



# ANNALY<sup>®</sup>

Annual Meeting Presentation

May 20, 2020

# Important Notices

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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, future opportunities and the anticipated Internalization. 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; the Company's ability to grow our commercial real estate business; 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, commercial real estate 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, as amended; and risks and uncertainties associated with the Internalization, including but not limited to the occurrence of any event, change or other circumstances that could give rise to the termination of the Internalization Agreement; the outcome of any legal proceedings that may be instituted against the parties to the Internalization Agreement; the inability to complete the Internalization due to the failure to satisfy closing conditions or otherwise; risks that the Internalization disrupts the Company's current plans and operations; the impact, if any, of the announcement or pendency of the Internalization on the Company's relationships with third parties; and the amount of the costs, fees, expenses charges related to the Internalization; and the risk that the expected benefits, including long-term cost savings, of the Internalization are not achieved. 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.

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# Annaly is a Leading Diversified Capital Manager



**93%**  
*of Total Assets Comprised of  
Liquid Agency MBS<sup>(1)</sup>*



**~\$13 billion**  
*Permanent Capital<sup>(2)</sup>*



**518%**  
*Total Shareholder Return  
Since IPO<sup>(3)</sup>*



**4 Investment Groups**  
*Agency, Residential Credit,  
Commercial Real Estate &  
Middle Market Lending*



**Evolved & Evolving**  
*38 Distinct Investment  
Options & Counting*



**\$20 billion**  
*Common and Preferred  
Dividends Declared<sup>(4)</sup>*



**\$3 billion**  
*Combined Deal Value of  
Transformational  
Acquisitions<sup>(5)</sup>*



**~180**  
*Talented Professionals*



**ESG Focus**  
*Robust Corporate  
Responsibility  
& Governance*

Source: Company filings. Financial data as of March 31, 2020. Employee composition as of December 31, 2019.  
Detailed endnotes and a glossary of defined terms are included at the end of this presentation.

# How Annaly is Navigating the COVID-19 Pandemic

We are committed to supporting our operations, employees and communities through these unprecedented times

## Employees

- 100% of our employees are working from home
- Utilized Annaly's well-established, and routinely tested, Business Continuity Planning process
- Enhanced technology and video conferencing to support operational efficiencies
- Increased firm-wide internal communication through a variety of mediums to facilitate staff connectivity

## Community

- Annaly and its Management team pledged financial resources to non-profit organizations that align with our business mission as part of our corporate philanthropy program
  - Housing and shelter-related organizations
  - Food access and workforce development for vulnerable populations
- Employee-matching program to provide additional support for donations to COVID-19 relief efforts

## Shareholders

- Management team committed to proactively communicating with shareholders
- Significant, measured steps were taken to fortify our balance sheet and liquidity position
- Agency-oriented strategy benefitted from supportive fiscal and monetary policy actions that improved Agency MBS technicals
- Credit businesses well-positioned amidst current volatility; manageable exposure to industries and asset classes most heavily-affected by the COVID-19 pandemic

# Progressive Approach, Proven Results

## Power.

The industry leader with a differentiated model composed of four sizeable, diversified investment strategies: Agency, Residential Credit, Commercial Real Estate and Middle Market Lending

## Proven.

Proven over 20+ years to be a stable source of yield for shareholders, we continue to deliver attractive investment returns throughout market cycles

## People.

Our people are our greatest asset and we are committed to promoting our employees' engagement, development and full potential

# Power.

The combination of the four business strategies is intended to enhance risk-adjusted returns over time through investment optionality and risk management



Economic and market perspectives provide lens into residential & commercial sectors



Management incentives aligned with shareholders; no forced deployment of capital is a risk mitigant



