be exercised or the time at which such substantial risk of forfeiture or prohibition or restriction on transfer will lapse or the time when such Restriction Period will end or the time at which such Cash Incentive Awards, Performance Shares or Performance Units will be deemed to have been fully earned or the time when such transfer restriction will terminate or may waive any other limitation or requirement under any such award, except in the case of a Qualified Performance-Based Award where such action would result in the loss of the otherwise available exemption of the award under Section 162(m) of the Code.

(d) Subject to **Section 18(b)** of this Plan, the Committee may amend the terms of any award theretofore granted under this Plan prospectively or retroactively, except in the case of a Qualified Performance-Based Award (other than in connection with the Participant's death or disability or a Change of Control) where such action would result in the loss of the otherwise available exemption of the award under Section 162(m) of the Code. In such case, the Committee will not make any modification of the Management Objectives or the level or levels of achievement with respect to such Qualified Performance-Based Award. Except for adjustments made pursuant to **Section 11** of this Plan, no such amendment will impair or adversely impact the rights of any Participant without his or her consent. The Board may, in its discretion, terminate this Plan at any time. Termination of this Plan will not affect the rights of Participants or their successors under any awards outstanding hereunder and not exercised in full on the date of termination.

19. **Governing Law**. This Plan and all grants and awards and actions taken hereunder will be governed by, and construed in accordance with, the internal substantive laws of the State of Delaware.
20. **Effective Date/Termination**. This Plan will be effective as of the Effective Date. No grant will be made under this Plan on or after the tenth anniversary of the Effective Date, but all grants made on or prior to such date will continue in effect thereafter subject to the terms thereof and of this Plan.
21. **Miscellaneous Provisions**.
    (a) The Company will not be required to issue any fractional shares of Common Stock pursuant to this Plan. The Committee may provide for the elimination of fractions or for the settlement of fractions in cash.
    (b) This Plan will not confer upon any Participant any right with respect to continuance of employment or other service with the Company or any Subsidiary, nor will it interfere in any way with any right the Company or any Subsidiary would otherwise have to terminate such Participant's employment or other service at any time.
    (c) Except with respect to **Section 21(e)** of this Plan, to the extent that any provision of this Plan would prevent any Option Right that was intended to qualify as an Incentive Stock Option from qualifying as such, that provision will be null and void with respect to such Option Right. Such provision, however, will remain in effect for other Option Rights and there will be no further effect on any provision of this Plan.
    (d) No award under this Plan may be exercised by the holder thereof if such exercise and the receipt of cash or stock thereunder would be, in the opinion of counsel selected by the Company, contrary to law or the regulations of any duly constituted authority having jurisdiction over this Plan.
    (e) Absence on leave approved by a duly constituted officer of the Company or any of the Subsidiaries or otherwise permitted in accordance with applicable Company policies will not be considered interruption or termination of employment or service of any Participant for any purposes of this Plan or awards granted hereunder.
    (f) No Participant will have any rights as a Stockholder with respect to any shares of Common Stock subject to awards granted to him or her under this Plan prior to the date as of which he or she is actually recorded as the holder of such shares of Common Stock upon the stock records of the Company.
    (g) The Committee may condition the grant of any award or combination of awards authorized under this Plan on the surrender or deferral by the Participant of his or her right to receive a cash bonus or other compensation otherwise payable by the Company or a Subsidiary to the Participant.
    (h) Except with respect to Option Rights and Appreciation Rights, the Committee may permit Participants to elect to defer the issuance of shares of Common Stock under this Plan pursuant to such rules, procedures or programs as it may establish for purposes of this Plan and which are intended to comply with the requirements of Section 409A of the Code. The Committee also may provide that deferred issuances and settlements include the payment or crediting of dividend equivalents or interest on the deferral amounts.
    (i) If any provision of this Plan is or becomes invalid or unenforceable in any jurisdiction, or would disqualify this Plan or any award under any law deemed applicable by the Committee, such provision will be construed or deemed amended or limited in scope to conform to applicable laws or, in the discretion of the Committee, it will be stricken and the remainder of this Plan will remain in full force and effect.
    (j) Unless otherwise indicated to the contrary herein by the context or use thereof, for purposes of this Plan and any Evidence of Award, (i) any reference to any federal, state, local or foreign statute or law will be deemed also to refer to all rules and regulations promulgated thereunder, (ii) the meanings given to terms defined herein will be equally applicable to both the singular and plural forms of such terms and (iii) the words "include," "includes" and "including" will be deemed to be followed by the phrase "without limitation".
22. **Stock-Based Awards in Substitution for Option Rights or Awards Granted by Another Company**. Notwithstanding anything to the contrary contained in this Plan:
    (a) Awards may be granted under this Plan in substitution for or in conversion of, or in connection with an assumption of, stock options, stock appreciation rights, restricted shares, restricted stock units or other stock or stock-based awards held by awardees of an entity engaging in a corporate acquisition or merger transaction with the Company or any Subsidiary. Any conversion, substitution or assumption will be effective as of the close of the merger or acquisition and, to the extent applicable, will be conducted in a manner that complies with Section 409A of the Code. The awards so granted may reflect the original terms of the awards being assumed or substituted or converted for and need not comply with other specific terms of this Plan and may account for shares of Common Stock substituted for the securities covered by the original awards and the number of shares of Common Stock subject to the original awards, as well as any exercise or purchase prices applicable to the original awards, adjusted to account for differences in stock prices in connection with the transaction.
    (b) In the event that a company acquired by the Company or any Subsidiary or with which the Company or any Subsidiary merges has shares available under a pre-existing plan previously approved by stockholders and not adopted in contemplation of such acquisition or merger, the shares available for grant pursuant to the terms of such plan (as adjusted, to the extent appropriate, to reflect such acquisition or merger) may be used for awards made after such acquisition or merger under this Plan; provided, however, that awards using such available shares may not be made after the date awards or grants could have been made under the terms of the pre-existing plan absent the acquisition

or merger and may only be made to individuals who were not employees or directors of the Company or any Subsidiary prior to such acquisition or merger.

(c) Any shares of Common Stock that are issued or transferred by, or that are subject to any awards that are granted by, or become obligations of, the Company under **Section 22(a)** or **22(b)** of this Plan will not reduce the shares of Common Stock available for issuance or transfer under this Plan or otherwise count against the limits contained in **Section 3** of this Plan. In addition, no shares of Common Stock subject to an award that is granted by, or becomes an obligation of, the Company under **Section 22(a)** or **22(b)** of this Plan will be added to the aggregate limit contained in **Section 3(a)(i)** of this Plan in the following circumstances: (i) if such award is cancelled or forfeited, expires or is settled for cash (in whole or in part), (ii) if such shares of Common Stock are withheld by the Company, tendered or otherwise used in payment of the Option Price of an Option or to satisfy a tax withholding obligation with respect to any award or (iii) if such shares of Common Stock are not actually issued in connection with the settlement of an Appreciation Right on the exercise thereof.

Exhibit 10.8

AGNC INVESTMENT CORP.
2016 EQUITY AND INCENTIVE COMPENSATION PLAN
RESTRICTED STOCK UNIT AGREEMENT

This RESTRICTED STOCK UNIT AGREEMENT (this "Agreement") is entered into as of **[______________]**, 20[ ] (the "Date of Grant"), by and between AGNC Investment Corp., a Delaware corporation (the "Company"), and **[_______________]** ("Grantee").

1. **Certain Definitions**. Capitalized terms used, but not otherwise defined, in this Agreement will have the meanings given to such terms in the Company's 2016 Equity and Incentive Compensation Plan (the "Plan"). As used in this Agreement:
   (a) "Disability" has the meaning set forth in the Employment Agreement.
   (b) "Employment Agreement" means the Amended and Restated Employment Agreement, entered into as of November 1, 2016, between the Manager and Grantee.
   (c) "Manager" means AGNC Mortgage Management, LLC.
   (d) "Re-Externalization" means a sale, merger or other transaction that results in the transfer or issuance of a majority of the outstanding equity interests of the Manager or AGNC Management, LLC to a person or entity other than a Subsidiary of the Company.
   (e) "Replacement Award" means an award (i) of the same type (e.g., time-based restricted stock units) as the RSUs (as defined in Section 2 hereof) covered by this Agreement, (ii) that has a value at least equal to the value of the RSUs covered by this Agreement, (iii) that relates to publicly traded equity securities of the Company or its successor in the Change of Control or another entity that is affiliated with the Company or its successor following the Change of Control, (iv) the tax consequences of which to Grantee under the Code are not less favorable to Grantee than the tax consequences of the RSUs covered by this Agreement and (v) the other terms and conditions of which are not less favorable to Grantee than the terms and conditions of the RSUs covered by this Agreement (including the provisions that would apply in the event of certain terminations of employment and a subsequent Change of Control or, if the surviving entity is internally managed, an externalization of management). A Replacement Award may be granted only to the extent it does not result in the RSUs covered by this Agreement or the Replacement Award failing to comply with or be exempt from Section 409A of the Code. Without limiting the generality of the foregoing, the Replacement Award may take the form of a continuation of the RSUs covered by this Agreement if the requirements of the two preceding sentences are satisfied. The determination of whether the conditions of this Section 1(e) are satisfied will be made by the Committee, as constituted immediately prior to the Change of Control, in its sole discretion.
   (f) "Termination For Good Reason" has the meaning set forth in the Employment Agreement.
   (g) "Termination Without Cause" has the meaning set forth in the Employment Agreement.
2. **Grant of RSUs**. Subject to and upon the terms, conditions and restrictions set forth in this Agreement and in the Plan, the Company hereby grants to Grantee **[_____]** Restricted Stock Units (the "RSUs"). Each RSU shall represent the right of Grantee to receive one share of Common Stock subject to and upon the terms and conditions of this Agreement.
3. **Restrictions on Transfer of RSUs**. Neither the RSUs evidenced hereby nor any interest therein or in the shares of Common Stock underlying such RSUs shall be transferable prior to payment to Grantee pursuant to Section 7 hereof, other than as described in Section 15 of the Plan.
4. **Vesting**. The RSUs covered by this Agreement shall become nonforfeitable and payable to Grantee pursuant to Section 7 hereof with respect to one-third (1/3) of the RSUs granted pursuant to this Agreement on each of [ ] if Grantee remains continuously employed by the Company or any of its Subsidiaries (or any of their successors) as of each such date.
5. **Accelerated Vesting**. Notwithstanding the provisions of Section 4 hereof, all of the RSUs covered by this Agreement that have not already vested and become nonforfeitable pursuant to Section 4 hereof will become nonforfeitable and payable to Grantee pursuant to Section 7 hereof earlier than the time provided in Section 4 hereof upon the occurrence of the earliest of any of the following events:
   (a) While Grantee is continuously employed by the Company or any of its Subsidiaries (or any of their successors), Grantee's employment with the Company or any of its Subsidiaries (or any of their successors) terminates as a result of: (i) Grantee's death, (ii) Grantee's Disability (pursuant to subparagraph 5(b)(ii) of the Employment Agreement), (iii) a Termination Without Cause or (iv) a Termination For Good Reason.
   (b) While Grantee is continuously employed by the Company or any of its Subsidiaries (or any of their successors), a Change of Control occurs and a Replacement Award is not provided to Grantee on the date of such Change of Control.

6. **Forfeiture**. Except to the extent the RSUs covered by this Agreement have become nonforfeitable pursuant to Section 4 or Section 5 hereof, the RSUs covered by this Agreement shall be forfeited automatically and without further notice, and shall no longer be considered covered by this Agreement, on the date on which Grantee ceases to be employed by the Company or any of its Subsidiaries, the Manager (including following a Re-Externalization) or any of its subsidiaries or any of their respective successors.
7. **Form and Time of Payment of RSUs**.
   (a) Form. Payment in respect of the RSUs, after and to the extent they have become nonforfeitable pursuant to Section 4 or Section 5 hereof, shall be made in the form of shares of Common Stock. Payment shall only be made in whole shares of Common Stock; any fractional shares shall be paid to Grantee in cash. The Company's obligations to Grantee with respect to the RSUs will be satisfied in full upon the issuance of the shares of Common Stock (or, with respect to fractional shares, upon the payment in cash) corresponding to such RSUs.
   (b) Timing.
      (i) RSUs that become nonforfeitable pursuant to Section 4 hereof shall be paid within ten (10) days following the date on which such RSUs become nonforfeitable.
      (ii) RSUs that become nonforfeitable pursuant to Section 5(a) hereof shall be paid on the first payroll date following the 60th day after such termination of employment; provided that Grantee (or, if applicable, his estate) shall have first executed and not revoked the release described in subparagraph 6(f) of the Employment Agreement in accordance with the requirements of subparagraph 6(f) of the Employment Agreement; provided further that, for the avoidance of doubt, in no event shall such RSUs be paid to Grantee after March 15 of the calendar year following the calendar year in which such termination occurs.
      (iii) RSUs that become nonforfeitable pursuant to Section 5(b) shall be paid on the date of such Change of Control.

Notwithstanding the foregoing, if Grantee has made a permitted deferral election with respect to any RSUs covered by this Agreement, such RSUs shall be paid at the time set forth in such deferral election.

