



ANNALY[®]

First Quarter 2018
Investor Presentation

May 2, 2018

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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.

Overview

Annaly is a Leading Diversified Capital Manager

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Agency	Residential Credit	Commercial Real Estate	Middle Market Lending
The Annaly Agency Group invests in agency MBS collateralized by residential mortgages which are guaranteed by Fannie Mae, Freddie Mac or Ginnie Mae	The Annaly Residential Credit Group invests in non-agency residential mortgage assets within securitized product and whole loan markets	The Annaly Commercial Real Estate Group originates and invests in commercial mortgage loans, securities, and other commercial real estate debt and equity investments	The Annaly Middle Market Lending Group provides financing to private equity backed middle market businesses across the capital structure
	Assets⁽¹⁾ Capital⁽²⁾		
\$98.3bn \$9.6bn	\$2.8bn \$1.5bn	\$2.0bn \$1.1bn	\$1.2bn \$0.9bn
	Sector Rank⁽³⁾		
#1/5	#6/18	#4/12	#13/43
	Strategy		
Countercyclical/Defensive	Cyclical/Growth	Cyclical/Growth	Non-Cyclical/Defensive
	Levered Returns⁽⁴⁾		
9% – 10%	8% – 11%	7% – 10%	9% – 11%

Source: Bloomberg and Company filings. Market data as of April 30, 2018. Financial data as of March 31, 2018.

1. Agency assets include to be announced ("TBA") purchase contracts (market value) and mortgage servicing rights ("MSRs"). Residential Credit and Annaly Commercial Real Estate ("ACREG") assets include only the economic interest of consolidated variable interest entities ("VIEs").

2. Dedicated capital 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, 2018 (adjusted for P/B as of April 30, 2018) to the market capitalization of the companies in each respective comparative sector as of April 30, 2018. Comparative sectors used for Agency, ACREG and Residential Credit ranking are their respective sector within the Bloomberg Mortgage REIT Index ("BBREMTG") as of April 30, 2018. Comparative sector used for Annaly Middle Market Lending Group ("AMML") ranking is the S&P BDC Index. Rankings for Agency and Residential Credit are pro forma for pending acquisition of CYS by TWO (announced on April 26, 2018).

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 a substantially similar, nature in each respective group.

First Quarter 2018 Financial Highlights

Earnings & Book Value

Earnings per Share

GAAP | Core
\$1.12 | \$0.30 (ex. PAA)*

Book Value Per Share

\$10.53

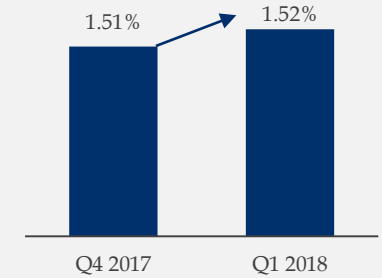
Dividend per Share

\$0.30

Dividend Yield⁽¹⁾

11.51%

Net Interest Margin (ex. PAA)*



Investment Portfolio

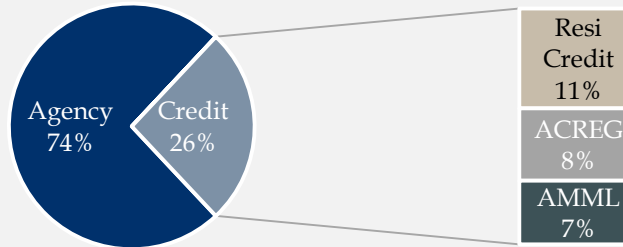
Total Portfolio⁽²⁾

\$104.3bn

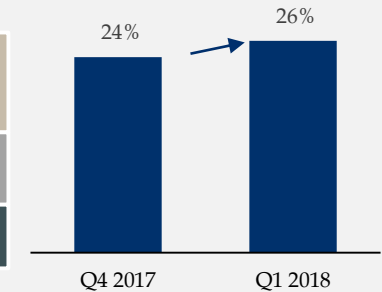
Total Stockholders' Equity

\$13.9bn

Capital Allocation⁽³⁾



Allocation to Credit



Financing & Hedging

Unencumbered Assets⁽⁴⁾

\$7.3bn
~52% of total equity value

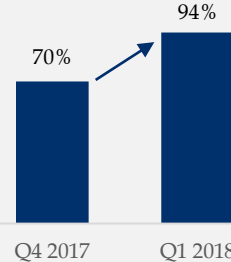
Total Hedge Portfolio

\$85.7bn
Includes \$66bn of swaps, \$6bn of swaptions and \$14bn of futures

Economic Leverage



Hedge Ratio⁽⁵⁾



Average Cost of Funds⁽⁶⁾

1.90%
Weighted average repo term increased by 14 days QoQ to 72 days

Source: Company filings. Financial data as of March 31, 2018, unless otherwise noted.

* Represents a non-GAAP financial measure; see Appendix.

1. Based on annualization of Q1 '18 dividend and a closing price of \$10.43 on March 31, 2018.

2. Agency assets include TBA purchase contracts (market value) and MSRs. Residential Credit and ACREG assets include only the economic interest of consolidated VIEs.

3. Dedicated capital will vary from stockholders' equity as it includes TBA purchase contracts and excludes non-portfolio related activity.

4. "Unencumbered assets" are representative of Annaly's excess liquidity and are defined as assets that have not been pledged or securitized (including cash and cash equivalents, Agency MBS, CRT, Non-Agency MBS, Residential mortgage loans, MSRs, CRE debt and preferred equity and corporate debt).

5. Measures total notional balances of interest rate swaps, interest rate swaptions and futures relative to repurchase agreements, other secured financing and TBA 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 interest expense on interest rate swaps.

Investment Highlights

Advantages of Annaly's Shared Capital Model

Annaly's diversification, scale and liquidity coupled with an established investment platform, provide a unique opportunity in today's markets

Size & Scale

~**20x** the market capitalization of the median mREIT⁽¹⁾

Liquidity & Financing

Annaly utilizes a multitude of funding sources and has over **\$7 billion** of unencumbered assets⁽²⁾

Diversification

36 available investment options is nearly **3x** more than in 2013

Efficiency of the Model

Annaly generates outsized dividend returns while operating at lower expense levels than other yield sectors

Enhanced Corporate Governance

2 new Independent Directors added to the Board in 2018 and **4** Directors added over the past 5 years

Performance

Annaly's total return is ~**18%** higher than the S&P 500 and ~**26%** higher than the mREIT sector since diversification began⁽³⁾

Source: Bloomberg, SNL Financial and Company filings.

