



ANNALY<sup>®</sup>

Onslow Bay Financial LLC

May 2019

# Safe Harbor Notice

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## **Forward-Looking Statements**

This presentation, other written or oral communications, and our public documents to which we refer contain or incorporate by reference certain forward-looking statements which are based on various assumptions (some of which are beyond our control) and may be identified by reference to a future period or periods or by the use of forward-looking terminology, such as “may,” “will,” “believe,” “should,” “expect,” “anticipate,” “continue,” or similar terms or variations on those terms or the negative of those terms. Actual results could differ materially from those set forth in forward-looking statements due to a variety of factors, including, but not limited to, changes in interest rates; changes in the yield curve; changes in prepayment rates; the availability of mortgage-backed securities (“MBS”) and other securities for purchase; the availability of financing and, if available, the terms of any financing; changes in the market value of our assets; changes in business conditions and the general economy; our ability to grow our commercial real estate business; our ability to grow our residential credit business; our ability to grow our middle market lending business; credit risks related to our investments in credit risk transfer securities, residential mortgage-backed securities and related residential mortgage credit assets, commercial real estate assets and corporate debt; risks related to investments in mortgage servicing rights (“MSRs”); our ability to consummate any contemplated investment opportunities; changes in government regulations or policy affecting our business; our ability to maintain our qualification as a REIT for U.S. federal income tax purposes; and our ability to maintain our exemption from registration under the Investment Company Act of 1940, as amended. For a discussion of the risks and uncertainties which could cause actual results to differ from those contained in the forward-looking statements, see “Risk Factors” in our most recent Annual Report on Form 10-K and any subsequent Quarterly Reports on Form 10-Q filed with the Securities and Exchange Commission. We do not undertake, and specifically disclaim any obligation, to publicly release the result of any revisions which may be made to any forward-looking statements to reflect the occurrence of anticipated or unanticipated events or circumstances after the date of such statements, except as required by law.

Past performance is no guarantee of future results. There is no guarantee that any investment strategy referenced herein will work under all market conditions. Prior to making any investment decision, you should evaluate your ability to invest for the long-term, especially during periods of downturns in the market. You alone assume the responsibility of evaluating the merits and risks associated with any potential investment or investment strategy referenced herein. To the extent that this material contains reference to any past specific investment recommendations or strategies which were or would have been profitable to any person, it should not be assumed that recommendations made in the future will be profitable or will equal the performance of such past investment recommendations or strategies.

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## **Non-GAAP Financial Measures**

This presentation includes certain non-GAAP financial measures, including core earnings metrics, which are presented both inclusive and exclusive of the premium amortization adjustment (“PAA”). We believe the non-GAAP financial measures are useful for management, investors, analysts, and other interested parties in evaluating our performance but should not be viewed in isolation and are not a substitute for financial measures computed in accordance with U.S. generally accepted accounting principles (“GAAP”). In addition, we may calculate non-GAAP metrics, which include core earnings, and the PAA, differently than our peers making comparative analysis difficult. Please see the section entitled “Non-GAAP Reconciliations” in the attached Appendix for a reconciliation to the most directly comparable GAAP financial measures.

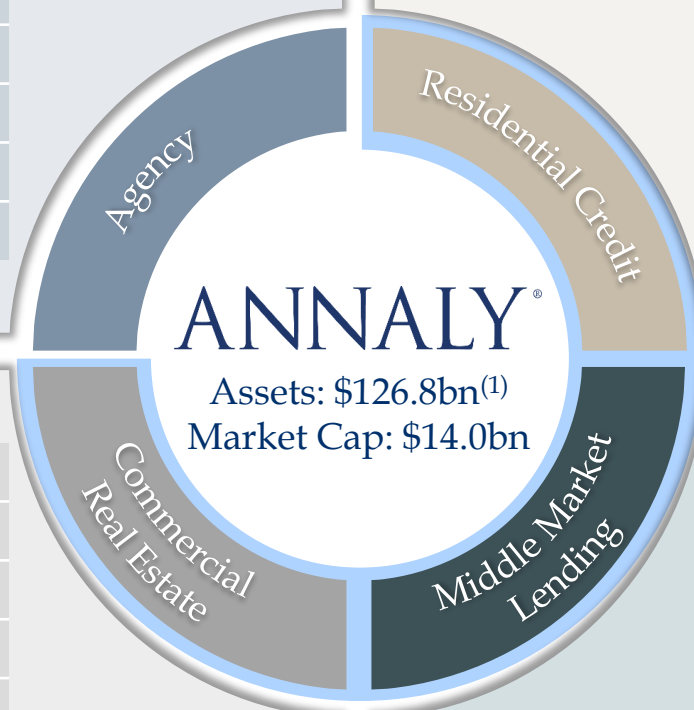
# Annaly is a Leading Diversified Capital Manager

The **Annaly Agency Group** invests in Agency MBS collateralized by residential mortgages which are guaranteed by Fannie Mae, Freddie Mac or Ginnie Mae

Assets <sup>(1)</sup>	<b>\$119.5bn</b>
Capital <sup>(2)</sup>	<b>\$11.3bn</b>
Sector Rank <sup>(3)</sup>	<b>#1/7</b>
Strategy	<b>Countercyclical / Defensive</b>
Levered Returns <sup>(4)</sup>	<b>10% - 12%</b>

The **Annaly Residential Credit Group ("ARC")** invests in Non-Agency residential mortgage assets within the securitized product and whole loan markets

Assets <sup>(1)</sup>	<b>\$3.4bn</b>
Capital <sup>(2)</sup>	<b>\$1.3bn</b>
Sector Rank <sup>(3)</sup>	<b>#9/14</b>
Strategy	<b>Cyclical / Growth</b>
Levered Returns <sup>(4)</sup>	<b>9% - 12%</b>



Assets <sup>(1)</sup>	<b>\$2.1bn</b>
Capital <sup>(2)</sup>	<b>\$0.9bn</b>
Sector Rank <sup>(3)</sup>	<b>#9/16</b>
Strategy	<b>Cyclical / Growth</b>
Levered Returns <sup>(4)</sup>	<b>9% - 11%</b>

The **Annaly Commercial Real Estate Group ("ACREG")** originates and invests in commercial mortgage loans, securities and other commercial real estate debt and equity investments

Assets	<b>\$1.8bn</b>
Capital <sup>(2)</sup>	<b>\$1.3bn</b>
Sector Rank <sup>(3)</sup>	<b>#7/44</b>
Strategy	<b>Non-Cyclical / Defensive</b>
Levered Returns <sup>(4)</sup>	<b>10% - 12%</b>

The **Annaly Middle Market Lending Group ("AMML")** provides financing to private equity backed middle market businesses across the capital structure



# First Quarter 2019 Financial Highlights

## Earnings & Book Value

### Earnings (Loss) per Share

GAAP  
(\$0.63) | Core  
(ex. PAA)\*  
\$0.29

### Book Value per Share

\$9.67

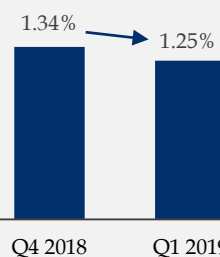
### Dividend per Share

\$0.30

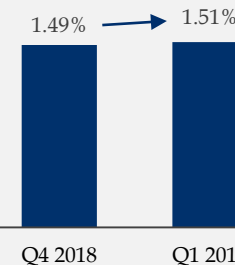
### Dividend Yield<sup>(1)</sup>

12.01%

### Net Interest Margin



### Net Interest Margin (ex. PAA)\*



## Investment Portfolio

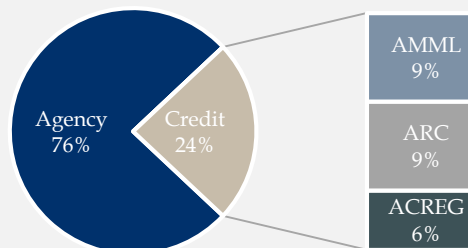
### Total Portfolio<sup>(2)</sup>

\$126.8bn

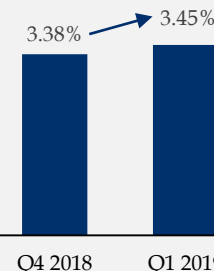
### Total Stockholders' Equity

\$15.8bn

### Capital Allocation<sup>(3)</sup>



### Yield on Interest Earning Assets (ex-PAA)\*



## Financing, Liquidity & Hedging

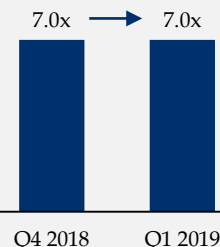
### Financing & Liquidity

\$1.6bn  
of residential whole  
loan and commercial  
securitizations YTD '19<sup>(4)</sup>  
  
\$9.0bn  
of unencumbered  
assets

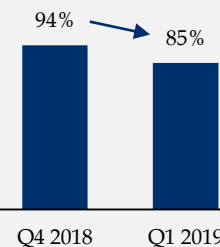
### Total Hedge Portfolio

\$92bn  
Hedge portfolio  
includes \$67bn of  
swaps, \$3bn of  
swaptions and \$21bn  
of futures contracts

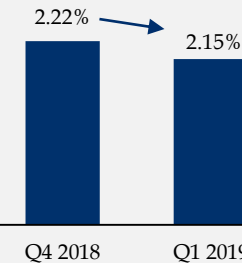
### Economic Leverage



### Hedge Ratio<sup>(5)</sup>



### Average Cost of Funds<sup>(6)</sup>



Source: Company filings. Financial data as of March 31, 2019, unless otherwise noted. \* Represents a non-GAAP financial measure; see Appendix.