Deep credit focus and expertise shared across businesses



Complementary characteristics improve durability – liquidity, cyclical, leverage



Investing across capital structures and markets results in best relative value



Advantaged by liquidity of Agency portfolio



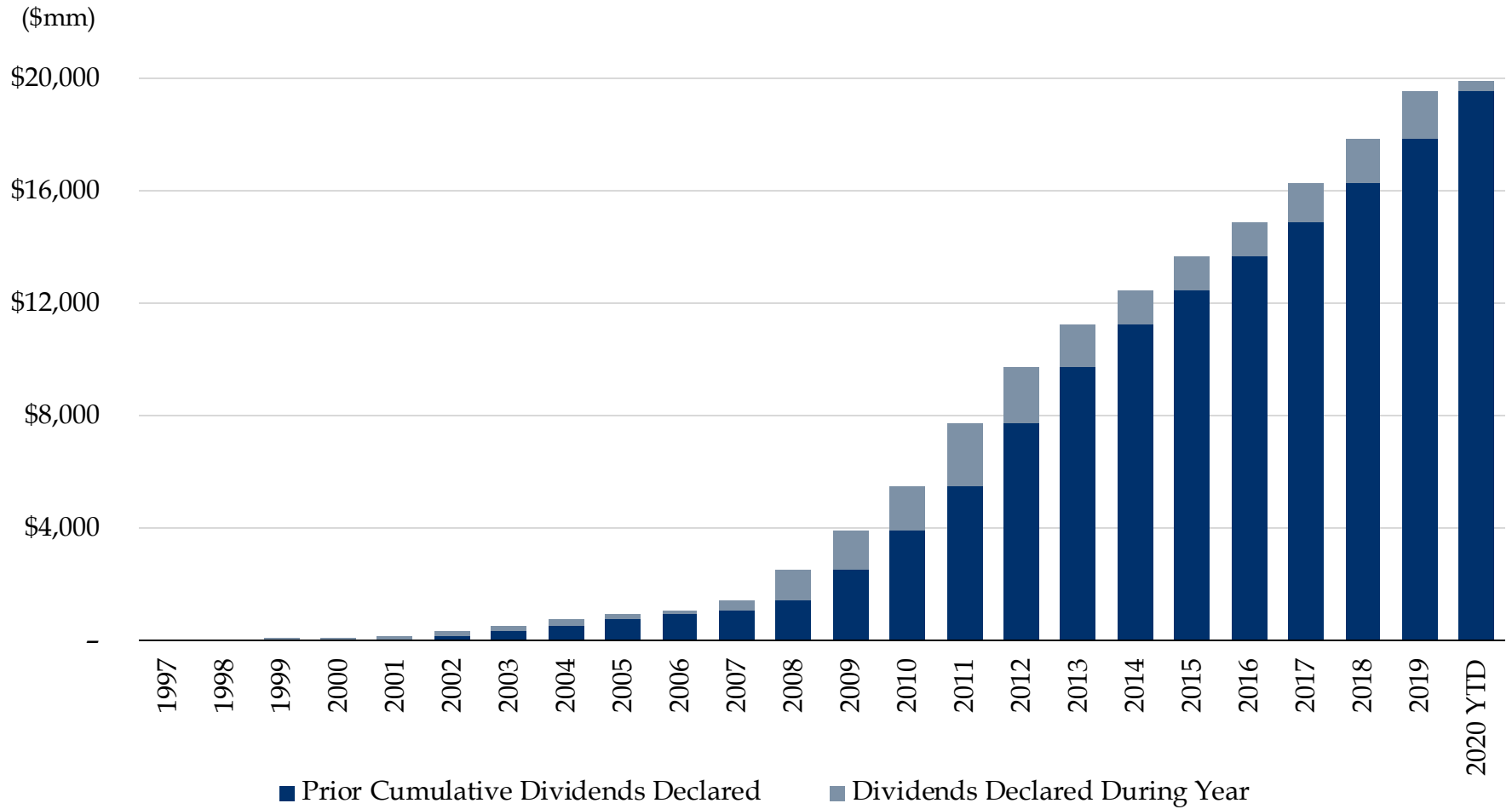
Diversified financing sources



Focus on secured lending

# Proven.

Since inception, Annaly has delivered \$20bn in dividends to shareholders<sup>(1)</sup>



Source: Company filings. Financial data as of March 31, 2020.