8. **Dividend Equivalents; Other Rights**.
   (a) From and after the Date of Grant and until the earlier of (i) the time when the RSUs become nonforfeitable and are paid to Grantee in accordance with Section 7 hereof or (ii) the time when Grantee's right to receive shares of Common Stock in payment of the RSUs is forfeited in accordance with Section 6 hereof, on the date that the Company pays a cash dividend (if any) or other cash distribution to holders of shares of Common Stock generally, Grantee shall be entitled to a number of additional RSUs determined by dividing (A) the product of (x) the dollar amount of such cash dividend or other cash distribution paid per share of Common Stock on such date and (y) the total number of RSUs (including dividend equivalents credited thereon) previously credited to Grantee pursuant to this Agreement as of such date, to the extent such RSUs have not become nonforfeitable and paid to Grantee in accordance with Section 7 hereof, by (B) the Market Value per Share on such date. Such dividend equivalents (if any) shall be subject to the same applicable terms and conditions (including vesting, forfeitability, dividend equivalents and payment) as apply to the RSUs as to which the dividend equivalents were credited.
   (b) Grantee shall have no rights of ownership in the shares of Common Stock underlying the RSUs and no right to vote the shares of Common Stock underlying the RSUs until the date on which the shares of Common Stock underlying the RSUs are issued or transferred to Grantee pursuant to Section 7 hereof.
   (c) The obligations of the Company under this Agreement will be merely that of an unfunded and unsecured promise of the Company to deliver shares of Common Stock or pay cash in the future, and the rights of Grantee will be no greater than that of an unsecured general creditor. No assets of the Company will be held or set aside as security for the obligations of the Company under this Agreement.
9. **No Right to Future Awards or Employment**. The grant of the RSUs under this Agreement to Grantee is a voluntary, discretionary award being made on a one-time basis and it does not constitute a commitment to make any future awards. The grant of the RSUs and any payments made hereunder will not be considered salary or other compensation for purposes of any severance pay or similar allowance, except as otherwise required by law. Nothing contained in this Agreement shall confer upon Grantee any right to be employed or remain employed by the Company or any of its Subsidiaries, nor limit or affect in any manner the right of the Company or any of its Subsidiaries to terminate the employment or adjust the compensation of Grantee.
10. **Adjustments**. The number of shares of Common Stock issuable for each RSU and the other terms and conditions of the grant evidenced by this Agreement are subject to adjustment as provided in Section 11 of the Plan.
11. **Withholding Taxes**. To the extent that the Company is required to withhold federal, state, local or foreign taxes or other amounts in connection with the delivery to Grantee of shares of Common Stock or any other payment to Grantee or any other payment or vesting event under this Agreement, and the amounts available to the Company for such withholding are insufficient, it shall be a condition to the obligation of the Company to make any such delivery or payment that Grantee make arrangements satisfactory to the Company for payment of the balance of such taxes or other amounts required to be withheld. Grantee may elect that all or any part of such withholding requirement be

satisfied by other means, including the retention by the Company of a portion of the shares of Common Stock to be delivered to Grantee or by delivering to the Company other shares of Common Stock held by Grantee (or proceeds from the sale thereof) or cash. If such election is made, the shares of Common Stock used for such withholding will be valued at an amount equal to the Market Value per Share of such shares of Common Stock on the date of payment pursuant to Section 7 hereof. In no event will the amount that is withheld pursuant to this Section 11 to satisfy applicable withholding taxes exceed the maximum statutory tax rates applicable with respect to Grantee.

12. **Compliance With Law**. The Company shall make reasonable efforts to comply with all applicable federal and state securities laws; provided, however, notwithstanding any other provision of the Plan and this Agreement, the Company shall not be obligated to issue any of the shares of Common Stock pursuant to this Agreement if the issuance thereof would result in a violation of any such law.
13. **Clawback**. The RSUs shall be subject to the Company's Clawback Policy, as in effect on the Date of Grant, as may be amended or supplemented from time to time as a result of the Board's good faith anticipation of (and in accordance with the proposed rules regarding), or in order to comply with, the final rules or regulations adopted by the U.S. Securities and Exchange Commission and the NASDAQ Stock Market that implement the incentive-based compensation recovery requirements set forth in Section 10D of the Exchange Act, as added by Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, and any other applicable legal requirements or listing standards that may be enacted and in effect from time to time. In addition, in the event that Grantee breaches any provision of subparagraphs 7(a) and 7(b) of the Employment Agreement, Grantee shall forfeit any right to receive shares of Common Stock with respect to RSUs that have vested pursuant to Section 5(a) hereof (to the extent such shares have not yet been delivered), and, in the event that such shares have been delivered, the Company shall be entitled to recoup such shares and the gross proceeds from any sale of such shares by Grantee. Such forfeiture or recoupment shall be in addition to, not in substitution of, any other remedies that the Company and its Subsidiaries may have with respect to such breach.
14. **Relation to Other Benefits**. Any economic or other benefit to Grantee under this Agreement or the Plan shall not be taken into account in determining any benefits to which Grantee may be entitled under any profit-sharing, retirement or other benefit or compensation plan maintained by the Company or any of its Subsidiaries (or any of their successors) and shall not affect the amount of any life insurance coverage available to any beneficiary under any life insurance plan covering employees of the Company or any of its Subsidiaries (or any of their successors).
15. **Amendments**. Any amendment to the Plan shall be deemed to be an amendment to this Agreement to the extent that the amendment is applicable hereto; provided, however, that (a) no amendment shall adversely affect the rights of Grantee under this Agreement without Grantee's written consent and (b) Grantee's consent shall not be required to an amendment that is deemed necessary by the Company to ensure exemption from or compliance with Section 409A of the Code or Section 10D of the Exchange Act and any applicable rules or regulations promulgated by the Securities Exchange Commission or any national securities exchange or national securities association on which the Common Stock may be traded, including as a result of the implementation of, or modification to, any clawback policy the Company adopts, or has adopted, to comply with the requirements set forth in Section 10D of the Exchange Act or as provided for in subparagraph 4(g) of the Employment Agreement.
16. **Severability**. In the event that one or more of the provisions of this Agreement shall be invalidated for any reason by a court of competent jurisdiction, any provision so invalidated shall be deemed to be separable from the other provisions hereof, and the remaining provisions hereof shall continue to be valid and fully enforceable.
17. **Relation to Plan**. This Agreement is subject to the terms and conditions of the Plan. To the extent not expressly set forth in this Agreement, the terms of the Plan shall govern.
18. **Acknowledgement**. Grantee acknowledges that Grantee (a) has received a copy of the Plan, (b) has had an opportunity to review the terms of this Agreement and the Plan, (c) understands the terms and conditions of this Agreement and the Plan and (d) agrees to such terms and conditions.
19. **Successors and Assigns**. Without limiting Section 3 hereof, the provisions of this Agreement shall inure to the benefit of, and be binding upon, the successors, administrators, heirs, legal representatives and assigns of Grantee, and the successors and assigns of the Company.
20. **Governing Law**. This Agreement shall be governed by and construed in accordance with the internal substantive laws of the State of Delaware, without giving effect to any principle of law that would result in the application of the law of any other jurisdiction.
21. **Notices**. Any notice to the Company provided for herein shall be in writing (including electronically) to the Company, marked Attention: General Counsel, and any notice to Grantee shall be addressed to Grantee at Grantee's address on file with the Company at the time of such notice. Except as otherwise provided herein, any written notice shall be deemed to be duly given if and when delivered personally or deposited in the United States mail, postage and fees prepaid, and addressed as aforesaid. Any party may change the address to which notices are to be given hereunder by written notice to the other party as herein specified (provided that for this purpose any mailed notice shall be deemed given on the third business day following deposit of the same in the United States mail).

22. **Electronic Delivery**. The Company may, in its sole discretion, deliver any documents related to the RSUs and Grantee's participation in the Plan, or future awards that may be granted under the Plan, by electronic means. Grantee hereby consents to receive such documents by electronic delivery and, if requested, agrees to participate in the Plan through an online or electronic system established and maintained by the Company or another third party designated by the Company.
23. **Section 409A of the Code**. To the extent applicable, it is intended that this Agreement and the Plan comply with or be exempt from the provisions of Section 409A of the Code. This Agreement and the Plan shall be administered in a manner consistent with this intent, and any provision that would cause this Agreement or the Plan to fail to comply with or be exempt from Section 409A of the Code shall have no force or effect until amended to comply with or be exempt from Section 409A of the Code (which amendment may be retroactive to the extent permitted by Section 409A of the Code and may be made by the Company without the consent of Grantee). Any reference in this Agreement to Section 409A of the Code will also include any proposed, temporary or final regulations, or any other guidance, promulgated with respect to such Section by the U.S. Department of the Treasury or the Internal Revenue Service. Notwithstanding anything in this Agreement or the Plan to the contrary, all payments made to Grantee pursuant to this Agreement will be made within the short-term deferral period specified in Treasury Regulation §1.409A-1(b)(4).
24. **Counterparts**. This Agreement may be executed in one or more counterparts (including facsimile and other electronically transmitted counterparts), each of which shall be deemed to be an original but all of which together will constitute one and the same agreement.

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed on its behalf by its duly authorized officer and Grantee has executed this Agreement, as of the Date of Grant.

AGNC INVESTMENT CORP.

By:
Name:
Title:

GRANTEE'S SIGNATURE

Print Name: _________________

AGNC INVESTMENT CORP.
2016 EQUITY AND INCENTIVE COMPENSATION PLAN
PERFORMANCE-BASED RESTRICTED STOCK UNIT AGREEMENT

This PERFORMANCE-BASED RESTRICTED STOCK UNIT AGREEMENT (this "Agreement") is entered into as of **[______________]**, 20[ ] (the "Date of Grant"), by and between AGNC Investment Corp., a Delaware corporation (the "Company"), and **[_______________]** ("Grantee").

1. **Certain Definitions**. Capitalized terms used, but not otherwise defined, in this Agreement will have the meanings given to such terms in the Company's 2016 Equity and Incentive Compensation Plan (the "Plan"). As used in this Agreement:
   (a) "Disability" has the meaning set forth in the Employment Agreement.
   (b) "Employment Agreement" means the Amended and Restated Employment Agreement, entered into as of November 1, 2016, between the Manager and Grantee.
   (c) "Manager" means AGNC Mortgage Management, LLC.
   (d) "Performance Period" means [ ].
   (e) "Re-Externalization" means a sale, merger or other transaction that results in the transfer or issuance of a majority of the outstanding equity interests of the Manager or AGNC Management, LLC to a person or entity other than a Subsidiary of the Company.
   (f) "Replacement Award" means an award (i) of time-based RSUs (as defined in Section 2 hereof) with a value at least equal to the value of the RSUs covered by this Agreement, determined based on actual achievement of the performance conditions described on Exhibit A as of the day immediately prior to the Change of Control [(in the case of [ ], with the applicable required performance levels pro-rated based on the amount of time elapsed in the Performance Period, and in the case of [ ], as determined as of the end of the most recent quarter prior to the Change of Control for which the applicable data for the Peer Group (as defined in Exhibit A) is publicly available)] As applicable by the Board or the Committee, (ii) that vests in full on the date set forth in Section 4, (iii) that relates to publicly traded equity securities of the Company or its successor in the Change of Control or another entity that is affiliated with the Company or its successor following the Change of Control, (iv) the tax consequences of which to Grantee under the Code are not less favorable to Grantee than the tax consequences of the RSUs covered by this Agreement and (v) the other terms and conditions of which are not less favorable to Grantee than the terms and conditions of the RSUs covered by this Agreement (including the provisions that would apply in the event of certain terminations of employment and a subsequent Change of Control or, if the surviving entity is internally managed, an externalization of management). A Replacement Award may be granted only to the extent it does not result in the RSUs covered by this Agreement or the Replacement Award failing to comply with or be exempt from Section 409A of the Code. Without limiting the generality of the foregoing, the Replacement Award may take the form of a continuation of the RSUs covered by this Agreement if the requirements of the two preceding sentences are satisfied. The determination of whether the conditions of this Section 1(f) are satisfied will be made by the Committee, as constituted immediately prior to the Change of Control, in its sole discretion.
   (g) "Termination For Good Reason" has the meaning set forth in the Employment Agreement.
   (h) "Termination Without Cause" has the meaning set forth in the Employment Agreement.
2. **Grant of RSUs**. Subject to and upon the terms, conditions and restrictions set forth in this Agreement and in the Plan, the Company hereby grants to Grantee a target number of **[_____]** Restricted Stock Units (the "Target Number of RSUs") (with a maximum number of [_____] Restricted Stock Units to be potentially earned pursuant to Exhibit A (the "Maximum Number of RSUs", and all Restricted Stock Units covered by this Agreement, the "RSUs")), plus the related RSUs granted as dividend equivalents pursuant to the terms of Section 8(a), and subject to the terms and conditions set forth on Exhibit A. Each RSU shall represent the right of Grantee to receive one share of Common Stock subject to and upon the terms and conditions of this Agreement.
3. **Restrictions on Transfer of RSUs**. Neither the RSUs evidenced hereby nor any interest therein or in the shares of Common Stock underlying such RSUs shall be transferable prior to payment to Grantee pursuant to Section 7 hereof, other than as described in Section 15 of the Plan.
4. **Vesting**. The RSUs covered by this Agreement shall become nonforfeitable and payable to Grantee on [ ], provided that the Board or the Committee has certified achievement of the applicable performance conditions set forth on Exhibit A and Grantee remains continuously employed by the Company or any of its Subsidiaries (or any of their successors) through such date.
5. **Accelerated Vesting**. Notwithstanding the provisions of Section 4 hereof, the RSUs covered by this Agreement will become nonforfeitable and payable to Grantee upon the occurrence of the earliest of any of the following events:

(a) If, while Grantee is continuously employed by the Company or any of its Subsidiaries (or any of their successors), a Change of Control occurs and a Replacement Award is not provided to Grantee on the date of such Change of Control, the number of RSUs that will become nonforfeitable and payable to Grantee shall equal the number of RSUs that Grantee would be entitled to receive based on actual achievement of the performance conditions described on Exhibit A as of the day immediately prior to the Change of Control [(in the case of [ ], with the applicable required performance levels pro-rated based on the amount of time elapsed in the Performance Period, and in the case of [ ], as determined as of the end of the most recent quarter prior to the Change of Control for which the applicable data for the Peer Group (as defined in Exhibit A) is publicly available)] As applicable, as determined by the Board or the Committee. Such number of RSUs shall become nonforfeitable and payable to Grantee on the date of such Change of Control. Notwithstanding the foregoing, if the Change of Control occurs on or prior to[ ], the number of RSUs that will become nonforfeitable and payable pursuant to this Section 5(a) shall not be less than the Target Number of RSUs.

(b) If Grantee's employment with the Company or any of its Subsidiaries (or any of their successors) terminates on or prior to[ ] as a result of: (i) Grantee's death, (ii) Grantee's Disability (pursuant to subparagraph 5(b)(ii) of the Employment Agreement), (iii) a Termination Without Cause or (iv) a Termination For Good Reason, the number of RSUs that will become nonforfeitable and payable to Grantee shall equal the greater of (A) the Target Number of RSUs and (B) the number of RSUs that Grantee would have been entitled to receive if Grantee had remained employed until the last day of the Performance Period (based on actual achievement of the performance conditions described on Exhibit A during the Performance Period, as determined by the Board or the Committee after the end of the Performance Period). Such number of RSUs shall become nonforfeitable and payable to Grantee on or before the first March 15 that follows the date on which the Board or Committee certifies achievement of the applicable performance conditions for the Performance Period.

(c) If Grantee's employment with the Company or any of its Subsidiaries (or any of their successors) terminates at any time after [ ] as a result of: (i) Grantee's death, (ii) Grantee's Disability (pursuant to subparagraph 5(b)(ii) of the Employment Agreement), (iii) a Termination Without Cause or (iv) a Termination For Good Reason, the number of RSUs that will become nonforfeitable and payable to Grantee shall equal the number of RSUs that Grantee would have been entitled to receive if Grantee had remained employed until the last day of the Performance Period (based on actual achievement of the performance conditions described on Exhibit A during the Performance Period, as determined by the Board or the Committee after the end of the Performance Period). Such number of RSUs shall become nonforfeitable and payable to Grantee on or before the first March 15 that follows the date on which the Board or Committee certifies achievement of the applicable performance conditions for the Performance Period.