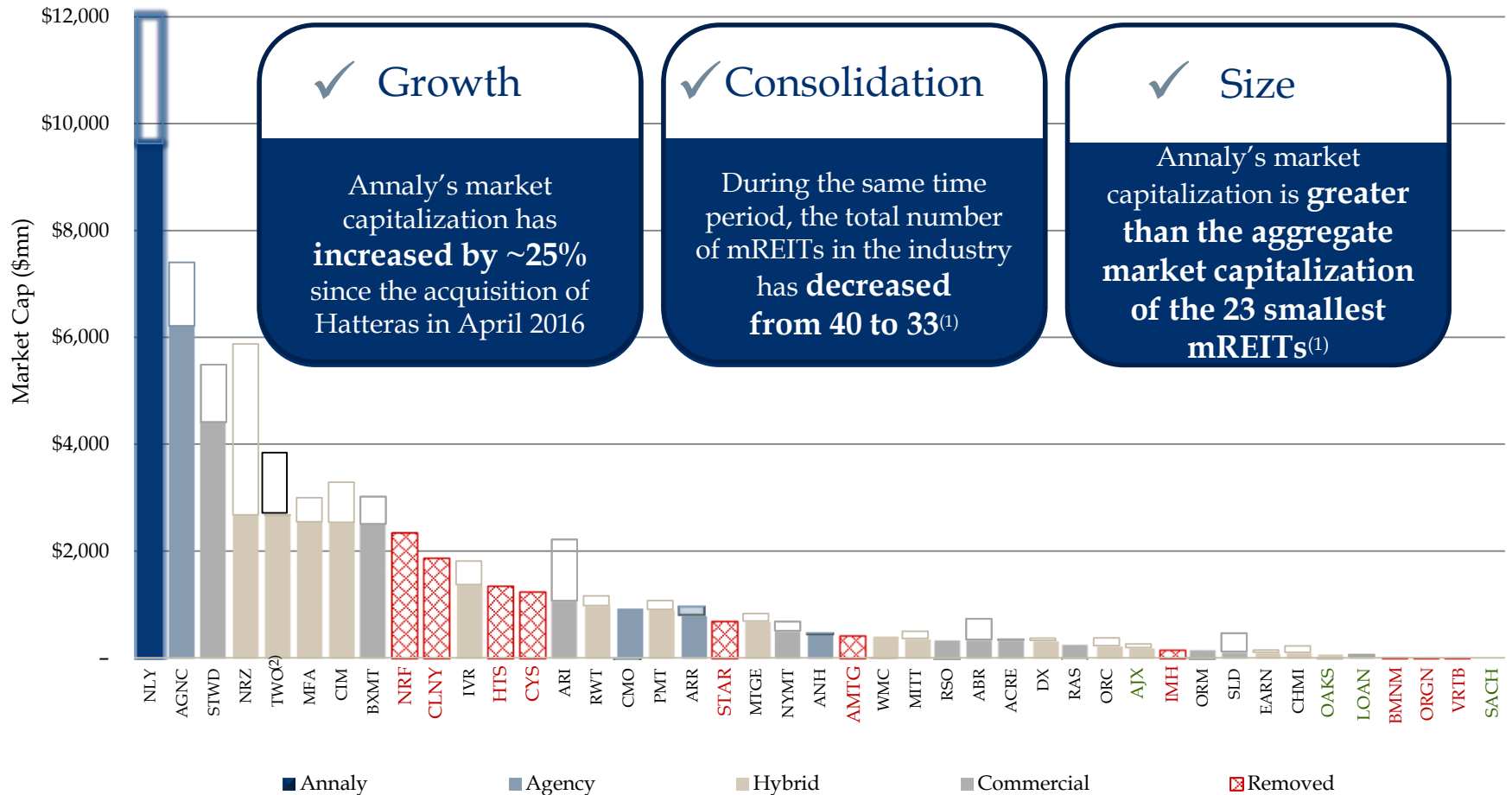
1. Representative of BBREMTG Index pro forma for pending acquisition of CYS by TWO (announced on April 26, 2018).

2. Company filings as of March 31, 2018. "Unencumbered assets" are representative of Annaly's excess liquidity and are defined as assets that have not been pledged or securitized (including cash and cash equivalents, Agency MBS, CRT, Non-Agency MBS, Residential mortgage loans, MSRs, CRE debt and preferred equity and corporate debt).

3. "mREIT sector" refers to BBREMTG Index. Data shown since December 31, 2013, which marks the beginning of Annaly's diversification efforts, through April 30, 2018.

Annaly Advantages | Extensive Size & Scale

Since Annaly announced the acquisition of Hatteras Financial Corp. (“Hatteras”) in April 2016, the number of mREITs decreased by 18% while sector market capitalization grew ~\$11bn, or ~24%⁽¹⁾



Source: Bloomberg, Market Data as of April 30, 2018.

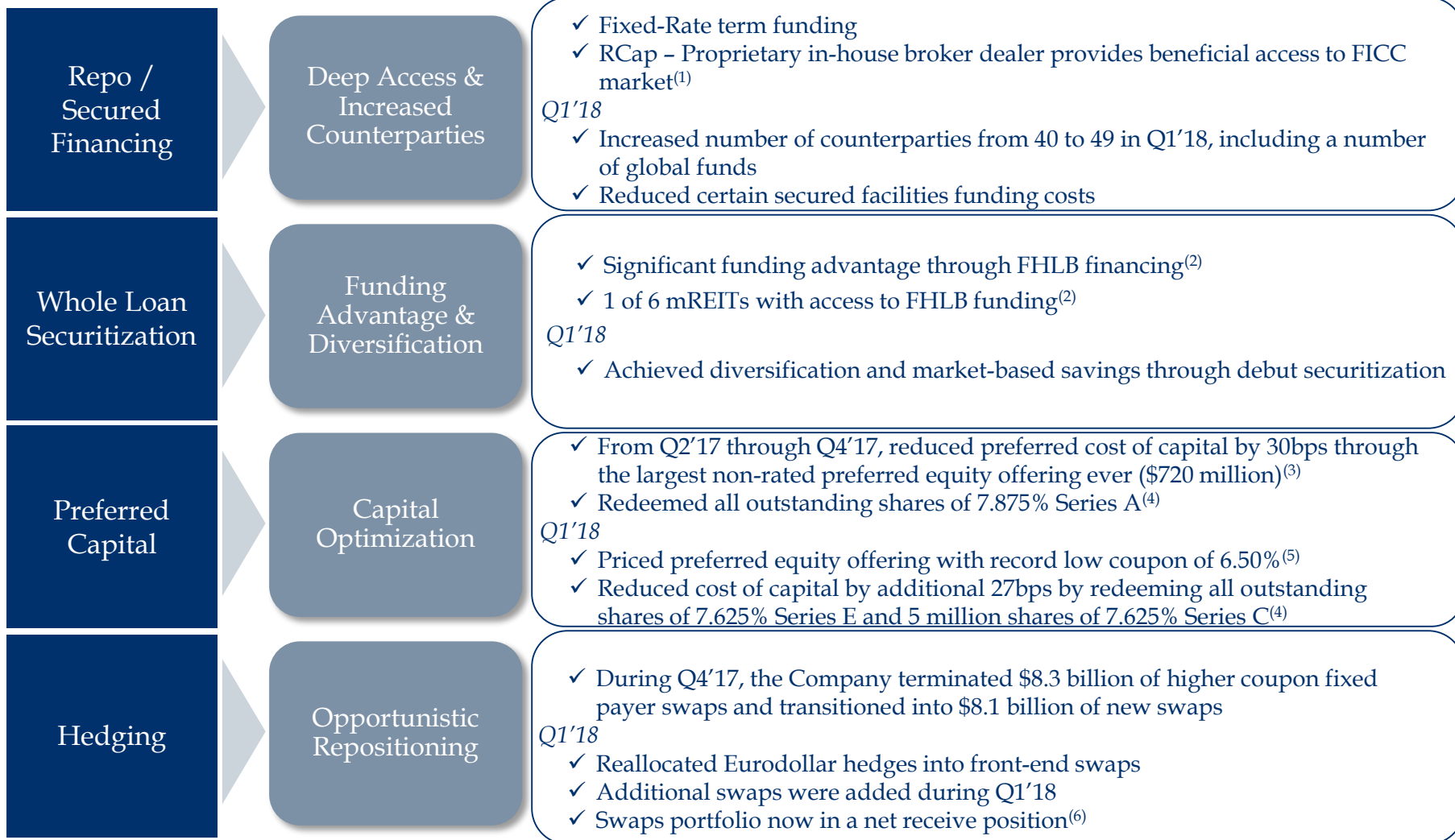
Note: Compares companies in the BBREMTG Index as of April 30, 2018 to the same list of companies as of April 8, 2016 (the last trading day prior to the announcement of the acquisition of Hatteras Financial Corp.). No outline denotes either a reduction in market cap or no change to market cap from April 8, 2016 to April 30, 2018. Removed companies include companies that have been acquired, are the subject of an announced acquisition or those that have been removed from the index. Companies that have been added to the BBREMTG Index from April 8, 2016 to April 30, 2018 include AJX, OAKS, LOAN and SACH and are shown in green.