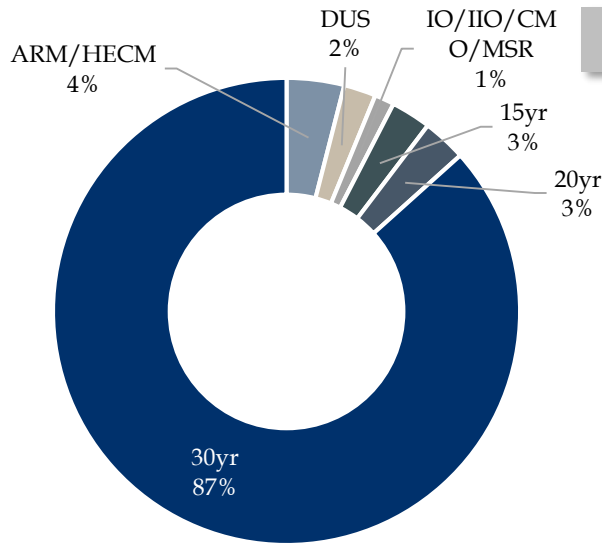
Detailed endnotes and a glossary of defined terms are included at the end of this presentation.

# Agency | Portfolio Summary

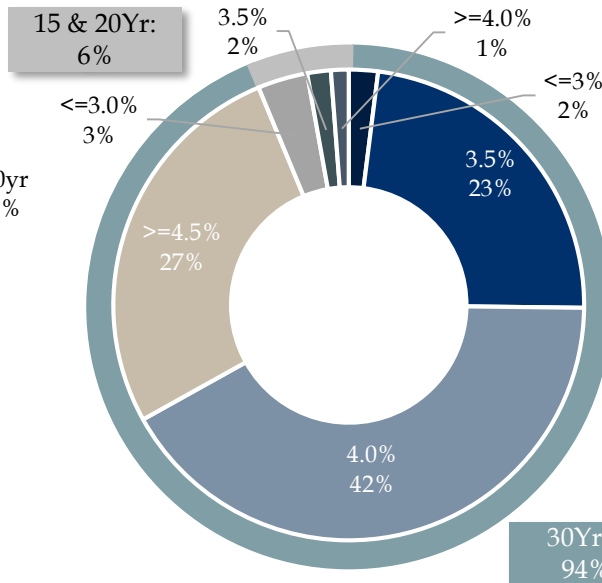
- Annaly Agency Portfolio: \$119.5 billion in assets at the end of Q1 2019, an increase of 13% from Q4 2018
- The portfolio mix is comprised of predominately 30-year fixed rate securities, as we believe these offer the most attractive risk-adjusted returns in the Agency MBS market
- Agency MBS risk adjusted returns remain attractive as the sector will require additional capital to absorb supply
- ~82% of the portfolio positioned in securities with attractive convexity profiles at the end of Q1 2019
  - Specified pool collateral performed materially better than To-Be-Announced (“TBA”) securities during the quarter, as market participants grew concerned about increased refinancing activity in TBA securities

Total Dedicated Capital: \$11.3 billion<sup>(1)</sup>

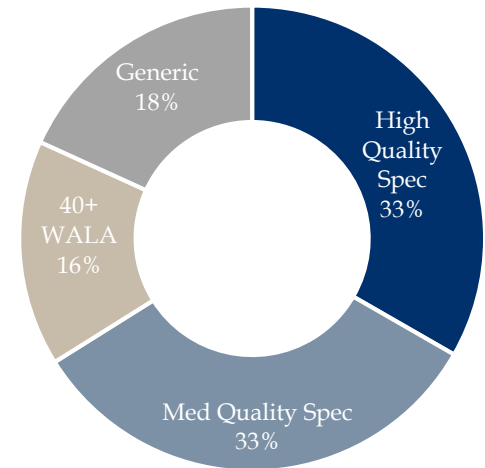
Asset Type<sup>(1)</sup>



Pass Through Coupon Type



Portfolio Quality<sup>(2)</sup>



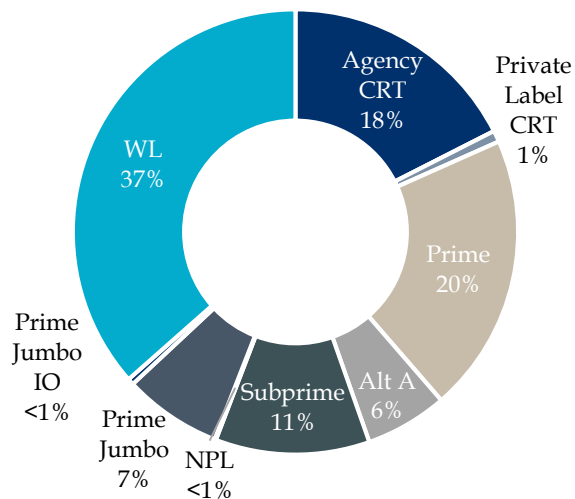
Note: Data as of March 31, 2019. Percentages based on fair market value and may not sum to 100% due to rounding. Detailed endnotes and a glossary of defined terms are included at the end of this presentation.

# Residential Credit | Portfolio Summary

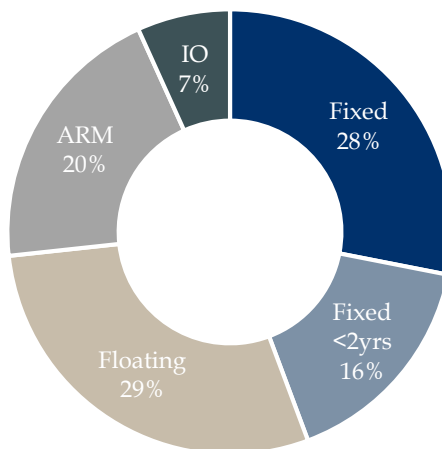
- Annaly Residential Credit Portfolio: \$3.4 billion at the end of Q1 2019, an increase of 2% from Q4 2018
- Closed a \$394 million Agency Investor Securitization in January
  - Subsequent to quarter end, priced an additional \$388 million Securitization backed by expanded prime collateral; represents Annaly's fifth non-Agency Securitization in 13 months
  - These transactions demonstrate Annaly's ability to optimize funding and solidify our reputation as a programmatic MBS issuer
- Whole loans continue to be the largest area of growth, with Q1 2019 acquisitions increasing more than 100% compared to Q1 2018
  - Purchased \$376 million of residential whole loans in Q1 2019 through unique partnership channels
  - Total acquisitions of \$1.6 billion over the last twelve months

Total Dedicated Capital: \$1.3 billion

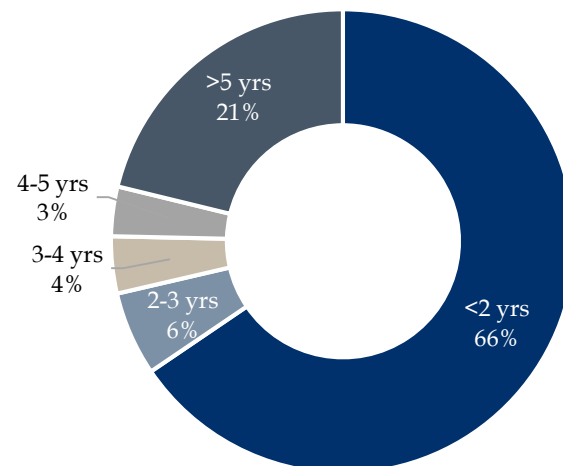
Sector Type<sup>(1)(2)</sup>



Coupon Type<sup>(1)</sup>



Effective Duration<sup>(1)</sup>



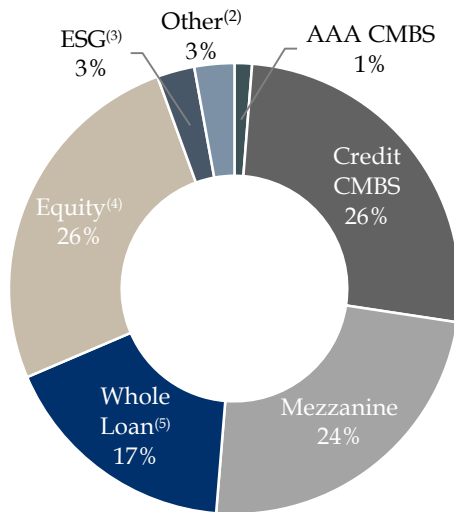
Note: Data as of March 31, 2019, unless otherwise noted. Portfolio statistics and percentages are based on fair market value and reflect economic interest in securitizations. Prime Jumbo and Prime classifications include the economic interest of certain positions that are classified as Residential Mortgage Loans within our Consolidated Financial Statements. Percentages may not sum to 100% due to rounding. Detailed endnotes and a glossary of defined terms are included at the end of this presentation.