6. **Forfeiture**. Except to the extent the RSUs covered by this Agreement have become nonforfeitable pursuant to Section 4 or Section 5 hereof, the RSUs covered by this Agreement shall be forfeited automatically and without further notice, and shall no longer be considered covered by this Agreement, on the date on which Grantee ceases to be employed by the Company or any of its Subsidiaries, the Manager (including following a Re-Externalization) or any of its subsidiaries or any of their respective successors.

7. **Form and Time of Payment of RSUs**.

(a) Form. Payment in respect of the RSUs, after and to the extent they have become nonforfeitable pursuant to Section 4 or Section 5 hereof, shall be made in the form of shares of Common Stock. Payment shall only be made in whole shares of Common Stock; any fractional shares shall be paid to Grantee in cash. The Company's obligations to Grantee with respect to the RSUs will be satisfied in full upon the issuance of the shares of Common Stock (or, with respect to fractional shares, upon the payment in cash) corresponding to such RSUs.

(b) Timing.

(i) The RSUs that become nonforfeitable pursuant to Sections 4 hereof shall be paid within ten (10) days following the date on which such RSUs become nonforfeitable.

(ii) The RSUs that become nonforfeitable pursuant to Section 5(a) hereof shall be paid on the date of such Change of Control.

(iii) The RSUs that become nonforfeitable pursuant to Sections 5(b) and 5(c) hereof shall be paid on the first payroll date following the 60th day after the date such RSUs become nonforfeitable; provided that Grantee (or, if applicable, his estate) shall have first executed and not revoked the release described in subparagraph 6(f) of the Employment Agreement in accordance with the requirements of subparagraph 6(f) of the Employment Agreement.

Notwithstanding the foregoing, if Grantee has made a permitted deferral election with respect to any RSUs covered by this Agreement, such RSUs shall be paid at the time set forth in such deferral election.

8. **Dividend Equivalents; Other Rights**.

(a) From and after the Date of Grant and until the earlier of (i) the time when the RSUs become nonforfeitable and are paid to Grantee in accordance with Section 7 hereof or (ii) the time when Grantee's right to receive shares of

Common Stock in payment of the RSUs is forfeited in accordance with Section 6 hereof, on the date that the Company pays a cash dividend (if any) or other cash distribution to holders of shares of Common Stock generally, Grantee shall be entitled to a number of additional RSUs determined by dividing (A) the product of (x) the dollar amount of such cash dividend or other cash distribution paid per share of Common Stock on such date and (y) the total number of RSUs (including dividend equivalents credited thereon) previously credited to Grantee pursuant to this Agreement as of such date, to the extent such RSUs have not become nonforfeitable and paid to Grantee in accordance with Section 7 hereof, by (B) the Market Value per Share on such date. Such dividend equivalents (if any) shall be subject to the same applicable terms and conditions (including vesting, forfeitability, dividend equivalents and payment) as apply to the RSUs as to which the dividend equivalents were credited.

(b) Grantee shall have no rights of ownership in the shares of Common Stock underlying the RSUs and no right to vote the shares of Common Stock underlying the RSUs until the date on which the shares of Common Stock underlying the RSUs are issued or transferred to Grantee pursuant to Section 7 hereof.

(c) The obligations of the Company under this Agreement will be merely that of an unfunded and unsecured promise of the Company to deliver shares of Common Stock or pay cash in the future, and the rights of Grantee will be no greater than that of an unsecured general creditor. No assets of the Company will be held or set aside as security for the obligations of the Company under this Agreement.

9. **No Right to Future Awards or Employment**. The grant of the RSUs under this Agreement to Grantee is a voluntary, discretionary award being made on a one-time basis and it does not constitute a commitment to make any future awards. The grant of the RSUs and any payments made hereunder will not be considered salary or other compensation for purposes of any severance pay or similar allowance, except as otherwise required by law. Nothing contained in this Agreement shall confer upon Grantee any right to be employed or remain employed by the Company or any of its Subsidiaries, nor limit or affect in any manner the right of the Company or any of its Subsidiaries to terminate the employment or adjust the compensation of Grantee.

10. **Adjustments**. The number of shares of Common Stock issuable for each RSU and the other terms and conditions of the grant evidenced by this Agreement are subject to adjustment as provided in Section 11 of the Plan.

11. **Withholding Taxes**. To the extent that the Company is required to withhold federal, state, local or foreign taxes or other amounts in connection with the delivery to Grantee of shares of Common Stock or any other payment to Grantee or any other payment or vesting event under this Agreement, and the amounts available to the Company for such withholding are insufficient, it shall be a condition to the obligation of the Company to make any such delivery or payment that Grantee make arrangements satisfactory to the Company for payment of the balance of such taxes or other amounts required to be withheld. Grantee may elect that all or any part of such withholding requirement be satisfied by other means, including the retention by the Company of a portion of the shares of Common Stock to be delivered to Grantee or by delivering to the Company other shares of Common Stock held by Grantee (or proceeds from the sale thereof) or cash. If such election is made, the shares of Common Stock used for such withholding will be valued at an amount equal to the Market Value per Share of such shares of Common Stock on the date of payment pursuant to Section 7 hereof. In no event will the amount that is withheld pursuant to this Section 11 to satisfy applicable withholding taxes exceed the maximum statutory tax rates applicable with respect to Grantee.

12. **Compliance With Law**. The Company shall make reasonable efforts to comply with all applicable federal and state securities laws; provided, however, notwithstanding any other provision of the Plan and this Agreement, the Company shall not be obligated to issue any of the shares of Common Stock pursuant to this Agreement if the issuance thereof would result in a violation of any such law.

13. **Clawback**. The RSUs shall be subject to the Company's Clawback Policy, as in effect on the Date of Grant, as may be amended or supplemented from time to time as a result of the Board's good faith anticipation of (and in accordance with the proposed rules regarding), or in order to comply with, the final rules or regulations adopted by the U.S. Securities and Exchange Commission and the NASDAQ Stock Market that implement the incentive-based compensation recovery requirements set forth in Section 10D of the Exchange Act, as added by Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, and any other applicable legal requirements or listing standards that may be enacted and in effect from time to time. In addition, in the event that Grantee breaches any provision of subparagraphs 7(a) and 7(b) of the Employment Agreement, Grantee shall forfeit any right to receive shares of Common Stock with respect to RSUs that have vested pursuant to Sections 5(b) or 5(c) hereof (to the extent such shares have not yet been delivered), and, in the event that such shares have been delivered, the Company shall be entitled to recoup such shares and the gross proceeds from any sale of such shares by Grantee. Such forfeiture or recoupment shall be in addition to, not in substitution of, any other remedies that the Company and its Subsidiaries may have with respect to such breach.

14. **Relation to Other Benefits**. Any economic or other benefit to Grantee under this Agreement or the Plan shall not be taken into account in determining any benefits to which Grantee may be entitled under any profit-sharing, retirement or other benefit or compensation plan maintained by the Company or any of its Subsidiaries (or any of their successors) and shall not affect the amount of any life insurance coverage available to any beneficiary under any life insurance plan covering employees of the Company or any of its Subsidiaries (or any of their successors).

15. **Amendments**. Any amendment to the Plan shall be deemed to be an amendment to this Agreement to the extent that the amendment is applicable hereto; provided, however, that (a) no amendment shall adversely affect the rights of Grantee under this Agreement without Grantee's written consent and (b) Grantee's consent shall not be required to an amendment that is deemed necessary by the Company to ensure exemption from or compliance with Section 409A of the Code or Section 10D of the Exchange Act and any applicable rules or regulations promulgated by the Securities Exchange Commission or any national securities exchange or national securities association on which the Common Stock may be traded, including as a result of the implementation of, or modification to, any clawback policy the Company adopts, or has adopted, to comply with the requirements set forth in Section 10D of the Exchange Act or as provided for in subparagraph 4(g) of the Employment Agreement.
16. **Severability**. In the event that one or more of the provisions of this Agreement shall be invalidated for any reason by a court of competent jurisdiction, any provision so invalidated shall be deemed to be separable from the other provisions hereof, and the remaining provisions hereof shall continue to be valid and fully enforceable.
17. **Relation to Plan**. This Agreement is subject to the terms and conditions of the Plan. To the extent not expressly set forth in this Agreement, the terms of the Plan shall govern.
18. **Acknowledgement**. Grantee acknowledges that Grantee (a) has received a copy of the Plan, (b) has had an opportunity to review the terms of this Agreement and the Plan, (c) understands the terms and conditions of this Agreement and the Plan and (d) agrees to such terms and conditions.
19. **Successors and Assigns**. Without limiting Section 3 hereof, the provisions of this Agreement shall inure to the benefit of, and be binding upon, the successors, administrators, heirs, legal representatives and assigns of Grantee, and the successors and assigns of the Company.
20. **Governing Law**. This Agreement shall be governed by and construed in accordance with the internal substantive laws of the State of Delaware, without giving effect to any principle of law that would result in the application of the law of any other jurisdiction.
21. **Notices**. Any notice to the Company provided for herein shall be in writing (including electronically) to the Company, marked Attention: General Counsel, and any notice to Grantee shall be addressed to Grantee at Grantee's address on file with the Company at the time of such notice. Except as otherwise provided herein, any written notice shall be deemed to be duly given if and when delivered personally or deposited in the United States mail, postage and fees prepaid, and addressed as aforesaid. Any party may change the address to which notices are to be given hereunder by written notice to the other party as herein specified (provided that for this purpose any mailed notice shall be deemed given on the third business day following deposit of the same in the United States mail).
22. **Electronic Delivery**. The Company may, in its sole discretion, deliver any documents related to the RSUs and Grantee's participation in the Plan, or future awards that may be granted under the Plan, by electronic means. Grantee hereby consents to receive such documents by electronic delivery and, if requested, agrees to participate in the Plan through an online or electronic system established and maintained by the Company or another third party designated by the Company.
23. **Section 409A of the Code**. To the extent applicable, it is intended that this Agreement and the Plan comply with or be exempt from the provisions of Section 409A of the Code. This Agreement and the Plan shall be administered in a manner consistent with this intent, and any provision that would cause this Agreement or the Plan to fail to comply with or be exempt from Section 409A of the Code shall have no force or effect until amended to comply with or be exempt from Section 409A of the Code (which amendment may be retroactive to the extent permitted by Section 409A of the Code and may be made by the Company without the consent of Grantee). Any reference in this Agreement to Section 409A of the Code will also include any proposed, temporary or final regulations, or any other guidance, promulgated with respect to such Section by the U.S. Department of the Treasury or the Internal Revenue Service. Notwithstanding anything in this Agreement or the Plan to the contrary, all payments made to Grantee pursuant to this Agreement will be made within the short-term deferral period specified in Treasury Regulation §1.409A-1(b)(4).
24. **Counterparts**. This Agreement may be executed in one or more counterparts (including facsimile and other electronically transmitted counterparts), each of which shall be deemed to be an original but all of which together will constitute one and the same agreement.

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed on its behalf by its duly authorized officer and Grantee has executed this Agreement, as of the Date of Grant.

AGNC INVESTMENT CORP.

By:
Name:
Title:

GRANTEE'S SIGNATURE

Print Name: __________________

Exhibit A
Performance Vesting Schedule
[ ]

Exhibit 10.10

AGNC INVESTMENT CORP.
2016 EQUITY AND INCENTIVE COMPENSATION PLAN
RESTRICTED STOCK UNIT AGREEMENT

This RESTRICTED STOCK UNIT AGREEMENT (this "Agreement") is entered into as of **[_______________]**, 20[ ] (the "Date of Grant"), by and between AGNC Investment Corp., a Delaware corporation (the "Company"), and **[________________]** ("Grantee").

1. **Certain Definitions**. Capitalized terms used, but not otherwise defined, in this Agreement will have the meanings given to such terms in the Company's 2016 Equity and Incentive Compensation Plan (the "Plan"). As used in this Agreement:
   (a) "Manager" means AGNC Mortgage Management, LLC.
   (b) "Re-Externalization" means (i) a sale, merger or other transaction that results in the transfer or issuance of a majority of the outstanding equity interests of the Manager or AGNC Management, LLC to a person or entity other than a Subsidiary of the Company (a "Third-Party Manager"); or (ii) the Company enters into or otherwise becomes a party to a management, investment advisory and/or administrative services agreement with a Third-Party Manager pursuant to which the Third-Party Manager will provide all or substantially all of the investment advisory and administrative functions (e.g., accounting, treasury, legal, finance, investor relations, back office, or other non-investment advisory services) of the Company.
   (c) "Replacement Award" means an award (i) of the same type (e.g., time-based restricted stock units) as the RSUs (as defined in Section 2 hereof) covered by this Agreement, (ii) that has a value at least equal to the value of the RSUs covered by this Agreement, (iii) that relates to publicly traded equity securities of the Company or its successor in the Change of Control or another entity that is affiliated with the Company or its successor following the Change of Control, (iv) the tax consequences of which to Grantee under the Code are not less favorable to Grantee than the tax consequences of the RSUs covered by this Agreement, (v) the other terms and conditions of which are not less favorable to Grantee than the terms and conditions of the RSUs covered by this Agreement (including the provisions that would apply in the event of a subsequent Change of Control or if the surviving entity is internally managed, an externalization of management) and (vi) that provides for accelerated vesting in the event that Grantee's employment is terminated by the Company or any of its Subsidiaries (or any of their successors) as a result of a Termination Without Cause that occurs during the 24-month period following such Change of Control (and such Replacement Award shall be paid to Grantee within ten (10) days following such Termination Without Cause). A Replacement Award may be granted only to the extent it does not result in the RSUs covered by this Agreement or the Replacement Award failing to comply with or be exempt from Section 409A of the Code. Without limiting the generality of the foregoing, the Replacement Award may take the form of a continuation of the RSUs covered by this Agreement if the requirements of the two preceding sentences are satisfied. The determination of whether the conditions of this Section 1(c) are satisfied will be made by the Committee, as constituted immediately prior to the Change of Control, in its sole discretion.
   (d) "Termination Without Cause" means the termination by Grantee's employer of Grantee's employment for any reason, other than as a result of Grantee's death or permanent disability (as determined by the employer) or as a result of (i) the commission by Grantee of a felony or a fraud, (ii) conduct by Grantee that brings Grantee's employer into substantial public disgrace or disrepute, (iii) gross negligence or gross misconduct by Grantee with respect to Grantee's employer, (iv) Grantee's abandonment of Grantee's employment, (v) Grantee's insubordination or failure to follow the directions of the individual(s) to whom Grantee reports, which is not cured (if curable) within three (3) days after written notice thereof to Grantee, (vi) Grantee's breach of a material employment policy of Grantee's employer, which is not cured (if curable) within three (3) days after written notice thereof to Grantee or (vii) any other breach by Grantee of any agreement with Grantee's employer which is material and which is not cured (if curable) within thirty (30) days after written notice thereof to Grantee.
2. **Grant of RSUs**. Subject to and upon the terms, conditions and restrictions set forth in this Agreement and in the Plan, the Company hereby grants to Grantee **[_____]** Restricted Stock Units (the "RSUs"). Each RSU shall represent the right of Grantee to receive one share of Common Stock subject to and upon the terms and conditions of this Agreement.
3. **Restrictions on Transfer of RSUs**. Neither the RSUs evidenced hereby nor any interest therein or in the shares of Common Stock underlying such RSUs shall be transferable prior to payment to Grantee pursuant to Section 7 hereof, other than as described in Section 15 of the Plan.
4. **Vesting**. The RSUs covered by this Agreement shall become nonforfeitable and payable to Grantee pursuant to Section 7 hereof with respect to one-third (1/3) of the RSUs granted pursuant to this Agreement on each of [ ]

if Grantee remains continuously employed by the Company or any of its Subsidiaries (or any of their successors) as of each such date.