1. Representative of BBREMTG Index pro forma for pending acquisition of CYS by TWO (announced on April 26, 2018).

2. TWO bar is pro forma for pending acquisition of CYS (announced April 26, 2018).

Annaly Advantages | Funding and Capital Optimization

During Q1'18, Annaly enhanced funding and capital efficiencies across different verticals of the business



Source: Company filings.

1. FICC defined as Fixed Income Clearing Corporation.

2. Refers to FHLB membership ending February 2021.

3. Inclusive of all U.S. domiciled non-rated preferred equity offerings.

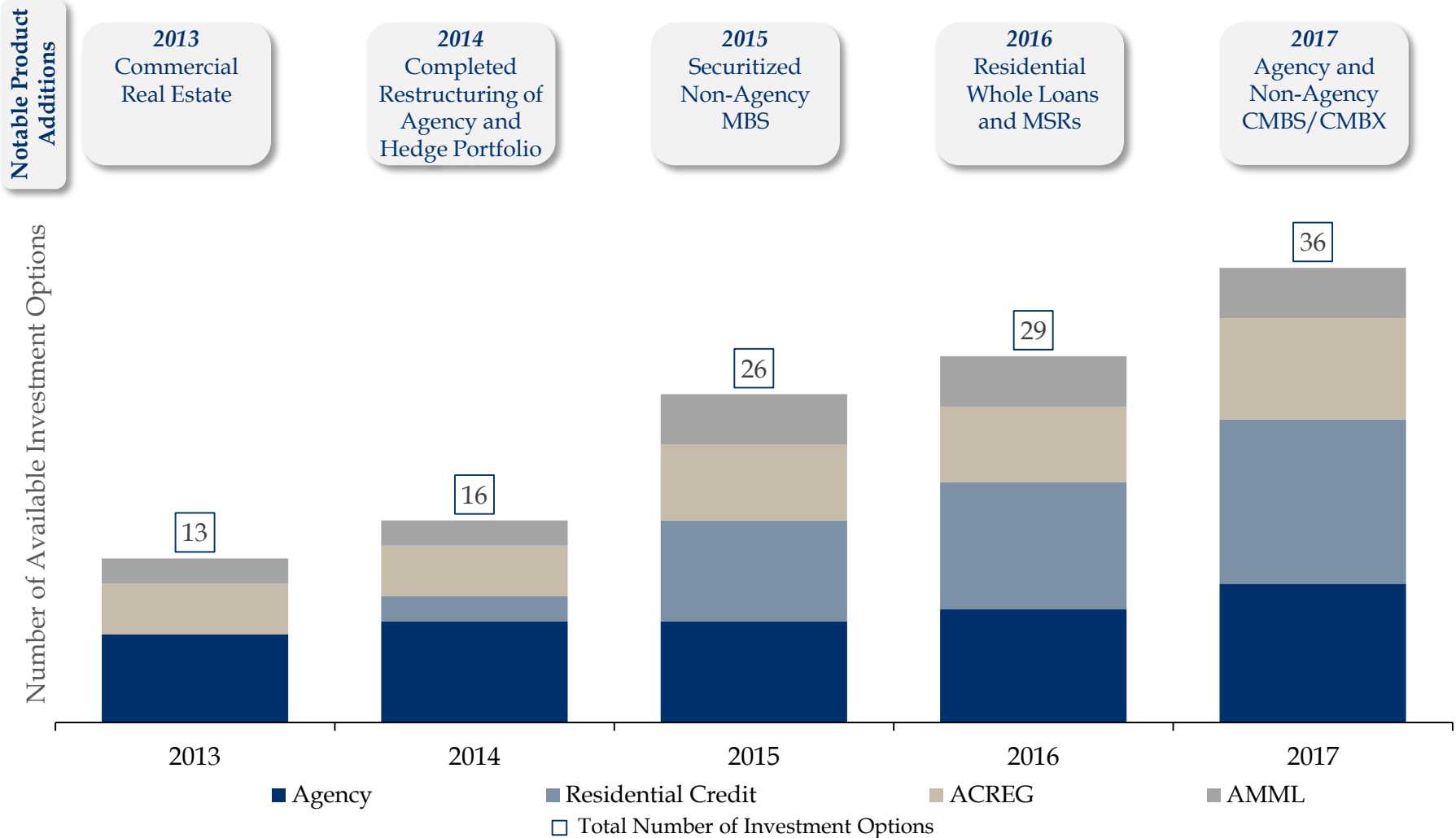
4. Series A refers to Annaly 7.875% Series A Cumulative Redeemable Preferred Stock. Series C refers to Annaly 7.625% Series C Cumulative Redeemable Preferred Stock. Series E refers to Annaly 7.625% Series E Cumulative Redeemable Preferred Stock.

5. Within non-rated preferred equity market. Inclusive of all U.S. domiciled non-rated preferred equity offering.

6. Net receive position refers to the difference between weighted average pay rate on swaps and weighted average receive rate on swaps whereby the receive rate is greater than the pay rate.

Annaly Advantages | Diversification through Internal Growth

Annaly's diversification strategy is now made up of 36 investment options



Source: Company filings.

Note: Investment options are as of December 31 for each respective year.

