



# ANNALY<sup>®</sup>

Annaly ESG Presentation  
to Investors  
November 2019

# Important Notices

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# Corporate Responsibility & Governance Milestones

January						December					
2015	Introduced Annual <b>Employee Engagement Survey</b>		Initiated detailed <b>succession planning process</b> with Board			Launched extensive <b>global investor outreach</b> campaign					
	Adopted <b>anti-pledging policy</b> and four year <b>stock holding period</b> for employees		Increased <b>Board Stock Ownership</b> Guidelines		Adopted broad-based <b>Employee Stock Ownership</b> Guidelines <sup>(1)</sup>	Established <b>Cybersecurity Committee</b>	Adopted <b>clawback policy</b> for Annaly for amounts paid to external manager				
2017	Joined the <b>National Association of Corporate Directors</b>		Launched <b>Women's Interactive Network ("WIN")</b> , represents over 30% of the firm		<b>Refreshed 60%</b> of Board Committee Chairmanships		NEOs voluntarily <b>increased stock ownership</b> commitments				
	Joined the <b>Council of Institutional Investors</b>		Announced inaugural JV with Capital Impact Partners for <b>social impact investing</b>		Designated second Audit Committee <b>financial expert</b>		Hosted inaugural <b>Investor Day</b>				
					Publication of <b>Board Skills Matrix</b> in Proxy		Established <b>Corporate Responsibility Board Committee</b> <sup>(2)</sup>				
2018	Recognized in the <b>Bloomberg Gender-Equality Index</b>		<b>Enhanced parental leave</b> policy		Enhanced corporate governance and compensation disclosure (resulting in over <b>~94% favorable Say-on-Pay vote</b> )		<b>Enhanced Board evaluation process</b> , including individual director assessments and periodic use of external facilitator				
	Elected <b>two additional women</b> to the Board		Established new Head of <b>Corporate Responsibility &amp; Government Relations</b> to lead Annaly's ESG efforts		Established <b>enhanced corporate compliance function</b> with a new hire to lead the Corporate Compliance Group		Adopted Board refreshment policy related to <b>tenure and retirement age of Independent Directors</b>				
	Focused on developing talent, <b>26 promotions</b>		Participated in the <b>2018 Women in the Workplace</b> survey from LeanIn.Org and McKinsey		Adopted bylaw amendment to <b>declassify</b> the Board		Initiated an <b>energy audit</b> to track and monitor impact and energy usage				
2019	Recognized in <b>Bloomberg Gender-Equality Index</b> for second consecutive year		Launched new <b>Corporate Responsibility</b> section of corporate website		WIN co-hosted <b>Non-Profit Board Fair</b> with Wells Fargo, connecting 200 women with ~20 non-profits		Conducted 5 <sup>th</sup> Annual <b>Employee Engagement Survey</b>				
	Announced 2 <sup>nd</sup> JV with Capital Impact Partners for <b>social impact investing</b>		Added two new <b>Independent Directors</b> – Directors are <b>45% women</b>		Hosted <b>Women's Leadership Event</b> invited ~125 women from 45 firms		Separated roles of Chief Executive Officer and Chair; appointed <b>Independent Board Chair</b>				

Detailed endnotes and additional important disclosures included at the end of this presentation.

We strive to continually enhance the Company's corporate governance framework

## Board Independence & Leadership

- ✓ 82% of Annaly's Board of Directors is comprised of Independent Directors with deep and diverse experience
- ✓ 4 new Independent Directors have been added in the past 5 years
- ✓ Board Committee Chairmanships were refreshed in 2017
- ✓ Regular executive sessions of Independent Directors
- ✓ Independent key Board Committees
- ✓ Separated role of Chief Executive Officer and Chair