# Commercial Real Estate | Portfolio Summary

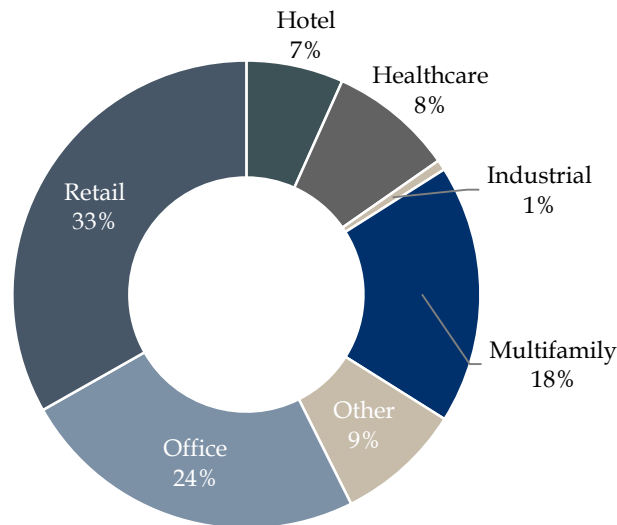
- Annaly Commercial Real Estate Portfolio: \$2.1 billion in assets at the end of Q1 2019<sup>(1)</sup>, calculated net of the managed CRE CLO issued during the quarter, reflecting a decrease of 15% from Q4 2018
- Issued \$857 million actively managed CRE CLO, providing 79.25% advance rate for non-recourse, non-mark-to-market financing
  - ~\$1 billion of available financing capacity, inclusive of CRE credit facilities
- Continue to enhance regional origination presence by opening a Chicago office
- New investment activity outpaced paydowns during the quarter
  - \$290 million of new investment activity, with an average direct origination commitment of \$55 million
  - \$128 million of payoffs/paydowns received

Total Dedicated Capital: \$0.9 billion

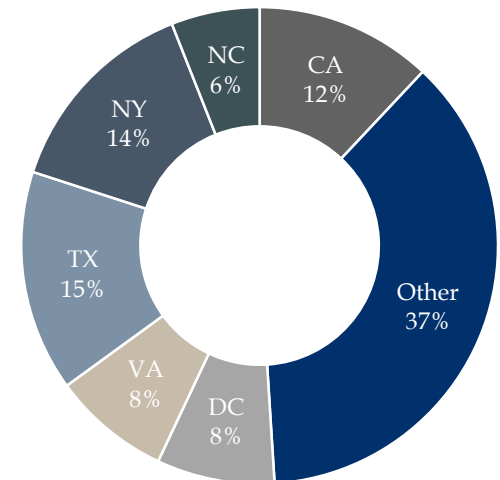
Asset Type



Sector Type



Geographic Concentration<sup>(6)</sup>



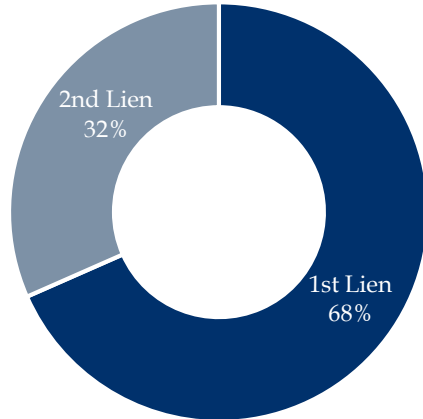
Note: Data as of March 31, 2019. Portfolio statistics and percentages are based on fair market value and reflect economic interest in securitizations. Percentages may not sum to 100% due to rounding. Detailed endnotes and a glossary of defined terms are included at the end of this presentation.

# Middle Market Lending | Portfolio Summary

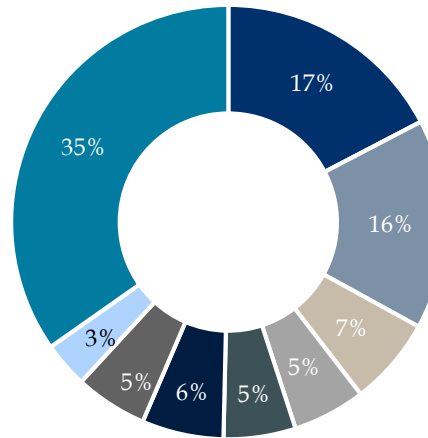
- Annaly Middle Market Lending Portfolio: \$1.8 billion in assets at the end of Q1 2019, a decrease of 4% from Q4 2018
  - Executed successful syndication of \$242 million of a unitranche loan across six lenders<sup>(1)</sup>, driving modest decline in portfolio balance
- AMML remains disciplined in our credit intensive approach, focusing on top private equity sponsor relationships in defensive, non-discretionary, niche industries
- Given evolving market conditions, the portfolio is more heavily geared towards first lien investments with outsized returns
- Improved terms and access to financing through additional \$200 million credit facility that closed in Q1 2019

Total Dedicated Capital: \$1.3 billion

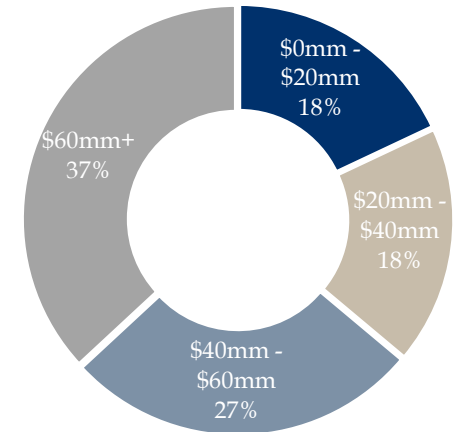
Lien Position



Industry<sup>(2)</sup>



Loan Size<sup>(3)</sup>



- Management & Public Relations Services
- Computer Programming & Data Processing
- Metal Cans & Shipping Containers
- Offices & Clinics of Doctors
- Surgical, Medical and Dental Instruments & Supplies
- Engineering, Architectural, and Surveying
- Public Warehousing & Storage
- Telephone Communications
- Other

Note: Data as of March 31, 2019. Percentages based on amortized cost and may not sum to 100% due to rounding.  
Detailed endnotes and a glossary of defined terms are included at the end of this presentation.



**Onslow Bay Financial LLC**

# Onslow Bay Overview

## Annaly purchases residential whole loans through Onslow Bay Financial LLC

### Corporate Background

- Onslow Bay Financial LLC (“Onslow Bay”) (previously Onslow Bay Servicing LLC) was formed on July 17, 2013
- Onslow Bay was a wholly owned subsidiary of Hatteras Financial Corp. (“Hatteras”). In July of 2016, Hatteras was acquired by Annaly
- In addition to being a HUD approved Investing Mortgagee, Onslow Bay currently holds the requisite state mortgage finance licenses, registrations, or exemptions (collectively, the “mortgage finance approvals”) to purchase residential whole loans in 49 states and the District of Columbia

### Sourcing and Underwriting

- Onslow Bay seeks to purchase closed, funded, performing residential whole loans made to mortgagors with stable incomes and employment histories
- Onslow Bay is not an originator and does not directly service residential whole loans or seek to sell other products / services to borrowers. Onslow Bay purchases loans from select originators / aggregators based on agreed-upon underwriting guidelines or carve-outs of the seller’s underwriting guidelines that fit desired documentation requirements or credit characteristics
- Onslow Bay utilizes accredited third party vendors to diligence assets before acquisition, including 100% data, credit, compliance and valuation diligence for new origination loans. Also, a custodian reviews the collateral on every asset before funding

### Financing

- Onslow Bay has issued six residential whole loan securitizations to date: OBX 2015-1, OBX 2018-1, OBX 2018-EXP1, OBX 2018-EXP2, OBX 2019-INV1 and OBX 2019-EXP1.
- In addition to utilizing the rated securitization market, Annaly has the ability to finance its residential whole loans through its affiliate’s membership in the FHLB (Des Moines)

# Loan Due Diligence & Servicer Oversight

## 100% Full Securitization Diligence

- Onslow Bay uses both American Mortgage Consultants (“AMC”) and Clayton Holdings LLC (“Clayton”) to perform independent third party diligence services



- Onslow Bay performs 100% full securitization diligence<sup>(1)</sup> across Credit, Compliance (RMBS 3.0 TRID Compliance Review) and Valuation

### Credit

Adherence to guideline requirements and “Ability to Repay”, confirming income, employment, assets, LTV, credit score, etc.