5. **Accelerated Vesting**. Notwithstanding the provisions of Section 4 hereof, all of the RSUs covered by this Agreement that have not already vested and become nonforfeitable pursuant to Section 4 hereof will become nonforfeitable and payable to Grantee pursuant to Section 7 hereof earlier than the time provided in Section 4 hereof upon the occurrence of the earliest of any of the following events:
   (a) While Grantee is continuously employed by the Company or any of its Subsidiaries (or any of their successors), a Change of Control occurs and a Replacement Award is not provided to Grantee on the date of such Change of Control.
   (b) While Grantee is continuously employed by the Company or any of its Subsidiaries (or any of their successors): (i) a Re-Externalization occurs and on the date of such Re-Externalization, or during the thirty (30) day period thereafter if as a result of such Re-Externalization, (A) Grantee's job title, duties or responsibilities are materially and adversely changed, (B) Grantee's annual base salary or annual cash bonus opportunity is materially reduced or (C) Grantee's principal office is relocated to a location that is in excess of fifty (50) miles from Bethesda, Maryland; or (ii) a Re-Externalization occurs pursuant to Section 1(b)(ii) hereof and as of the date of such Re-Externalization, the Third-Party Manager (or any of its affiliates) has failed to provide Grantee with an offer of employment that provides for (A) a job title, duties or responsibilities that are materially no less favorable than Grantee's job title, duties or responsibilities immediately prior to such Re-Externalization, (B) an annual base salary and an annual cash bonus opportunity that are materially no less favorable than Grantee's annual base salary and annual cash bonus opportunity immediately prior to such Re-Externalization and (C) a principal office location that is not in excess of fifty (50) miles from Bethesda, Maryland (in any such case, as determined by the Committee, in its sole discretion).
   (c) During the 24-month period following a Re-Externalization, Grantee's employment is terminated by the Manager (or any of its successors) or the Third-Party Manager (or any of its affiliates), as applicable, as a result of a Termination Without Cause.
6. **Forfeiture**. Except to the extent the RSUs covered by this Agreement have become nonforfeitable pursuant to Section 4 or Section 5 hereof, the RSUs covered by this Agreement shall be forfeited automatically and without further notice, and shall no longer be considered covered by this Agreement, on the date on which Grantee ceases to be employed by the Company or any of its Subsidiaries, the Manager (including following a Re-Externalization pursuant to Section 1(b)(i) hereof) or any of its subsidiaries, the Third-Party Manager (following a Re-Externalization pursuant to Section 1(b)(ii) hereof) or any of its subsidiaries or any of their respective successors. For purposes of the preceding sentence, if Grantee commences employment with the Third-Party Manager on the date of a Re-Externalization pursuant to Section 1(b)(ii) hereof pursuant to an offer of employment made by the Third-Party Manager on or before the date of such Re-Externalization, Grantee's termination of employment with the Company or any of its Subsidiaries on the date of such Re-Externalization shall not constitute a cessation of continuous employment for purposes of this Agreement.
7. **Form and Time of Payment of RSUs**.
   (a) <u>Form</u>. Payment in respect of the RSUs, after and to the extent they have become nonforfeitable pursuant to Section 4 or Section 5 hereof, shall be made in the form of shares of Common Stock. Payment shall only be made in whole shares of Common Stock; any fractional shares shall be paid to Grantee in cash. The Company's obligations to Grantee with respect to the RSUs will be satisfied in full upon the issuance of the shares of Common Stock (or, with respect to fractional shares, upon the payment in cash) corresponding to such RSUs.
   (b) <u>Timing</u>.
      (i) RSUs that become nonforfeitable pursuant to Section 4 hereof shall be paid within ten (10) days following the date on which such RSUs become nonforfeitable.
      (ii) RSUs that become nonforfeitable pursuant to Section 5(a) hereof shall be paid on the date of such Change of Control.
      (iii) RSUs that become nonforfeitable pursuant to Section 5(b) hereof shall be paid within ten (10) days following the date on which such RSUs become nonforfeitable.
      (iv) RSUs that become nonforfeitable pursuant to Section 5(c) hereof shall be paid on the first payroll date following the 60th day after such termination of employment; provided that Grantee shall have first executed and not revoked a release of claims in favor of the Company and its Subsidiaries, in a form provided by the Company; provided further that, for the avoidance of doubt, in no event shall such RSUs be paid to Grantee after March 15 of the calendar year following the calendar year in which such termination occurs.

Notwithstanding the foregoing, if Grantee has made a permitted deferral election with respect to any RSUs covered by this Agreement, such RSUs shall be paid at the time set forth in such deferral election.

8. **Dividend Equivalents; Other Rights**.

(a) From and after the Date of Grant and until the earlier of (i) the time when the RSUs become nonforfeitable and are paid to Grantee in accordance with Section 7 hereof or (ii) the time when Grantee's right to receive shares of Common Stock in payment of the RSUs is forfeited in accordance with Section 6 hereof, on the date that the Company pays a cash dividend (if any) or other cash distribution to holders of shares of Common Stock generally, Grantee shall be entitled to a number of additional RSUs determined by dividing (A) the product of (x) the dollar amount of such cash dividend or other cash distribution paid per share of Common Stock on such date and (y) the total number of RSUs (including dividend equivalents credited thereon) previously credited to Grantee pursuant to this Agreement as of such date, to the extent such RSUs have not become nonforfeitable and paid to Grantee in accordance with Section 7 hereof, by (B) the Market Value per Share on such date. Such dividend equivalents (if any) shall be subject to the same applicable terms and conditions (including vesting, forfeitability, dividend equivalents and payment) as apply to the RSUs as to which the dividend equivalents were credited.

(b) Grantee shall have no rights of ownership in the shares of Common Stock underlying the RSUs and no right to vote the shares of Common Stock underlying the RSUs until the date on which the shares of Common Stock underlying the RSUs are issued or transferred to Grantee pursuant to Section 7 hereof.

(c) The obligations of the Company under this Agreement will be merely that of an unfunded and unsecured promise of the Company to deliver shares of Common Stock or pay cash in the future, and the rights of Grantee will be no greater than that of an unsecured general creditor. No assets of the Company will be held or set aside as security for the obligations of the Company under this Agreement.

9. **No Right to Future Awards or Employment**. The grant of the RSUs under this Agreement to Grantee is a voluntary, discretionary award being made on a one-time basis and it does not constitute a commitment to make any future awards. The grant of the RSUs and any payments made hereunder will not be considered salary or other compensation for purposes of any severance pay or similar allowance, except as otherwise required by law. Nothing contained in this Agreement shall confer upon Grantee any right to be employed or remain employed by the Company or any of its Subsidiaries, nor limit or affect in any manner the right of the Company or any of its Subsidiaries to terminate the employment or adjust the compensation of Grantee.
10. **Adjustments**. The number of shares of Common Stock issuable for each RSU and the other terms and conditions of the grant evidenced by this Agreement are subject to adjustment as provided in Section 11 of the Plan.
11. **Withholding Taxes**. To the extent that the Company is required to withhold federal, state, local or foreign taxes or other amounts in connection with the delivery to Grantee of shares of Common Stock or any other payment to Grantee or any other payment or vesting event under this Agreement, and the amounts available to the Company for such withholding are insufficient, it shall be a condition to the obligation of the Company to make any such delivery or payment that Grantee make arrangements satisfactory to the Company for payment of the balance of such taxes or other amounts required to be withheld. Grantee may elect that all or any part of such withholding requirement be satisfied by other means, including the retention by the Company of a portion of the shares of Common Stock to be delivered to Grantee or by delivering to the Company other shares of Common Stock held by Grantee (or proceeds from the sale thereof) or cash. If such election is made, the shares of Common Stock used for such withholding will be valued at an amount equal to the Market Value per Share of such shares of Common Stock on the date of payment pursuant to Section 7 hereof. In no event will the amount that is withheld pursuant to this Section 11 to satisfy applicable withholding taxes exceed the maximum statutory tax rates applicable with respect to Grantee.
12. **Compliance With Law**. The Company shall make reasonable efforts to comply with all applicable federal and state securities laws; provided, however, notwithstanding any other provision of the Plan and this Agreement, the Company shall not be obligated to issue any of the shares of Common Stock pursuant to this Agreement if the issuance thereof would result in a violation of any such law.
13. **Clawback**. The RSUs shall be subject to the Company's Clawback Policy, as in effect on the Date of Grant, as may be amended or supplemented from time to time as a result of the Board's good faith anticipation of (and in accordance with the proposed rules regarding), or in order to comply with, the final rules or regulations adopted by the U.S. Securities and Exchange Commission and the NASDAQ Stock Market that implement the incentive-based compensation recovery requirements set forth in Section 10D of the Exchange Act, as added by Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, and any other applicable legal requirements or listing standards that may be enacted and in effect from time to time.
14. **Relation to Other Benefits**. Any economic or other benefit to Grantee under this Agreement or the Plan shall not be taken into account in determining any benefits to which Grantee may be entitled under any profit-sharing, retirement or other benefit or compensation plan maintained by the Company or any of its Subsidiaries (or any of their successors) and shall not affect the amount of any life insurance coverage available to any beneficiary under any life insurance plan covering employees of the Company or any of its Subsidiaries (or any of their successors).
15. **Amendments**. Any amendment to the Plan shall be deemed to be an amendment to this Agreement to the extent that the amendment is applicable hereto; provided, however, that (a) no amendment shall adversely affect the rights of Grantee under this Agreement without Grantee's written consent and (b) Grantee's consent shall not be required to an amendment that is deemed necessary by the Company to ensure exemption from or compliance with Section 409A of

the Code or Section 10D of the Exchange Act and any applicable rules or regulations promulgated by the Securities Exchange Commission or any national securities exchange or national securities association on which the Common Stock may be traded, including as a result of the implementation of, or modification to, any clawback policy the Company adopts, or has adopted, to comply with the requirements set forth in Section 10D of the Exchange Act.

16. **Severability**. In the event that one or more of the provisions of this Agreement shall be invalidated for any reason by a court of competent jurisdiction, any provision so invalidated shall be deemed to be separable from the other provisions hereof, and the remaining provisions hereof shall continue to be valid and fully enforceable.
17. **Relation to Plan**. This Agreement is subject to the terms and conditions of the Plan. To the extent not expressly set forth in this Agreement, the terms of the Plan shall govern.
18. **Acknowledgement**. Grantee acknowledges that Grantee (a) has received a copy of the Plan, (b) has had an opportunity to review the terms of this Agreement and the Plan, (c) understands the terms and conditions of this Agreement and the Plan and (d) agrees to such terms and conditions.
19. **Successors and Assigns**. Without limiting Section 3 hereof, the provisions of this Agreement shall inure to the benefit of, and be binding upon, the successors, administrators, heirs, legal representatives and assigns of Grantee, and the successors and assigns of the Company.
20. **Governing Law**. This Agreement shall be governed by and construed in accordance with the internal substantive laws of the State of Delaware, without giving effect to any principle of law that would result in the application of the law of any other jurisdiction.
21. **Notices**. Any notice to the Company provided for herein shall be in writing (including electronically) to the Company, marked Attention: General Counsel, and any notice to Grantee shall be addressed to Grantee at Grantee’s address on file with the Company at the time of such notice. Except as otherwise provided herein, any written notice shall be deemed to be duly given if and when delivered personally or deposited in the United States mail, postage and fees prepaid, and addressed as aforesaid. Any party may change the address to which notices are to be given hereunder by written notice to the other party as herein specified (provided that for this purpose any mailed notice shall be deemed given on the third business day following deposit of the same in the United States mail).
22. **Electronic Delivery**. The Company may, in its sole discretion, deliver any documents related to the RSUs and Grantee’s participation in the Plan, or future awards that may be granted under the Plan, by electronic means. Grantee hereby consents to receive such documents by electronic delivery and, if requested, agrees to participate in the Plan through an online or electronic system established and maintained by the Company or another third party designated by the Company.
23. **Section 409A of the Code**. To the extent applicable, it is intended that this Agreement and the Plan comply with or be exempt from the provisions of Section 409A of the Code. This Agreement and the Plan shall be administered in a manner consistent with this intent, and any provision that would cause this Agreement or the Plan to fail to comply with or be exempt from Section 409A of the Code shall have no force or effect until amended to comply with or be exempt from Section 409A of the Code (which amendment may be retroactive to the extent permitted by Section 409A of the Code and may be made by the Company without the consent of Grantee). Any reference in this Agreement to Section 409A of the Code will also include any proposed, temporary or final regulations, or any other guidance, promulgated with respect to such Section by the U.S. Department of the Treasury or the Internal Revenue Service. Notwithstanding anything in this Agreement or the Plan to the contrary, all payments made to Grantee pursuant to this Agreement will be made within the short-term deferral period specified in Treasury Regulation §1.409A-1(b)(4).
24. **Counterparts**. This Agreement may be executed in one or more counterparts (including facsimile and other electronically transmitted counterparts), each of which shall be deemed to be an original but all of which together will constitute one and the same agreement.

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed on its behalf by its duly authorized officer and Grantee has executed this Agreement, as of the Date of Grant.

AGNC INVESTMENT CORP.

By:
Name:
Title:

GRANTEE’S SIGNATURE

Print Name: _________________

Exhibit 10.11

AGNC INVESTMENT CORP.
2016 EQUITY AND INCENTIVE COMPENSATION PLAN
PERFORMANCE-BASED RESTRICTED STOCK UNIT AGREEMENT

This PERFORMANCE-BASED RESTRICTED STOCK UNIT AGREEMENT (this "Agreement") is entered into as of **[______________]**, 20[ ] (the "Date of Grant"), by and between AGNC Investment Corp., a Delaware corporation (the "Company"), and **[_______________]** ("Grantee").

