American Capital Agency*

Q2 2016 Stockholder Presentation

July 28, 2016

* Not affiliated with American Capital, Ltd

AGNC NASDAQ LISTED

SAFE HARBOR STATEMENT

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

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

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

CAPITAL STOCK HIGHLIGHTS

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TYPE / STOCK TICKER:
COMMON STOCK / AGNC

EXCHANGE:
NASDAQ

IPO DATE:
MAY 2008

IPO PRICE:
$20.00 PER SHARE

TOTAL DIVIDENDS PAID SINCE IPO [1]:
$33.90 PER SHARE

NET ASSET VALUE [2]:
$22.22 PER SHARE

TOTAL EQUITY CAPITAL [2]:
$7.4 B

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

PREFERRED STOCK TICKER:
AGNCP

PER ANNUM DIVIDEND RATE:
8.000% PAYABLE QUARTERLY

EXCHANGE:
NASDAQ

TOTAL DIVIDENDS PAID SINCE OFFERING [1]:
$8.556 PER SHARE

PUBLIC OFFERING PRICE:
$25.00 PER SHARE

SHARES OUTSTANDING:
6.9 MILLION

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TYPE / NAME:
7.750% SERIES B CUMULATIVE REDEEMABLE PREFERRED STOCK

PREFERRED STOCK TICKER:
AGNCB

PER ANNUM DIVIDEND RATE:
7.750% PAYABLE QUARTERLY

EXCHANGE:
NASDAQ

TOTAL DIVIDENDS PAID SINCE OFFERING [1]:
$4.23559 PER DEPOSITARY SHARE

PUBLIC OFFERING PRICE:
$25.00 PER DEPOSITARY SHARE [3]

DEPOSITARY SHARES OUTSTANDING:
7.0 MILLION

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* As of June 30, 2016 unless otherwise indicated

1. As of July 15, 2016
2. "Net Asset Value" and "Total Equity Capital" are net of the 8.000% Series A Cumulative Redeemable Preferred Stock ("Series A Preferred Stock") and the 7.750% Series B Cumulative Redeemable Preferred Stock ("Series B Preferred Stock") liquidation preference of $173 and $175 million, respectively
3. Each depositary share outstanding represents a 1/1,000th interest in a share of Series B Preferred Stock

Q2 2016 HIGHLIGHTS

- **$0.73 Comprehensive Income per Share, Comprised of:**
  - ✓ $(0.43) net loss per share
  - ✓ $1.16 other comprehensive income ("OCI") per share
    - Includes net unrealized gains on investments marked-to-market through OCI
- **$0.56 Net Spread and Dollar Roll Income per Share, Excluding Estimated "Catch-Up" Premium Amortization Cost [1]**
  - ✓ Includes $0.13 per share of dollar roll income associated with a $8.2 B average net long position in forward purchases and sales of Agency MBS in the "to-be-announced" ("TBA") market [2]
  - ✓ Excludes $(0.10) per share of estimated "catch-up" premium amortization cost due to change in projected constant prepayment rate ("CPR") estimates
  - ✓ Excludes $(0.03) per share of non-recurring transaction costs associated with acquisition of American Capital Mortgage Management, LLC ("ACMM")
- **$22.22 Net Book Value per Share as of June 30, 2016**
  - ✓ Increased $0.13 per share, or 0.6%, from $22.09 per share as of Mar 31, 2016
- **$0.60 Dividend Declared per Share**
- **3.3% Economic Return on Common Equity for the Quarter, or 13.3% Annualized**
  - ✓ Comprised of $0.60 dividend per share and $0.13 increase in net book value per share

Note: Per share amounts included throughout this presentation are per share of common stock, unless otherwise indicated

1. Represents a non-GAAP measure. Refer to the supplemental slides later in this presentation for a reconciliation and further discussion of non-GAAP measures
2. Dollar roll income (loss) is based on our net long (short) TBA position and is recognized in gain (loss) on derivative instruments and other securities, net

Q2 2016 OTHER HIGHLIGHTS

- **$61.5 B Investment Portfolio as of June 30, 2016**
  - ✓ $54.4 B Agency MBS
  - ✓ $7.1 B TBA mortgage position
  - ✓ $0.1 B AAA non-Agency MBS
- **7.2x "At Risk" Leverage as of June 30, 2016 [1,2]**
  - ✓ 6.3x leverage, excluding net long TBA mortgage position, as of June 30, 2016
  - ✓ 7.7x "at risk" leverage on pro-forma tangible net book value adjusted for the effect of the completed ACMM acquisition on July 1, 2016
  - ✓ 7.2x average "at risk" leverage for the quarter, an increase from 7.0x for the previous quarter
- **11.8% Portfolio CPR for the Quarter**
  - ✓ 10.8% average projected portfolio life CPR as of June 30, 2016
- **1.38% Annualized Net Interest Rate Spread and TBA Dollar Roll Income for the Quarter, Excluding Estimated "Catch-Up" Premium Amortization Cost [3]**
  - ✓ Excludes -22 bps of "catch-up" premium amortization cost due to change in projected CPR estimates
  - ✓ Increased from 1.31% for the prior quarter, excluding -37 bps of "catch-up" premium amortization cost

Note: Amounts may not total due to rounding

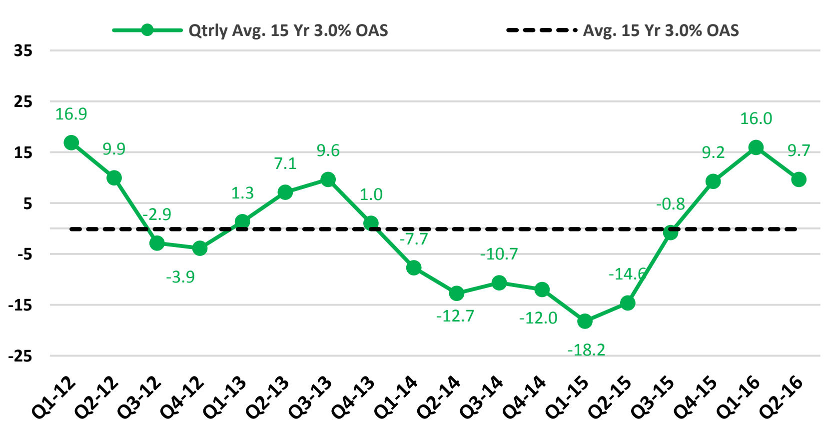
1. Leverage calculated as sum of Agency MBS repurchase agreements ("Agency repo"), Federal Home Loan Bank ("FHLB") advances, net payable/receivable for Agency securities not yet settled, and other debt divided by the sum of total stockholders' equity less the fair value of investments in REIT equity securities. Leverage excludes U.S. Treasury repo
2. "At risk" leverage includes the components of "leverage," plus our net TBA position (at cost)
3. Net interest rate spread and TBA dollar roll income calculated as the average asset yield, less average cost of funds (actual and implied). Average cost of funds includes Agency MBS repo, TBA implied cost of funds, other debt and periodic swap interest costs. Cost of funds excludes other supplemental hedges (such as swaptions), U.S. Treasury positions and U.S. Treasury repurchase agreements

MARKET UPDATE

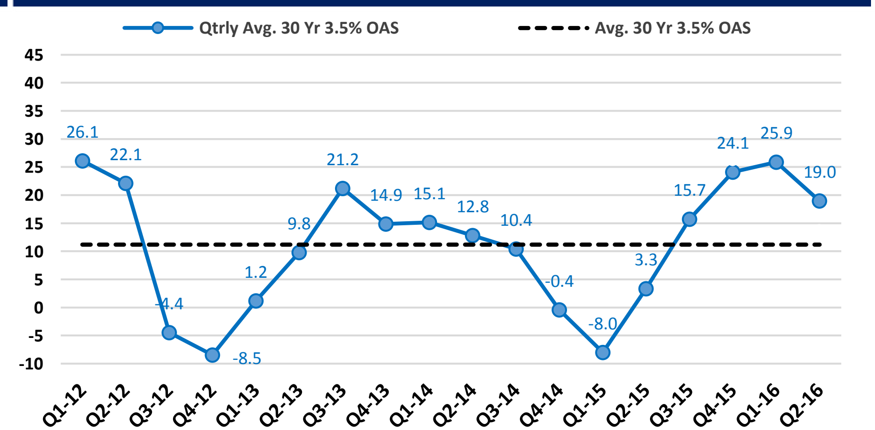
Security	6/30/15	9/30/15	12/31/15	3/31/16	6/30/16	Q2 2016 Δ Rate % / Price[1]
Treasury Rates						
2 Yr UST	0.64%	0.64%	1.06%	0.73%	0.59%	-0.14% / +0.28
3 Yr UST	0.99%	0.92%	1.32%	0.86%	0.70%	-0.16% / +0.47
5 Yr UST	1.63%	1.37%	1.77%	1.22%	1.01%	-0.21% / +1.01
10 Yr UST	2.33%	2.06%	2.27%	1.78%	1.49%	-0.29% / +2.66
30 Yr UST	3.10%	2.88%	3.01%	2.62%	2.31%	-0.31% / +6.77
15 Year Fixed Rate Mortgages						
2.50%	101.17	101.94	100.80	102.66	103.48	+0.82
3.00%	103.57	104.11	103.02	104.47	104.84	+0.37
3.50%	105.44	105.61	104.72	105.59	105.97	+0.38
4.00%	105.06	104.77	104.41	104.31	103.81	-0.50

