

Annaly is Changing the Name of Headline Non-GAAP Earnings Measure

Non-GAAP earnings measure previously named “Core Earnings (excluding PAA)” is now called “Earnings Available for Distribution”

The calculation is not changing	Component	Included in GAAP net income	Included in EAD	Included in taxable income
<ul style="list-style-type: none"> The calculation of Earnings Available for Distribution (“EAD”) will contain the same components as and is identical to our previous non-GAAP earnings measure, Core Earnings (excluding PAA) PAA will continue to be excluded from EAD A reconciliation between GAAP net income and EAD will continue to be provided within all earnings and other public disclosures and will include the same line items and layout as the reconciliation for Core Earnings (excluding PAA) All other non-GAAP earnings metrics that previously included the term “Core” within its name will be updated accordingly for the new terminology EAD is calculated differently than REIT taxable income⁽⁸⁾, as illustrated in the table 	Coupon income on investments	✓	✓	✓
	Amortization expense	✓	✓ ⁽¹⁾	✓ ⁽²⁾
	Interest expense	✓	✓	✓
	Net interest component of interest rate swaps	✓	✓	✓ ⁽³⁾
	Unrealized gains/(losses) on investments and derivatives	✓		
	Realized gains/(losses) on investments and derivatives	✓		✓
	-TBA dollar roll and CMBX coupon income ⁽⁴⁾			✓
	-MSR amortization expense ⁽⁵⁾			✓
	Loan loss provision	✓		
	Other income	✓	✓	✓
	Depreciation and amortization expenses ⁽⁶⁾	✓		✓
	Compensation expense	✓	✓	✓
	Transaction expenses and other non-recurring items	✓		✓
	Other G&A expenses	✓	✓	✓
	Income tax expense	✓	✓ ⁽⁷⁾	✓

Endnotes & Important Notices

Endnotes

1. Excluding premium amortization adjustment which is included in GAAP net income.
2. Taxable income uses a different premium amortization methodology from GAAP and Earnings Available for Distribution calculations and does not recognize a PAA concept.
3. Including amortization of realized gains (losses) on termination of interest rate swaps.
4. Included as a component of Net gains (losses) on other derivatives and financial instruments in the Company's Consolidated Statement of Comprehensive Income (Loss).
5. Included as a component of Net unrealized gains (losses) on instruments measured at fair value through earnings in the Company's Consolidated Statement of Comprehensive Income (Loss).
6. Included as a component of Other income in the Company's Consolidated Statement of Comprehensive Income (Loss).
7. Limited to tax expense on items included in Earnings available for distribution.
8. Pursuant to REIT tax requirements, 90% of Annaly's taxable income represents the minimum dividend required to distribute to shareholders.

Important Disclosures

This presentation is issued by Annaly Capital Management, Inc. ("Annaly"), an internally-managed, publicly traded company that has elected to be taxed as a real estate investment trust for federal income tax purposes. This presentation is provided for investors in Annaly for informational purposes only and is not an offer to sell, or a solicitation of an offer to buy, any security or instrument.

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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," "expect," "anticipate," "continue," or similar terms or variations on those terms or the negative of those terms. Such statements include those relating to the Company's future performance, macro outlook, the interest rate and credit environments, tax reform and future opportunities. Actual results could differ materially from those set forth in forward-looking statements due to a variety of factors, including, but not limited to, risks and uncertainties related to the COVID-19 pandemic, including as related to adverse economic conditions on real estate-related assets and financing conditions; 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 the Company's assets; changes in business conditions and the general economy; operational risks or risk management failures by us or critical third parties, including cybersecurity incidents; the Company's ability to grow its residential credit business; the Company's ability to grow its middle market lending business; credit risks related to the Company's investments in credit risk transfer securities, residential mortgage-backed securities and related residential mortgage credit assets and corporate debt; risks related to investments in mortgage servicing rights; the Company's ability to consummate any contemplated investment opportunities; changes in government regulations or policy affecting the Company's business; the Company's ability to maintain its qualification as a REIT for U.S. federal income tax purposes; the Company's ability to maintain its exemption from registration under the Investment Company Act of 1940; and the timing and ultimate completion of the sale of our commercial real estate business. 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. The Company does not undertake, and specifically disclaims 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.

Earnings Available for Distribution (previously labeled as Core Earnings (excluding PAA))

Commencing with the Company's financial results for the quarter ended June 30, 2021 and for subsequent reporting periods, the Company has relabeled "Core Earnings (excluding PAA)" as "Earnings Available for Distribution" ("EAD"). Earnings Available for Distribution, which is a non-GAAP financial measure intended to supplement the Company's financial results computed in accordance with GAAP, has replaced the Company's prior presentation of Core Earnings (excluding PAA). In addition, Core Earnings (excluding PAA) results from prior reporting periods have been relabeled Earnings Available for Distribution. In line with evolving industry practices, the Company believes the term Earnings Available for Distribution more accurately reflects the principal purpose of the measure than the term Core Earnings (excluding PAA) and will serve as a useful indicator for investors in evaluating the Company's performance and its ability to pay dividends.

The definition of Earnings Available for Distribution is identical to the definition of Core Earnings (excluding PAA) from prior reporting periods. As such, Earnings Available for Distribution is defined 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 expense related to commercial real estate and amortization of intangibles, non-EAD income allocated to equity method investments and other non-EAD 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-EAD income (loss) items) and excludes (g) the premium amortization adjustment ("PAA") 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.

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 our non-GAAP metrics, such as earnings available for distribution, or the premium amortization adjustment, differently than our peers making comparative analysis difficult.