1. **Certain Definitions**. Capitalized terms used, but not otherwise defined, in this Agreement will have the meanings given to such terms in the Company's 2016 Equity and Incentive Compensation Plan (the "Plan"). As used in this Agreement:
   (a) "Manager" means AGNC Mortgage Management, LLC.
   (b) "Performance Period" means [ ].
   (c) "Re-Externalization" means (i) a sale, merger or other transaction that results in the transfer or issuance of a majority of the outstanding equity interests of the Manager or AGNC Management, LLC to a person or entity other than a Subsidiary of the Company (a "Third-Party Manager"); or (ii) the Company enters into or otherwise becomes a party to a management, investment advisory and/or administrative services agreement with a Third-Party Manager pursuant to which the Third-Party Manager will provide all or substantially all of the investment advisory and administrative functions (e.g., accounting, treasury, legal, finance, investor relations, back office, or other non-investment advisory services) of the Company.
   (d) "Replacement Award" means an award (i) of time-based RSUs (as defined in Section 2 hereof) with a value at least equal to the value of the RSUs covered by this Agreement, determined based on actual achievement of the performance conditions described on Exhibit A as of the day immediately prior to the Change of Control [(in the case of [ ], with the applicable required performance levels pro-rated based on the amount of time elapsed in the Performance Period, and in the case of [ ], as determined as of the end of the most recent quarter prior to the Change of Control for which the applicable data for the Peer Group (as defined in Exhibit A) is publicly available)] As applicable by the Board or the Committee, (ii) that vests in full on the date set forth in Section 4, (iii) that relates to publicly traded equity securities of the Company or its successor in the Change of Control or another entity that is affiliated with the Company or its successor following the Change of Control, (iv) the tax consequences of which to Grantee under the Code are not less favorable to Grantee than the tax consequences of the RSUs covered by this Agreement, (v) the other terms and conditions of which are not less favorable to Grantee than the terms and conditions of the RSUs covered by this Agreement (including the provisions that would apply in the event of a subsequent Change of Control or, if the surviving entity is internally managed, an externalization of management), and (vi) that provides for accelerated vesting in the event that Grantee's employment is terminated by the Company or any of its Subsidiaries (or any of their successors) as a result of a Termination Without Cause that occurs during the 24-month period following such Change of Control (and such Replacement Award shall be paid to Grantee within ten (10) days following such Termination Without Cause). A Replacement Award may be granted only to the extent it does not result in the RSUs covered by this Agreement or the Replacement Award failing to comply with or be exempt from Section 409A of the Code. Without limiting the generality of the foregoing, the Replacement Award may take the form of a continuation of the RSUs covered by this Agreement if the requirements of the two preceding sentences are satisfied. The determination of whether the conditions of this Section 1(d) are satisfied will be made by the Committee, as constituted immediately prior to the Change of Control, in its sole discretion.
   (e) "Termination Without Cause" means the termination by Grantee's employer of Grantee's employment for any reason, other than as a result of Grantee's death or permanent disability (as determined by the employer) or as a result of (i) the commission by Grantee of a felony or a fraud, (ii) conduct by Grantee that brings Grantee's employer into substantial public disgrace or disrepute, (iii) gross negligence or gross misconduct by Grantee with respect to Grantee's employer, (iv) Grantee's abandonment of Grantee's employment, (v) Grantee's insubordination or failure to follow the directions of the individual(s) to whom Grantee reports, which is not cured (if curable) within three (3) days after written notice thereof to Grantee, (vi) Grantee's breach of a material employment policy of Grantee's employer, which is not cured (if curable) within three (3) days after written notice thereof to Grantee or (vii) any other breach by Grantee of any agreement with Grantee's employer which is material and which is not cured (if curable) within thirty (30) days after written notice thereof to Grantee.
2. **Grant of RSUs**. Subject to and upon the terms, conditions and restrictions set forth in this Agreement and in the Plan, the Company hereby grants to Grantee a target number of [_____] Restricted Stock Units (the "Target Number of RSUs") (with a maximum number of [_____] Restricted Stock Units to be potentially earned pursuant to Exhibit A (the "Maximum Number of RSUs", and all Restricted Stock Units covered by this Agreement, the "RSUs")), plus the related RSUs granted as dividend equivalents pursuant to the terms of Section 8(a), and subject to the terms and

conditions set forth on Exhibit A. Each RSU shall represent the right of Grantee to receive one share of Common Stock subject to and upon the terms and conditions of this Agreement.

3. **Restrictions on Transfer of RSUs**. Neither the RSUs evidenced hereby nor any interest therein or in the shares of Common Stock underlying such RSUs shall be transferable prior to payment to Grantee pursuant to Section 7 hereof, other than as described in Section 15 of the Plan.
4. **Vesting**. The RSUs covered by this Agreement shall become nonforfeitable and payable to Grantee on [ ], provided that the Board or the Committee has certified achievement of the applicable performance conditions set forth on Exhibit A and Grantee remains continuously employed by the Company or any of its Subsidiaries (or any of their successors) through such date.
5. **Accelerated Vesting**. Notwithstanding the provisions of Section 4 hereof, the RSUs covered by this Agreement will become nonforfeitable and payable to Grantee upon the occurrence of the earliest of any of the following events:
   (a) If, while Grantee is continuously employed by the Company or any of its Subsidiaries (or any of their successors), a Change of Control occurs and a Replacement Award is not provided to Grantee on the date of such Change of Control, the number of RSUs that will become nonforfeitable and payable to Grantee shall equal the number of RSUs that Grantee would be entitled to receive based on actual achievement of the performance conditions described on Exhibit A as of the day immediately prior to the Change of Control [(in the case of [ ], with the applicable required performance levels pro-rated based on the amount of time elapsed in the Performance Period, and in the case of [ ], as determined as of the end of the most recent quarter prior to the Change of Control for which the applicable data for the Peer Group (as defined in Exhibit A) is publicly available)] As applicable, as determined by the Board or the Committee. Such number of RSUs shall become nonforfeitable and payable to Grantee on the date of such Change of Control.
   (b) If, while Grantee is continuously employed by the Company or any of its Subsidiaries (or any of their successors), (i) a Re-Externalization occurs and on the date of such Re-Externalization or during the thirty (30) day period thereafter if as a result of such Re-Externalization, (A) Grantee's job title, duties or responsibilities are materially and adversely changed, (B) Grantee's annual base salary or annual cash bonus opportunity is materially reduced or (C) Grantee's principal office is relocated to a location that is in excess of fifty (50) miles from Bethesda, Maryland; or (ii) a Re-Externalization occurs pursuant to Section 1(c)(ii) hereof and as of the date of such Re-Externalization, the Third-Party Manager (or any of its affiliates) has failed to provide Grantee with an offer of employment that provides for (A) a job title, duties or responsibilities that are materially no less favorable than Grantee's job title, duties or responsibilities immediately prior to such Re-Externalization, (B) an annual base salary and an annual cash bonus opportunity that are materially no less favorable than Grantee's annual base salary and annual cash bonus opportunity immediately prior to such Re-Externalization and (C) a principal office location that is not in excess of fifty (50) miles from Bethesda, Maryland (in any such case, as determined by the Committee, in its sole discretion), the number of RSUs that will become nonforfeitable and payable to Grantee shall equal (x) the number of RSUs that Grantee would have been entitled to receive if Grantee had remained employed until the last day of the Performance Period (based on actual achievement of the performance conditions described on Exhibit A during the Performance Period, as determined by the Board or the Committee after the end of the Performance Period). Such number of RSUs shall become nonforfeitable and payable to Grantee on or before the first March 15 that follows the date on which the Board or Committee certifies achievement of the applicable performance conditions for the Performance Period.
   (c) In the event that Grantee's employment is terminated by the Company or any of its Subsidiaries (or any of their successors) as a result of a Termination Without Cause that occurs more than 12 months after the Date of Grant, the number of RSUs that will become nonforfeitable and payable to Grantee shall equal (x) the number of RSUs that Grantee would have been entitled to receive if Grantee had remained employed until the last day of the Performance Period (based on actual achievement of the performance conditions described on Exhibit A during the Performance Period, as determined by the Board or the Committee after the end of the Performance Period), multiplied by (y) a fraction, the numerator of which shall be the number of full calendar months that had elapsed since the Date of Grant, and the denominator of which shall be 36; provided, however, that if such termination occurs more than 12 months after the Date of Grant and during the 24-month period following a Re-Externalization, the fraction will equal one (i.e., the RSUs will not be pro-rated). Such number of RSUs shall become nonforfeitable and payable to Grantee on or before the first March 15 that follows the date on which the Board or Committee certifies achievement of the applicable performance conditions for the Performance Period. For the avoidance of doubt, in the event that Grantee's employment is terminated by the Company or any of its Subsidiaries (or any of their successors) as a result of a Termination Without Cause that occurs on or prior to the 12 month anniversary of the Date of Grant, other than following a Re-Externalization, the RSUs covered by this Agreement shall be forfeited automatically pursuant to Section 6.
6. **Forfeiture.** Except to the extent the RSUs covered by this Agreement have become nonforfeitable pursuant to Section 4 or Section 5 hereof, the RSUs covered by this Agreement shall be forfeited automatically and without further notice, and shall no longer be considered covered by this Agreement, on the date on which Grantee ceases to be

employed by the Company or any of its Subsidiaries, the Manager (including following a Re-Externalization pursuant to Section 1(c)(i) hereof) or any of its subsidiaries, the Third-Party Manager (following a Re-Externalization pursuant to Section 1(c)(ii) hereof) or any of its subsidiaries or any of their respective successors. For purposes of the preceding sentence, if Grantee commences employment with the Third-Party Manager on the date of a Re-Externalization pursuant to Section 1(c)(ii) hereof pursuant to an offer of employment made by the Third-Party Manager on or before the date of such Re-Externalization, Grantee's termination of employment with the Company or any of its Subsidiaries on the date of such Re-Externalization shall not constitute a cessation of continuous employment for purposes of this Agreement.

7. **Form and Time of Payment of RSUs**.
   (a) Form. Payment in respect of the RSUs, after and to the extent they have become nonforfeitable pursuant to Section 4 or Section 5 hereof, shall be made in the form of shares of Common Stock. Payment shall only be made in whole shares of Common Stock; any fractional shares shall be paid to Grantee in cash. The Company's obligations to Grantee with respect to the RSUs will be satisfied in full upon the issuance of the shares of Common Stock (or, with respect to fractional shares, upon the payment in cash) corresponding to such RSUs.
   (b) Timing.
      (i) The RSUs that become nonforfeitable pursuant to Sections 4 hereof shall be paid within ten (10) days following the date on which such RSUs become nonforfeitable.
      (ii) The RSUs that become nonforfeitable pursuant to Section 5(a) hereof shall be paid on the date of such Change of Control.
      (iii) The RSUs that become nonforfeitable pursuant to Sections 5(b) and 5(c) hereof shall be paid on the first payroll date following the 60th day after the date such RSUs become nonforfeitable; provided that Grantee shall have first executed and not revoked a release of claims in favor of the Company and its Subsidiaries, in a form provided by the Company.

   Notwithstanding the foregoing, if Grantee has made a permitted deferral election with respect to any RSUs covered by this Agreement, such RSUs shall be paid at the time set forth in such deferral election.

8. **Dividend Equivalents; Other Rights**.
   (a) From and after the Date of Grant and until the earlier of (i) the time when the RSUs become nonforfeitable and are paid to Grantee in accordance with Section 7 hereof or (ii) the time when Grantee's right to receive shares of Common Stock in payment of the RSUs is forfeited in accordance with Section 6 hereof, on the date that the Company pays a cash dividend (if any) or other cash distribution to holders of shares of Common Stock generally, Grantee shall be entitled to a number of additional RSUs determined by dividing (A) the product of (x) the dollar amount of such cash dividend or other cash distribution paid per share of Common Stock on such date and (y) the total number of RSUs (including dividend equivalents credited thereon) previously credited to Grantee pursuant to this Agreement as of such date, to the extent such RSUs have not become nonforfeitable and paid to Grantee in accordance with Section 7 hereof, by (B) the Market Value per Share on such date. Such dividend equivalents (if any) shall be subject to the same applicable terms and conditions (including vesting, forfeitability, dividend equivalents and payment) as apply to the RSUs as to which the dividend equivalents were credited.
   (b) Grantee shall have no rights of ownership in the shares of Common Stock underlying the RSUs and no right to vote the shares of Common Stock underlying the RSUs until the date on which the shares of Common Stock underlying the RSUs are issued or transferred to Grantee pursuant to Section 7 hereof.
   (c) The obligations of the Company under this Agreement will be merely that of an unfunded and unsecured promise of the Company to deliver shares of Common Stock or pay cash in the future, and the rights of Grantee will be no greater than that of an unsecured general creditor. No assets of the Company will be held or set aside as security for the obligations of the Company under this Agreement.
9. **No Right to Future Awards or Employment**. The grant of the RSUs under this Agreement to Grantee is a voluntary, discretionary award being made on a one-time basis and it does not constitute a commitment to make any future awards. The grant of the RSUs and any payments made hereunder will not be considered salary or other compensation for purposes of any severance pay or similar allowance, except as otherwise required by law. Nothing contained in this Agreement shall confer upon Grantee any right to be employed or remain employed by the Company or any of its Subsidiaries, nor limit or affect in any manner the right of the Company or any of its Subsidiaries to terminate the employment or adjust the compensation of Grantee.
10. **Adjustments**. The number of shares of Common Stock issuable for each RSU and the other terms and conditions of the grant evidenced by this Agreement are subject to adjustment as provided in Section 11 of the Plan.
11. **Withholding Taxes**. To the extent that the Company is required to withhold federal, state, local or foreign taxes or other amounts in connection with the delivery to Grantee of shares of Common Stock or any other payment to Grantee or any other payment or vesting event under this Agreement, and the amounts available to the Company for such withholding are insufficient, it shall be a condition to the obligation of the Company to make any such delivery or payment that Grantee make arrangements satisfactory to the Company for payment of the balance of such taxes or

other amounts required to be withheld. Grantee may elect that all or any part of such withholding requirement be satisfied by other means, including the retention by the Company of a portion of the shares of Common Stock to be delivered to Grantee or by delivering to the Company other shares of Common Stock held by Grantee (or proceeds from the sale thereof) or cash. If such election is made, the shares of Common Stock used for such withholding will be valued at an amount equal to the Market Value per Share of such shares of Common Stock on the date of payment pursuant to Section 7 hereof. In no event will the amount that is withheld pursuant to this Section 11 to satisfy applicable withholding taxes exceed the maximum statutory tax rates applicable with respect to Grantee.