## Board Composition & Diversity

- ✓ The Nominating/Corporate Governance Committee (the "NCG Committee") of the Board endeavors to have a Board representing diverse backgrounds and a wide range of professional experiences
- ✓ The NCG Committee also takes into account other factors that promote principles of diversity, including diversity of perspective, background, gender, race, nationality, age and other demographics
- ✓ On an annual basis, the NCG Committee evaluates the Board's overall composition, including Director tenure and rigorously evaluates all Directors to ensure a continued match of their skill sets against the need of the Company
- ✓ 45% of Directors are women and 55% of Directors have tenure of less than five years

## Board Orientation, Evaluations and Continuing Education

- ✓ The NCG Committee is responsible for overseeing an annual self-evaluation process for the Board
- ✓ In 2018, the Board adopted an enhanced Board self-evaluation process that includes annual assessments of the full Board, each Board Committee and individual Directors, along with periodic use of our external facilitator
- ✓ The Board believes that Director orientation and continuing education is critical to the Board's ability to fulfill its responsibilities in a dynamic and constantly evolving business environment
- ✓ New Directors participate in a robust onboarding process, which includes extensive training materials and briefings on the Company's strategic plans, financial statements and key policies and practices

## Stockholder Rights & Engagement

- ✓ Amended bylaws to declassify the Board over a three-year period
- ✓ Majority vote standard for uncontested elections
- ✓ Annual stockholder advisory vote on executive compensation
- ✓ Stockholders may amend the bylaws by a majority of votes entitled to be cast
- ✓ Virtual meeting format enables participation from global stockholder base
- ✓ Stockholders can submit questions for the Annual Meeting through an interactive pre-meeting forum

# Shareholder Engagement | Extensive Outreach

Annaly takes pride in its extensive outreach efforts and is committed to transparency, enhanced disclosure and continued engagement

Overall Outreach and Engagement Since 2015 has Resulted in Robust Institutional Sponsorship Globally<sup>(1)</sup>

**40%+**

Growth of international sponsorship

**400+**

1x1 investor meetings with management through meetings, calls, conferences and NDRs

**25%+**

Increase in number of ESG-oriented funds invested in Annaly

**800+**

Number of institutional investors that own Annaly (~18% increase)

**\$5.8bn<sup>(2)</sup>**

Capital raised across common and preferred equity offerings

Shareholder Engagement Efforts Since 2018

**650mm+ Shares**

Owned by Top 50 Institutional Shareholders

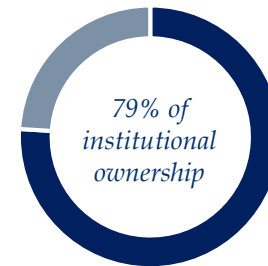
*Outreach included approximately<sup>(3)</sup>*