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

## Strong Culture Drives Ideas, Leads to Performance

### Our People by the Numbers

**~180**

Full-Time Employees

**7%**

Total turnover in 2019, well below the financial services average<sup>(1)</sup>

**28**

New hires in 2019

### Diversity & Inclusion

**35%**

of employees identify as female

**32%**

of employees identify as racially diverse

**+70%**

of new hires in 2019 identify as female or racially diverse

### Women in Leadership

**45%**

Continuing Directors  
5 out of 11

**20%**


Named Executive Officers  
1 out of 5

**38%**

Operating Committee  
5 out of 13

# Our Mission

Annaly combines the power of capital together with sound strategy to best serve our shareholders



*With a culture that champions diversity and talent, we work relentlessly to optimize risk-adjusted returns. With nearly \$13 billion in permanent capital<sup>(1)</sup>, we support two fundamental pillars of the American economy: **housing** and **business***

Note: Financial data as of March 31, 2020.

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

# Our Investments

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

## Support for Housing

Nearly \$95bn

of residential housing investments

Nearly 700K

American homes financed in all 50 states<sup>(1)</sup>

### Lower Loan Balance Mortgages

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>(2)</sup>

### Self-Employed Borrowers

Nearly 900 loans totaling nearly \$500 million to self-employed, creditworthy borrowers, including small business owners<sup>(3)</sup>

### Credit Risk Transfers (“CRT”)

Over 2.5 million additional homes supported through Annaly’s investments in CRT securities<sup>(4)</sup>

## Support for American Businesses<sup>(5)</sup>

*Our investments in middle market businesses and through our commercial portfolio help drive economic growth in the places where Americans live and work:*

\$741mm

Health Care Services and Equipment

\$540mm

Environmentally Friendly Buildings & Businesses

\$593mm

Data and Technology Innovation & Advancement

\$285mm

Community Development & Economic Opportunity

Note: Financial data as of March 31, 2020, unless otherwise noted.

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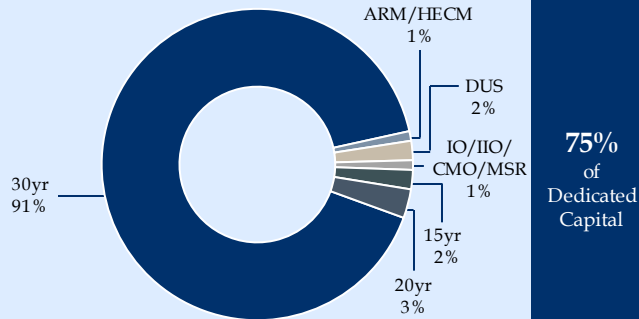
# Our Strategy

Nearly \$13 billion of permanent capital<sup>(1)</sup> invested across our four, scaled investment strategies