12. **Compliance With Law**. The Company shall make reasonable efforts to comply with all applicable federal and state securities laws; provided, however, notwithstanding any other provision of the Plan and this Agreement, the Company shall not be obligated to issue any of the shares of Common Stock pursuant to this Agreement if the issuance thereof would result in a violation of any such law.
13. **Clawback**. The RSUs shall be subject to the Company's Clawback Policy, as in effect on the Date of Grant, as may be amended or supplemented from time to time as a result of the Board's good faith anticipation of (and in accordance with the proposed rules regarding), or in order to comply with, the final rules or regulations adopted by the U.S. Securities and Exchange Commission and the NASDAQ Stock Market that implement the incentive-based compensation recovery requirements set forth in Section 10D of the Exchange Act, as added by Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, and any other applicable legal requirements or listing standards that may be enacted and in effect from time to time.
14. **Relation to Other Benefits**. Any economic or other benefit to Grantee under this Agreement or the Plan shall not be taken into account in determining any benefits to which Grantee may be entitled under any profit-sharing, retirement or other benefit or compensation plan maintained by the Company or any of its Subsidiaries (or any of their successors) and shall not affect the amount of any life insurance coverage available to any beneficiary under any life insurance plan covering employees of the Company or any of its Subsidiaries (or any of their successors).
15. **Amendments**. Any amendment to the Plan shall be deemed to be an amendment to this Agreement to the extent that the amendment is applicable hereto; provided, however, that (a) no amendment shall adversely affect the rights of Grantee under this Agreement without Grantee's written consent and (b) Grantee's consent shall not be required to an amendment that is deemed necessary by the Company to ensure exemption from or compliance with Section 409A of the Code or Section 10D of the Exchange Act and any applicable rules or regulations promulgated by the Securities Exchange Commission or any national securities exchange or national securities association on which the Common Stock may be traded, including as a result of the implementation of, or modification to, any clawback policy the Company adopts, or has adopted, to comply with the requirements set forth in Section 10D of the Exchange Act.
16. **Severability**. In the event that one or more of the provisions of this Agreement shall be invalidated for any reason by a court of competent jurisdiction, any provision so invalidated shall be deemed to be separable from the other provisions hereof, and the remaining provisions hereof shall continue to be valid and fully enforceable.
17. **Relation to Plan**. This Agreement is subject to the terms and conditions of the Plan. To the extent not expressly set forth in this Agreement, the terms of the Plan shall govern.
18. **Acknowledgement**. Grantee acknowledges that Grantee (a) has received a copy of the Plan, (b) has had an opportunity to review the terms of this Agreement and the Plan, (c) understands the terms and conditions of this Agreement and the Plan and (d) agrees to such terms and conditions.
19. **Successors and Assigns**. Without limiting Section 3 hereof, the provisions of this Agreement shall inure to the benefit of, and be binding upon, the successors, administrators, heirs, legal representatives and assigns of Grantee, and the successors and assigns of the Company.
20. **Governing Law**. This Agreement shall be governed by and construed in accordance with the internal substantive laws of the State of Delaware, without giving effect to any principle of law that would result in the application of the law of any other jurisdiction.
21. **Notices**. Any notice to the Company provided for herein shall be in writing (including electronically) to the Company, marked Attention: General Counsel, and any notice to Grantee shall be addressed to Grantee at Grantee's address on file with the Company at the time of such notice. Except as otherwise provided herein, any written notice shall be deemed to be duly given if and when delivered personally or deposited in the United States mail, postage and fees prepaid, and addressed as aforesaid. Any party may change the address to which notices are to be given hereunder by written notice to the other party as herein specified (provided that for this purpose any mailed notice shall be deemed given on the third business day following deposit of the same in the United States mail).
22. **Electronic Delivery**. The Company may, in its sole discretion, deliver any documents related to the RSUs and Grantee's participation in the Plan, or future awards that may be granted under the Plan, by electronic means. Grantee hereby consents to receive such documents by electronic delivery and, if requested, agrees to participate in the Plan through an online or electronic system established and maintained by the Company or another third party designated by the Company.
23. **Section 409A of the Code**. To the extent applicable, it is intended that this Agreement and the Plan comply with or be exempt from the provisions of Section 409A of the Code. This Agreement and the Plan shall be administered in a

manner consistent with this intent, and any provision that would cause this Agreement or the Plan to fail to comply with or be exempt from Section 409A of the Code shall have no force or effect until amended to comply with or be exempt from Section 409A of the Code (which amendment may be retroactive to the extent permitted by Section 409A of the Code and may be made by the Company without the consent of Grantee). Any reference in this Agreement to Section 409A of the Code will also include any proposed, temporary or final regulations, or any other guidance, promulgated with respect to such Section by the U.S. Department of the Treasury or the Internal Revenue Service. Notwithstanding anything in this Agreement or the Plan to the contrary, all payments made to Grantee pursuant to this Agreement will be made within the short-term deferral period specified in Treasury Regulation §1.409A-1(b)(4).

24. **Counterparts**. This Agreement may be executed in one or more counterparts (including facsimile and other electronically transmitted counterparts), each of which shall be deemed to be an original but all of which together will constitute one and the same agreement.

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed on its behalf by its duly authorized officer and Grantee has executed this Agreement, as of the Date of Grant.

AGNC INVESTMENT CORP.

By:
Name:
Title:

GRANTEE'S SIGNATURE

Print Name: _________________

Exhibit A
Performance Vesting Schedule
[ ]

Exhibit 10.13

Memorandum and Acceptance Agreement

To: [Ÿ]

From: AGNC Mortgage Management, LLC

Date: [Ÿ], 2017

Re: Performance Incentive Plan - MTGE Award

We are pleased to inform you that on [Ÿ], 2017, AGNC Mortgage Management, LLC (the "**Company**") granted you an Incentive Award (the "**Award**") under the terms of the AGNC Mortgage Management, LLC Performance Incentive Plan - MTGE (the "**Plan**") in the amount of $[Ÿ] (allocated to notional MTGE shares), subject to your acceptance of and agreement to the terms and conditions described in this Memorandum and Acceptance Agreement (this "**Agreement**"). As your Award vests, it will be paid pursuant to Section 6 of the Plan, subject to the terms of any valid deferral election between you and the Company. Capitalized terms used in this Agreement that are not otherwise defined herein shall have the meanings ascribed to such terms in the Plan.

Your Award consists of three (3) equal installments (each, an "**Installment**"), each of which shall be considered a separate payment for purposes of Section 409A of the Code. Your Installments shall vest pursuant to the following vesting schedule, subject to your continued service with the Company and/or an Affiliate and the conditions set forth in the Plan:

Date	Vested Percentage
	33.33%
	33.33%
	33.34%

Notwithstanding the foregoing, your Award will become fully vested if, while you are continuously employed by the Company, AGNC or any of their Affiliates (or any of their successors), your employment with the Company, AGNC or any of their Affiliates (or any of their successors) terminates as a result of: (i) your death, (ii) your Disability (pursuant to subparagraph 5(b)(ii) of the Employment Agreement), (iii) a Termination Without Cause (as defined in the Employment Agreement) or (iv) a Termination For Good Reason (as defined in the Employment Agreement). For purposes of this paragraph, "**Employment Agreement**" means the Amended and Restated Employment Agreement, entered into as of [ ], between you and the Company.

If you have any questions, please contact your Human Resources representative.

Otherwise, please sign below and return to [Ÿ] by [Ÿ], 2017 to accept and agree to the terms of the Award, including your agreement that the Award is fully subject to, and governed by, the terms of the Plan (as specifically modified herein), a copy of which the Company has previously provided to you.

Sincerely,

AGNC Mortgage Management, LLC

Accepted and agreed this _____ day of _____________, 2017:

[Ÿ]

Exhibit 10.14

Memorandum and Acceptance Agreement

To: [Ÿ]

From: AGNC Mortgage Management, LLC

Date: [Ÿ], 2017

Re: Performance Incentive Plan - MTGE Award

We are pleased to inform you that on [Ÿ], 2017, AGNC Mortgage Management, LLC (the "**Company**") granted you an Incentive Award (the "**Award**") under the terms of the AGNC Mortgage Management, LLC Performance Incentive Plan - MTGE (the "**Plan**") in the amount of $[Ÿ] (allocated to notional MTGE shares), subject to your acceptance of and agreement to the terms and conditions described in this Memorandum and Acceptance Agreement (this "**Agreement**"). As your Award vests, it will be paid pursuant to Section 6 of the Plan, subject to the terms of any valid deferral election between you and the Company. Capitalized terms used in this Agreement that are not otherwise defined herein shall have the meanings ascribed to such terms in the Plan.

Your Award consists of three (3) equal installments (each, an "**Installment**"), each of which shall be considered a separate payment for purposes of Section 409A of the Code. Your Installments shall vest pursuant to the following vesting schedule, subject to your continued service with the Company and/or an Affiliate and the conditions set forth in the Plan:

Date	Vested Percentage
	33.33%
	33.33%
	33.34%

In connection with a Re-Externalization (as defined below), your Award will become fully vested upon the occurrence of the earliest of any of the following events:

1. While you are continuously employed by the AGNC or an Affiliate (or any of their successors): (i) a Re-Externalization occurs and on the date of such Re-Externalization, or during the thirty (30) day period thereafter if as a result of such Re-Externalization, (A) your job title, duties or responsibilities are materially and adversely changed, (B) your annual base salary or annual cash bonus opportunity is materially reduced or (C) your principal office is relocated to a location that is in excess of fifty (50) miles from Bethesda, Maryland; or (ii) a Re-Externalization occurs pursuant to prong (ii) of the definition below and as of the date of such Re-Externalization, the Third-Party Manager (as defined below) (or any of its affiliates) has failed to provide you with an offer of employment that provides for (A) a job title, duties or responsibilities that are materially no less favorable than your job title, duties or responsibilities immediately prior to such Re-Externalization, (B) an annual base salary and an annual cash bonus opportunity that are materially no less favorable than your annual base salary and annual cash bonus opportunity immediately prior to such Re-Externalization and (C) a principal office location that is not in excess of fifty (50) miles from Bethesda, Maryland (in any such case, as determined by the Committee, in its sole discretion); or
2. During the 24-month period following completion of a Re-Externalization, your employment is terminated by the Company (or any of its successors) or the Third-Party Manager (or any of its affiliates), as applicable, as a result of your termination without Cause.
   For purposes of this Agreement:

   - "**Re-Externalization**" means (i) a sale, merger or other transaction that results in the transfer or issuance of a majority of the equity interests of the Company or AGNC Management, LLC to a third-party that is not an Affiliate of such entities (other than as a result of such transaction and the transfer or issuance of such equity interests) (a "**Third-Party Manager**"); or (ii) AGNC enters into, or otherwise becomes a party, to a management, investment advisory and/or administrative services agreement with Third-Party Manager pursuant to which the Third-Party Manager will provide all or substantially all of the investment advisory and administrative functions (e.g., accounting, treasury, legal, finance, investor relations, back office and other non-investment advisory services) of AGNC.

- If you commence employment with the Third-Party Manager pursuant to an offer of employment made on or before the date of a Re-Externalization, your termination of employment with the Company (or any of its successors) on the date of such Re-Externalization shall not constitute a cessation of continuous employment for purposes of this Agreement.

If you have any questions, please contact your Human Resources representative.

Otherwise, please sign below and return to [Ÿ] by [Ÿ], 2017 to accept and agree to the terms of the Award, including your agreement that the Award is fully subject to, and governed by, the terms of the Plan (as specifically modified herein), a copy of which the Company has previously provided to you.

Sincerely,

AGNC Mortgage Management, LLC

Accepted and agreed this _____ day of _____________, 2017:

____

[Ÿ]

Exhibit 12.1

Ratio of Earnings to Fixed Charges and Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends

The following table sets forth the calculation of our ratio of earnings to fixed charges and our ratio of earnings to combined fixed charges and preferred stock dividends for the periods shown (in millions):

	Fiscal Year				
	2016	**2015**	**2014**	**2013**	**2012**
Ratio of earnings to fixed charges:					
Fixed charges [1]	$ 394	$ 330	$ 372	$ 536	$ 512
Net income (loss) available (attributable) to common shareholders before provision for income taxes	595	187	(256)	1,245	1,267
Earnings	$ 989	$ 517	$ 116	$ 1,781	$ 1,779
Ratio of earnings to fixed charges	2.51	1.57	0.31	3.32	3.47
Ratio of earnings to combined fixed charges and preferred stock dividends:					
Fixed charges [1]	$ 394	$ 330	$ 372	$ 536	$ 512
Preferred stock dividends	28	28	23	14	10
Combined fixed charges and preferred stock dividends	422	358	395	550	522
Net income (loss) available (attributable) to common shareholders before provision for income taxes	595	187	(256)	1,245	1,267
Earnings	$ 1,017	$ 545	$ 139	$ 1,795	$ 1,789
Ratio of earnings to combined fixed charges and preferred stock dividends	2.41	1.52	0.35	3.26	3.43

1. Fixed charges consist of interest expense, as defined under U.S. generally accepted accounting principles, on all indebtedness.

AGNC INVESTMENT CORP. CODE OF ETHICS AND CONDUCT

Adopted: October 18, 2016

A. INTRODUCTION

AGNC Investment Corp. (“AGNC”) has adopted this Code of Ethics and Conduct to communicate to all AGNC people the ethical and legal standards that we expect you to observe when dealing with AGNC, your AGNC colleagues, and others with whom we do business.

Throughout this Code, we use the terms “AGNC people,” “you” and “your” to refer to all of AGNC’s and its subsidiaries’ directors, executive officers, employees and independent contractors, and the terms “AGNC,” the “company,” “we” and “our” to refer to AGNC and its subsidiaries. We use the term “Code” to refer to this document, as it may be amended from time to time.

We expect all AGNC people to act ethically and obey the law. When you encounter ethical or legal issues where you are not certain about the correct course of action, you should use principles described in this Code as guideposts in deciding how to proceed. We have adopted this Code to give you guidance for resolving these ethical and legal issues. In particular, this Code addresses the following general topics:

- Observing all laws and regulations
- Avoiding conflicts of interest
- Maintaining accurate and complete company records
- Protecting confidential information

Because rapid changes in our industry and in the law constantly present new issues, we cannot create guidelines that address all circumstances or constitute the definitive answer on any question. When you are in doubt about the correct or best course of action, or have questions about the Code, you should always consider consulting your supervisor, the Chief Compliance Officer of the company (the “Chief Compliance Officer”) or the Legal team for guidance.

We firmly believe that a strong commitment to ethical and legal conduct is essential for us successfully to achieve our purpose and vision. We therefore require all AGNC people to comply with this Code. To help ensure this compliance, we have established a procedure for reporting suspected violations of this Code. Any violations of this Code may result in disciplinary action, including termination of employment or contract, as applicable. These matters are described in more detail at the end of this Code.