Annaly Advantages | Proven Efficiency of the Model

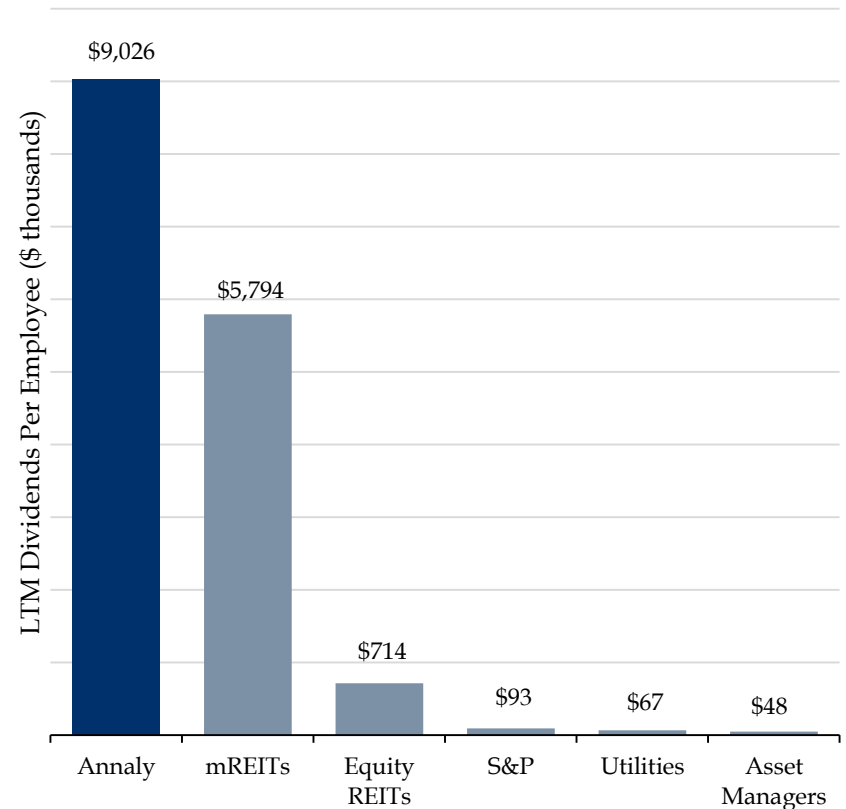
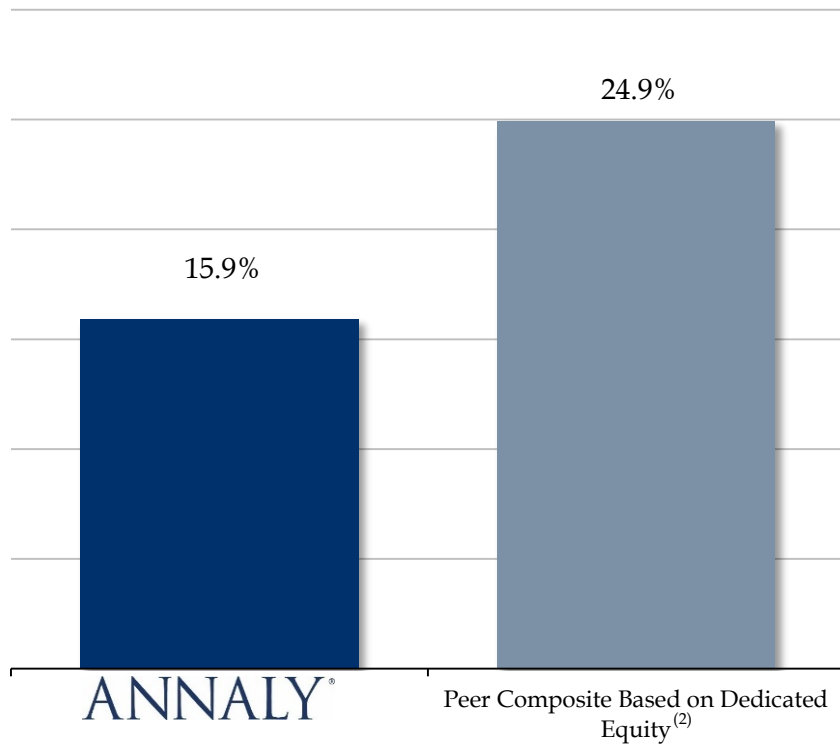
Annaly produces superior dividends while operating at lower expense levels

Operating Expenses as a % of Core Earnings
(excluding PAA)⁽¹⁾

Annaly's operating costs are demonstrably lower than smaller, monoline business models

Dividends Per Employee Across Select Yield Industries⁽³⁾

Annaly provides outsized dividend distributions on a per employee basis, highlighting the efficiency of our model



Source: Bloomberg and Company filings. Market data as of April 30, 2018. Financial data as of March 31, 2018.

1. Core Earnings (excluding PAA) is a non-GAAP financial measure. Annaly and other mREITs generally utilize "Core" or similarly adjusted earnings measures; see Appendix.
2. Peer Composite is calculated by weighting Annaly's dedicated equity of each business to the corresponding peer average's operating expenses divided by total equity. Agency, Resi Credit, and CRE peers consist of companies in the BBREMTG Index. MML peers consists of companies in the S&P BDC Index.
3. "LTM" refers to lagging twelve months and denotes cumulative dividends declared from Q2'17 to Q1'18. mREITs represent the BBREMTG Index (excluding externally managed mREITs). Utilities represent the Russell 3000 Utilities Index. Asset Managers represent the S&P 500 Asset Management and Custody Bank Index. S&P represents the S&P 500 Index. Equity REITs represent REITs within the S&P 500. Annaly employees refer to employees of Annaly and its external manager.

Annaly Advantages | Human Capital, Governance and Engagement

Annaly strategically manages all aspects of the business to best position the Company to achieve sustainable, long-term financial performance and value creation

Human Capital

- ✓ One of Annaly's greatest assets and differentiators is its people, dedicated to generating long-term return for shareholders
- ✓ 96% of Annaly employees feel Annaly is committed to exceeding shareholder expectations, compared to the Financial Services average of 88%⁽¹⁾
- ✓ Dedicated support staff of 91 professionals provides best-in-class risk management, technology, legal, finance and business developments functions
- ✓ 125+ new hires since 2014

Ownership Culture

- ✓ Annaly's management team and senior-level employees are also Annaly shareholders, whose interests are aligned with the Company's shareholder base
- ✓ 100% of employees subject to Stock Ownership Guidelines have either met, or within the applicable timeframe are expected to meet, the guidelines
- ✓ In 2017, Annaly's CEO and other members of senior management voluntarily committed to increase their Annaly stock ownership positions⁽²⁾
 - ✓ 100% of NEO-owned stock has been purchased in the open market rather than granted by the Company

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Governance and Social Responsibility

- ✓ Annaly's corporate governance continues to evolve in response to emerging best practices and investor feedback
- ✓ Recent enhancements include
 - ✓ 2 new Independent Board members
 - ✓ Increased percentage of women on Board to 36%
 - ✓ Refreshment of certain Committee memberships and chairmanships and added a new Public Responsibility Committee
 - ✓ Annual Board, Committee and individual Director self-evaluations
- ✓ Recognized in the 2018 Bloomberg Gender Equality Index (GEI)
 - ✓ Reflects the Company's commitment to creating a gender equal workplace

Shareholder Engagement

- ✓ Annaly takes pride in its extensive investor outreach efforts and is committed to transparency and continued engagement
- ✓ Outreach to 92% of Top 50 institutional investors over the past 12 months
 - ✓ In response to investors, Annaly enhanced disclosure in its 2018 proxy statement regarding operating efficiencies of the diversified model, the parameters and makeup of the Manager's executive pay program and corporate governance practices
- ✓ Annaly's institutional ownership has increased by over 30% with over 300 new shareholders since 2013⁽³⁾

Source: Company filings as of March 31, 2018, unless otherwise noted.