Security	6/30/15	9/30/15	12/31/15	3/31/16	6/30/16	Q2 2016 Δ Rate % / Price[1]
Swap Rates						
2 Yr Swap	0.89%	0.76%	1.17%	0.85%	0.74%	-0.11% / +0.23
3 Yr Swap	1.24%	0.99%	1.41%	0.96%	0.81%	-0.15% / +0.44
5 Yr Swap	1.77%	1.40%	1.73%	1.18%	0.99%	-0.19% / +0.94
10 Yr Swap	2.44%	2.01%	2.19%	1.64%	1.38%	-0.26% / +2.51
30 Yr Swap	2.92%	2.53%	2.62%	2.13%	1.84%	-0.29% / +7.12
30 Year Fixed Rate Mortgages						
3.00%	99.58	101.34	100.01	102.59	103.75	+1.16
3.50%	103.02	104.31	103.18	104.86	105.50	+0.64
4.00%	105.91	106.67	105.83	106.86	107.23	+0.37
4.50%	108.09	108.41	108.00	108.82	109.17	+0.35

15 Year 3.0% MBS OAS [2]



30 Year 3.5% MBS OAS [2]



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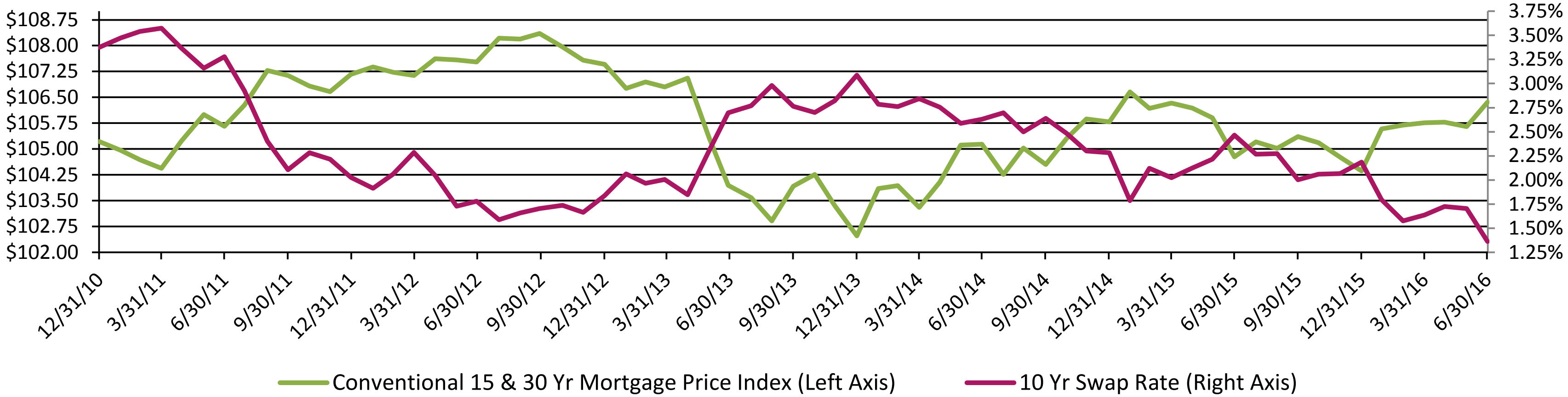
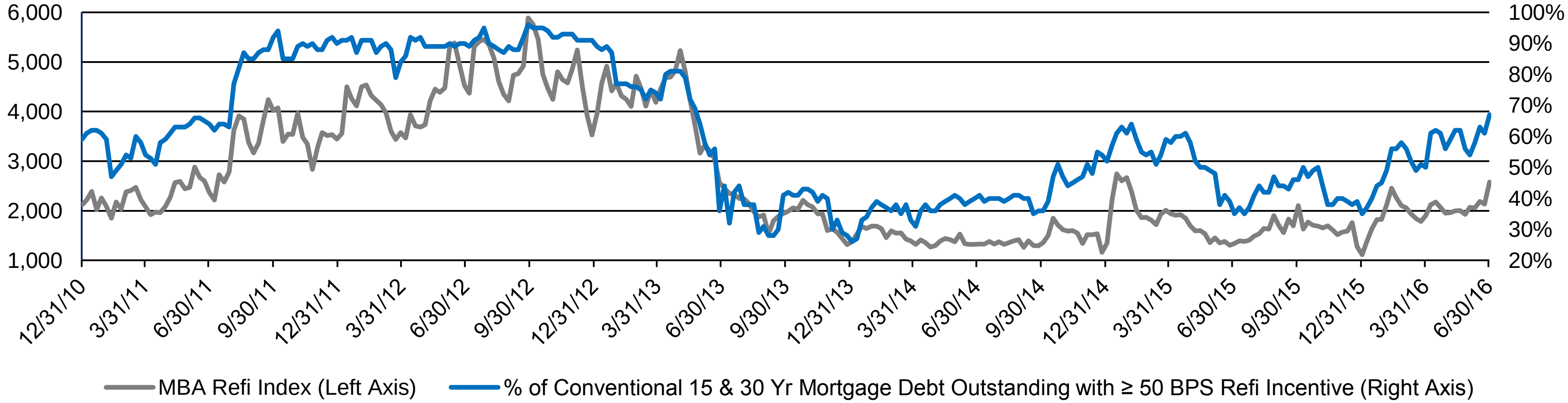
1. Note: Price information is provided for illustrative purposes only. Pricing information is as of 3:00 PM on such date, is for generic instruments and is not meant to be reflective of securities held by AGNC. Prices can vary materially depending on the source. Source: Barclays; Change in Treasury and swap prices derived from Constant Maturity Treasury and Constant Maturity Swap and DV01 from JPM
2. Source: Quarterly average of Citi, JP Morgan, Credit Suisse and Barclays daily OAS close valuations

REFINANCING EXPOSURE – MORTGAGE UNIVERSE

Conventional 15 & 30 Yr Mortgage Price Index vs. 10 Yr Swap Rate



Refinancing Exposure - Mortgage Universe



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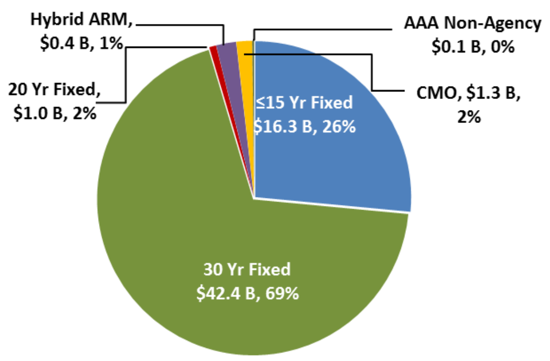
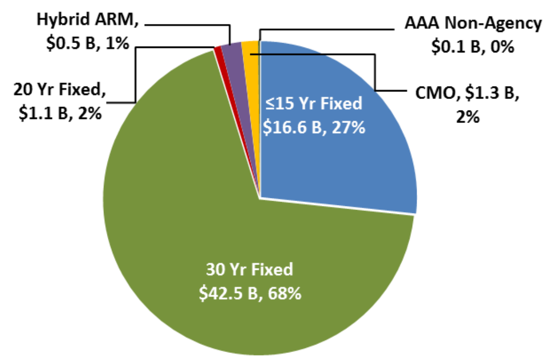
Source: Conventional 15 & 30 Yr month end mortgage price index – JPM
MBA Refi Index – Mortgage Bankers Association refi index (SA)
% of Conventional 15 & 30 Yr Mortgage Debt Outstanding with ≥ 50 BPS Refi Incentive – Credit Suisse LOCUS
10 Year Swap Rate – Bloomberg

Q2 2016 PORTFOLIO UPDATE

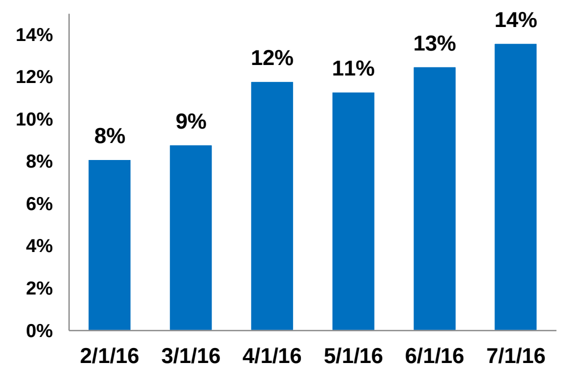
As of 6/30/16
$61.5 B Portfolio
MBS ($54.5 B, 89%) & Net TBA Position ($7.1 B, 11%)



As of 3/31/16
$62.1 B Portfolio
MBS ($56.1 B, 90%) & Net TBA Position ($6.0 B, 10%)



AGNC Actual CPR [1]