B. OBSERVING ALL LAWS, RULES AND REGULATIONS

1. GENERALLY

We expect you to comply with all applicable local, state and federal laws, rules and regulations, both domestic and international, and refrain from illegal, dishonest or unethical conduct. Although laws, rules and regulations may sometimes be ambiguous and difficult to interpret, we expect you to make a good-faith effort to follow both the letter and the spirit of the law.

In addition, we expect you to comply with all AGNC policies and procedures that apply to you. These include, but are not limited to, our policies on securities trading, political contributions, equal opportunity, harassment, drug-free workplace, computer usage and information technology, data protection and expense reimbursement and travel, as well as our internal financial controls and procedures. We may modify or update these policies and procedures in the future, and adopt new company policies and procedures from time to time. You are also expected to observe the terms of any confidentiality agreement, employment agreement, consulting agreement or other similar agreement that applies to you. If you previously signed one of these agreements with AGNC, it remains in full force and effect.

2. BRIBES AND KICKBACKS

Bribery is illegal and subject to criminal penalties in the United States and many other countries. Bribery is forbidden under the U.S. Foreign Corrupt Practices Act (the “FCPA”), which is described in more detail in Section B.3 of this Code, and other laws, rules and regulations. You may not give any bribes, kickbacks or other similar considerations to any person or organization to attract business. All decisions regarding the investing of our assets or the purchasing of goods and services must be made on the basis of applicable investment or acquisition criteria, and in a way that preserves AGNC’s integrity.

Fees, commissions or other amounts paid to outside consultants, agents or other third parties must be fully disclosed in our investment process or otherwise to our Chief Compliance Officer and must be legal, proper and reasonable in relation to customary commercial practice. Payments to these persons should never be used to accomplish indirectly what AGNC could not properly or legally do directly.

You should also be familiar with, and observe, the provisions of Section C.3 of this Code relating to Gifts, Gratuities and Entertainment, because the giving or receiving of such items could constitute an illegal bribe or kickback under certain circumstances.

3. **INTERNATIONAL ISSUES**

You are expected to comply with the legal requirements and ethical standards of each country in which you conduct AGNC business, as well as with all U.S. laws applicable in other countries.

The FCPA applies to business transactions both inside the United States and in other countries. Its requirements relate to accurate and complete financial books and records, transactions with foreign government officials and restrictions on the use of funds for unlawful or improper purposes. Because violation of the FCPA can bring severe penalties, including criminal fines for the company and individuals and jail terms, it is essential that you become familiar with the FCPA's requirements if you are involved in investment transactions or other business in a foreign country. Other statutes that may affect our international investments include, but are not limited to, the Anti-Bribery and Fair Competition Act and the Export Administration Act. If you have any questions regarding these legal requirements, please contact a member of our Legal team.

4. **POLITICAL ACTIVITY**

We do not make contributions or payments that could be considered a contribution to political parties or candidates or to intermediary organizations such as political action committees. However, you are free to exercise your right to make personal political contributions within legal limits, except to the extent these contributions are otherwise prohibited or restricted by other AGNC policies. You should not make these contributions in a way that might appear to be an endorsement or contribution by AGNC. You should be certain that you understand, and are complying with, all such laws, rules and regulations before making any political contributions. We will not reimburse you for political contributions in any way.

5. **ANTITRUST**

Antitrust laws generally prohibit agreements or actions that restrain trade or reduce competition. The free enterprise system rests on the notion that free and open competition is the best way to ensure an adequate supply of products and services at reasonable prices. We expect you to adhere to both the spirit and the letter of the antitrust laws of the United States and with all applicable antitrust laws governing competition in any country in which AGNC does business. Violation of antitrust laws can result in severe civil and criminal penalties, including imprisonment for individuals, and AGNC can be subjected to substantial fines and damage awards.

a. **Agreements with Competitors**

The following agreements, arrangements or understandings between AGNC and its competitors (whether oral or in writing) should be avoided:

- Agreements that affect the price or other terms or conditions of sale of products or the terms on which we invest;
- Agreements regarding the companies in which AGNC or its managed companies will, or will not, invest or sell or provide services;
- Agreements to refuse to invest in or sell to particular businesses or to refuse to buy from particular businesses; and
- Agreements that limit the types of investments that AGNC will make.

Contacts with our competitors are sensitive and risky, because courts can infer an agreement or collusion from these contacts when they are followed by common action or behavior. We recognize that we may need to work with our competitors in the regular course of our business. In all contacts with our competitors, you are expected to avoid discussing prices, costs, competition, division of markets, marketing plans or studies, or any other proprietary or confidential information.

If any competitor initiates a discussion with you involving the subjects above, you should immediately excuse yourself from the conversation and report the matter to the Chief Compliance Officer or a member of the Legal team.

6. SECURITIES LAWS AND INSIDER TRADING

The U.S. federal securities laws are built on the premise that a purchaser and a seller of securities should have equal access to important information regarding the company whose securities they are trading. Consequently, federal securities laws forbid an investor from purchasing or selling securities based upon inside information not available to the other party.

The consequences of insider trading violations can be severe. AGNC people who trade on inside information, or who communicate (or tip) this information to others so that they may trade, may face a civil penalty of up to three times the profit gained (or loss avoided), a substantial criminal fine and a jail term of up to ten years. Additionally, if we or our senior officers do not take appropriate steps to prevent AGNC people from insider trading, we may also face severe legal consequences, including, among other things, substantial criminal penalties.

a. Policy Statement

AGNC people who have material, nonpublic (i.e., inside) information about AGNC should not buy or sell AGNC securities (including derivative securities such as put and call options) until a reasonable time after the inside information has been publicly disclosed. You also should not disclose inside information to others outside AGNC until a reasonable time after the information has been publicly disclosed. In addition, it is never appropriate for you to advise others to buy or sell AGNC securities.

We further believe that it is highly inappropriate for any AGNC person to sell short AGNC stock or engage in other transactions where the person will earn a profit based on a decline in AGNC’s stock price.

These rules also apply to the use of material, nonpublic information about other companies (including, for example, our clients, competitors and potential business partners).

In addition to you, these rules apply to your spouse, children and any other family members living with you in your household.

b. Further Explanation

1. **What is inside information?** Inside information is material information about an entity, including AGNC, that has not been publicly disclosed. For instance, this information could relate to AGNC’s investments, financial condition, earnings or business, or to any important development in which we may be involved.
2. **What information is material?** Information is material if it is information that a reasonable investor might consider important in deciding whether to buy, sell or hold securities. Examples of information that may be material include: financial results or forecasts; a significant proposed acquisition or sale of a business; a stock split; significant litigation; and changes in customary earnings trends.
3. **What information is nonpublic?** Information is nonpublic until the time it has been effectively disclosed to the public. Effective disclosure generally occurs when information is included in a press release, is revealed during a conference call to which the general public has been invited to participate or is included in our public filings with the U.S. Securities and Exchange Commission. Under certain circumstances, effective disclosure may occur by other means.
4. **What is a reasonable waiting period before purchases and sales can be made?** The investing public must have sufficient time to analyze the information that has been disclosed before those possessing previously nonpublic information can trade. For matters disclosed in an AGNC press release or conference call, a good rule of thumb is that purchases and sales can be made beginning 24 hours after the disclosure.
5. **What transactions are prohibited?** An AGNC person who has inside information about AGNC or another company is prohibited from: (a) trading in AGNC’s or the other company’s

securities (including derivative securities such as put and call options); (b) having others trade in AGNC's or the other company's securities for your benefit; and (c) disclosing the inside information to (or tipping) anyone else who might then trade. These prohibitions continue for as long as the information remains material and nonpublic.

6. **What transactions are allowed?** An AGNC person who has inside information about AGNC may, nonetheless, usually exercise AGNC stock options for cash (but may not sell the option shares he or she receives upon the exercise). These cash option exercise purchases are allowed because the other party to the transactions is AGNC itself, and because the option exercise purchase price does not vary with the market, but, rather, is fixed in advance under the terms of the option plan. Additionally, certain transactions that occur under an automatic investment plan, such as a dividend reinvestment plan or a company approved Rule 10b5-1 plan, if any, are permitted in such circumstances. You should contact the Chief Compliance Officer or a member of our Legal team with any questions.

c. **Blackout Period for Trading in AGNC Securities**

In addition to our general Insider Trading Policy, which is summarized above, we may institute from time to time blackout periods during which AGNC persons will be precluded from trading in AGNC securities (including derivative securities such as put and call options). The Chief Compliance Officer will typically be responsible for implementing such practices.

C. AVOIDING CONFLICTS OF INTEREST

1. GENERALLY

All AGNC people have a duty of loyalty to act in the best interests of the company. We expect you to avoid situations and relationships that involve actual or potential conflicts of interest. Generally, a conflict of interest arises whenever your personal interests diverge from your responsibilities to AGNC or from AGNC's best interests. Put another way, a conflict of interest is created whenever an activity, association or relationship of yours might impair your independent exercise of judgment in AGNC's best interest.

Examples of situations that could be perceived as conflicts of interest and should be avoided include:

- Conducting AGNC's business with a company owned, partially owned or controlled by you or a member of your family;
- Ownership of more than one percent of the stock of a company that competes or does business with AGNC (other than indirect ownership as a result of owning a widely-held mutual fund);
- Working as an employee or a consultant for a competitor, regulatory government entity, investment company or supplier of AGNC (other than as part of your AGNC employment);
- Doing any work for a third party that may adversely affect your performance or judgment on the job or diminish your ability to devote the necessary time and attention to your duties; and
- Appropriating or diverting to yourself or others any business opportunity or idea in which AGNC might have an interest.

These situations (and others like them), where your loyalties to AGNC could be compromised, must be avoided. If you believe that you are involved in a potential conflict of interest, we expect you to discuss it with your supervisor or the Chief Compliance Officer. If a conflict is determined to exist, you must disengage from the conflict situation or terminate your employment.

2. USE OF OUR ASSETS

You are responsible for the proper use of AGNC's physical resources and property, as well as its proprietary information.

Our offices, equipment, supplies and other resources may not be used for activities that are not related to your employment with AGNC, except for any activities that have been approved in writing in advance by us, or for personal usage that is minor in amount and reasonable. If you are found to be engaging in, or attempting, theft of any AGNC property, including documents, equipment, intellectual property, personal property of other employees, cash or any other items of value, you may be subject to immediate termination of your employment or contract and possible criminal proceedings. We expect you to report any theft or attempted theft to your supervisor or the Chief Compliance Officer.

Proprietary words, slogans, symbols, logos or other devices used to identify AGNC and its proprietary methods and services are important business tools and valuable assets, which require care in their use and treatment. You may not negotiate or enter into any agreement respecting AGNC's trademarks, service marks or logos without first consulting a member of our Legal team. We also respect the intellectual property rights of others. Thus, using the trademark or service mark of, or referencing for marketing purposes, another company (even one with whom AGNC has a business relationship), requires clearance or approval by our Legal team, to determine whether the use of that other company's mark is proper. You should avoid the unauthorized use of copyrighted or patented materials of others and should ask a member of the Legal team if you have any questions regarding the permissibility of photocopying, excerpting, electronically copying or otherwise using copyrighted or patented materials. In addition, simply because material is available for copying (such as content or images downloaded from the internet) does not mean that it is automatically legal or permissible to copy or distribute.

3. **GIFTS, GRATUITIES AND ENTERTAINMENT**

a. **Giving**

You may not offer money, gifts or other items or services of value to anyone with whom we do business or potentially would do business for the purpose of securing an investment opportunity or contract or obtaining favorable treatment. Business-connected favors or gifts may not be extended unless they:

- Are consistent with customary business practices;
- Do not have substantial monetary value and would not be viewed as improper by others; and
- Do not violate applicable laws, rules or regulations.

Business entertainment in the form of meals and beverages may be offered only if these activities and related expenses are modest and infrequent. Other forms of entertainment (such as tickets to sporting, civic or cultural events) are allowed only if reasonable, customary and not excessive.

b. **Receiving**

To avoid even the implication of impropriety, you should decline any gift, favor, entertainment or anything else of value from current or prospective intermediaries, clients, suppliers or contractors or their representatives except for:

- Gifts that do not have substantial monetary value given at holidays or other special occasions;
- Reasonable entertainment at lunch, dinner or business meetings where the return of the expenditure on a reciprocal basis is likely to occur and would be properly chargeable as a business expense; or
- Other routine entertainment that is business-related such as sports outings or cultural events, but only if such is otherwise acceptable under this Code and is reasonable, customary and not excessive.

In the event that you receive any gift or entertainment with a fair market value in excess of $200, you must promptly report it to your supervisor and/or such other person as may be designated by the Chief Compliance Officer. Executive officers must report such gifts or entertainment in writing, on a periodic basis, to the Audit Committee of the Board of Directors (the "Board").

Ultimately, you must exercise good business judgment in deciding which situations are unacceptable. If there is ever any doubt as to the acceptability of any entertainment activity, consult with your supervisor or our Chief Compliance Officer.

D. **MAINTAINING ACCURATE AND COMPLETE COMPANY RECORDS**

1. **ACCOUNTING AND FINANCIAL RECORDS**

We are required under U.S. federal securities laws and generally accepted accounting principles to keep books, records and accounts that accurately reflect all transactions and to provide an adequate system of internal accounting and controls. We expect you to ensure that those portions of our books, records and accounts for which you have responsibility are valid, complete, accurate and supported by appropriate documentation in verifiable form.

You should not:

- Improperly accelerate or defer expenses or revenues to achieve financial results or goals;
- Deviate from any accounting standards applicable to AGNC or otherwise;
- Participate in the valuation of any of our assets at a value other than that required by law;
- Maintain any undisclosed or unrecorded funds or off the book assets;
- Establish or maintain improper, misleading, incomplete or fraudulent accounting documentation or financial reporting;

- Make any payment for purposes other than those described in the documents supporting the payment;
- Submit or approve any expense report where you know or suspect that any portion of the underlying expenses were not incurred or are not accurate; or
- Sign any documents believed to be inaccurate or untruthful.

AGNC people who exercise supervisory duties over our assets or records are expected to establish and implement appropriate internal controls over all areas of their responsibility. This will help ensure the safeguarding of AGNC's assets and the accuracy of our financial records and reports. We have adopted and will continue to adopt various types of internal controls and procedures as required to meet internal needs and applicable laws and regulations. We expect you to follow these controls and procedures to the extent they apply to you, to assure the complete and accurate recording of all transactions.

Any accounting entries or adjustments that materially depart from generally accepted accounting principles must be approved by our Audit Committee and reported to our independent auditors. You must not interfere with or seek to influence improperly (directly or indirectly) the review or auditing of our financial records by our Audit Committee or independent auditors.