**100+**

1x1 meetings with investors across the U.S., Canada and Europe

*Outreach included approximately<sup>(3)</sup>*



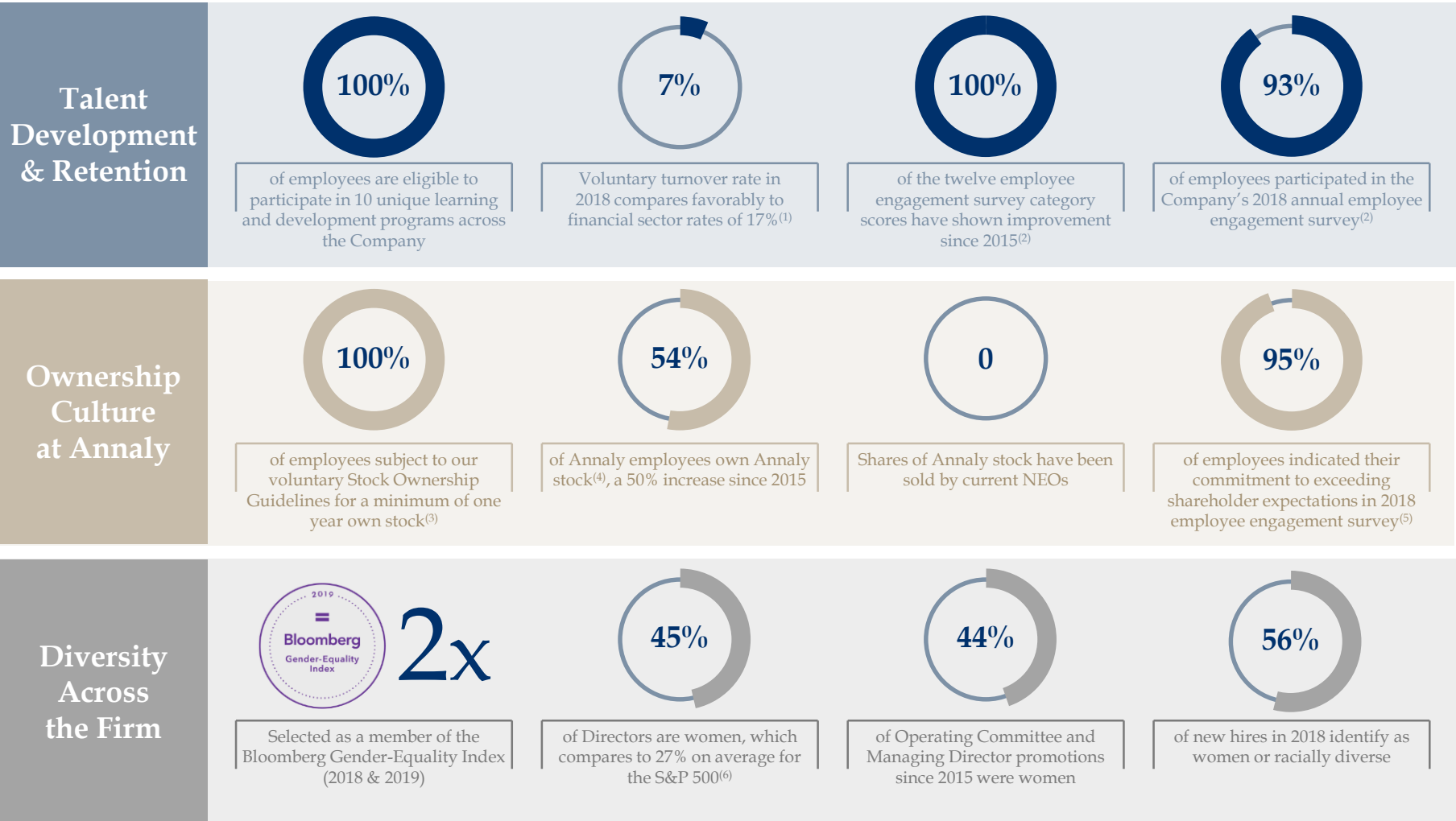
# Shareholder Engagement | Implementing Feedback over the Last 2 Years

Shareholder engagement efforts generate significant feedback for both the Board and management and drive enhancements to corporate governance and compensation practices and disclosures

What the Company Heard	What the Company Did
Review Classified Board Structure	<ul style="list-style-type: none"> <li>Amended the Company's bylaws to declassify the Board over a three-year period</li> <li>The amended bylaws provide for annual election of Directors beginning with the 2019 Annual Meeting of Stockholders with all Directors standing for annual elections commencing with the 2021 Annual Meeting of Stockholders</li> </ul>
Focus on Board Composition and Diversity	<ul style="list-style-type: none"> <li>Adopted an enhanced Board self-evaluation process that includes annual assessments of the full Board, each Board Committee and individual Directors, which are facilitated by an external evaluator on a periodic basis</li> <li>Engaged professional search firm to assist the Board in identifying qualified director candidates with a mandate to present equal representation of women and minority candidates</li> <li>Elected four new highly qualified Independent Directors since the beginning of 2018, including three women</li> </ul>
Enhance Board Refreshment Policy	<ul style="list-style-type: none"> <li>Adopted an enhanced refreshment policy providing that an independent Director may not stand for re-election at the next Annual Meeting of Stockholders following the earlier of his or her: (i) 12<sup>th</sup> anniversary of Board service or (ii) 73<sup>rd</sup> birthday</li> </ul>
Improve Disclosure to Enable Fully Informed Say-on-Pay Vote	<ul style="list-style-type: none"> <li>Provided added clarity and transparency on Manager's executive compensation program, including disclosure of:                             <ul style="list-style-type: none"> <li>The portion of the management fee that is allocated to NEO compensation paid by the Manager</li> <li>Of this compensation, the portion of fixed vs. variable / incentive pay</li> <li>The metrics utilized to measure performance to determine variable / incentive pay</li> </ul> </li> </ul>
Deepen Corporate Responsibility	<ul style="list-style-type: none"> <li>Dedicated resources and personnel to enhancing Annaly's corporate responsibility function</li> <li>Added extensive disclosure on the Company's Corporate Responsibility and ESG efforts to Annaly's corporate website</li> <li>Partnered with Capital Impact Partners to launch two joint ventures dedicated to supporting affordable housing and other community development projects</li> <li>Commenced energy audit of our Corporate Headquarters to better track and our impact and energy usage</li> </ul>