≤15 Year - $16.3 B Portfolio (26% of Total) as of 6/30/16

($ In Millions) Coupon	FMV	%	% LB / HARP [2,3]	WALA [4]	Jul '16 1 M Actual CPR [1]	Life Forecast CPR [5]
2.5%	$3,666	23%	43%	44	11%	10%
3.0%	3,726	23%	79%	49	13%	11%
3.5%	3,978	24%	91%	57	15%	12%
≥ 4.0%	3,611	22%	90%	67	16%	13%
≤ 15 Year MBS	14,981	92%	76%	54	14%	11%
Net Long TBA	1,327	8%	N/A	N/A	N/A	N/A
Total ≤ 15 Year	**$16,308**	**100%**	N/A	N/A	N/A	N/A

30 Year - $42.4 B Portfolio (69% of Total) as of 6/30/16

($ in Millions) Coupon	FMV	%	% LB / HARP [2,3]	WALA [4]	Jul '16 1 M Actual CPR [1]	Life Forecast CPR [5]
≤ 3.0%	$4,697	11%	3%	23	7%	7%
3.5%	17,779	42%	69%	31	11%	10%
4.0%	12,361	29%	81%	36	15%	12%
≥ 4.5%	1,823	4%	83%	69	22%	13%
30 Year MBS	36,660	86%	65%	33	13%	10%
Net Long TBA	5,745	14%	N/A	N/A	N/A	N/A
Total 30 Year	**$42,405**	**100%**	N/A	N/A	N/A	N/A

Note: Amounts may not total due to rounding

1. Wtd/avg actual 1 mth annualized CPR released at the beginning of the mth based on the securities held as of the preceding mth-end, excluding net TBA position
2. Lower balance ("LB") loans defined as pools backed by original loan balances of up to $150K. Wtd/avg original loan balance of $97 K and $100 K for ≤15-year and 30-year securities as of June 30, 2016
3. HARP defined as pools backed by 100% refinance loans with original LTVs ≥ 80%. Wtd/avg original LTV of 112% for ≤ 15-year and 133% for 30-year securities as of June 30, 2016
4. WALA represents the weighted average loan age presented in mths, excluding net TBA position
5. Average projected life CPR as of June 30, 2016, excluding net TBA position

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FINANCING SUMMARY

OUR FINANCING POSITION IS VERY STRONG, WITH SIGNIFICANT ACCESS TO ATTRACTIVE FUNDING ACROSS A WIDE RANGE OF COUNTERPARTIES AND FINANCING TERMS

- Weighted average agency repo cost totaled 0.78% as of June 30, 2016, an increase from 0.76% as of Mar 31, 2016
- 37 repo counterparties as of June 30, 2016
- Agency repo weighted average days to maturity totaled 202 days as of June 30, 2016, an increase from 184 days as of Mar 31, 2016
- FHLB advances totaled $3.0 B with a weighted average maturity of 215 days as of June 30, 2016 [2]

Mortgage Funding [1]
As of June 30, 2016

	%	Amount ($ MM)	Interest Rate	Avg. Days to Maturity
Agency Repo	81%	$41,937	0.78%	202
FHLB Advances [2]	6%	3,037	0.61%	215
Total Bal. Sheet - Mortgage Funding	87%	44,974	0.77%	203
TBA Dollar Roll - Mortgage Funding	13%	6,975	N/A	N/A
Total Mortgage Funding	100%	$51,949	N/A	N/A
As of Mar 31, 2016				
Total Mortgage Funding	100%	$54,296	N/A	N/A

Agency Repurchase Agreements [1]
As of June 30, 2016

Maturity	%	Amount ($ MM)	Interest Rate	Avg. Days to Maturity
≤ 3 Mths	69%	$28,753	0.70%	27
> 3 to ≤ 6	6%	2,479	0.82%	117
> 6 to ≤ 9	7%	3,185	0.92%	224
> 9 to ≤ 12	3%	1,269	0.90%	328
> 1 to ≤ 3 Yrs	8%	3,326	1.02%	671
> 3 to ≤ 5	7%	2,925	1.08%	1,377
Total / Wtd Avg	100%	$41,937	0.78%	202
As of Mar 31, 2016				
Total / Wtd Avg	100%	$45,276	0.76%	184

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1. Table excludes Treasury repurchase agreements of $10 M and $0 associated with U.S. Treasury positions as of June 30, 2016 and Mar 31, 2016, respectively, and $0.5 B and $0.6 B of debt of consolidated VIE's as of June 30, 2016 and Mar 31, 2016
2. On January 12, 2016, the Federal Housing Finance Agency ("FHFA") released its final rule on FHLB membership, which requires the termination of the Company's captive insurance subsidiary's FHLB membership and repayment of all FHLB advances after a one year period ending in February 2017

HEDGING SUMMARY

OUR PRIMARY OBJECTIVE IS NOT TO ELIMINATE INTEREST RATE RISK OR TO LOCK IN A PARTICULAR NET INTEREST MARGIN, BUT TO MAINTAIN OUR NET BOOK VALUE WITHIN REASONABLE BANDS OVER A RANGE OF INTEREST RATE SCENARIOS

- **Our interest rate hedge portfolio totaled $41.7 B and covered 79% of our repo, FHLB advances, other debt and net TBA position (“funding liabilities”) as of June 30, 2016, a decrease from 83% as of Mar 31, 2016**
  - ✓ **Interest Rate Swaps**
    - $35.1 B notional pay fixed swaps, a decrease of $3.1 B from prior quarter
    - Covered 67% of funding liabilities as of June 30, 2016
  - ✓ **Payer Swaptions**
    - $1.1 B notional payer swaptions
    - Decrease of $0.7 B from prior quarter
  - ✓ **U.S. Treasury Securities and Futures**
    - $5.5 B net short treasury position market value
    - Unchanged from Mar 31, 2016

Hedge Portfolio Summary
As of June 30, 2016

$ in MM	Notional/ Market Value 6/30/2016	Duration 6/30/2016 [1]	Net Hedge Gains/ (Losses) Q2 2016 [2]	Net Hedge Gains/ (Losses) Per Share Q2 2016
Interest Rate Swaps	$(35,125)	(3.9)	$(275)	$(0.83)
Payer Swaptions	(1,050)	(0.5)	(4)	(0.01)
U.S. Treasuries	(5,481)	(6.1)	(116)	(0.35)
Total / Q2 2016 [3]	**$(41,656)**	**(2.8)**	**$(395)**	**$(1.19)**
As of Mar 31, 2016 / Q1 2016				
Total / Q1 2016 [3]	$(45,457)	(3.2)	$(1,059)	$(3.16)

1. Duration is a model estimate of interest rate sensitivity measured in years as of a point in time
2. Net hedge gains/losses exclude periodic swap costs (a component of net spread income), TBA dollar roll income/loss and mark-to-market gains/losses on our net TBA dollar roll position
3. Total duration is expressed in the asset unit equivalent

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DURATION RISK

WE ACTIVELY MANAGE OUR EXPOSURE TO EXTENSION AND CONTRACTION RISK [1]

Duration Gap Sensitivity [2,3] As of June 30, 2016			
	Rates - 100 bps	**Duration 6/30/2016**	**Rates + 100 bps**
Mortgage Assets: [4]			
30-Year MBS	1.5	3.1	5.2
15-Year MBS	1.5	2.5	3.4
Total Mortgage Assets	**1.5**	**2.9**	**4.6**
Liabilities and Hedges	(3.0)	(2.9)	(2.8)
Net Duration Gap	**(1.5)**	**0.0**	**1.8**

As of Mar 31, 2016			
Net Duration Gap	**(1.8)**	**0.0**	**1.6**

1. Extension risk is the risk that the duration of a mortgage security increases in a rising rate environment and, conversely, contraction risk is the risk that the duration of a mortgage security shortens in a falling interest rate environment
2. Duration is a model estimate of interest rate sensitivity measured in years as of a point in time. The sensitivity analysis assumes an instantaneous parallel shift in interest rates and, consequently, does not include the potential impact of ongoing portfolio rebalancing actions
3. Durations are expressed in years. Liability and hedge durations are expressed in asset unit equivalents
4. Mortgage assets include net TBA position. 15-year MBS position includes 20-year fixed rate MBS, AAA non-agency MBS, ARMs and CMOs

INTERNALIZATION TRANSACTION UPDATE

- **AGNC's acquisition of ACMM, first announced on May 23, 2016, closed on July 1, 2016**
  - ✓ AGNC is now internally-managed, further aligning its management structure with shareholder interests
  - ✓ American Capital MTGE Management, LLC, a subsidiary of ACMM, will continue to manage American Capital Mortgage Investment Corp. ("MTGE") (Nasdaq: MTGE), providing AGNC with management fee income
  - ✓ The operational transition to an internal management structure is proceeding as anticipated
    - AGNC currently has a workforce of 52 full-time employees
    - All business functions are now fully-staffed
    - American Capital, Ltd. ("ACAS") (Nasdaq: ACAS) will continue to provide services on an interim basis to facilitate AGNC's transition to a fully stand-alone company under the terms of the Transition Services Agreement
- **Following the closing of the internalization, we expect that AGNC's annual run-rate operating costs will be below 0.9% of shareholders' equity [1]**
  - ✓ Inclusive of the revenue associated with the MTGE management fee, we anticipate that AGNC's annual net run-rate operating costs will be below 0.75% of shareholders' equity [1]
  - ✓ At these levels, AGNC's pro forma run-rate operational cost structure as a percentage of shareholders' equity is expected to be the lowest of any residential mortgage REIT [2]

1. Excludes nonrecurring transaction-related charges and non-cash expenses, such as non-cash amortization charges, associated with the transaction. Ratio based on AGNC's total stockholders' equity as of June 30, 2016.
2. Mortgage REIT financial data as of March 31, 2016 and reflects LTM total operating expenses divided by average shareholders' equity. Operating costs include compensation and benefits expenses, management fees and G&A expenses and may include one-time or nonrecurring expenses. Operating costs exclude direct costs associated with REIT operating activities, such as loan acquisition costs, securitization deal costs, servicing expenses, etc. Mortgage REIT universe is comprised of AJX, ANH, ARR, CHMI, CIM, CMO, CYS, DX, EARN, IVR, MFA, MITT, MTGE, NLY, NRZ, NYMT, OAKS, ORC, PMT, RWT, TWO and WMC; excludes AMTG and ZFC, currently targets of announced transactions.