If you become aware of any questionable transaction or accounting practice concerning AGNC, our investments or our other assets, we expect you to report the matter immediately to our Chief Compliance Officer or to a member of our Audit Committee. In addition, we expect you to report all material off-balance-sheet transactions, arrangements and obligations, contingent or otherwise, and other AGNC relationships outside the ordinary course of business with portfolio companies or other unconsolidated entities or other persons that may have material current or future effects on our financial condition or results of operations to our Chief Compliance Officer or to a member of our Audit Committee.

Section F.2 of this Code describes the procedure for making these reports. You may also make an anonymous report under Section F.2 if you are not comfortable revealing your identity when making a report.

2. **DISCLOSURES TO INVESTORS**

We are required under U.S. federal securities laws to provide the public with periodic disclosure regarding our business and financial condition (such as quarterly and annual reports and materials for our annual stockholders' meeting). We provide additional disclosures to the public through our quarterly earnings calls and press releases and provide disclosures to our lenders and other credit providers through various means. All AGNC people who participate in the preparation or dissemination of these disclosures, or who provide information that they know may be used in the preparation of these disclosures, have a legal and ethical duty to ensure that the content of the disclosures is accurate, complete and timely.

We have created and will continue to create disclosure controls and procedures that are designed to ensure that all such disclosures are accurate, complete and timely. If you become aware that our disclosures are not accurate, complete and timely, or become aware of a transaction or development you believe may require disclosure, you should report the matter immediately to our Chief Compliance Officer or a member of the Audit Committee.

3. **RETENTION OF DOCUMENTS**

Certain types of documents and records (including, for example, e-mails) must be retained for specific periods of time, because of legal and regulatory requirements, or contractual obligations to our providers of capital or others. These periods of time, and the types of documents and records covered, may vary from time to time and will be announced as appropriate. We expect you to comply with the document retention requirements that apply to you. If you are working with these types of documents and records, or are uncertain whether the documents or records you are working with are subject to these retention requirements, please consult with your supervisor, a member of our Legal team or our Chief Compliance Officer.

Whenever you become aware that documents or records of any type may be required in connection with a lawsuit or government investigation, you must preserve all possibly relevant documents. This means that you must immediately stop disposing of or altering those documents pertaining to the subjects of the litigation or investigation, even if that activity is ordinary or routine. If you are uncertain whether documents or records under your control should be preserved because they might relate to a lawsuit or investigation, you should contact a member of our Legal team or our Chief Compliance Officer.

E. **PROTECTING CONFIDENTIAL INFORMATION**

1. **AGNC CONFIDENTIAL INFORMATION**

You will often have access to information that is private to AGNC, has not been made public and constitutes trade secrets or proprietary information. Protection of this information is critical to our ability to grow and compete.

Under the laws of most jurisdictions where we do business, trade secrets are legally protected property as long as they remain secret (meaning not generally or publicly known).

Your obligations with respect to our confidential trade secrets and proprietary information are:

- Not to disclose the information outside of AGNC;
- Not to use the information for any purpose except to benefit AGNC's business; and
- Not to disclose the information within AGNC, except to other AGNC people who need to know, or use, the information and are aware that it constitutes a trade secret or proprietary information.

These obligations continue even after you leave AGNC, until the information becomes publicly available or until we no longer consider it a trade secret or proprietary information. Any documents, papers or records that contain trade secrets or proprietary information are our property and must remain at the company. In certain cases, AGNC people have executed nondisclosure agreements, employment agreements or other similar agreements that govern their obligations with respect to our information.

Our confidential trade secrets and proprietary information may include, among other things, information regarding our operations, business plans, investments, customers, strategies, trade secrets, records, finances, assets, data or other information that reveals the processes, methodologies or know how by which our existing or future investments, services or methods of operation are developed, conducted or operated.

2. **CONFIDENTIAL INFORMATION OF OTHERS**

In the normal course of business, you will acquire information about many other organizations, including clients, suppliers and competitors. This is a normal business activity and is not unethical in itself. We properly gather this kind of information for such purposes as evaluating investments. We also collect information on competitors from a variety of legitimate sources to evaluate the relative merits of our own investments and other business practices.

There are, however, limits to the ways that this information should be acquired and used. When working with sensitive information about our customers or suppliers, you should use that information only for the purposes for which it was disclosed to you and make it available only to other AGNC people with a legitimate need to know.

You should not use illegitimate means to acquire a competitor's trade secrets or other confidential information. Illegal practices such as trespassing, burglary, wiretapping, bribery and stealing are obviously wrong. We will not tolerate any form of questionable intelligence-gathering. In addition, we strive to protect the privacy of personal information of others. We will only collect, use, process, and disclose an individual's personal information in accordance with applicable law and our internal policies.

3. **INADVERTENT DISCLOSURE**

You should be careful to avoid the inadvertent disclosure of proprietary information. To avoid inadvertent disclosure, you should never discuss with any unauthorized person proprietary information that AGNC considers confidential or that we have not made public. You also should not discuss this information even with authorized AGNC people if you are in locations where unauthorized people may overhear you, such as airplanes or elevators, or when using non-secure electronic bulletin boards or databases. You should also not discuss this information with family members or with friends, because they may innocently or unintentionally pass the information on to someone else.

4. **CONTACTS WITH REPORTERS, ANALYSTS AND OTHER MEDIA**

Because of the importance of the legal requirements regarding disclosure of certain information to our investors, we must make certain that any information regarding our business, financial condition or operating results that is released to the public is accurate and consistent. As a result, you should not discuss internal AGNC matters with anyone outside of AGNC, except as clearly required in the performance of your job duties. This prohibition applies particularly to inquiries about AGNC made by the news media, securities analysts or investors. All responses to these inquiries must be made only by our executive officers (and individuals specifically designated by them, including members of our Investor Relations and Corporate Communications staffs), who are authorized to discuss information about AGNC with the news media, securities analysts and investors. If you receive inquiries from these sources, you should immediately refer them to one of these authorized spokespersons.

It should also be noted that the foregoing restrictions also apply with regard to the disclosure of information through non-traditional media, such as the internet. For example, AGNC people should not post information regarding the company in internet chat rooms or bulletin boards.

F. ADMINISTRATION OF THIS CODE

1. ONGOING REVIEW OF COMPLIANCE

We require all AGNC people to comply with this Code. Upon your receipt of this Code, and also from time to time as we deem to be necessary, we may require you to sign an acknowledgement confirming that you have read and understood this Code and agree to comply with its provisions. We reserve the right to monitor your continuing compliance with the provisions of this Code and to investigate any suspected violations. If substantiated, these violations could result in disciplinary action, as described more fully in the following sections.

2. REPORTING OF SUSPECTED VIOLATIONS

We expect you to bring to the attention of the Chief Compliance Officer (or any people that the Chief Compliance Officer designates) information about suspected violations of this Code by any other AGNC person as promptly as practicable. Additionally, we may designate a third-party hotline provider to which information about suspected violations of the Code may be reported. If you have information about suspected improper accounting or auditing matters, you should bring such information to the attention of our Chief Compliance Officer or a member of our Audit Committee directly. To contact our Audit Committee or to submit a report to them, please contact them at the contact information that we will distribute periodically.

If you are not comfortable revealing your identity when making a report, you can also make an anonymous report with our Chief Compliance Officer, the hotline or our Audit Committee.

You should feel safe in reporting this information, without regard to the identity or position of the suspected offender. We will treat the information in a confidential manner (consistent with appropriate evaluation and investigation) and will not take any acts of retribution or retaliation against you for making a report.

Because failure to report criminal activity can itself be understood to condone the crime, we emphasize the importance of prompt reporting. For both criminal activity and other violations of this Code, failure to report knowledge of wrongdoing may result in disciplinary action against those who fail to report.

3. NON-RETALIATION

Retaliation in any form against an AGNC person who reports a violation of this Code (even if the report is mistaken but was submitted in the good faith belief it was correct) or who assists in the investigation of a reported violation is itself a serious violation of this Code. Acts of retaliation should be reported immediately and may result in severe disciplinary action.

4. INVESTIGATION OF SUSPECTED VIOLATIONS

Suspected violations will be investigated under the supervision of our Chief Compliance Officer or the Audit Committee, in such manner as the Chief Compliance Officer or the Audit Committee, as applicable, deems appropriate. You are expected to cooperate in the investigation of reported violations. When practical and appropriate under the circumstances, and in order to protect the privacy of the persons involved, those people investigating the suspected violation will attempt to keep confidential the identity of someone who reports a suspected violation or who participates in the investigation. There may be situations, however, when this information must be disclosed as part of our investigation.

The Chief Compliance Officer may call upon members of our Legal team to participate in any investigations. You should be aware that our Chief Compliance Officer and the members of our Legal team are legally obligated to act in the best interests of AGNC as a company. They do not act as lawyers or personal representatives for any individual AGNC person, including our executive officers. Our Board has ultimate responsibility for final interpretation of this Code and for determining whether any violations of this Code have occurred.

5. **DISCIPLINARY ACTION**

If our Chief Compliance Officer or our Board (or those acting under their supervision) determine, in their good faith discretion, that you have violated any provision of this Code, you may be subject to disciplinary action, up to and including termination of your employment or contract without prior warning and referral for criminal prosecution and fines.

6. **SPECIAL PROVISIONS APPLICABLE TO CERTAIN FINANCIAL EXECUTIVES**

Given the important position of trust and authority that they occupy, our Chief Executive Officer, Chief Financial Officer, Chief Accounting Officer, Controller, directors and certain other persons who may be designated by the Board or the Audit Committee (collectively, the "Financial Executives") should act extremely cautiously in interpreting and applying this Code. Financial Executives should consult with our Chief Compliance Officer with respect to any proposed actions or arrangements that are not clearly consistent with the Code. In the event that a Financial Executive wishes to engage in a proposed action or arrangement that is not consistent with the Code, the Financial Executive must obtain a waiver of the relevant Code provisions in advance from the Board.

The Sarbanes-Oxley Act of 2002 imposes certain reporting requirements on AGNC with respect to our Financial Executives' compliance with the Code. In accordance with these requirements, we will publicly report on a Current Report on Form 8-K any waivers of any provision of the Code granted by our Board to any Financial Executive. Violations of the Code by our Financial Executives may also be immediately reported on Form 8-K.

7. **REVISIONS AND UPDATES TO THIS CODE**

This Code may be revised, changed or amended at any time by our Board. Following any material revisions or updates, an updated version of this Code will be distributed to you, and will supersede the prior version of this Code effective upon distribution. We may ask you to sign an acknowledgement confirming that you have read and understood the revised version of the Code, and that you agree to comply with its provisions.

8. **IMPORTANT DISCLAIMERS**

This Code reflects general principles to guide you in making ethical decisions and cannot, and is not intended to, address every specific situation in which we may find it appropriate to take disciplinary action. This Code is not intended to create any contract (express or implied) with you, including without limitation any employment contract, or to constitute any promise with regard to the length and terms of your employment.

Exhibit 23

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

(1) Form S-8 (No. 333-151027),
(2) Form S-3 (No. 333-205306), and
(3) Form S-3 (No. 333-205307);

of our reports dated February 27, 2017, with respect to the consolidated financial statements of AGNC Investment Corp., and the effectiveness of internal control over financial reporting of AGNC Investment Corp., included in this Annual Report (Form 10-K) of AGNC Investment Corp. for the year ended December 31, 2016.

McLean, Virginia /s/ Ernst & Young
February 27, 2017

Exhibit 24

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned directors and officers of AGNC Investment Corp., a corporation organized under the laws of the state of Delaware (the “Corporation”), hereby constitute and appoint Peter Federico, Kenneth Pollack and Kasey Reisman and each of them (with full power to each of them to act alone), his/her true and lawful attorneys-in-fact and agents for him/her and on his/her behalf and in his/her name, place and stead, in all cases with full power of substitution and resubstitution, in any hand and all capacities, to sign, execute and affix his/her seal to and file with the Securities and Exchange Commission (or any other governmental or regulatory authority) the Corporation’s Annual Report on Form 10-K for the fiscal year ended December 31, 2016, and all amendments or supplements thereto with all exhibits and any and all documents required to be filed with respect thereto, and grants to each of them full power and authority to do and to perform each and every act and thing requisite and necessary to be done in and about the premises in order to effectuate the same as fully and to all intents and purposes as he/she might or could do if personally present, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, each of the undersigned directors and/or officers has hereunto set his hand and seal, as of the date specified.

Dated: February 17, 2017	**AGNC INVESTMENT CORP.** /s/ GARY KAIN Gary Kain Chief Executive Officer, President and Chief Investment Officer

/s/ GARY KAIN Gary Kain	Chief Executive Officer, President and Chief Investment Officer (Principal Executive Officer)	February 17, 2017
/s/ MORRIS A. DAVIS Morris A. Davis	Director	February 17, 2017
/s/ LARRY K. HARVEY Larry K. Harvey	Director	February 17, 2017
/s/ PRUE LAROCCA Prue Larocca	Director	February 17, 2017
/s/ PAUL MULLINGS Paul Mullings	Director	February 17, 2017

Exhibit 31.1

AGNC Investment Corp.
Certification Pursuant to Section 302(a)
of the Sarbanes-Oxley Act of 2002

I, Gary Kain, certify that:

1. I have reviewed this Annual Report on Form 10-K of AGNC Investment Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 27, 2017

/s/ GARY KAIN

Gary Kain
Chief Executive Officer, President and Chief
Investment Officer (Principal Executive Officer)

Exhibit 31.2

AGNC Investment Corp.
Certification Pursuant to Section 302(a)
of the Sarbanes-Oxley Act of 2002

I, Peter Federico, certify that:

1. I have reviewed this Annual Report on Form 10-K of AGNC Investment Corp;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entitles, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:

   (a) All significant deficiencies and material weakness in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 27, 2017

/s/ PETER FEDERICO

Peter Federico
Chief Financial Officer and Executive Vice President (Principal Financial Officer)

Exhibit 32

AGNC Investment Corp.
Certification of CEO and CFO Pursuant to 18 U.S.C. Section 1350,
as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

We, Gary Kain, Chief Executive Officer, President and Chief Investment Officer, and Peter Federico, Executive Vice President and Chief Financial Officer of AGNC Investment Corp. (the "Company"), certify pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350 that:

1. The Annual Report on Form 10-K of the Company for the fiscal year ended December 31, 2016 (the "Report") fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78m); and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

	/s/ GARY KAIN
Name:	Gary Kain
Title:	Chief Executive Officer, President and Chief Investment Officer (Principal Executive Officer)
Date:	February 27, 2017

	/s/ PETER FEDERICO
Name:	Peter Federico
Title:	Chief Financial Officer and Executive Vice President (Principal Financial Officer)
Date:	February 27, 2017

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.