# Social | Human Capital

Our people are our greatest asset and we are committed to a culture of ownership, inclusion and excellence that promotes our employees' engagement, development and full potential



Detailed endnotes and additional important disclosures included at the end of this presentation.

# Social | Responsible Investments

We finance housing across the country and support the vitality of local communities and the economy through our investments

## Over 850k Homes

For Americans and their families are financed by Annaly across 50 states<sup>(1)</sup>

## Over \$1.9 Billion

Investments that support key pillars of the U.S. economy in middle market businesses and commercial real estate<sup>(2)</sup>

### Housing Investments

#### Lower Loan Balance Mortgage

#### Over 200,000 loans totaling over \$16 billion

to borrowers with lower loan balance mortgages, typically financing homes that are less than half the national house price average<sup>(3)</sup>

#### Self-Employed Borrowers

#### Over 900 loans totaling over \$500 million

to self-employed, creditworthy borrowers, including small business owners that have challenges accessing mortgage credit from commercial banks due to non-traditional income<sup>(4)</sup>

#### Credit Risk Transfers

#### Over 5.0 million additional homes

supported through Annaly's investments in CRT securities, which are instruments that allow the private sector to take credit risk from Fannie Mae and Freddie Mac<sup>(5)</sup>

### Commercial Investments<sup>(6)</sup>

#### Health Care

#### \$741 million

invested to support access to medical services and equipment across the sector and streamline management of health care-related information

#### Economic Opportunity

#### Nearly \$300 million

invested to support the comprehensive needs of communities, including affordable housing, education, health care and retail grocery in food deserts<sup>(7)</sup>

#### Data & Technology

#### \$436 million

invested in companies that provide advanced technological solutions to businesses and societal challenges, such as smart transportation, data security and payment processing

#### Sustainable Environment

#### Nearly \$465 million

invested in environmentally friendly buildings and businesses

Note: Financial data as of September 30, 2019.

Detailed endnotes and additional important disclosures included at the end of this presentation.



# Social | Impact Investments

Annaly is investing in rural and urban communities across the country through two joint venture partnerships with Capital Impact Partners, a national community development financial institution

## Social Impact Joint Ventures



ANNALY®

**\$25 Million<sup>(1)</sup>**

*Joint Venture supporting community development in underserved cities across the country*

*Announced November 2017*



ANNALY®

**\$25 Million<sup>(1)</sup>**

*Joint Venture supporting affordable housing & other community development projects in Washington, D.C.*

*Announced January 2019*

## Measurable Impact of Both Joint Ventures<sup>(2)</sup>



**Over 600k Square Feet**

In community development projects across the U.S. employing 1,200 individuals



**Over 40k Patients**

Receiving care in community health centers and eldercare residences with over 4,000 elders and over 23,000 below the poverty line served



**Over 8k Students**

Receiving charter school education, with 80% qualifying for free and reduced-price lunches



**Over 48k People**

In low-income areas with access to healthy foods through investment in grocery stores and food production facilities

Note: Financial data as of September 30, 2019.