Source: Company SEC filings, SNL Financial and FactSet.

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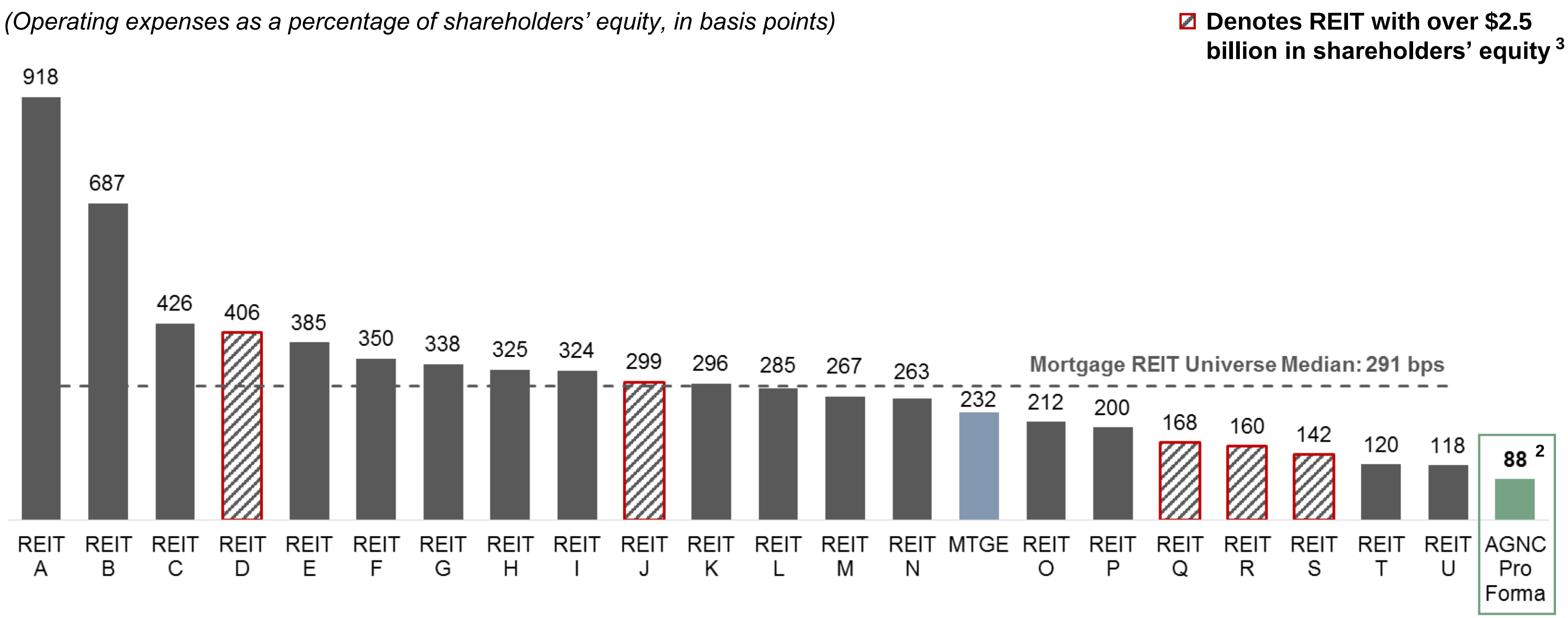
PRO FORMA OPERATING COST STRUCTURE COMPARISON

AGNC IS EXPECTED TO HAVE THE LOWEST RUN-RATE OPERATING COST STRUCTURE AS A PERCENTAGE OF SHAREHOLDERS' EQUITY OF ANY RESIDENTIAL MORTGAGE REIT [1,2]

Operating Cost Structure Comparison Across Residential Mortgage REIT Universe [1]



- **AGNC Pro Forma [2] reflects anticipated run-rate operating expenses, which include compensation and benefits and general and administrative expenses, but excludes the benefit of the MTGE management fee**

1. Mortgage REIT financial data as of March 31, 2016 and reflects LTM total operating expenses divided by average shareholders' equity. Operating costs include compensation and benefits expenses, management fees and G&A expenses and may include one-time or nonrecurring expenses. Operating costs exclude direct costs associated with REIT operating activities, such as loan acquisition costs, securitization deal costs, servicing expenses, etc. Mortgage REIT universe comprised of AJX, ANH, ARR, CHMI, CIM, CMO, CYS, DX, EARN, IVR, MFA, MITT, MTGE, NLY, NRZ, NYMT, OAKS, ORC, PMT, RWT, TWO and WMC; excludes AMTG and ZFC, currently targets of announced transactions.
2. Excludes nonrecurring transaction-related charges and non-cash expenses, such as non-cash amortization charges, associated with the transaction. Ratio based on AGNC's total stockholders' equity as of June 30, 2016. Excludes the net economic benefit associated with receipt of the MTGE management fee and incremental G&A expenses associated with AGNC's management of MTGE that will be reimbursed by MTGE.
3. Based on shareholders' equity as of March 31, 2016. Excludes non-controlling interests, as applicable.

Source: Company SEC filings, SNL Financial and FactSet.

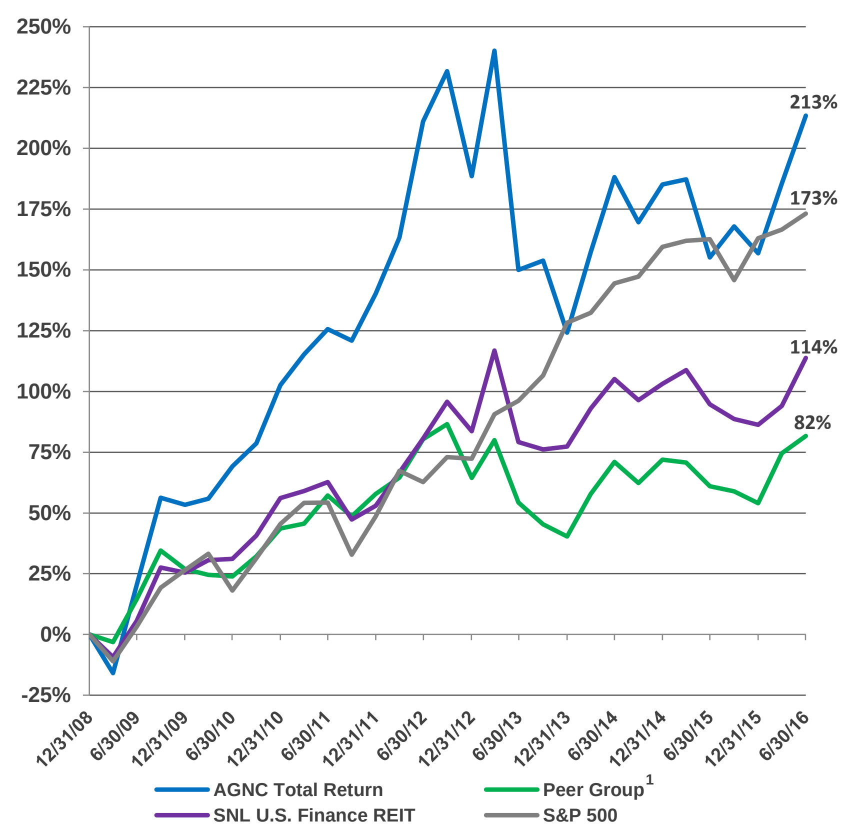
THE AGNC VALUE PROPOSITION

THE INTERNALIZATION OF AGNC'S MANAGEMENT STRUCTURE FURTHER ENHANCES AGNC'S VALUE PROPOSITION TO SHAREHOLDERS

The AGNC Value Proposition	
Industry-Leading Performance	Since 2009, AGNC has significantly outperformed its peer group on an economic and total stock return basis [1]
Lowest Operating Cost Structure	On a pro forma run-rate basis, AGNC's projected operating cost structure of under 90 bps of total equity capital [2] is expected to be the lowest as a percentage of shareholders' equity in the residential mortgage REIT space [3]
Shareholder Focus and Transparency	AGNC has consistently been an industry leader in disclosure and capital management actions, including share buybacks
Liquidity and Scale	AGNC is the largest internally-managed residential mortgage REIT and one of only two residential mortgage REITs with a market cap over $5 billion
Disciplined Risk Management	AGNC has delivered its industry-leading performance while protecting book value through active risk management in asset selection, hedging and funding diversification

Total Stock Return Comparison [1]

Dec 31, 2008 – June 30, 2016



1. Peer group includes NLY, CMO, ANH, ARR and CYS (ARR and CYS are included in the peer group following the date that each company went public in 2009); peer group returns are unweighted. Economic return represents the change in net asset value (NAV) per common share and dividends declared on common stock during the period over the beginning NAV per common share. Total stock return includes price appreciation and dividend reinvestment; dividends are assumed to be reinvested at the closing price of the security on the ex-dividend date.
2. Refer to footnote #2 on the previous slide.
3. Refer to footnote #1 on the previous slide.