### Compliance

Onslow Bay utilizes RMBS 3.0 TRID Compliance Review. Review of preliminary and final disclosures, federal and state guidelines

### Valuation

Onslow Bay orders a secondary valuation to confirm appraisal value

## Sub-Servicer Oversight

- Onslow Bay contracts Select Portfolio Servicing (“SPS”) and Specialized Loan Servicing (“SLS”) to sub-service the whole loans which are purchased “servicing released”



- Onslow Bay engages in continuous dialogue with our sub-servicers regarding servicing transfers, delinquencies / loss mitigation in addition to a monthly sub-servicing oversight meeting
- SPS and SLS are both highly rated sub-servicers by the respective rating agencies:
  - SPS is rated “SQ2+” by Moody’s, “RPS1-” by Fitch and “Strong” from S&P. As of December 2018, SPS serviced or subserviced approximately 810k mortgage loans with a UPB of \$143bn
  - SLS is rated “SQ2” by Moody’s, “RPS2+” by Fitch and “Above Average” from S&P. As of December 2018, SLS serviced or subserviced approximately 585k mortgage loans with a UPB of \$95bn

# Onslow Bay Residential Whole Loan Target Acquisitions

- Onslow Bay seeks to purchase closed, funded, performing residential whole loans made to mortgagors with stable incomes and employment histories
- The summary below is representative of the “Expanded Prime” guidelines Onslow Bay utilizes to purchase whole loans through an originator / aggregator network
- Onslow Bay targets high quality borrowers with significant down payments and reserves

	“Expanded Prime” Acquisition Programs				
	Full Doc (Wage Earner)	Full Doc (Self Employed)	Bank Statement	Asset Utilization	1 Year Tax Return
<b>Income Qualification</b>	2 Years W2, YTD Paystub, 4506-T Transcripts	2 Years Personal / Business Tax Returns, K1s / Schedules, 4506-T 1040 transcripts	12 or 24 Months Consecutive Personal or Business Bank Statements	Borrowers Must Have A Minimum Amount of Qualified Assets	1 Year Personal and Business Tax Returns
<b>Borrower Qualification</b>	Wage Earners	Self-Employed Borrowers	Self Employed Borrowers Only, Minimum of 2 Years Experience	Utilization Draw Schedule, Net Documented Assets	Self Employed Borrowers Only, Minimum of 2 Years Experience
<b>Employment Verification</b>	Verbal Verification of Employment	Verification Through 3rd Party	Business License, CPA Letter, etc.	N/A	Business License, CPA Letter, etc.
<b>Asset Seasoning</b>	2 Months	2 Months	2 Months	>6 Months Seasoning	2 Months
<b>Housing Event Seasoning (FC, SS, Deed in Lieu, BK, Mod)</b>	48 Months	48 Months	48 Months	48 Months	48 Months
<b>Recent Housing History<sup>(1)</sup></b>	0x30x12	0x30x12	0x30x12	0x30x12	0x30x12
<b>Min FICO / Max LTV (Lowest FICO), Purchase / Rate Refi<sup>(2)</sup></b>	660/80	660/80	680/65	680/75	680/65
<b>Min FICO / Max LTV (Highest LTV), Purchase / Rate Refi<sup>(2)</sup></b>	700/90	700/90	740/85	680/75	740/85
<b>Max DTI<sup>(2)</sup></b>	50%	50%	50%	50%	50%

Detailed endnotes and a glossary of defined terms are included at the end of this presentation.

# Onslow Bay Residential Whole Loan Target Acquisitions (*cont'd*)

- Onslow Bay also purchases 12 Month PnL, Agency Eligible Investor and Debt Service Coverage Ratio (“DSCR”) Investor loans
- The summary below is representative of the guidelines Onslow Bay utilizes to purchase whole loans from our originator / aggregator network
- Onslow Bay targets high quality borrowers with significant down payments and reserves

	Additional Acquisition Programs			
	12 Month PnL	Written VOE	DSCR Investor	Agency/AUS Investor (DU/LP)
<b>Income Qualification</b>	12 Month Prepared Profit and Loss Statement	Written VOE (FNMA Form 1005)	Appraisal Market Rents / Subject Lease	Full Documentation Per DU/LP
<b>Borrower Qualification</b>	Self-Employed Borrowers (Minimum 2 Years Experience)	Wage Earners	1.20x Global DSCR, 0.75x Primary DSCR	Wage Earners + Self-Employed Borrowers
<b>Employment Verification</b>	Business License, Letter from Tax Preparer, CPA Letter	Verbal VOE	Employment Letter / CPA, Min 2 Years SE	Wage Earners + Self-Employed Borrowers
<b>Asset Seasoning</b>	2 Months	2 Months	1 Month Seasoning / Explanation of Asset Savings	2 Months
<b>Housing Event Seasoning (FC, SS, Deed in Lieu, BK, Mod)</b>	48 Months	48 Months	0x30x24 <sup>(1)</sup>	7 Years Foreclosure, 4 Years (BK <sup>(2)</sup> , Deed in Lieu, Charge Off, PreForeclosure)
<b>Recent Housing History</b>	0x30x12 <sup>(3)</sup>	0x30x12 <sup>(3)</sup>	0x30x24 <sup>(1)</sup>	Housing History Per DU/LP
<b>Min FICO / Max LTV (Lowest FICO), Purchase / Rate Refi<sup>(4)</sup></b>	700/75	700/75	680/60	660/80
<b>Min FICO / Max LTV (Highest LTV), Purchase / Rate Refi<sup>(4)</sup></b>	700/75	700/75	680/60	660/80
<b>Max DTI<sup>(4)</sup></b>	50%	47%	N/A	50%

Detailed endnotes and a glossary of defined terms are included at the end of this presentation.



# Onslow Bay Securitizations

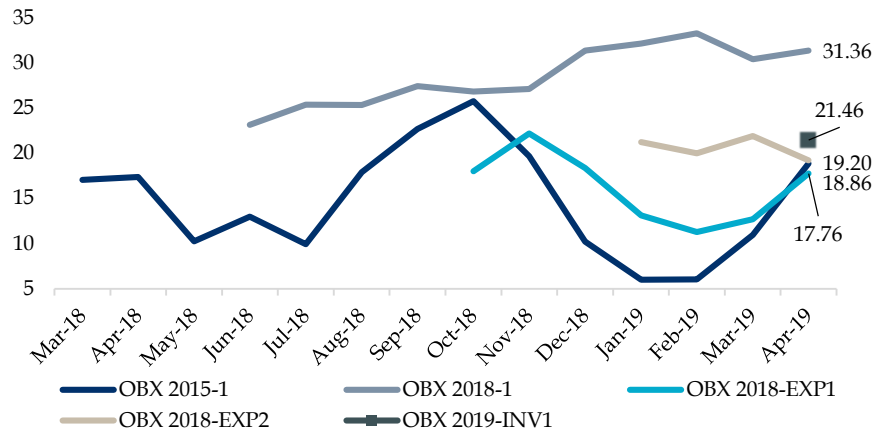
	OBX 2015-1	OBX 2018-1	OBX 2018-EXP1	OBX 2018-EXP2	OBX 2019-INV1	OBX 2019-EXP1
Issue Date	Dec-15	Mar-18	Aug-18	Oct-18	Jan-19	Apr-19
Collateral Type	Prime Jumbo	Seasoned Prime ARMs	Expanded Prime	Expanded Prime	Agency Investor	Expanded Prime
Source of Collateral	Prime Jumbo	Collapse of 2 Legacy Deals + Seasoned Whole Loan Purchases	Whole Loan Purchases	Whole Loan Purchases	Whole Loan Purchases	Whole Loan Purchases
Rating Agencies	S&P / DBRS	Fitch / DBRS	Fitch / KBRA	Fitch / DBRS	Moody's / KBRA	Fitch/KBRA
Sponsor	Onslow Bay Financial LLC	Onslow Bay Financial LLC	Onslow Bay Financial LLC	Onslow Bay Financial LLC	Onslow Bay Financial LLC	Onslow Bay Financial LLC
R&W Framework	Material and Adverse	Material and Adverse	Material and Adverse	Material and Adverse	Material and Adverse	Material and Adverse
R&W Review	Delinquency Trigger	Delinquency/Realized Loss Trigger Review	Delinquency/Realized Loss Trigger Review	Delinquency/Realized Loss Trigger Review	Delinquency/Realized Loss Trigger Review	Delinquency/Realized Loss Trigger Review
Risk Retention	Pre Risk Retention	Vertical	Horizontal	Horizontal	Horizontal	Horizontal
Original Attachment to "AAA"	8.55%	8.80%	12.65%	12.85%	13.00%	11.30%
Deal Balance	\$231,181,631	\$327,161,759	\$383,451,233	\$384,027,255	\$393,961,409	\$388,155,948
Pool Factor (4/25 Remittance)	0.42	0.67	0.86	0.89	0.94	1.00
Average Loan Size	\$767,014	\$354,949	\$664,560	\$636,861	\$336,145	\$648,007
Number of Loans	307	920	577	603	1,172	599
WA Gross Coupon	3.39%	4.00%	4.87%	5.07%	5.09%	5.40%
WA Orig CLTV	69%	42% <sup>(1)</sup>	67%	67%	67%	66%
WA Original FICO	768	749	751	753	758	753
WA DTI	33%	N/A	35%	36%	38%	36%
ARM	100%	98%	50%	48%	0%	50%
IO	0%	4%	6%	12%	0%	14%
Investor	4%	13%	26%	31%	100%	12%
WA Margin	2.25%	2.88%	3.12%	3.19%	NA	3.05%
WALA	8	124	17	12	7	13
Top State	CA 49%	CA 43%	CA 64%	CA 62%	CA 56%	CA 60%
QM	97%	4%	29%	15%	0%	7%
Non-QM/ ATR Exempt	3%	96%	71%	85%	100%	93%
Full Doc <sup>(2)</sup>	100%	N/A	68%	29%	100%	40%
Alt-Doc	0%	N/A	32%	71%	0%	60%
3M VPR	18.86%	31.36%	17.76%	19.20%	21.46%	N/A
6M VPR	12.67%	31.75%	15.46%	20.22%	N/A	N/A
12M VPR	15.50%	28.99%	N/A	N/A	N/A	N/A
60+ Delinquencies	0.00%	1.76% <sup>(3)</sup>	0.00%	0.00%	0.00%	0.00%
Cumulative Losses	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Note: Voluntary Prepayment Rates (VPRs), 60+ delinquencies and cumulative losses as of the April 25, 2019 remittance period.  
Detailed endnotes and a glossary of defined terms are included at the end of this presentation.