Detailed endnotes and additional important disclosures included at the end of this presentation.

# Environmental | Corporate Headquarters

We promote practices within our corporate headquarters that contribute to environmental sustainability and we integrate those practices into our daily operations

The following sustainable and environmentally friendly materials are used within our corporate headquarters

Greenguard	Certification provided for materials with low chemical emissions such as plastic laminates, Formica solid surfaces, wall coverings, etc.	High Efficiency Fixtures	High efficiency and automatic water fixtures to control use and output
Green Label Plus Certification	Carpets and rugs that have very low emissions of volatile organic compounds, ensuring the highest level of indoor air quality	Cradle to Cradle (C2C) Certification	Products whose manufacturing is reviewed on 5 categories: material health, reutilization, renewable energy and carbon management, water stewardship and social fairness
LED Lighting & Solar Films	All lighting is LED with controls for usage and shut-off, and there are films on windows to reduce HVAC needs	FloorScore	Certification given to floor covering products that meet strict indoor air quality requirements

## Recognitions and Recent Efforts



### LEED Gold Certification

Our headquarters building was awarded LEED Gold Certification in 2015 based on employee commuting habits, water efficiency, energy use, indoor and outdoor air quality and sustainability policies



### ENERGY STAR®

Every year since 2014, our headquarters building has been awarded the Energy Star designation, which indicates that the building is among the top 25% of facilities in the country for energy performance