Source: Company SEC filings, SNL Financial and FactSet.

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Financial Results

BALANCE SHEETS

($ in millions, except per share data, unaudited except 12/31/15)	6/30/16	3/31/16	12/31/15	9/30/15	6/30/15
Agency Securities, at Fair Value	$53,418	$54,950	$51,331	$53,729	$50,976
Agency Securities Transferred to Consolidated Variable Interest Entities, at Fair Value	945	993	1,029	1,088	1,142
Non-Agency Securities, at Fair Value	107	112	113	--	--
U.S. Treasury Securities, at Fair Value	62	--	25	787	5,124
REIT Equity Securities, at Fair Value	19	38	33	34	60
Cash and Cash Equivalents	1,131	1,109	1,110	1,505	1,510
Restricted Cash	1,399	1,686	1,281	1,413	778
Derivative Assets, at Fair Value	111	55	81	143	164
Receivable for Securities Sold	--	--	--	147	221
Receivable under Reverse Repurchase Agreements	2,982	3,163	1,713	1,463	2,741
Other Assets	301	290	305	300	169
Total Assets	**$60,475**	**$62,396**	**$57,021**	**$60,609**	**$62,885**
Repurchase Agreements	$41,947	$45,276	$41,754	$41,014	$50,158
Federal Home Loan Bank Advances	3,037	3,037	3,753	3,502	20
Debt of Consolidated Variable Interest Entities, at Fair Value	528	562	595	626	674
Payable for Securities Purchased	2,581	889	182	4,178	90
Derivative Liabilities, at Fair Value	1,519	1,652	935	1,536	844
Dividends Payable	73	73	74	76	77
Obligation to Return Securities Borrowed under Reverse Repurchase Agreements, at Fair Value	3,017	3,175	1,696	1,309	2,230
Accounts Payable and Other Accrued Liabilities	71	72	61	52	74
Total Liabilities	**52,773**	**54,736**	**49,050**	**52,293**	**54,167**
Preferred Equity at Aggregate Liquidation Preference	348	348	348	348	348
Common Equity	7,354	7,312	7,623	7,968	8,370
Total Stockholders' Equity	**7,702**	**7,660**	**7,971**	**8,316**	**8,718**
Total Liabilities and Stockholders' Equity	**$60,475**	**$62,396**	**$57,021**	**$60,609**	**$62,885**
Other Supplemental Data:					
Net TBA Long, at Fair Value [1]	**$7,072**	**$6,024**	**$7,444**	**$7,385**	**$7,058**
Leverage [2]	**6.3x**	**6.5x**	**5.8x**	**5.9x**	**5.3x**
"At Risk" Leverage [3]	**7.2x**	**7.3x**	**6.8x**	**6.8x**	**6.1x**
Net Book Value Per Common Share [4]	**$22.22**	**$22.09**	**$22.59**	**$23.00**	**$24.00**

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1. TBAs are reported in derivative assets/liabilities in the above balance sheet at their net carrying value (fair value less cost basis)
2. Leverage calculated as sum of Agency MBS repurchase agreements, FHLB advances, net payable/receivable for Agency MBS not yet settled and debt of consolidated variable interest entities ("other debt") divided by the sum of total stockholders' equity less the fair value of investments in REIT equity securities. Leverage excludes U.S. Treasury repurchase agreements of $10 M, $0, $25 M, $0.5 B and $5.0 B as of June 30, Mar 31, 2016 and Dec 31, Sept 30 and June 30, 2015, respectively
3. "At risk" leverage includes the components of leverage plus our net TBA dollar roll position (at cost)
4. Net book value per common share calculated as stockholders' equity, less the Series A and Series B Preferred Stock liquidation preference, divided by total common shares outstanding

INCOME STATEMENTS

($ in millions, except per share data) (Unaudited)	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015
Interest Income	$318	$295	$374	$295	$414
Interest Expense	(101)	(99)	(86)	(77)	(81)
Net Interest Income	**217**	**196**	**288**	**218**	**333**
Gain (Loss) on Sale of Agency Securities, Net	55	(2)	2	(39)	(22)
Gain (Loss) on Derivative Instruments and Other Securities, Net	(367)	(933)	331	(778)	237
Total Other Gain (Loss), Net	**(312)**	**(935)**	**333**	**(817)**	**215**
Management Fee	(25)	(27)	(28)	(29)	(29)
General and Administrative Expense	(15)	(6)	(5)	(5)	(7)
Total Operating Expenses	**(40)**	**(33)**	**(33)**	**(34)**	**(36)**
Net Income (Loss)	**(135)**	**(772)**	**588**	**(633)**	**512**
Dividend on Preferred Stock	(7)	(7)	(7)	(7)	(7)
Net Income (Loss) Available (Attributable) to Common Stockholders	**$(142)**	**$(779)**	**$581**	**$(640)**	**$505**
Net Income (Loss)	**$(135)**	**$(772)**	**$588**	**$(633)**	**$512**
Unrealized Gain (Loss) on Available-for-Sale Securities, Net	370	765	(583)	467	(872)
Unrealized Gain on Derivative Instruments, Net	12	19	22	24	26
Other Comprehensive Income (Loss)	**382**	**784**	**(561)**	**491**	**(846)**
Comprehensive Income (Loss)	**247**	**12**	**27**	**(142)**	**(334)**
Dividend on Preferred Stock	(7)	(7)	(7)	(7)	(7)
Comprehensive Income (Loss) Available (Attributable) to Common Stockholders	**$240**	**$5**	**$20**	**$(149)**	**$(341)**
Weighted Average Common Shares Outstanding – Basic and Diluted	**331.0**	**334.4**	**341.6**	**347.8**	**352.1**
Net Income (Loss) per Common Share	**$(0.43)**	**$(2.33)**	**$1.70**	**$(1.84)**	**$1.43**
Comprehensive Income (Loss) per Common Share	**$0.73**	**$0.01**	**$0.06**	**$(0.43)**	**$(0.97)**
Dividends Declared per Common Share	**$0.60**	**$0.60**	**$0.60**	**$0.60**	**$0.62**

Note: Amounts may not total due to rounding

RECONCILIATION OF GAAP NET INTEREST INCOME TO NET SPREAD AND DOLLAR ROLL INCOME[1]

($ in millions, except per share data) (Unaudited)	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015
Interest Income	**$318**	**$295**	**$374**	**$295**	**$414**
Interest Expense:					
Repurchase Agreements and Other Debt	(89)	(80)	(64)	(53)	(55)
Interest Rate Swap Periodic Costs [2]	(12)	(19)	(22)	(24)	(26)
Adjusted Interest Expense	**(101)**	**(99)**	**(86)**	**(77)**	**(81)**
Adjusted Net Interest Income	**217**	**196**	**288**	**218**	**333**
Other Interest Rate Swap Periodic Costs [3,4]	(69)	(89)	(102)	(107)	(99)
Dividend on REIT Equity Securities [4]	1	1	1	1	2
TBA Dollar Roll Income, Net [4]	44	50	53	73	54
Adjusted Net Interest and Dollar Roll Income	**193**	**158**	**240**	**185**	**290**
Operating Expenses:					
Total Operating Expenses	**(40)**	**(33)**	**(33)**	**(34)**	**(36)**
Less Non-Recurring Transaction Costs	9	--	--	--	--
Adjusted Total Operating Expenses	**(31)**	**(33)**	**(33)**	**(34)**	**(36)**
Net Spread and Dollar Roll Income	**162**	**125**	**207**	**151**	**254**
Dividend on Preferred Stock	(7)	(7)	(7)	(7)	(7)
Net Spread and Dollar Roll Income Available to Common Stockholders	**155**	**118**	**200**	**144**	**247**
Estimated "Catch Up" Premium Amortization (Benefit) Cost due to Change in CPR Forecast	**32**	**55**	**(14)**	**33**	**(37)**
Net Spread and Dollar Roll Income, Excluding "Catch Up" Amortization, Available to Common Stockholders	**$187**	**$173**	**$186**	**$177**	**$210**
Weighted Average Common Shares Outstanding – Basic and Diluted	**331.0**	**334.4**	**341.6**	**347.8**	**352.1**
Net Spread and Dollar Roll Income per Common Share	**$0.46**	**$0.36**	**$0.58**	**$0.41**	**$0.70**
Net Spread and Dollar Roll Income, Excluding "Catch Up" Amortization per Common Share	**$0.56**	**$0.52**	**$0.54**	**$0.51**	**$0.60**