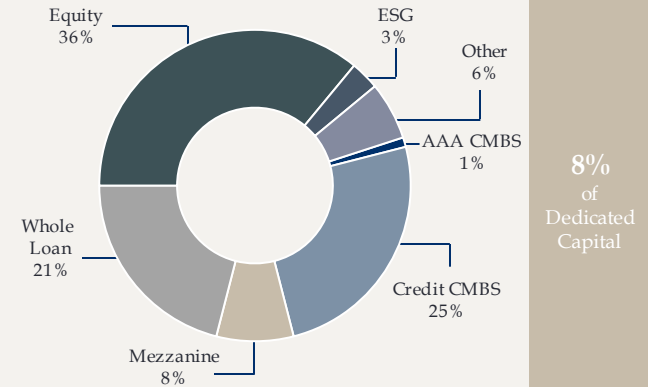
## Portfolio Overview



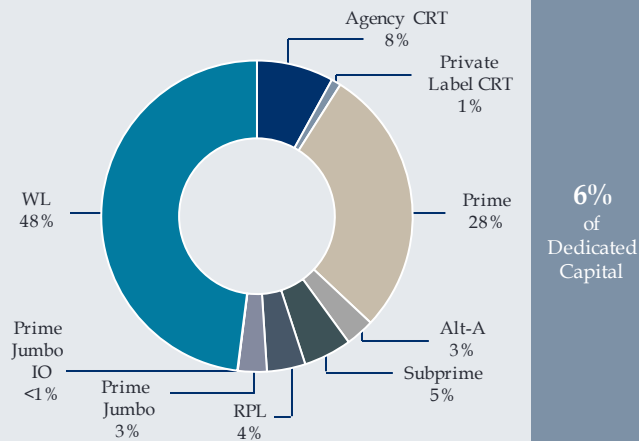
Annaly Agency Group<sup>(2)</sup>



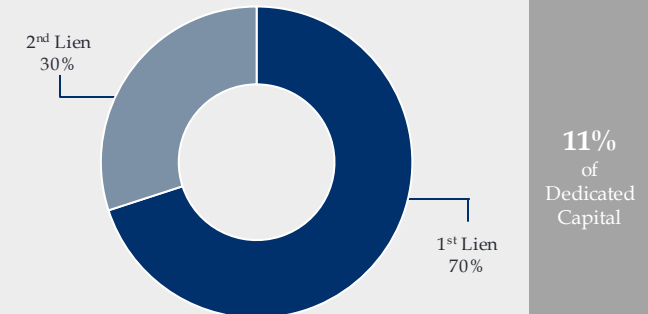
Annaly Commercial Real Estate Group<sup>(4)</sup>



Annaly Residential Credit Group<sup>(3)</sup>



Annaly Middle Market Lending Group<sup>(5)</sup>



Source: Company filings. Financial data as of March 31, 2020. 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.

# Our Positioning

Investment Strategy			Outlook & Positioning	
Annaly Agency Group	Assets <sup>(1)</sup>	\$92.0bn	<ul style="list-style-type: none"> <li>✓ Positive tailwinds for investing in Agency MBS</li> <li>✓ Coordinated fiscal and monetary policy support improving interest rate risk outlook, while challenges remain</li> <li>✓ Asset reduction in Q1 2020 concentrated in generic pools, resulting in pool portfolio with attractive convexity profiles</li> </ul>	
	Sector Rank <sup>(2)</sup>	#1/8		
	Strategy	Countercyclical / Defensive		
Annaly Residential Credit Group	Assets <sup>(1)</sup>	\$2.6bn	<ul style="list-style-type: none"> <li>✓ Conservative portfolio stance cushioned volatility in the portfolio during market dislocation                             <ul style="list-style-type: none"> <li>– Whole loan portfolio 100% first lien with strong credit; 50% of securities portfolio in investment grade assets</li> </ul> </li> <li>✓ Ability to transact in either securities or whole loans provides a benefit relative to peers within new residential credit landscape</li> </ul>	
	Sector Rank <sup>(2)</sup>	#8/14		
	Strategy	Cyclical / Growth		
Annaly Commercial Real Estate Group	Assets <sup>(1)</sup>	\$2.6bn	<ul style="list-style-type: none"> <li>✓ Portfolio positioned with a focus on strong sponsorship and best-in-class operating partners</li> <li>✓ CMBS portfolio comprised of underlying loans secured by higher quality, stabilized real estate</li> <li>✓ Equity portfolio comprised of necessity-based real estate (e.g., grocery-anchored shopping centers and healthcare)</li> </ul>	
	Sector Rank <sup>(2)</sup>	#8/17		
	Strategy	Cyclical / Growth		
Annaly Middle Market Lending Group	Assets	\$2.2bn	<ul style="list-style-type: none"> <li>✓ Portfolio comprised of 51 borrowers that are 100% backed by top tier private equity sponsors</li> <li>✓ Fundamentals of the portfolio have been aided due to the mission critical nature of underlying borrowers                             <ul style="list-style-type: none"> <li>– 90% of the portfolio deemed “essential businesses”<sup>(3)</sup></li> </ul> </li> <li>✓ Minimal use of third-party leverage relative to BDC peers</li> </ul>	
	Sector Rank <sup>(2)</sup>	#9/45		
	Strategy	Non-Cyclical / Defensive		