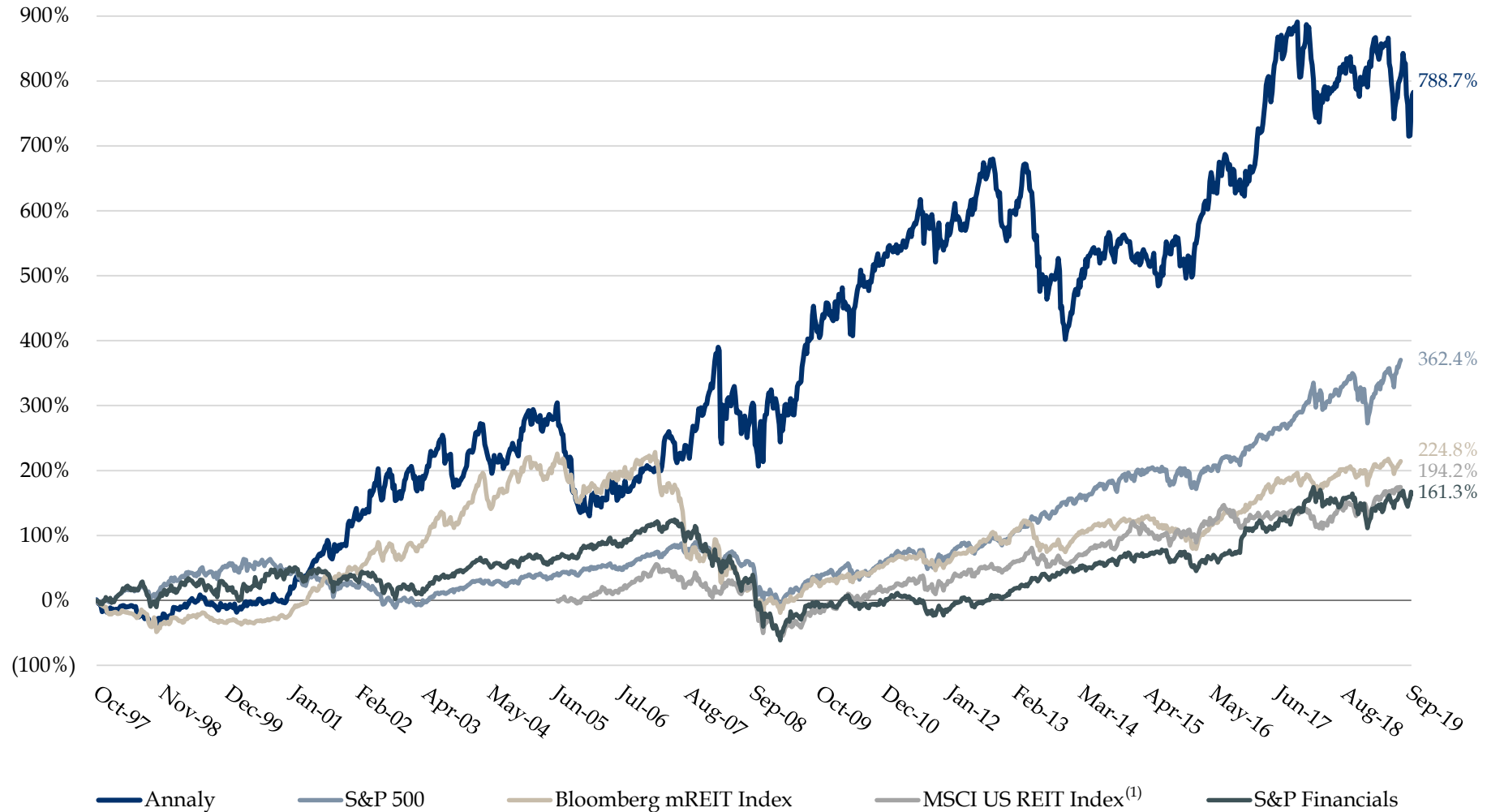
### New York City Carbon Challenge

Our headquarters building participates in the NYC Carbon Challenge, which aims to reduce the building's greenhouse gas emissions >30% by 2029 and support the City goal to reduce emissions 80% by 2050

In 2019, we hired an external consultant to conduct an Energy Audit of our corporate headquarters

# Performance | Delivering Total Shareholder Return and Outperformance

Annaly has delivered total returns of ~790% since IPO, outperforming the broader market and other yield options