Note: Amounts may not total due to rounding

1. Table includes non-GAAP financial measures. Please refer to additional information regarding non-GAAP financial measures at the end of this presentation
2. We voluntarily discontinued hedge accounting under GAAP as of Sept 30, 2011. Accumulated OCI on de-designated interest rate swaps is being amortized on a straight-line basis over the remaining swap terms into interest expense. All other periodic interest costs, termination fees and mark-to-market adjustments associated with interest rate swaps are reported in other income (loss), net pursuant to GAAP
3. Other interest rate swap periodic costs represent periodic interest costs on the Company's interest rate swap portfolio in excess of amortized amounts reclassified from accumulated OCI into interest expense. Other interest rate swap periodic costs exclude interest rate swap termination fees and mark-to-market adjustments on interest rate swaps
4. Reported in gain (loss) on derivative instruments and other securities, net in the accompanying income statement

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Reconciliation of GAAP Net Income to Estimated Taxable Income [1]

($ in millions, except per share data) (Unaudited)	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015
Net Income (Loss)	**$(135)**	**$(772)**	**$588**	**$(633)**	**$512**
Book to Tax Differences:					
Premium Amortization, Net	20	55	(18)	15	(55)
Realized Gain / Loss, Net	391	93	154	12	(39)
Net Capital Loss / (Utilization of Net Capital Loss Carryforward) [2]	(99)	(99)	(83)	--	121
Unrealized Gain / Loss, Net	(106)	804	(543)	672	(417)
Other	9	--	--	--	--
Total Book to Tax Differences	**215**	**853**	**(490)**	**699**	**(390)**
Estimated REIT Taxable Income	**80**	**81**	**98**	**66**	**122**
Dividend on Preferred Stock	(7)	(7)	(7)	(7)	(7)
Estimated REIT Taxable Income, net of Preferred Stock Dividend	**$73**	**$74**	**$91**	**$59**	**$115**
Weighted Average Common Shares Outstanding – Basic and Diluted	**331.0**	**334.4**	**341.6**	**347.8**	**352.1**
Estimated REIT Taxable Income per Common Share	**$0.22**	**$0.22**	**$0.27**	**$0.17**	**$0.33**

Beginning Cumulative Non-Deductible Net Capital Loss	**$585**	**$684**	**$767**	**$767**	**$646**
Net Capital Loss / (Utilization of Net Capital Loss Carryforward)	(99)	(99)	(83)	--	121
Ending Cumulative Non-Deductible Net Capital Loss	**$486**	**$585**	**$684**	**$767**	**$767**
Ending Cumulative Non-Deductible Net Capital Loss per Common Share	**$1.47**	**$1.77**	**$2.03**	**$2.21**	**$2.20**

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Amounts may not total due to rounding

1. Table includes non-GAAP financial measures. Please refer to information regarding non-GAAP financial measures at the end of this presentation
2. Capital losses in excess of capital gains are not deductible from ordinary taxable income, but may be carried forward for up to five years and applied against future net capital gains. As of June 30, 2016, $0.5 B of net capital losses were available through Dec 31, 2018

NET BOOK VALUE ROLL FORWARD

(In millions, except per share data) (Unaudited)	Q2 2016 Balance	Q2 2016 Common Shares Outstanding	Q2 2016 Net Book Value per Common Share
Beginning Net Common Equity [1]	**$7,312**	**331.0**	**$22.09**
Net Income	(135)		
Other Comprehensive Loss	382		
Dividend on Common Stock	(198)		
Dividend on Preferred Stock	(7)		
Ending Net Common Equity	**$7,354**	**331.0**	**$22.22**
Series A Preferred Stock Liquidation Preference	173		
Series B Preferred Stock Liquidation Preference	175		
Ending Total Stockholders' Equity	**$7,702**		

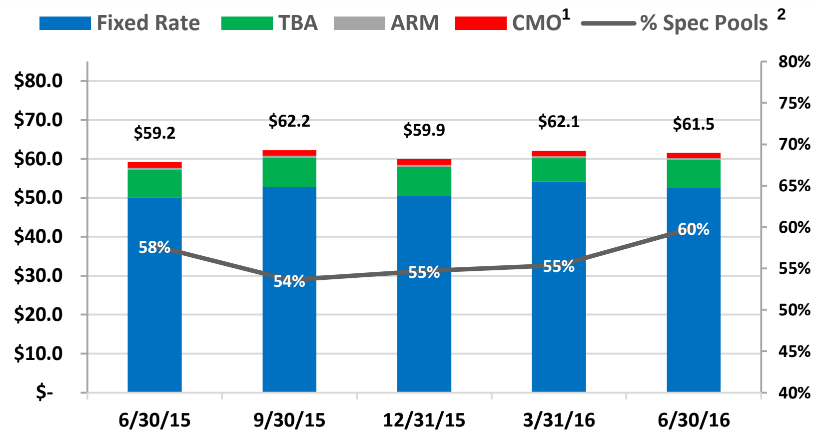
Amounts may not total due to rounding

1. Common equity is net of the Company's Series A and Series B Preferred Stock liquidation preference

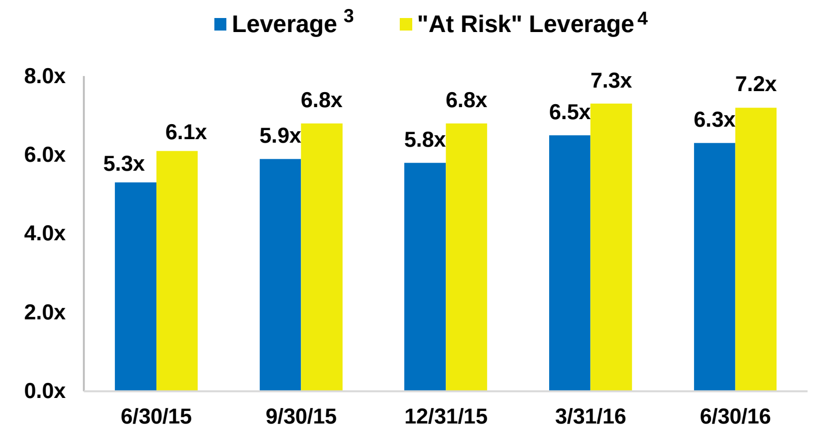
Supplemental Slides

AGNC Historical Overview

Asset Composition ($ B)

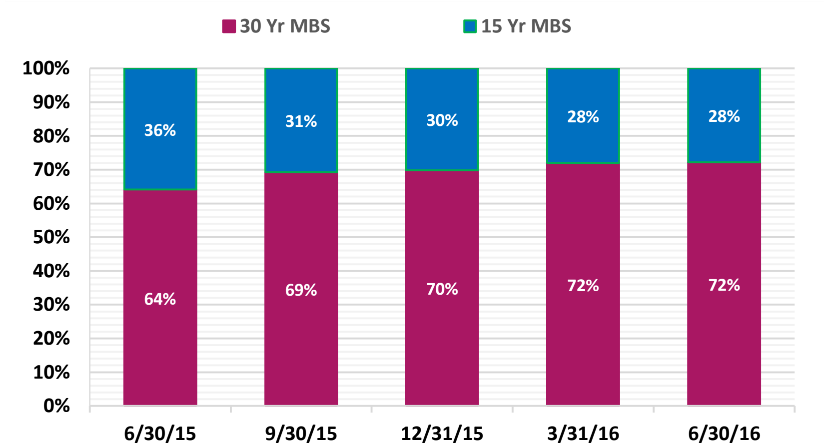


Leverage

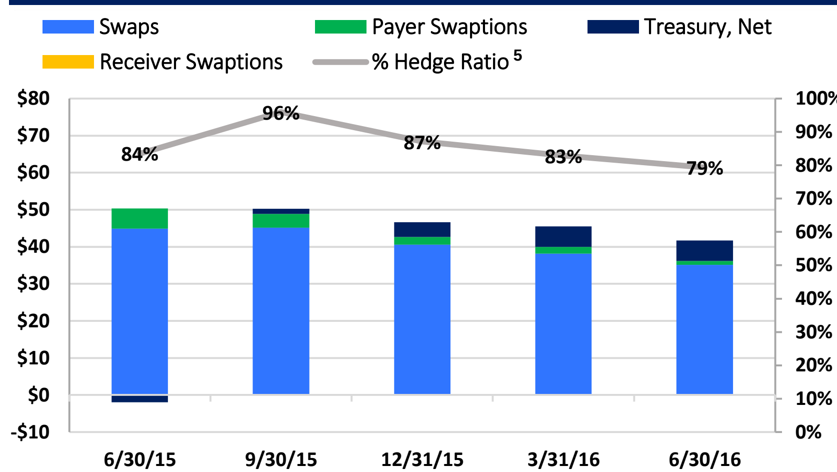


Fixed Rate Securities

15 Yr vs. 30 Yr Composition



Interest Rate Hedge Composition ($ B)



1. CMO includes AAA non-agency MBS
2. % Spec Pools is of fixed rate portfolio, including TBAs. Defined as lower loan balance pools backed by orig. loan balances of up to $150K and HARP pools backed by 100% refi loans with original LTVs ≥ 80%
3. Leverage calculated as sum of Agency MBS repurchase agreements, FHLB advances, net payable/receivable for Agency MBS not yet settled and other debt divided by the sum of total stockholders' equity less the fair value of investments in REIT equity securities. Leverage excludes U.S. Treasury repurchase agreements of $10 M, $0, $25 M, $0.5 B and $5.0 B as of June 30 and Mar 31, 2016 and Dec 31, Sept 30 and June 30, 2015, respectively
4. "At risk" leverage includes the components of leverage plus our net TBA dollar roll position (at cost)
5. Measured as the ratio of interest rate swaps, swaptions and net U.S. Treasury position over repo agreements, FHLB advances, other debt and net TBA position, at cost