Note: Financial data as of March 31, 2020.

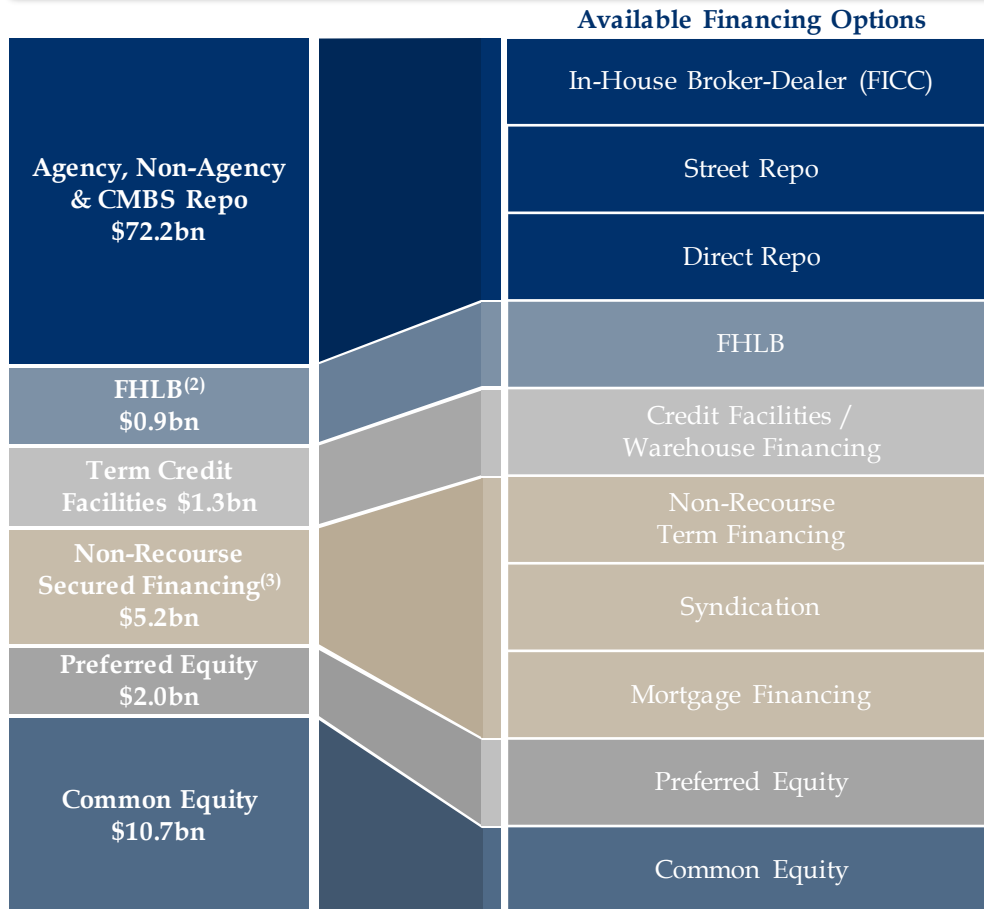
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# Our Capitalization

With the largest capital base in the sector, Annaly's deep and diverse financing sources across all investment groups provide the Company with unique competitive advantages

## Total Financing and Capital

3/31/2020:\$92.3bn<sup>(1)</sup>



## Overview of Select Financing Options

### In-House Broker Dealer

Our broker dealer provides access to the Fixed Income Clearing Corporation (FICC), which funds Agency MBS through cleared triparty repo

### Street Repo

Secured bilateral financing sourced from a large number of counterparties with whom Annaly has long term relationships

### Direct Repo

Matches Arcola directly with cash providers such as sovereign wealth funds, state pension funds, etc.