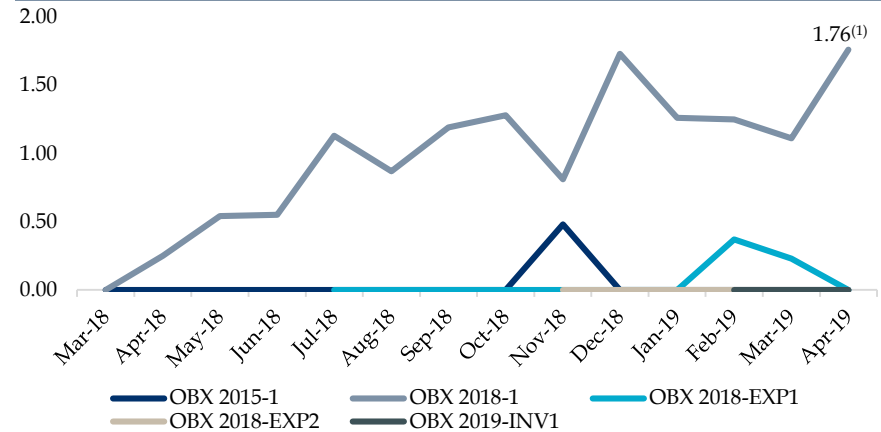
# Onslow Bay Securitization Performance

OBX securitizations have performed in line with expectations

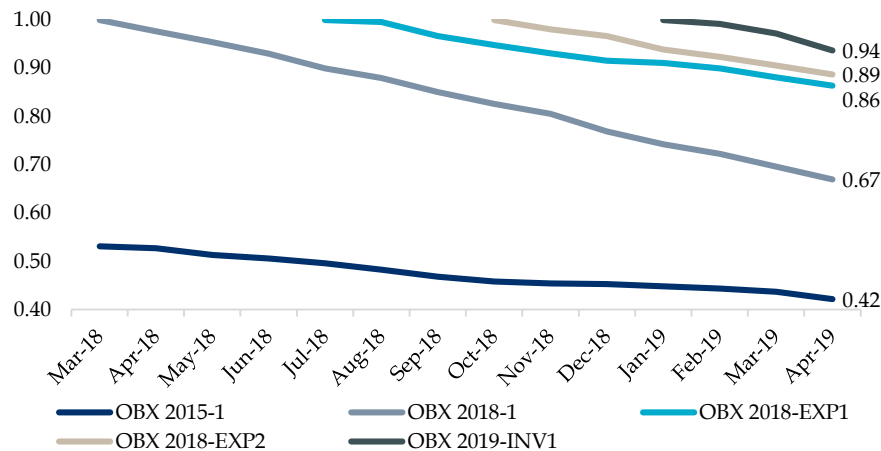
## 3M VPR



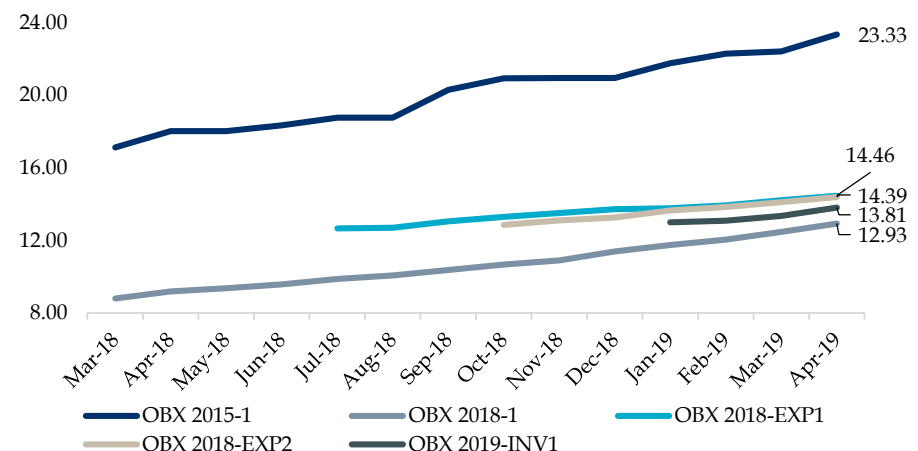
## D60+



## Collateral Factor



## 'AAA' Credit Support



Note: As of April 25, 2019 remittance period. OBX 2019-EXP1 is excluded since the transaction closed on April 24, 2019. Past performance is not indicative of future results. Detailed endnotes and a glossary of defined terms are included at the end of this presentation.

# Appendix

# OBX Securitizations

## Seasoned Prime Transaction

**\$327,161,759**

Deal Size

**OBX 2018-1 Trust**

Issuer

**Onslow Bay Financial LLC**

Seller and Sponsor

**Onslow Bay Funding LLC**

Depositor

**Wells Fargo Bank, N.A.**

**Specialized Loan Servicing, LLC**

Servicers

### Transaction Highlights

- Represents Onslow Bay's first rated securitization of 2018 and the company's second overall, achieving AAA-rating from Fitch and DBRS
- 3/26/2018 Pricing
- 100% of the loans are first lien mortgage loans
- Non-QM Status:
  - 91% ATR / QM: Not Applicable; 5% Non-QM loans; 4% QM loans
- Servicers:
  - Wells Fargo Bank 63%; SLS 37%
- Onslow Bay retained a 5% vertical slice to satisfy risk retention

### Structural Overview

Tranche	Size	Rating	Coupon	CE	Spread	Yield	WAL
A2	\$293,898,000	AAA/AAA	1mL+65	10.00%	65 DM	NA	3.24
A2IO	\$293,898,000	AAA/AAA	WAC IO	NA			
A3A	\$3,918,000	AAA/AAA	WAC	8.80%			
B1A	\$7,184,000	AA/AA	WAC	0.07%			
B2A	\$6,205,000	A/A	WAC	4.70%			
B3A	\$6,368,000	BBB/BBB	WAC	2.75%			
B4	\$4,082,000	BB/BB	WAC	1.50%			
B5	\$1,632,000	B/B	WAC	1.00%			
B6	\$3,266,471	NR/NR	WAC	0.00%			

### Collateral Characteristics

Deal Issuance		Top 5 States	% UPB
Deal Size	\$327,161,759	CA	43%
Avg. Loan Bal	354,949	FL	15%
WAC	4.00	NY	15%
Original Term	364 months	VA	3%
Seasoning	124 months	IL	3%
Original LTV	66%		
FICO	749		
% ARM	98%		
ARM Margin <sup>(1)</sup>	2.875		
% Purchase	54%		
% Owner Occupied	79%		

Note: Pricing speed: 20 CPR. Past performance is not indicative of future results.

Detailed endnotes and a glossary of defined terms are included at the end of this presentation.



## Expanded Prime Transaction

**\$383,451,233**

Deal Size

**OBX 2018-EXP1 Trust**

Issuer

**Onslow Bay Financial LLC**

Seller, Sponsor and P&I Advancing Party

**Onslow Bay Funding LLC**

Depositor

**Specialized Loan Servicing, LLC**

**Quicken Loans Inc.**

**Select Portfolio Servicing, Inc.**

Servicers

### Transaction Highlights

- Represents Onslow Bay's first expanded prime securitization, achieving AAA-rating from Fitch and KBRA
- 7/31/2018 Pricing
- 100% of the loans are first lien mortgage loans
- Non-QM Status:
  - 45% Non-QM loans; 26% ATR / QM: Not Applicable; 29% QM loans
- Servicers:
  - SLS 83%; Quicken 13%; SPS 4%
- Onslow Bay retained a 5% horizontal slice to satisfy risk retention

### Structural Overview

Tranche	Size	Rating	Coupon	CE	Spread	Yield	WAL
1A3	\$138,471,000	AAA/AAA	4.00%	15.00%	110	4.02%	2.75
1AIO3	\$138,471,000	AAA/AAA	0.50%	NA			
1A6	\$20,000,000	AAA/AAA	4.50%	15.00%	80	3.68%	2.06
1AIO6	\$20,000,000	AAA/AAA	WAC IO	NA			
1A9	\$4,564,860	AAA/AAA	4.50%	12.65%	125	4.17%	2.75
2A1	\$78,462,000	AAA/AAA	L+85	15	85		2.61
2A1A	\$63,000,000	AAA/AAA	L+85	15.00%	80		2.04
2A1B	\$21,000,000	AAA/AAA	L+85	15.00%			
2A2	\$4,491,000	AAA/AAA	Flt	12.65%	100		2.61
2AIO	\$166,953,000	AAA/AAA	WAC IO	NA			
B1A	\$1,725,000	AA/AA	WAC	12.20%			
B2A	\$24,541,000	A/A	WAC	5.80%			
B3	\$8,436,000	BBB/BBB	WAC	3.60%			
B4	\$6,902,000	BB/BB-	WAC	1.80%			
B5	\$2,109,000	B/B	WAC	1.25%			
B6	\$4,794,233	NR/NR	WAC	0.00%			

### Collateral Characteristics

Deal Issuance		Top 5 States	% UPB
Deal Size	\$383,451,233	CA	64%
Avg. Loan Bal	664,560	NY	5%
WAC	4.87	FL	4%
Original Term	360 months	AZ	3%
Seasoning	17 months	TX	3%
Original LTV	67%		
FICO	751		
DTI	35%		
% ARM	50%		
% Bank Statements	26%		
% Purchase	55%		

Note: Pricing speed: Group 1 (20 CPR), Group 2 (15 CPB). Past performance is not indicative of future results.