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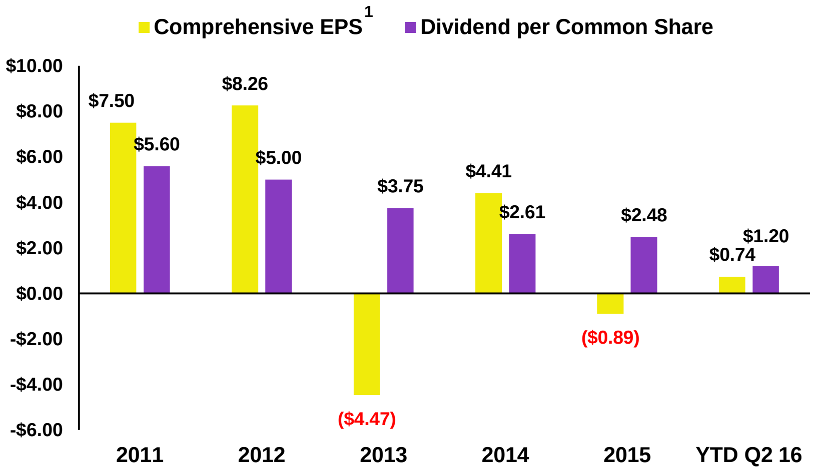
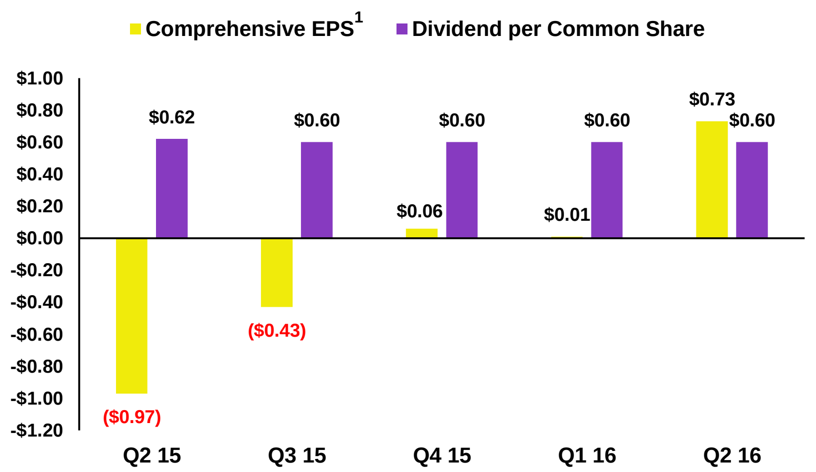
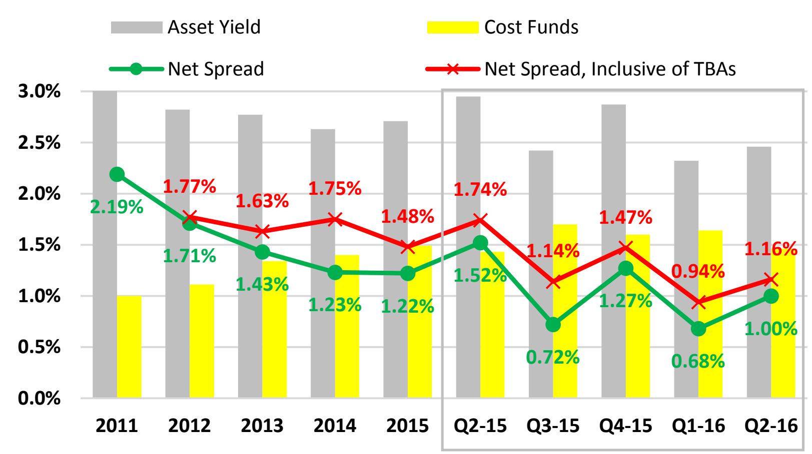
AGNC Historical Overview

Earnings and Dividends per Common Share

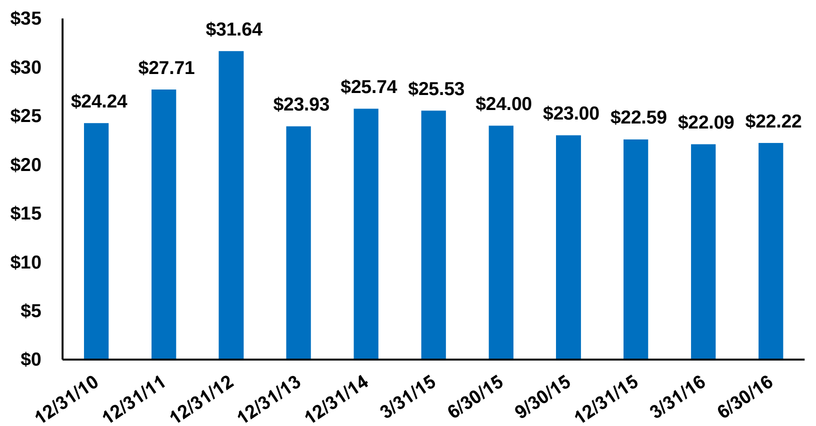




Net Spread [2]



Net Book Value per Common Share [3]



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1. Comprehensive earnings per common share is a GAAP measure that consists of net income/loss per common share plus unrealized gains/losses on Agency MBS recognized in other comprehensive income, a separate component of equity
2. Represents wtd. avg. over the period. Excludes other supplemental hedge costs, such as swaption and short U.S. Treasury costs. Excludes TBAs, unless noted otherwise. Includes estimated "catch-up" premium amortization cost/benefit due to changes in CPR estimates
3. Net book value per common share calculated as total stockholders' equity, less the Series A and B Preferred Stock liquidation preference, divided by total common shares outstanding

Fixed Rate Agency Securities – MBS and Net TBA Position

$ in millions – as of June 30, 2016

MBS Coupon [1]	Par Value [2]	Market Value [2]	Higher Quality Specified Pools [3]	Other Specified Pools [4]	MBS Amortized Cost Basis [5]	MBS Average WAC [5,6]	MBS Average Age (Months) [5]	MBS Actual 1 Month CPR [5,7]	Duration (Years) [2,8]
≤15 YR Mortgage Securities									
2.5%	$4,324	$4,486	32%	7%	101.7%	2.96%	44	11%	2.7
3.0%	3,829	4,033	71%	9%	102.9%	3.50%	49	13%	2.3
3.5%	3,918	4,178	86%	3%	103.4%	3.95%	57	15%	2.3
4.0%	3,042	3,255	84%	7%	104.1%	4.40%	66	17%	2.1
4.5%	327	351	92%	6%	104.5%	4.87%	70	13%	2.4
≥ 5.0%	5	5	25%	75%	103.5%	6.57%	104	9%	2.2
Subtotal ≤15 YR	$15,445	$16,308	67%	6%	103.0%	3.72%	54	14%	2.4
20 YR Mortgage Securities									
≤ 3.0%	$246	$259	20%	11%	99.4%	3.55%	37	12%	2.4
3.5%	558	596	60%	10%	102.0%	4.05%	39	13%	2.0
4.0%	60	65	38%	12%	104.0%	4.54%	58	14%	1.6
4.5%	76	84	99%	--%	106.4%	4.90%	67	13%	2.2
≥ 5.0%	3	3	--%	--%	105.8%	5.91%	97	19%	1.6
Subtotal 20 YR	$943	$1,007	51%	10%	101.8%	4.03%	43	13%	2.1
30 YR Mortgage Securities									
≤ 3.0%	$7,889	$8,188	--%	2%	101.5%	3.49%	23	7%	3.3
3.5%	17,757	18,898	64%	3%	105.0%	4.08%	31	11%	3.3
4.0%	12,412	13,466	62%	19%	106.7%	4.51%	36	15%	2.6
4.5%	1,399	1,548	81%	8%	106.1%	4.96%	61	22%	2.7
5.0%	133	149	35%	30%	106.0%	5.45%	97	15%	3.3
≥ 5.5%	138	156	38%	13%	108.9%	6.20%	115	25%	2.7
Subtotal 30 YR	$39,728	$42,405	51%	8%	105.2%	4.20%	33	13%	3.1
Total Fixed	**$56,116**	**$59,720**	**56%**	**8%**	**104.5%**	**4.06%**	**40**	**13%**	**2.9**