### FHLB<sup>(2)</sup>

Access to government-sponsored bank financing as a member financial institution provides attractive financing terms

### Credit Facilities / Warehouse Financing

Provide longer-term financing for assets within middle market lending and commercial real estate businesses; significant existing financing capacity remains available

### Non-Recourse Term Financing

Experience in public rated securitizations for Residential loans and have executed a CRE CLO, which provided additional flexibility and liquidity

### Syndication

Capital markets capabilities within businesses provide an outlet for managing liquidity and achieving desire return through structural leverage

### Mortgage Financing

Mortgage financing on properties owned by ACREG provides additional leverage and liquidity

Note: Financial data as of March 31, 2020.

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

# Our Responsibility

We have made several important enhancements to our responsibility practices to promote shareholder value and support transparency over the last few years

## E

Established **Environmental Sustainability** Policy & Oversight

- The policy integrates environmental considerations in the investment and risk management process, which is overseen by Sustainability Leadership Team



*Social Impact Joint Venture<sup>(1)</sup>*

## S

**Over 450**  
Affordable housing units  
financed

**Over 1,000**  
Low-income residents served

**Nearly 1.3 million**  
Square feet in U.S. community  
development projects  
employing 1,700 people

**Nearly 78,000**  
Patients receiving care from  
community health centers and  
eldercare residences

## G

2019

Elected two new, highly qualified  
**independent** directors

Reduced management fee to  
**75 bps** on incremental capital<sup>(2)</sup>

**Separated the roles** of CEO  
and Chair of the Board; appointed  
an Independent Board Chair

2020

Announced agreement to  
**internalize management**

### The Internalization:

- On track to close by the end of the second quarter of 2020
- Creates stronger alignment between management and shareholders
- Enhances corporate disclosure with increased transparency regarding executive compensation practices

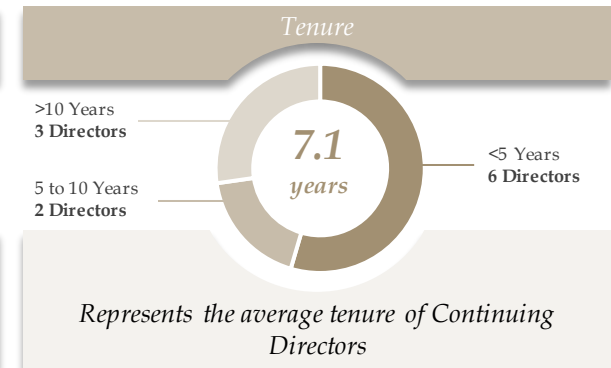
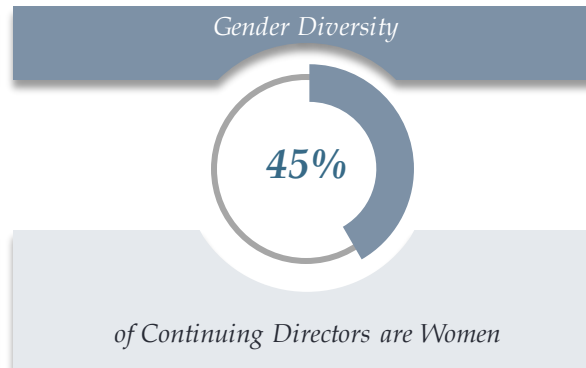
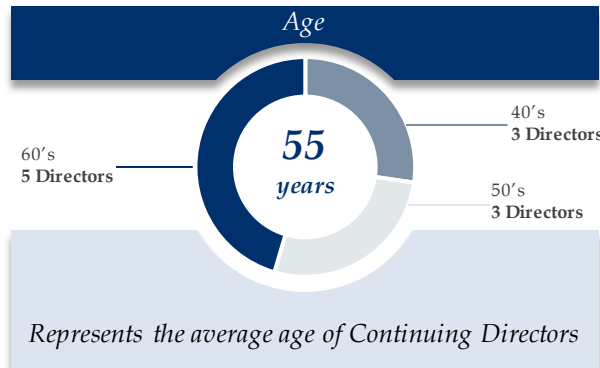
Note: Company statistics as of March 31, 2020, unless otherwise noted.