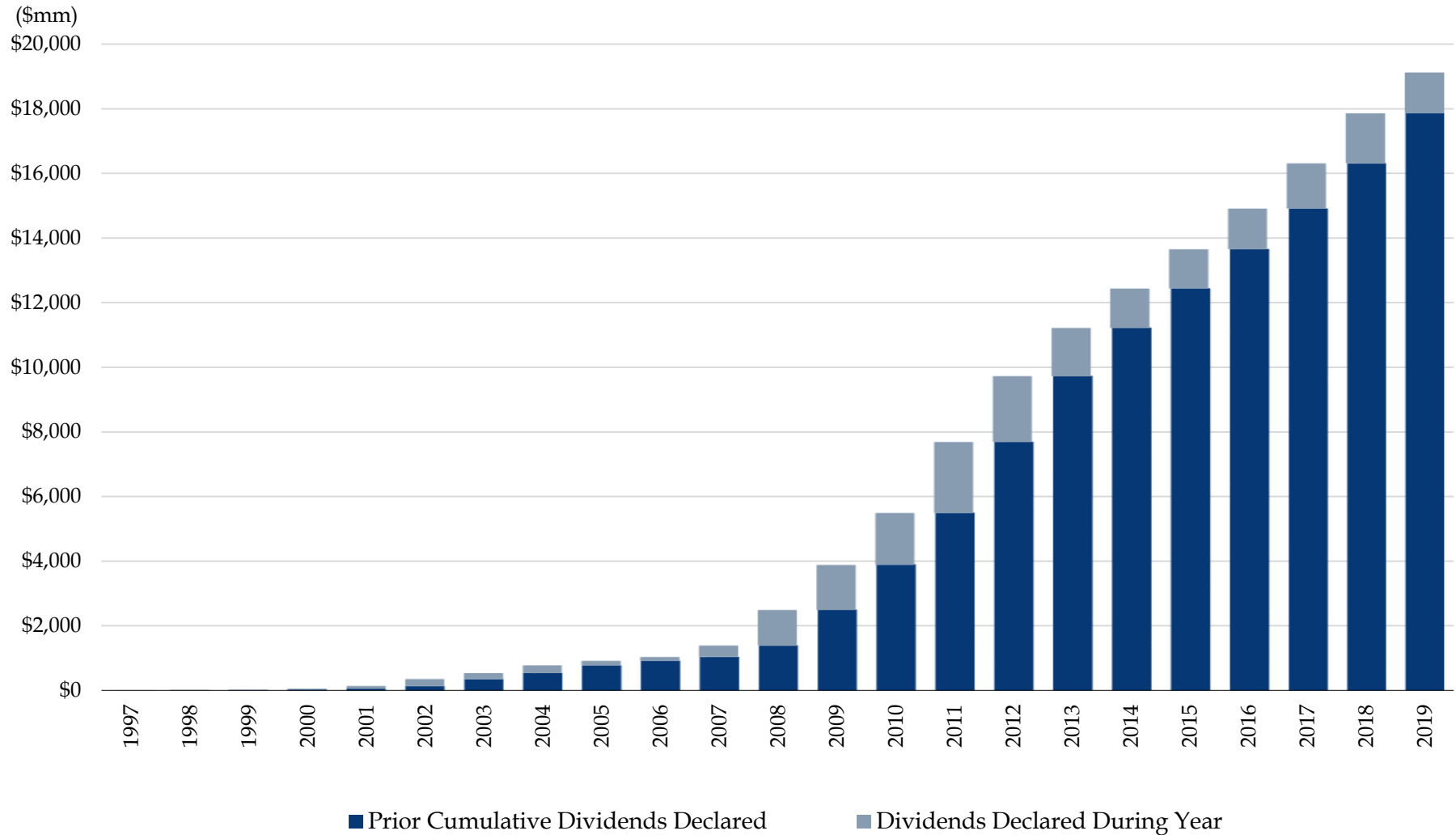
Source: Bloomberg and Company filings. Market and financial data as of September 30, 2019.

Note: Bloomberg mREIT Index, MSCI US REIT Index S&P 500 and S&P Financials include all constituents. NLY included in Bloomberg mREIT Index.

Detailed endnotes and additional important disclosures included at the end of this presentation.

# Performance | Delivering Total Shareholder Return and Outperformance

Since inception, Annaly has delivered over \$19.0bn in dividends to shareholders<sup>(1)</sup>



Source: Company filings. Financial data as of September 30, 2019.

Detailed endnotes and additional important disclosures included at the end of this presentation.

# Endnotes



# Endnotes

## Page 3

1. In April 2016, Annaly expanded its Employee Stock Ownership Guidelines to Director-level and above employees, representing 40% of the firm. Pursuant to these guidelines, employees are not granted stock, but rather, asked to purchase predetermined amounts of shares in the open market based on certain criteria including seniority, compensation level and role.
2. Initially known as Public Responsibility Committee ("PRC").

## Page 5

1. Shareholder base per Ipreo data as of November 2019.
2. Amount is before deducting the underwriting discount and other estimated offering expenses, unless otherwise noted. \$5.8 billion inclusive of all common and preferred equity offerings from July 2017 through September 2019. July 2017, September 2018 and January 2019 common equity offerings include the underwriters' full exercise of their overallotment option to purchase additional shares of stock. July 2017 preferred offering, October 2017 common offering and July 2019 preferred offering include the underwriters' partial exercise of their overallotment option to purchase additional shares of preferred and common stock, respectively. Includes equity raised through the Company's at-the-market sales program for its common stock, which was entered into in January 2018, net of sales agent commissions and other offering expenses. Excludes equity from M&A.
3. Outreach statistics representative of 2018 and 2019 engagement efforts.