1. The wtd/avg coupon on fixed rate securities held as of June 30, 2016 was 3.54% excluding the net long TBA mortgage position and 3.50% including the net long TBA position
2. Excluding net TBA position, total fixed-rate MBS as of June 30, 2016 had a par value of $49,359, market value of $52,648 and avg duration of 2.9 years
3. Higher quality specified pools include pools backed by orig. loan balances of up to $150K and HARP securities backed by 100% refi. loans with orig. LTVs ≥ 100%
4. Other specified pools include pools backed by orig. loan balances of > $150K and ≤ $175k; HARP securities with 100% refi. loans and orig. LTVs of ≥ 80 and <100%; low FICO loans with a max orig. credit score of 700; loans100% originated in N.Y. and Puerto Rico; and 100% investor occupancy status loans
5. Average MBS cost basis, WAC, Age and CPR exclude net TBA position
6. Average WAC represents the weighted average coupon of the underlying collateral
7. Actual 1 month annualized CPR published during Jul 2016 for Agency securities held as of June 30, 2016
8. Duration derived from models that are dependent on inputs and assumptions provided by third parties as well as by our investment team and, accordingly, actual results could differ materially from these estimates

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REPO COUNTERPARTY CREDIT RISK

OUR REPO FUNDING IS WELL DIVERSIFIED BY COUNTERPARTY AND GEOGRAPHY

- **Maintained excess capacity with most of our counterparties**
- **Less than 4% of our equity at risk with any one counterparty**
- **Less than 13% of our equity at risk with top 5 counterparties**

Counterparty Region	Number of Counterparties	Percent of Agency Repo Funding
North America	19	64%
Asia	5	12%
Europe	13	24%
Total	37	100%

Counterparty Region	Counterparty Rank	Counterparty Exposure as a % of NAV [1,2]
North America	1	3.5%
	2	2.9%
	3	2.0%
	4	1.9%
	5	1.8%
	6-19	9.2%
Asia	1	1.4%
	2	1.3%
	3	0.8%
	4	0.4%
	5	0.4%
Europe	1	2.1%
	2	1.5%
	3	0.9%
	4	0.8%
	5	0.7%
	6-13	2.0%

Total Exposure	33.6%
Top 5 Exposure	12.4%

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Note: All figures as of June 30, 2016
1. Excludes FHLB advances and other debt in connection with the consolidation of a structured transaction under GAAP
2. Counterparty exposure with regard to Agency collateral pledged under repo agreements. Amounts do not include exposure with regard to collateral pledged under derivative agreements, prime brokerage agreements and other debt

HEDGE INSTRUMENTS

OUR HEDGES ARE DESIGNED TO MITIGATE BOOK VALUE FLUCTUATIONS DUE TO INTEREST RATE CHANGES AND ARE NOT DESIGNED TO PROTECT AGAINST MARKET VALUE FLUCTUATIONS IN OUR ASSETS CAUSED BY CHANGES IN THE SPREAD BETWEEN OUR INVESTMENTS AND OTHER BENCHMARK RATES, SUCH AS SWAP AND TREASURY RATES, WHICH IS A RISK THAT IS INHERENT TO OUR BUSINESS [1]

- **Interest Rate Swaps**
  - ✓ $35.1 B notional pay fixed swap book as of June 30, 2016
    - $2.6 B of swaps added during the quarter
      - » 2.8 years average maturity and 1.04% average pay rate as of June 30, 2016
    - $5.6 B of swaps terminated or expired during the quarter
- **Payer Swaptions**
  - ✓ $1.1 B notional payer swaptions as of June 30, 2016
    - $0.7 B payer swaptions expired during the quarter
    - 0.2 year average remaining option term, 6.7 years average underlying swap term

Interest Rate Swaps
As of June 30, 2016

Years to Maturity	Notional Amount ($ MM) [2]	Pay Rate [3]	Receive Rate [4]	Average Maturity (Years) [2,5]
≤ 3 Years	$17,225	1.04%	0.64%	1.4
> 3 to ≤ 5	5,200	1.58%	0.64%	3.6
> 5 to ≤ 7	6,975	2.22%	0.64%	5.9
> 7 to ≤ 10	4,550	2.67%	0.64%	8.2
> 10	1,175	3.20%	0.66%	14.2
Total / Wtd Avg	**$35,125**	**1.64%**	**0.64%**	**4.0**
As of Mar 31, 2016				
Total / Wtd Avg	$38,175	1.83%	0.62%	4.5

Payer Swaptions
As of June 30, 2016 ($ in MM)

Years to Expiration	Notional Amount	Cost	Market Value	Pay Rate	Swap Term (Years)
≤ 1 Year	**$1,050**	**$55**	**$7**	**3.38%**	**6.7**
As of Mar 31, 2016					
Total / Wtd Avg	$1,750	$68	$10	3.37%	7.7

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1. The amount of interest rate protection provided by our hedge portfolio may vary considerably based on our management's judgment, asset composition and general market conditions
2. Notional amount includes forward starting swaps of $2.7 B as of June 30, 2016 and Mar 31, 2016, with an average forward start date of 0.7 and 0.9 years, respectively, and an average remaining maturity of 7.1 years and 7.3 years from June 30, 2016 and Mar 31, 2016, respectively
3. Weighted average pay rate includes forward starting swaps. Excluding forward starting swaps, the weighted average pay rate was 1.51% and 1.73% as of June 30, 2016 and Mar 31, 2016, respectively
4. Weighted average receive rate excludes forward starting swaps
5. Weighted average maturity measured from period end through maturity

Other Hedge and Derivative Instruments

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

- **U.S. Treasury Position**
  - ✓ $3.0 B net short U.S. Treasury securities
  - ✓ $2.5 B short U.S Treasury futures
- **TBA Mortgages**
  - ✓ $7.1 B net long position market value
- **Total Hedge Portfolio**
  - ✓ 79% of our repo, other debt and net TBA position covered by swap, swaption and U.S. Treasury position as of June 30, 2016, a decrease from 83% as of Mar 31, 2016

U.S. Treasury Position
As of June 30, 2016 ($ MM)

Maturity	Face Amount Net Long / (Short)	Market Value Net Long / (Short)
5 Year	$(1,230)	$(1,404)
7 Year	(1,668)	(1,703)
10 Year	(1,930)	(2,374)
Total	$(4,828)	$(5,481)
As of Mar 31, 2016		
Total	$(4,995)	$(5,532)

Net TBA Position
As of June 30, 2016 ($ MM)

Term	Face Amount Net Long / (Short)	Market Value Net Long / (Short)
15 Year	$1,274	$1,327
30 Year	5,482	5,745
Total	$6,756	$7,072
As of Mar 31, 2016		
Total	$5,813	$6,024

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NAV Sensitivity to Rates and MBS Spreads

Changes in interest rates and changes in MBS spreads relative to Treasury and swap rates can impact the market value of our equity

- **Interest Rate Sensitivity**
  - ✓ Interest rate sensitivity is the sensitivity of our assets to changes in interest rates
  - ✓ The estimated change in the market value of our asset portfolio, net of hedges, incorporates the dual effects of both duration and convexity and assumes no portfolio rebalancing actions
- **MBS Spread Sensitivity (“Basis Risk”)**
  - ✓ The MBS spread sensitivity is the sensitivity of our assets to changes in MBS spreads
  - ✓ Our estimated spread sensitivity is based on model predictions and assumes a spread duration of 4.5 years, which is based on interest rates and MBS prices as of June 30, 2016
  - ✓ The spread sensitivity is also sensitive to interest rates and increases as interest rates rise and prepayments slow

Interest Rate Sensitivity [1]
As of June 30, 2016
(based on instantaneous parallel shift in interest rates)

Interest Rate Shock (bps)	Estimated Change in Portfolio Market Value [2]	Estimated Change as a % of NAV [3]
-100	-1.1%	-8.8%
-50	-0.3%	-2.1%
+50	-0.2%	-2.0%
+100	-0.9%	-7.7%

MBS Spread Sensitivity (“Basis Risk”) [1]
As of June 30, 2016

MBS Spread Shock (bps)	Estimated Change in Portfolio Market Value [2]	Estimated Change as a % of NAV [3]
-25	1.1%	9.3%
-10	0.4%	3.7%
+10	-0.4%	-3.7%
+25	-1.1%	-9.3%

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1. Interest rate and MBS spread sensitivity are derived from models that are dependent on inputs and assumptions provided by third parties as well as by our investment team and, accordingly, actual results could differ materially from these estimates
2. Estimated dollar change in value expressed as a percentage of the total market value of “at risk” assets
3. Estimated change as a percentage of NAV incorporates the impact of leverage

USE OF NON-GAAP FINANCIAL INFORMATION

In addition to the results presented in accordance with GAAP, our results of operations discussed in this presentation include certain non-GAAP financial information, including “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.”

“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 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 users of our financial information with such measures in addition to the related GAAP measures, we believes users will have greater transparency into the information used by our management in its financial and operational decision-making and that it is meaningful information to consider related to our current financial performance without the effects of certain transactions that are not necessarily indicative of our current investment portfolio 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 MBS using short-term repurchase agreements. Similarly, we believe that the inclusion of periodic interest rate swap settlements, which are recognized under GAAP in other gain (loss), is meaningful as interest rate swaps are used to economically hedge against fluctuations in our borrowing costs and inclusion 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 and administrative expense under GAAP is meaningful as they represent non-recurring transaction costs associated with our acquisition of ACMM and are not representative of ongoing operating costs. In the case of estimated taxable income, we believe it is meaningful information as it is directly related 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.

A reconciliation of GAAP net interest income to non-GAAP “net spread and dollar roll income, excluding ‘catch-up’ premium amortization” and a reconciliation of GAAP net income to non-GAAP “estimated taxable income” is included in this presentation.