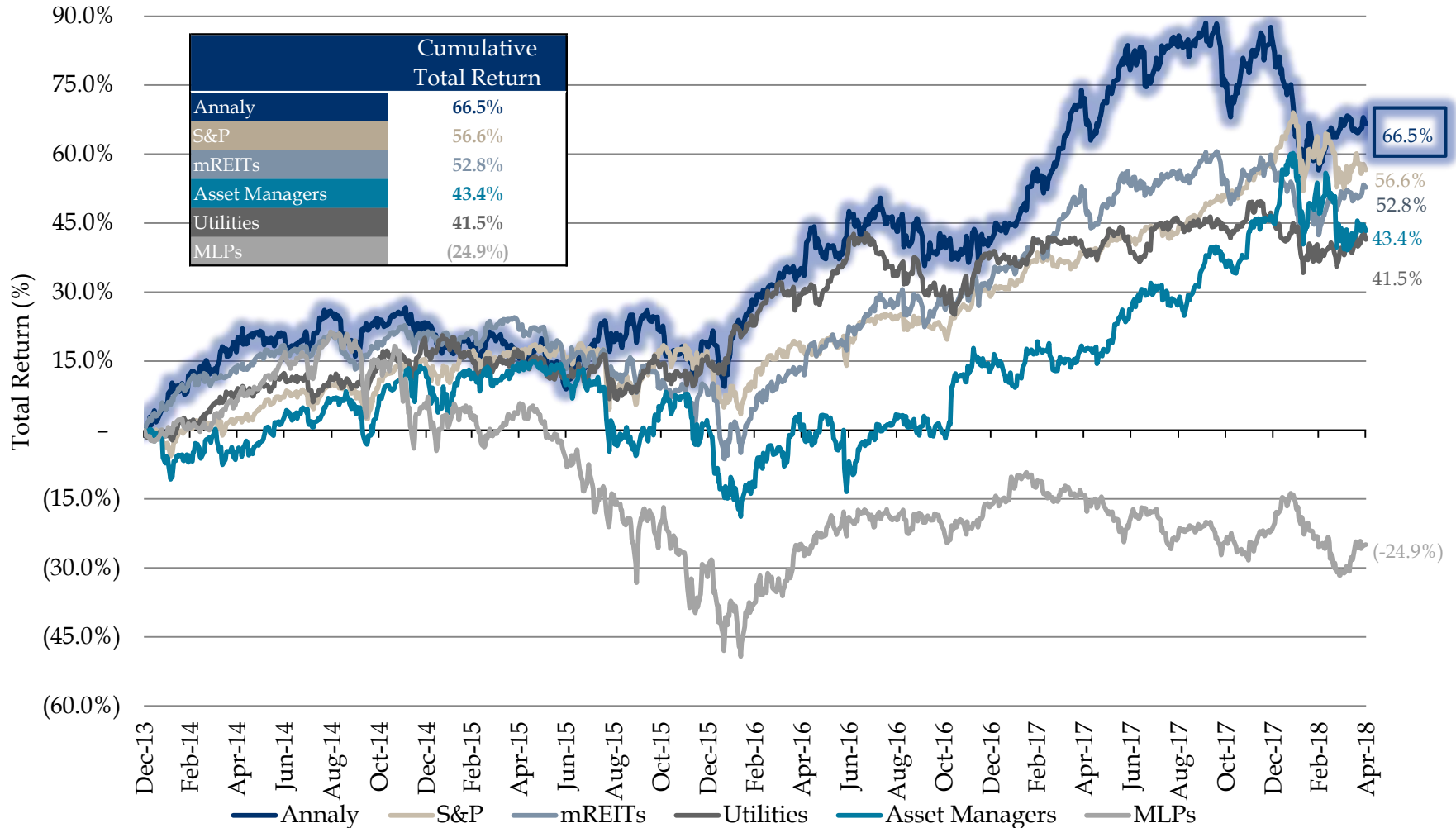
1. Company data based on a September 2017 internal survey. "Financial Services" average is provided by Perceptyx based on a cross section of global and domestic banks, credit card companies, insurance companies, accountancy companies, consumer finance companies, stock brokerages and investment funds.

2. In July 2017, senior management voluntarily committed to increase their stock ownership guidelines over the following 3 years.

3. Ipreo shareholder data as of December 31, 2017.

Annaly Advantages | Returns and Outperformance

Annaly has outperformed all other yield options since 2013



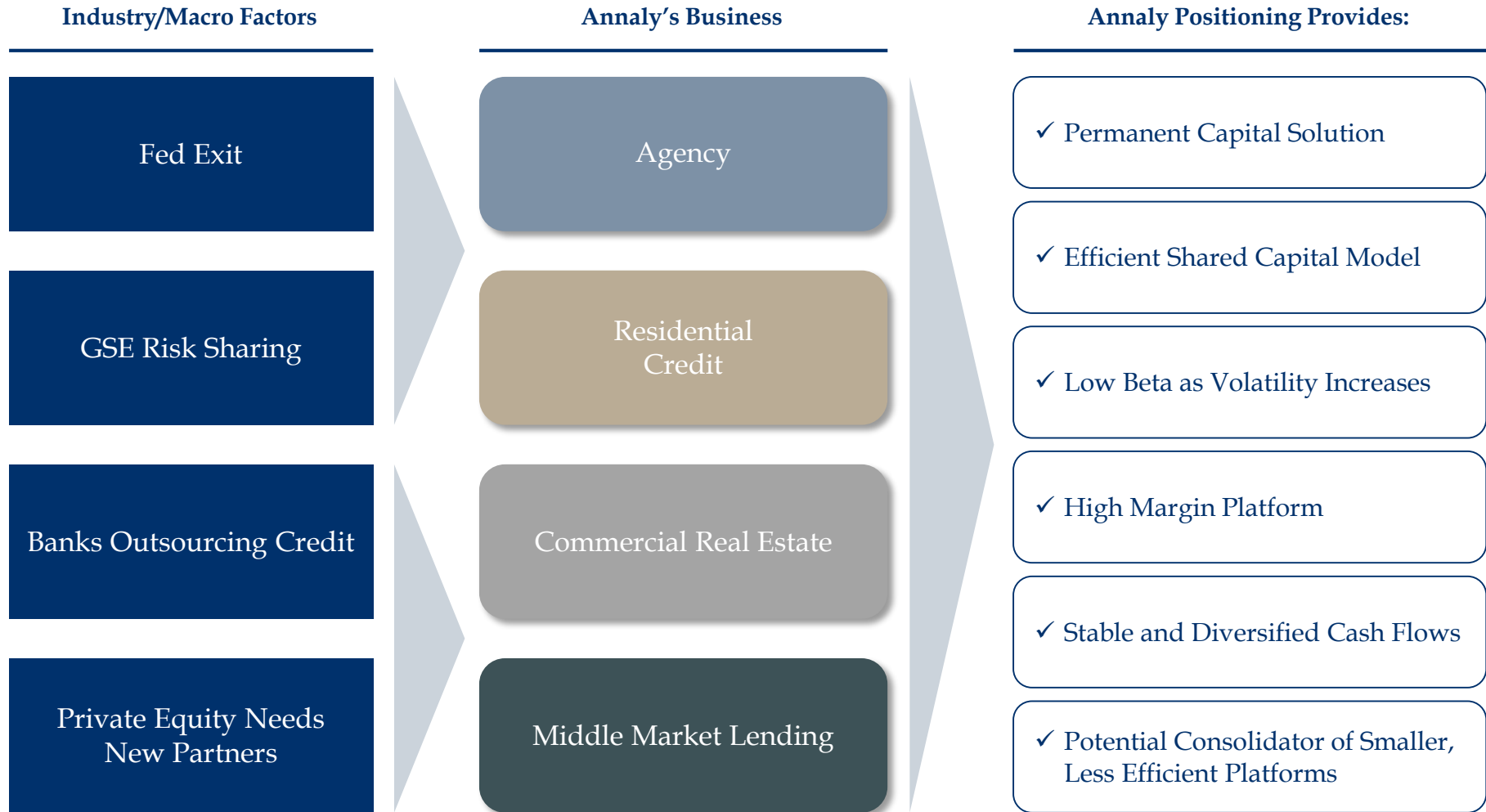
Source: Bloomberg.