## Expanded Prime Transaction

**\$384,027,255**

Deal Size

**OBX 2018-EXP2 Trust**

Issuer

**Onslow Bay Financial LLC**

Seller, Sponsor and P&I Advancing Party

**Onslow Bay Funding LLC**

Depositor

**Specialized Loan Servicing, LLC**

**Quicken Loans Inc.**

**Select Portfolio Servicing, Inc.**

Servicers

### Transaction Highlights

- Represents Onslow Bay's third securitization of 2018, and the Company's second expanded prime securitization, achieving AAA-rating from Fitch and DBRS
- 10/23/2018 Pricing
- 100% of the loans are first lien mortgage loans
- Non-QM Status:
  - 54% Non-QM loans; 31% ATR / QM: Not Applicable; 15% QM loans
- Servicers:
  - SLS 48%; SPS 42%; Quicken 10%
- Onslow Bay retained a 5% horizontal slice to satisfy risk retention

### Structural Overview

Tranche	Size	Rating	Coupon	CE	Spread	Yield	WAL
1A1	\$79,670,000	AAA/AAA	4.00%	15.00%	85	3.93%	2.07
1A8	\$68,854,796	AAA/AAA	4.50%	15.00%	110	4.22%	2.85
1A7	\$19,917,204	AAA/AAA	4.50%	15.00%			
1A9	\$4,260,000	AAA/AAA	4.50%	12.85%			
1AIO1	\$79,670,000	AAA/AAA	0.50%	NA			
1AIO6	\$172,702,000	AAA/AAA	WAC IO	NA			
2A1A	\$126,386,000	AAA/AAA	L+75	15.00%	80		2.24
2A1B	\$31,596,000	AAA/AAA	L+75	15.00%	100		4.48
2A2	\$3,995,000	AAA/AAA	L+95	12.85%	100		2.69
2AIO	\$161,977,000	AAA/AAA	WAC IO	NA			
B1A	\$1,344,000	AA/AA	WAC	12.50%			
B2A	\$23,042,000	A/A	WAC	6.50%			
B3	\$10,561,000	BBB/BBB	WAC	3.75%			
B4	\$6,336,000	BB/BB	WAC	2.10%			
B5	\$3,264,000	B/B	WAC	1.25%			
B6	\$4,801,255	NR/NR	WAC	0%			

### Collateral Characteristics

Deal Issuance		Top 5 States	% UPB
Deal Size	\$384,027,255	CA	62%
Avg Loan Bal	636,861	NY	7%
WAC	5.07	AZ	4%
Original Term	361 months	FL	4%
Seasoning	12 months	VA	3%
Original LTV	67%		
FICO	753		
DTI	36%		
% ARM	48%		
% Bank Statements	40%		
% Purchase	61%		

Note: Pricing speed: Group 1 (20 CPR), Group 2 (15 CPB). Past performance is not indicative of future results.

## Agency Investor Transaction

**\$393,961,409**

Deal Size

**OBX 2019-INV1 Trust**

Issuer

**Onslow Bay Financial LLC**

Seller, Sponsor and P&I Advancing Party

**Onslow Bay Funding LLC**

Depositor

**Specialized Loan Servicing, LLC**

**Quicken Loans Inc.**

**Select Portfolio Servicing, Inc.**

Servicers

### Transaction Highlights

- Represents Onslow Bay's first securitization of 2019, and the Company's first agency investor securitization, achieving AAA-rating from Moody's and Kroll
- 1/28/2019 Pricing
- 100% of the loans are first lien mortgage loans
- Non-QM Status:
  - 100% ATR / QM: Not Applicable
- Servicers:
  - Quicken 72%; SLS 15%; SPS 13%
- Onslow Bay retained a 5% horizontal slice to satisfy risk retention

### Structural Overview

Tranche	Size	Rating	Coupon	CE	Spread	Yield	WAL
A-3	\$40,000,000	Aaa/AAA	4.50%	20.00%	140	4.05%	4.54
A-8	\$173,559,000	Aaa/AAA	4.00%	20.00%	100	3.73%	2.00
A-10	\$32,818,000	Aaa/AAA	4.00%	20.00%	140	4.06%	5.34
A-11	\$15,000,000	Aaa/AAA	4.50%	20.00%	155	4.33%	10.56
A-12	\$53,792,000	Aaa/AAA	4.00%	20.00%			
A-15	\$27,577,000	Aa1/AAA	4.50%	13.00%			
A-IO1	\$342,746,000	-/AAA	WAC IO	NA			
A-IO3	\$260,169,000	-/AAA	50.00%	NA			
B-1	\$12,804,000	Aa2/A+	WAC	9.75%			
B-2	\$12,212,000	A1/A-	WAC	6.65%			
B-3	\$11,031,000	Baa1/BBB	WAC	3.85%			
B-4	\$7,880,000	Ba1/BB+	WAC	1.85%			
B-5	\$3,151,000	B2/B	WAC	1.05%			
B-6	\$4,137,408	-/-	WAC	0.00%			

### Collateral Characteristics

Deal Issuance	Top 5 States	% UPB
Deal Size	\$393,961,409	CA 56%
Avg Loan Bal	336,145	NY 6%
WAC	5.09	WA 6%
Original Term	360 months	FL 4%
Seasoning	7 months	NJ 3%
Original LTV	67%	
FICO	758	
DTI	38%	
% ARM	0%	
% Bank Statements	0%	
% Purchase	55%	

Note: Pricing speed: 15 CPR. Past performance is not indicative of future results.

## Expanded Prime Transaction

**\$388,155,948**

Deal Size

**OBX 2019-EXP1 Trust**

Issuer

**Onslow Bay Financial LLC**

Seller, Sponsor and P&I Advancing Party

**Onslow Bay Funding LLC**

Depositor

**Select Portfolio Servicing, Inc.**

**Specialized Loan Servicing, LLC**

Servicers

### Transaction Highlights

- Represents Onslow Bay's second securitization of 2019, and the Company's third expanded prime securitization, achieving AAA-rating from Fitch and Kroll
- 4/16/2019 Pricing
- 100% of the loans are first lien mortgage loans
- Non-QM Status:
  - 81% Non-QM loans; 12% ATR / QM: Not Applicable; 7% QM loans
- Servicers:
  - SPS 82%; SLS 18%
- Onslow Bay retained a 5% horizontal slice to satisfy risk retention

### Structural Overview

Tranche	Size	Rating	Coupon	CE	Spread	Yield	WAL
1A3	\$156,670,000	AAA/AAA	4.00%	20.00%	120	3.65%	3.03
1A4	\$17,041,000	AAA/AAA	4.00%	11.30%	140	3.85%	3.03
1AIO5	\$173,711,000	AAA/AAA	0.50%	NA			
1AIO6	\$173,711,000	AAA/AAA	WAC IO	NA			
2A1A	\$123,079,000	AAA/AAA	L+95	20.00%	95		2.30
2A1B	\$30,770,000	AAA/AAA	L+95	20.00%	125		4.39
2A2	\$16,734,000	AAA/AAA	L+115	11.30%	125		2.72
2AIO	\$170,583,000	AAA/AAA	WAC IO	NA			
B1A	\$1,358,000	AA/AA	WAC	10.95%			
B2A	\$21,155,000	A/A	WAC	5.50%			
B3	\$8,927,000	BBB/BBB	WAC	3.20%			
B4	\$6,405,000	BB/BB	WAC	1.55%			
B5	\$2,329,000	B/B	WAC	0.95%			
B6	\$3,687,948	NR/NR	WAC	0.00%			

### Collateral Characteristics

Deal Issuance	Top 5 States	% UPB
Deal Size	\$388,155,948	CA 60%
Avg Loan Bal	648,007	FL 7%
WAC	5.40	NY 6%
Original Term	360 months	WA 3%
Seasoning	13 months	NV 3%
Original LTV	66%	
FICO	753	
DTI	36%	
% ARM	50%	
% Bank Statements	47%	
% Purchase	64%	

Note: Pricing speed: Group 1 (20 CPR), Group 2 (15 CPB). Past performance is not indicative of future results.

# Non-GAAP Reconciliations



# Non-GAAP Reconciliations

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Beginning with the quarter ended September 30, 2018, the Company updated its calculation of core earnings and related metrics to reflect changes to its portfolio composition and operations, including the acquisition of MTGE in September 2018. Compared to prior periods, the revised definition of core earnings includes coupon income (expense) on CMBX positions (reported in Net gains (losses) on other derivatives) and excludes depreciation and amortization expense on real estate and related intangibles (reported in Other income (loss)), non-core income (loss) allocated to equity method investments (reported in Other income (loss)) and the income tax effect of non-core income (loss) (reported in Income taxes). Prior period results have not been adjusted to conform to the revised calculation as the impact in each of those periods is not material.