## Page 7

1. Financial Services Sector data per United States Department of Labor, Bureau of Labor Statistics, "Job Openings and Labor Turnover Summary," using 2018 total.
2. Survey results based on annual internal surveys conducted by Perceptyx from 2015 through 2018.
3. As of September 30, 2019, 100% of employees subject to Annaly Employee Ownership Guidelines for over one year have purchased shares of Annaly common stock.
4. As of December 31, 2018, excluding 2018 new hires as there was only one open trading window in 2018 as a result of strategic activity.
5. Survey results based on 2018 internal survey conducted by Perceptyx.
6. S&P 500 board composition per ISS Corporate Solutions as of October 2019.

## Page 8

1. Represents the estimated number of homes financed by Annaly's holdings of Agency MBS, residential whole loans and securities, as well as multi-family commercial real estate loans, securities and equity investments. The number includes all homes related to securities and loans wholly-owned by Annaly and a pro-rata share of homes in securities or equity investments that are partially owned by Annaly.
2. Represents the cumulative commitment value at investment date of Annaly's middle market lending and commercial real estate investments in health care, data and technology, sustainable environment and economic opportunities across communities, including current and prior investments, through September 30, 2019.
3. Represents all of the loans included in low loan balance (<\$85,000) and medium loan balance (\$85,000-\$110,000) Agency MBS pools wholly-owned by Annaly and a pro-rata share of loans in low loan balance and medium loan balance Agency MBS pools partially-owned by Annaly. Based on FHFA's June 30, 2019 seasonally adjusted House Price Index, which is calculated using home sales price information from mortgages sold to, or guaranteed by, Fannie Mae and Freddie Mac.
4. Represents residential whole loans owned by Annaly.
5. CRTs include the loans in the CRT reference pool for CRT securities partially-owned by Annaly. In rare cases, some individual borrowers may be counted multiple times if they are present in Annaly's holdings of multiple asset types.
6. All figures quoted in this section represent the cumulative commitment value at investment date of Annaly's commercial investments, including current and prior investments.

## Page 8 (cont'd)

7. The United States Department of Agriculture defines a food desert as a "low-access community," where at least 500 people and/or at least 33 percent of the census tract's population must reside more than one mile from a supermarket or large grocery store (for rural census tracts, the distance is more than 10 miles).

## Page 9

1. November 2017 Joint Venture: Annaly's investment represents \$20 million and Capital Impact Partners' investment represents \$5 million. January 2019 Joint Venture: Annaly's commitment represents \$20 million and Capital Impact Partners' commitment represents \$5 million.
2. Combined impact data of joint ventures as of September 30, 2019.

## Page 11

1. MSCI US REIT Index performance data begins June 17, 2005 when the index was launched.

## Page 12

1. Data shown since Annaly's initial public offering in October 1997 through September 30, 2019 and includes common and preferred dividends declared.

## ***Additional Important Disclosures***

Indices are provided for illustrative purposes only. They have not been selected to represent appropriate benchmarks or targets for Annaly. Rather, the indices shown are provided solely to illustrate the performance of well-known and widely recognized indices. Any comparisons herein of the investment performance of an Annaly business strategy to an index are qualified as follows: (i) the volatility of such index likely will be materially different from that of the referenced Annaly business strategy; (ii) such index will, in many cases employ different investment guidelines and criteria than the referenced Annaly business strategy and, therefore, holdings in such strategy will differ significantly from holdings of the companies that comprise such index; and (iii) the performance of such index is disclosed solely to allow for comparison of the referenced Annaly strategy's performance (or the performance of the assets held by such strategy) to that of a well-known index. Comparisons to indices have limitations because indices have risk profiles, volatility, asset composition and other material characteristics that will differ from Annaly. The indices do not reflect the deduction of fees or expenses. You cannot invest directly in an index. No representation is made as to the risk profile of any benchmark or index relative to the risk profile of Annaly. Annaly has provided index data for informational purposes only. There can be no assurance that any index as of any date after September 30, 2019 will produce similar rankings and performance statistics or that Annaly's ranking compared to the applicable index will be the same in future periods. There may be other rankings or indices where Annaly would rank higher or lower than as described herein.