Note: Market data shown from December 31, 2013 to April 30, 2018.

Note: mREITs represent the BBREMTG Index. S&P represents the S&P 500 Index. Utilities represent the Russell 3000 Utilities Index. Asset Managers represent the S&P 500 Asset Management and Custody Bank Index. MLPs represent the Alerian MLP Index.

Annaly's Opportunity

Annaly is positioned to capitalize on industry and macro evolution



Market Environment & Portfolio Positioning

Defensive Portfolio Positioning Given Higher Rates

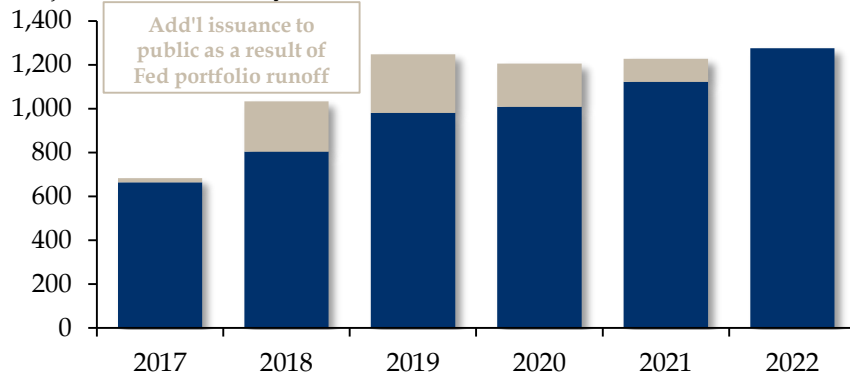
Annaly reduced interest rate exposure throughout Q1'18, strategically positioning the portfolio in light of the challenging interest rate environment

Increased Treasury supply and ongoing unwind of QE has yielded higher interest rates across the curve

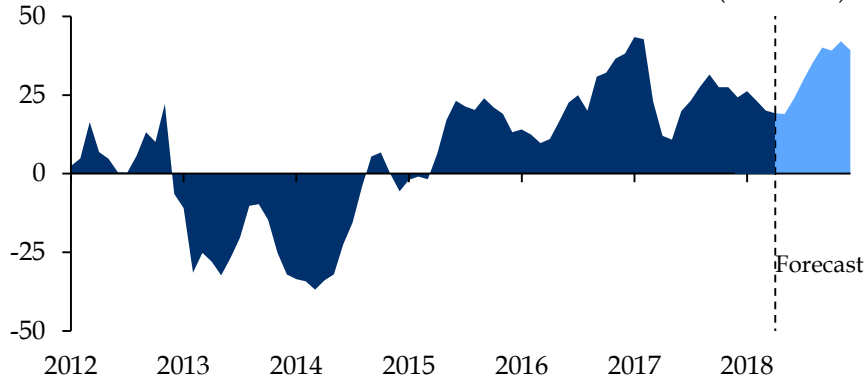
Annaly reduced interest rate and convexity risk in anticipation of continued pressure on rates

Treasury and MBS Issuance Headwind for Rates

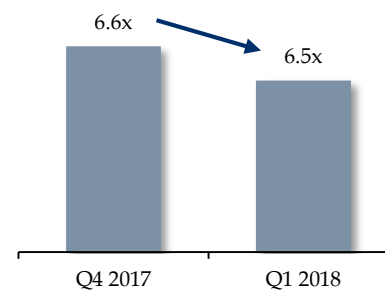
Projected U.S. Treasury Public Debt Issuance, \$ billion



MBS Fixed Rate Net Issuance Less Fed Purchases, \$ billion (3-mo MA)

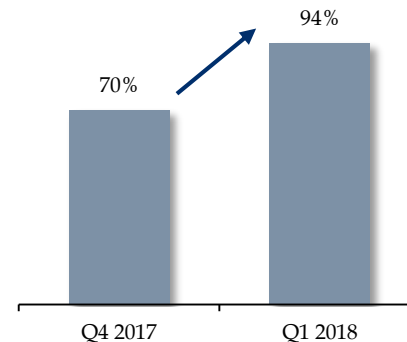


Annaly's Economic Leverage



- Reduced leverage despite higher rates
- Sold ~\$7 billion of primarily lower coupon TBAs

Annaly's Hedge Ratio⁽¹⁾



- Added hedges and reduced TBA position over the quarter, bringing effective hedge ratio to 94% from 70%
- Additionally, Annaly has term repo, MSR and other floating rate assets which serve to mitigate interest rate risk not captured in this hedge ratio

Source: Bloomberg and Company filings. Market data as of April 30, 2018. Financial data as of March 31, 2018.

1. Measures total notional balances of interest rate swaps, interest rate swaptions and futures relative to repurchase agreements, other secured financing and TBA notional outstanding; excludes MSRs and term financing.

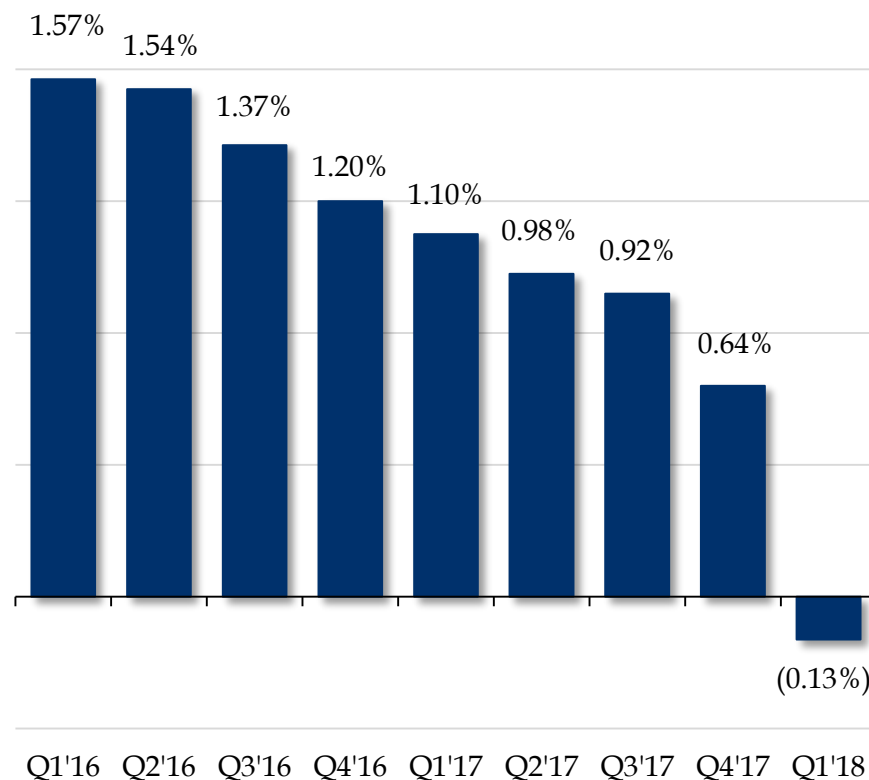
Annaly Proactively and Efficiently Repositions Hedge Portfolio

Annaly significantly benefitted from hedge reallocation and rising front-end rates

Key Components of Hedge Portfolio Repositioning

- ✓ Rotated out of legacy higher coupon swaps for current market swaps (Q4'17)
- ✓ Benefited from \$6 billion swaption portfolio amid higher interest rate volatility
- ✓ Added to Treasury futures short position that match the duration portfolio of our assets
- ✓ Realized profit on Eurodollar futures (majority of which were added from the Hatteras Financial Corp. acquisition)
- ✓ Reallocated Eurodollar hedges into front-end swaps
- ✓ Incremental hedges benefited from LIBOR resets at the end of Q1'18
- ✓ Swaps portfolio now in a net receive position⁽¹⁾

Net Rate⁽¹⁾ Continues to Decline Meaningfully



Source: Company filings as of March 31, 2018.