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# Our Key Stakeholders

We are committed to maintaining strong corporate governance practices that benefit the long-term interests of our investors

Board of Directors | 11 Continuing Directors; 5 Standing Committees



*We take pride in our extensive outreach efforts and evolving our business in response to shareholder feedback. We are committed to transparency, enhanced disclosure and continued engagement*

## 2019–2020 Global Shareholder Engagement Efforts<sup>(1)</sup>



Note: Board composition as of May 2020.

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

**Agency Peers:** Represents companies comprising the Agency sector within the BBREMTG Index<sup>(1)</sup>

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

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

**BBREMTG:** Represents the Bloomberg Mortgage REIT Index\*, including Annaly

**Commercial Peers:** Represents companies comprising the commercial sector within the BBREMTG Index<sup>(2)</sup>

**Continuing Directors:** Represents the eleven members of the Board following the 2020 Annual Meeting (assuming all nominees are elected)

**CRE CLO:** Refers to Commercial Real Estate Collateralized Loan Obligation

**CRT:** Refers to Credit Risk Transfer Securities

**Dedicated Capital:** Represents the capital allocation for each of the four investment strategies calculated as the difference between each investment strategies' assets and related financing. This calculation includes TBA purchase contracts and excludes non-portfolio related activity and will vary from total stockholders' equity

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

**FICC:** Refers to Fixed Income Clearing Corporation

**FHLB:** Refers to the Federal Home Loan Bank

**Ginnie Mae:** Refers to the Government National Mortgage Association

**Hybrid Peers:** Represents companies comprising the hybrid sector within the BBREMTG Index<sup>(3)</sup>

**mREITs or mREIT Peers:** Represents constituents of the BBREMTG Index\*, excluding Annaly

**SWF:** Refers to Sovereign Wealth Fund

**TBA Securities:** To-Be-Announced securities

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\*Represents constituents as of April 15, 2020.

1. Consists of AGNC, AI, ANH, ARR, CMO, EARN and ORC.

2. Consists of ABR, ACRE, ARI, BRMK, BXMT, CLNC, GPMT, HCFT, KREF, LADR, LOAN, RC, SACH, STWD, TRTX and XAN.

3. Consists of AJX, CHMI, CIM, DX, IVR, MFA, MITT, NRZ, NYMT, PMT, RWT, TWO and WMC.

# Endnotes

## Page 3

1. Assets represent Annaly's investments that are on balance sheet, net of securitized debt of consolidated VIEs, as well as investments that are off-balance sheet in which the Company has economic exposure. Assets include TBA purchase contracts (market value) of \$13.1bn and CMBX derivatives (market value) of \$463.5mm and are shown net of securitized debt of consolidated VIEs of \$6.4bn.
2. Permanent capital represents Annaly's total stockholders' equity as of March 31, 2020.
3. Total return represents total shareholder return for the period beginning October 7, 1997 through April 15, 2020.
4. Data shown since Annaly's initial public offering in October 1997 through April 15, 2020 and includes common and preferred dividends declared.
5. Acquisitions include Annaly's \$876mm acquisition of CreXus Investment Corp. (closed May 2013), \$1,519mm acquisition of Hatteras Financial Corp. (closed July 2016) and \$906mm acquisition of MTGE Investment Corp. (closed September 2018).