The Company calculates “core earnings”, a non-GAAP measure, as the sum of (a) economic net interest income, (b) TBA dollar roll income and CMBX coupon income, (c) realized amortization of MSR, (d) other income (loss) (excluding depreciation and amortization expense on real estate and related intangibles, non-core income allocated to equity method investments and other non-core components of other income (loss)), (e) general and administrative expenses (excluding transaction expenses and non-recurring items) and (f) income taxes (excluding the income tax effect of non-core income (loss) items), and core earnings (excluding PAA), which is defined as core earnings excluding the premium amortization adjustment representing the cumulative impact on prior periods, but not the current period, of quarter-over-quarter changes in estimated long-term prepayment speeds related to the Company’s Agency mortgage-backed securities.

# Non-GAAP Reconciliations (cont'd)

## Unaudited, dollars in thousands except per share amounts

To supplement its consolidated financial statements, which are prepared and presented in accordance with GAAP, the Company provides non-GAAP financial measures. These measures should not be considered a substitute for, or superior to, financial measures computed in accordance with GAAP. These non-GAAP measures provide additional detail to enhance investor understanding of the Company's period-over-period operating performance and business trends, as well as for assessing the Company's performance versus that of industry peers. Reconciliations of these non-GAAP financial measures to their most directly comparable GAAP results are provided below and on the next page.

	For the quarters ended				
	3/31/2019	12/31/2018	9/30/2018	6/30/2018	3/31/2018
<b><u>GAAP to Core Reconciliation</u></b>					
GAAP net income (loss)	(\$849,251)	(\$2,254,872)	\$385,429	\$595,887	\$1,327,704
Net income (loss) attributable to non-controlling interests	(101)	17	(149)	(32)	(96)
Net income (loss) attributable to Annaly	(\$849,150)	(\$2,254,889)	\$385,578	\$595,919	\$1,327,800
<b>Adjustments to excluded reported realized and unrealized (gains) losses:</b>					
Realized (gains) losses on termination of interest rate swaps	\$588,256	-	(575)	-	(834)
Unrealized (gains) losses on interest rate swaps	390,556	1,313,882	(417,203)	(343,475)	(977,285)
Net (gains) losses on disposal of investments	93,916	747,505	324,294	66,117	(13,468)
Net (gains) losses on other derivatives	115,159	484,872	(94,827)	(34,189)	47,145
Net unrealized (gains) losses on instruments measured at fair value through earnings	(47,629)	18,169	39,944	48,376	51,593
Loan loss provision	5,703	3,496	-	-	-
<b>Adjustments to exclude components of other (income) loss:</b>					
Depreciation and amortization expense related to commercial real estate <sup>(1)</sup>	10,114	11,000	9,278	-	-
Non-core (income) loss allocated to equity method investments <sup>(2)</sup>	9,496	(10,307)	(2,358)	-	-
Non-core other (income) loss <sup>(3)</sup>	-	-	44,525	-	-
<b>Adjustments to exclude components of general and administrative expenses and income taxes:</b>					
Transaction expenses and non-recurring items <sup>(4)</sup>	9,982	3,816	60,081	-	1,519
Income tax effect on non-core income (loss) items	726	3,334	886	-	-
<b>Adjustments to add back components of realized and unrealized (gains) losses:</b>					
TBA dollar roll income and CMBX coupon income <sup>(5)</sup>	38,134	69,572	56,570	62,491	88,353
MSR amortization <sup>(6)</sup>	(13,979)	(18,753)	(19,913)	(19,942)	(21,156)
Core earnings*	351,284	371,697	386,280	375,297	503,667
<b>Less:</b>					
Premium amortization adjustment (PAA) cost (benefit)	81,871	45,472	3,386	7,516	(118,395)
Core Earnings (excluding PAA)*	\$433,155	\$417,169	\$389,666	\$382,813	\$385,272
Dividends on preferred stock	32,494	32,494	31,675	31,377	33,766
Core Earnings attributable to common shareholders *	\$318,790	\$339,203	\$354,605	\$343,920	\$469,901
Core Earnings (excluding PAA) attributable to common shareholders *	\$400,661	\$384,675	\$357,991	\$351,436	\$351,506
GAAP net income (loss) per average common share <sup>(7)</sup>	(\$0.63)	(\$1.74)	\$0.29	\$0.49	\$1.12
Core earnings per average common share <sup>(7)*</sup>	\$0.23	\$0.26	\$0.29	\$0.30	\$0.41
Core earnings (excluding PAA) per average common share <sup>(7)*</sup>	\$0.29	\$0.29	\$0.30	\$0.30	\$0.30
Annualized GAAP return (loss) on average equity	(22.72%)	(62.05%)	10.73%	17.20%	36.86%
Annualized core return on average equity (excluding PAA)*	11.59%	11.48%	10.85%	11.05%	10.70%

\* Represents a non-GAAP financial measure.

Detailed endnotes and a glossary of defined terms are included at the end of this presentation.

# Non-GAAP Reconciliations (cont'd)

Unaudited, dollars in thousands

	For the quarters ended				
	3/31/2019	12/31/2018	9/30/2018	6/30/2018	3/31/2018
<b><u>Premium Amortization Reconciliation</u></b>					
Premium amortization expense	\$247,446	\$220,131	\$187,537	\$202,426	\$95,832
Less:					
PAA cost (benefit)	\$81,871	\$45,472	\$3,386	\$7,516	(\$118,395)
Premium amortization expense (excluding PAA)	\$165,575	\$174,659	\$184,151	\$194,910	\$214,227
<b><u>Interest Income (excluding PAA) Reconciliation</u></b>					
GAAP interest income	\$866,186	\$859,674	\$816,596	\$776,806	\$879,487
PAA cost (benefit)	\$81,871	\$45,472	\$3,386	\$7,516	(\$118,395)
Interest income (excluding PAA)*	\$948,057	\$905,146	\$819,982	\$784,322	\$761,092
<b><u>Economic Interest Expense Reconciliation</u></b>					
GAAP interest expense	\$647,695	\$586,774	\$500,973	\$442,692	\$367,421
Add:					
Net interest component of interest rate swaps <sup>(1)</sup>	(134,035)	(65,889)	(51,349)	(31,475)	48,160
Economic interest expense* <sup>(1)</sup>	\$513,660	\$520,885	\$449,624	\$411,217	\$415,581
<b><u>Economic Net Interest Income (excluding PAA) Reconciliation</u></b>					
Interest income (excluding PAA)	\$948,057	\$905,146	\$819,982	\$784,322	\$761,092
Less:					
Economic interest expense* <sup>(1)</sup>	513,660	520,885	449,624	411,217	415,581
Economic net interest income (excluding PAA)* <sup>(1)</sup>	\$434,397	\$384,261	\$370,358	\$373,105	\$345,511
<b><u>Economic Metrics (excluding PAA)</u></b>					
Average interest earning assets	\$109,946,527	\$107,232,861	\$101,704,957	\$102,193,435	\$101,979,042
Interest income (excluding PAA)*	\$948,057	\$905,146	\$819,982	\$784,322	\$761,092
Average yield on interest earning assets (excluding PAA)*	3.45%	3.38%	3.22%	3.07%	2.99%
Average interest bearing liabilities	\$95,529,819	\$91,746,160	\$86,638,082	\$87,103,807	\$87,376,452
Economic interest expense* <sup>(1)</sup>	\$513,660	\$520,885	\$449,624	\$411,217	\$415,581
Average cost of interest bearing liabilities <sup>(1)</sup>	2.15%	2.22%	2.08%	1.89%	1.90%
Economic net interest income (excluding PAA)* <sup>(1)</sup>	\$434,397	\$384,261	\$370,358	\$373,105	\$345,511
Net interest spread (excluding PAA)*	1.30%	1.16%	1.14%	1.18%	1.09%
Interest income (excluding PAA)*	\$948,057	\$905,146	\$819,982	\$784,322	\$761,092
TBA dollar roll income and CMBX coupon income <sup>(2)</sup>	38,134	69,572	56,570	62,491	88,353
Interest expense	(647,695)	(586,774)	(500,973)	(442,692)	(367,421)
Net interest component of interest rate swaps	134,035	65,889	51,349	31,475	(48,160)
Subtotal	\$472,531	\$453,833	\$426,928	\$435,596	\$433,864
Average interest earning assets	\$109,946,527	\$107,232,861	\$101,704,957	\$102,193,435	\$101,979,042
Average TBA contract and CMBX balances <sup>(2)</sup>	14,927,490	14,788,453	12,216,863	9,407,819	12,050,341
Subtotal	\$124,874,017	\$122,021,314	\$113,921,820	\$111,601,254	\$114,029,383
Net interest margin (excluding PAA)*	1.51%	1.49%	1.50%	1.56%	1.52%

\* Represents a non-GAAP financial measure.

Detailed endnotes and a glossary of defined terms are included at the end of this presentation.