1. Net rate is the difference at the end of the period between weighted average pay rate on swaps and weighted average receive rate on swaps. Net receive position refers to an instance whereby the receive rate is greater than the pay rate at the end of the period.

Funding Market Dislocations Provide Opportunities

Annaly expects to benefit from recent trends in short term interest rates

LIBOR / OIS Spread Widening

- Several factors drove LIBOR higher in Q1'18
- OIS⁽¹⁾ and GC repo rates rose meaningfully less

Technical

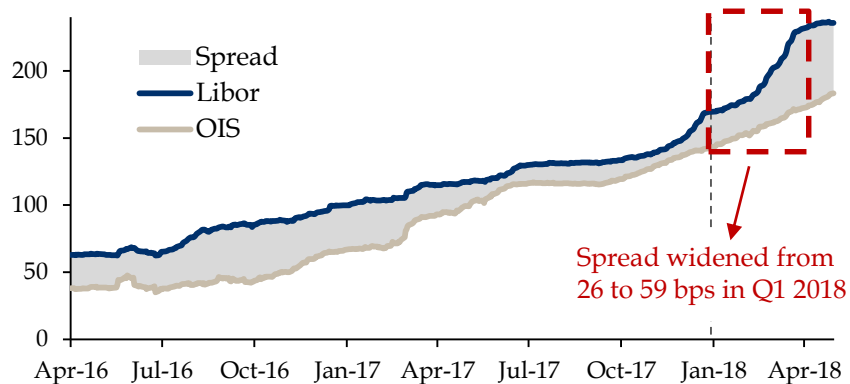
- Increased T-bill issuance
- Revised monetary policy expectations

Structural

- Corporate repatriation amid tax reform
- Declining reserves from unwind of QE

The spread between 3-month LIBOR and overnight index swaps widened by 33 bps – nearly a 125% increase – on the quarter

Spread Between 3-Month LIBOR and OIS (bps)

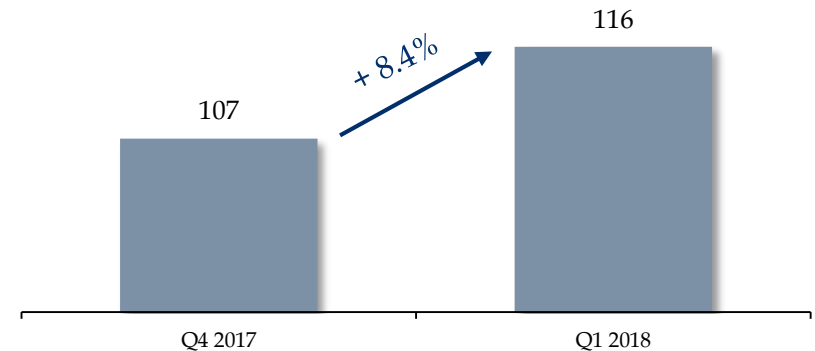


Annaly Strategic Positioning

- Annaly benefits as the spread between LIBOR and OIS widens
 - Declines in swap expenses from rising LIBOR helped to offset increase in financing cost in Q1'18
- Annaly extended its financing maturity profile as we deemed longer-term financing as relatively more attractive
- 95% of portfolio financing is fixed rate⁽²⁾

Annaly extended its average financing term by 9 days which is an 8.4% increase from Q4'17

Weighted Average Financing Term (days)⁽³⁾



Source: Bloomberg and Company filings. Market data as of April 30, 2018. Financial data as of March 31, 2018.

1. An Overnight Indexed Swap (OIS) is a set term (e.g. 3-month) swap in which two counterparties exchanged fixed and floating rate cash flows. The floating rate is typically tied to the effective Fed Funds rate, while the fixed rate is determined to represent the cash-flow neutral interest rate. A 3-month OIS fixed rate therefore represents the expected average Fed Funds rate over the next three months.

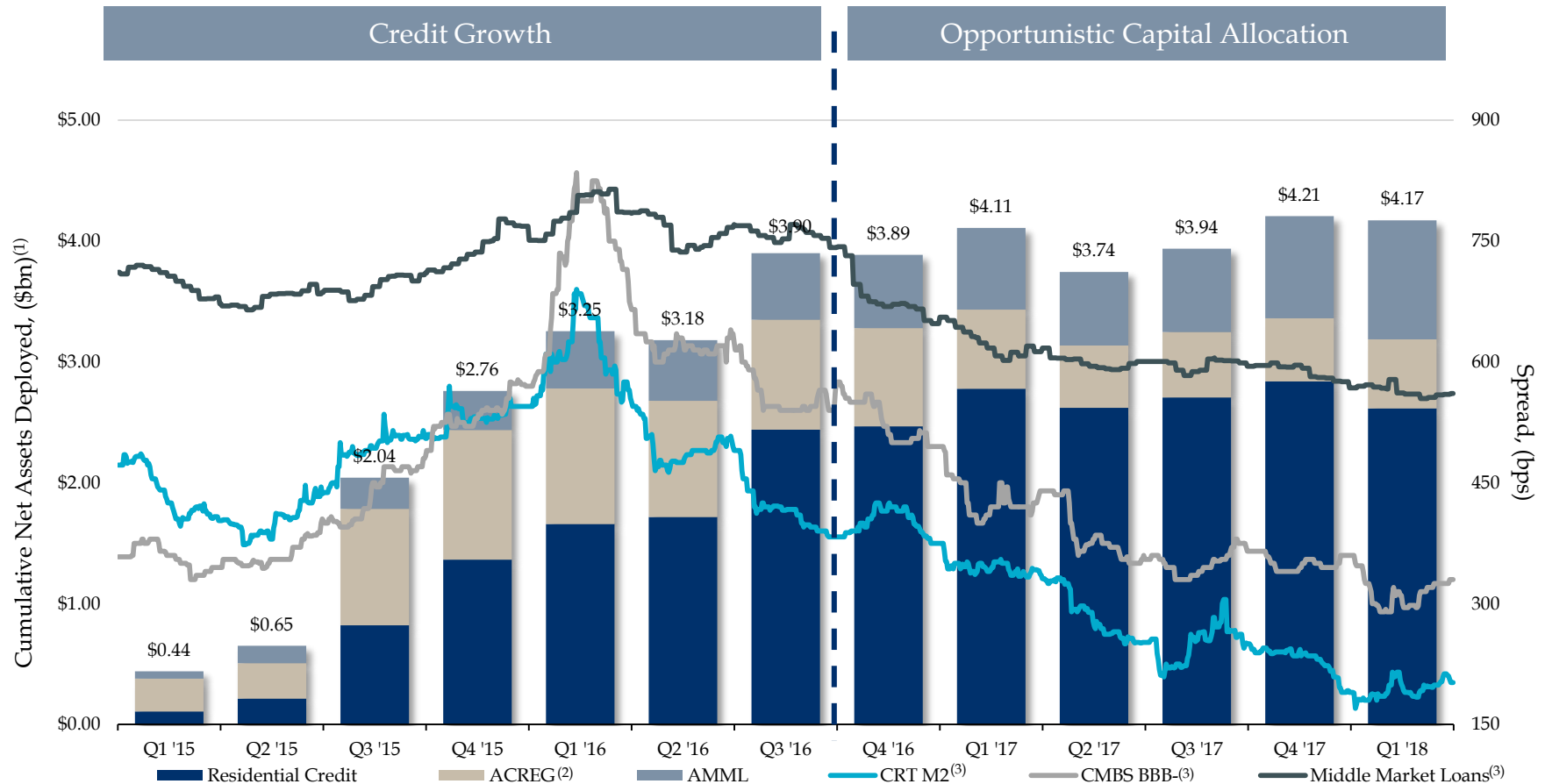
2. Excludes FHLB line.