## Page 7

1. Data shown since Annaly's initial public offering in October 1997 through April 15, 2020 and includes common and preferred dividends declared.

## Page 8

1. Financial services sector rates of 28% total turnover in 2019 per U.S. Department of Labor, Bureau of Labor Statistics, "Job Openings and Labor Turnover Summary," using December 2018 - November 2019 totals.

## Page 9

1. Permanent capital represents Annaly's total stockholders' equity as of March 31, 2020.

## Page 10

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 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 December 31, 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.
3. Represents residential whole loans owned by Annaly.
4. 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.
5. 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 11

1. Permanent capital represents Annaly's total stockholders' equity as of March 31, 2020.
2. Includes TBA purchase contracts and MSRs.
3. Shown exclusive of securitized residential mortgage loans of a consolidated VIE and loans held by a master servicer in an MSR silo that is consolidated by the Company. Prime Jumbo and Prime classifications include the economic interest of certain positions that are classified as Residential Mortgage Loans within our Consolidated Financial Statements. Prime classification includes \$75.4mm of Prime IO.
4. Percentages are based on economic interest and exclude the effects of consolidated VIEs and CMBX derivatives. Other reflects limited and general partnership interests in a commercial loan investment fund that is accounted for under the equity method for GAAP. ESG reflects joint venture interests in social impact loan investment funds that are accounted for under the equity method for GAAP. Whole loans includes mezzanine loans for which Annaly Commercial Real Estate is also the corresponding first mortgage lender.
5. Does not include minority equity, which represented 0.2% of the portfolio as of March 31, 2020.

## Page 12

1. Assets represent Annaly's investments that are on balance sheet, net of securitized debt of consolidated VIEs, as well as investments that are off-balance sheet in which the Company has economic exposure. Agency assets include TBA purchase contracts (market value) of \$13.1bn and are shown net of securitized debt of consolidated VIEs of \$1.6bn. Residential Credit assets are shown net of securitized debt of consolidated VIEs of \$2.5bn. Commercial Real Estate assets include CMBX derivatives (market value) of \$463.5mm and are shown net of securitized debt of consolidated VIEs of \$2.2bn.
2. Sector rank compares Annaly dedicated capital in each of its four investment strategies as of March 31, 2020 (adjusted for P/B as of April 15, 2020) to the market capitalization of the companies in each respective comparative sector as of April 15, 2020. The companies in each comparative sectors are selected as follows: for Agency, Commercial Real Estate and Residential Credit sector ranking represent Agency Peers, Commercial Peers and Hybrid Peers, respectively, within the BBREMTG Index as of April 15, 2020 and for Middle Market Lending sector ranking is the S&P BDC Index as of April 15, 2020.
3. Represents businesses deemed essential given critical infrastructure based on CDC guidelines.

## Page 13

1. Does not include synthetic financing for TBA contracts.
2. Reflects Annaly's 5-year FHLB financing, which sunsets in February 2021.
3. Excludes securitized debt of investments in Freddie Mac securitizations and securitized debt of a subordinated tranche in a securitization trust, each of which were consolidated upon the Company's purchase of the controlling interest in such securitizations.

## Page 14

1. All figures quoted in this section represent the cumulative impact of Annaly's investments, including current and prior investments, with Capital Impact Partners.
2. Incremental capital represents the Company's stockholders' equity (as defined in the Management Agreement, "Stockholders' Equity") in excess of \$17.28bn (which reflects total Stockholders' Equity calculated in accordance with the Management Agreement as of February 28, 2019).

## Page 15

1. Representative of outreach during 2019-2020 proxy season and shareholder base as of December 31, 2019. Shareholder data per Ipreo.