# Glossary and Endnotes

# Glossary

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**ACREG:** Refers to Annaly Commercial Real Estate Group

**AMML:** Refers to Annaly Middle Market Lending Group

**ARC:** Refers to Annaly Residential Credit Group

**BBREMTG:** Represents the Bloomberg Mortgage REIT Index\*

**BK:** Refers to bankruptcy

**CRT:** Refers to credit risk transfer securities

**DTI:** Refers to debt to income ratio

**DU:** Refers to desktop underwriter

**ESG:** Refers to Environmental, Social and Governance

**FC:** Refers to foreclosure

**FICO:** Represents the Fair Isaac Credit Score

**LP:** Refers to loan prospector

**LTV:** Represents the loan to value ratio (loan size/property value)

**Mod:** Refers to modification

**SS:** Refers to short sale

**Unencumbered Assets:** Representative of Annaly's excess liquidity and are defined as assets that have not been pledged or securitized (generally including cash and cash equivalents, Agency MBS, CRT, Non-Agency MBS, residential mortgage loans, MSRs, reverse repurchase agreements, CRE debt and preferred equity, corporate debt, other unencumbered financial assets and capital stock)

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\*Represents constituents as of May 10, 2019.



# Endnotes

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1. Agency assets include to be announced (“TBA”) purchase contracts (market value) and mortgage servicing rights (“MSRs”). Residential Credit assets exclude securitized debt of consolidated variable interest entities (“VIEs”). Commercial Real Estate assets exclude securitized debt of consolidated VIEs and include \$118mm of unused proceeds collateral to be deployed through the managed CRE CLO during the six month, post-close ramp-up period.
2. Represents the capital allocation for each of the four investment groups and is calculated as the difference between assets and related financing. Includes TBA purchase contracts, excludes non-portfolio related activity and varies from total stockholders’ equity.
3. Sector rank compares Annaly dedicated capital in each of its four investment groups as of March 31, 2019 (adjusted for P/B as of May 10, 2019) to the market capitalization of the companies in each respective comparative sector as of May 10, 2019. Comparative sectors used for Agency, Commercial Real Estate and Residential Credit ranking are their respective sector within the BBREMTG Index as of May 10, 2019. Comparative sector used for Middle Market Lending ranking is the S&P BDC Index as of May 10, 2019.
4. Levered return assumptions are for illustrative purposes only and attempt to represent current market asset returns and financing terms for prospective investments of the same, or of a substantially similar, nature in each respective group.

## Page 3

1. Based on annualized Q1 2019 dividend of \$0.30 and a closing price of \$9.99 on March 31, 2019.
2. Includes TBA purchase contracts and \$118mm of unused proceeds collateral to be deployed through the managed CRE CLO during the six month, post-close ramp-up period, and excludes securitized debt of consolidated VIEs.
3. Capital allocation includes TBA purchase contracts, excludes non-portfolio related activity and varies from total stockholders’ equity.
4. Includes a \$394mm residential whole loan securitization and a \$857mm commercial securitization (managed CRE CLO) closed during the first quarter 2019, and a \$388mm residential whole loan securitization closed subsequent to quarter end in April 2019.
5. Measures total notional balances of interest rate swaps, interest rate swaptions and futures relative to repurchase agreements, other secured financing and TBA derivative and CMBX notional outstanding; excludes MSRs and the effects of term financing, both of which serve to reduce interest rate risk. Additionally, the hedge ratio does not take into consideration differences in duration between assets and liabilities.
6. Includes GAAP interest expense and the net interest component of interest rate swaps.

## Page 4

1. Includes TBA purchase contracts and MSRs.
2. Includes fixed-rate pass-through certificates only. “High Quality Spec” protection is defined as pools backed by original loan balances of up to \$125k, highest LTV pools (CR>125%LTV), geographic concentrations (NY/PR). “Med Quality Spec” includes \$200k loan balance, \$175k loan balance, \$150k loan balance, high LTV (CQ 105-125% LTV), and

40-year pools. “40+ WALA” is defined as weighted average loan age greater than 40 months and treated as seasoned collateral.

## Page 5

1. Shown exclusive of securitized residential mortgage loans of a consolidated VIE and loans held by an affiliated master servicer.
2. Prime classification includes \$22.1mm of Prime IO.

## Page 6

1. Total CRE assets include the \$223mm economic interest in the Annaly issued managed CRE CLO, including the \$118mm of unused proceeds collateral to be deployed through the CLO during the six month, post-close ramp-up period. Total CRE assets, inclusive of the carrying value of the mortgage loans contributed to the managed CRE CLO, would be \$2.7bn, which would be a 14% increase from Q4 2018.
2. Reflects limited and general partnership interests in a commercial loan investment fund that is accounted for under the equity method for GAAP.
3. Reflects joint venture interests in a social impact loan investment fund that is accounted for under the equity method for GAAP.
4. Includes equity investment in health care assets.
5. Includes mezzanine loans for which Commercial Real Estate is also the corresponding first mortgage lender, B-Notes held for investment and a B-Note held for sale.
6. Other includes 45 states, none of which represents more than 5% of total portfolio value. The Company looked through to the collateral characteristics of securitizations and equity method investments.

## Page 7

1. \$217mm was syndicated in Q1 2019 and \$24mm was previously syndicated in Q4 2018.
2. Based on Standard Industrial Classification industry categories.
3. Breakdown based on aggregate dollar amount of individual investments made within the respective loan size buckets. Multiple investment positions with a single obligor shown as one individual investment.

## Page 8

1. Excludes unfunded commitments. Yield calculated net of syndications.
2. Paydowns reflect \$115mm in complete payoffs and \$29mm in principal amortization.
3. Based on Standard Industrial Classification industry categories.
4. Breakdown based on aggregate dollar amount of individual investments made within the respective loan size buckets. Multiple investment positions with a single obligor shown as one individual investment.

## Page 10

1. Onslow Bay utilizes full securitization diligence (Credit, Compliance, Valuation) for new origination whole loan purchases. For seasoned whole loan purchases, Onslow Bay may diligence Title/Tax/Lien, servicing comments, pay history and updated FICOs/valuations.

# Endnotes (*cont'd*)

## Page 11

1. 1 Year seasoning period for any 30 day delinquency.
2. Represent Onslow Bay credit overlays.

## Page 12

1. 2 Year seasoning period for any 30 day delinquency.
2. 4 Year seasoning period for Chapter 7, Chapter 11 and Chapter 13 Dismissal. 2 Year seasoning period for Chapter 13 Discharge Date.
3. 1 Year seasoning period for any 30 day delinquency.
4. Represent Onslow Bay credit overlays.

## Page 13

1. Represents updated CLTV.
2. Full documentation includes all GSE eligible loans.
3. 0.31% of 60+ delinquent of loans were sourced out of the Onslow Bay portfolio. The remainder of 60+ delinquent loans came from the collapse of legacy securitizations.

## Page 14

1. 0.31% of 60+ delinquent of loans were sourced out of the Onslow Bay portfolio. The remainder of 60+ delinquent loans came from the collapse of legacy securitizations.

## Page 17

1. Calculated using weighted average of all ARMs only.

## *Non-GAAP Reconciliations*

## Page 24

1. Includes depreciation and amortization expense related to equity method investments.
2. Beginning with the quarter ended September 30, 2018, the Company excludes non-core (income) loss allocated to equity method investments, which represents the unrealized (gains) losses allocated to equity interests in a portfolio of MSR, which is a component of Other income (loss). The quarter ended December 31, 2018 also includes a realized gain on sale within an unconsolidated joint venture, which is a component of Other income (loss).
3. The quarter ended September 30, 2018 reflects the amount of consideration paid for the acquisition of MTGE in excess of the fair value of net assets acquired. This amount is primarily attributable to a decline in portfolio valuation between the pricing and closing dates of the transaction and is consistent with changes in market values observed for similar instruments over the same period.
4. Represents costs incurred in connection with a securitization of commercial loans and a securitization of residential whole loans for the quarter ended March 31, 2019. Represents costs incurred in connection with the MTGE transaction and costs incurred in connection with a securitization of residential whole loans for the quarters ended September 30, 2018 and December 31, 2018. Represents costs incurred in connection with a securitization of residential whole loans for the quarter ended March 31, 2018.
5. TBA dollar roll income and CMBX coupon income each represent a component of net gains (losses) on other derivatives. CMBX coupon income totaled \$1.1mm, \$1.2mm and \$1.2mm for the quarters ended March 31, 2019, December 31, 2018 and September 30, 2018, respectively. There were no adjustments for CMBX coupon income prior to September 30, 2018.
6. MSR amortization represents the portion of changes in fair value that is attributable to the realization of estimated cash flows on the Company's MSR portfolio and is reported as a component of Net unrealized gains (losses) on instruments measured at fair value.
7. Net of dividends on preferred stock.

## Page 25

1. Average cost of interest bearing liabilities represents annualized economic interest expense divided by average interest bearing liabilities. Average interest bearing liabilities reflects the average amortized cost during the period. Economic interest expense is comprised of GAAP interest expense and the net interest component of interest rate swaps.
2. CMBX coupon income and average CMBX balances have only been applied to the quarters ended March 31, 2019, December 31, 2018 and September 30, 2018. The impact to net interest margin (ex-PAA) in prior periods was immaterial.