3. Weighted Average Financing Term reflects weighted average financing for repurchase agreements and other secured financing by maturity date as of December 31, 2017 and March 31, 2018.

Asset Allocation Reflects Current Market Dynamics

The pace of Annaly's diversification effort has moderated in recent quarters given continued pressure on credit spreads

Annaly's allocation to credit has been stable since 2H'16 as spreads across credit sectors remain tight



Source: Company filings, S&P Global Market Intelligence (Middle Market Loan spreads), J.P. Morgan Markets (CMBS spreads), BAML Mercury (CRT).

Note: Financial data of March 31, 2018. Market spreads from December 31, 2014 through March 31, 2018.

1. Cumulative Net Assets Deployed representative of gross assets deployed less gross paydowns cumulatively from Q1'15 to Q1'18. Inclusive of gains/losses and amortization/other.

2. CRE assets exclude consolidated VIEs associated with B-Piece CMBS and include CMBS conduit securities.

3. CRT M2, CMBS BBB- and middle market loan spreads are illustrative proxies of Residential Credit, ACREG and AMML spreads respectively.

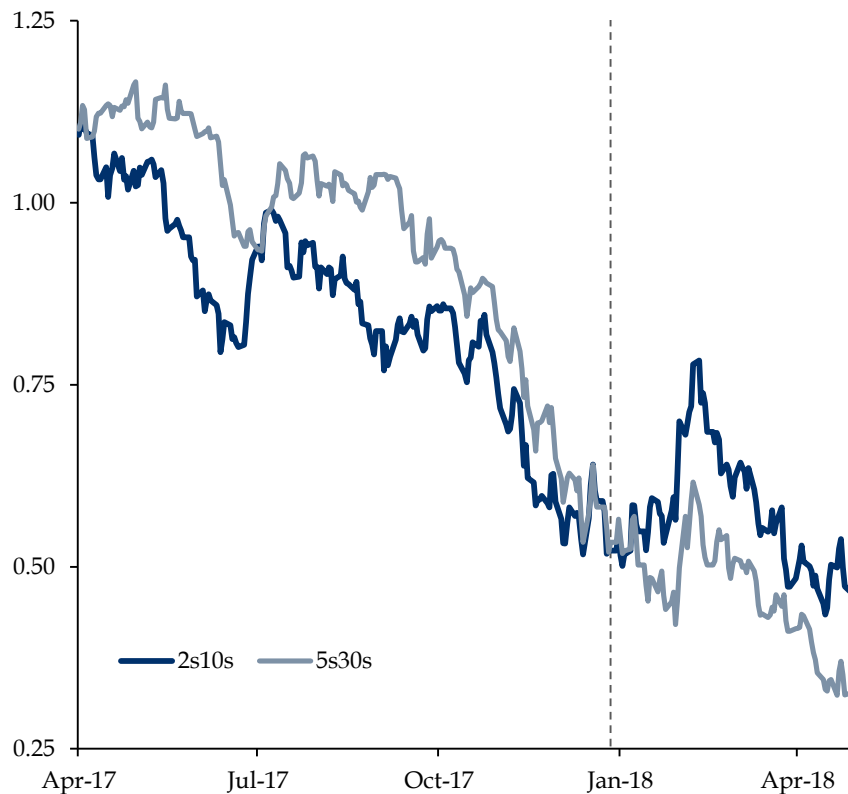
Continued Stability in Net Interest Margins

Despite the continued yield curve flattening, Annaly has produced an attractive and stable net interest margin (“NIM”) ex-PAA⁽¹⁾

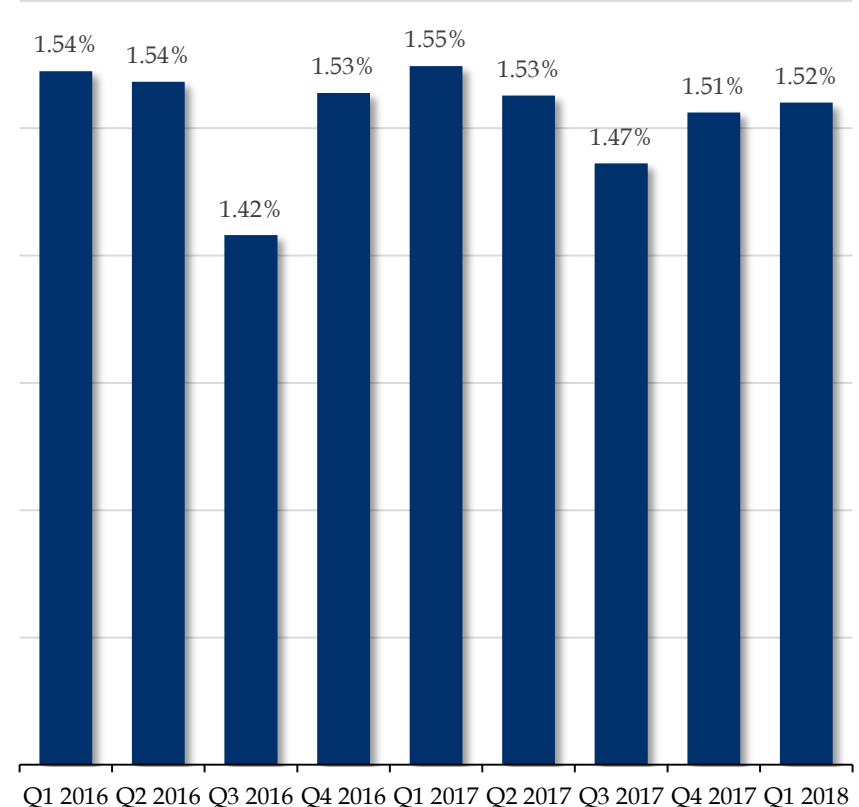
Yield curve flattened in the second half of the quarter as uncertainty weighed on the long-end, while the front-end continued to rise

Annaly has continued to provide an attractive, stable NIM over the last few years and throughout different yield environments

Treasury Yield Curve (%)



Annaly NIM ex-PAA (%)⁽¹⁾



Source: Bloomberg and Company filings. Market data as of April 30, 2018. Financial data as of March 31, 2018.

1. Net interest margin represents the sum of the Company's interest income plus TBA dollar roll income less interest expense and realized gains (losses) on interest rate swaps divided by the sum of average interest earning assets plus average TBA contract balances. Net interest margin (excluding PAA) excludes the 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 MBS. Represents a non-GAAP financial measure; see Appendix.

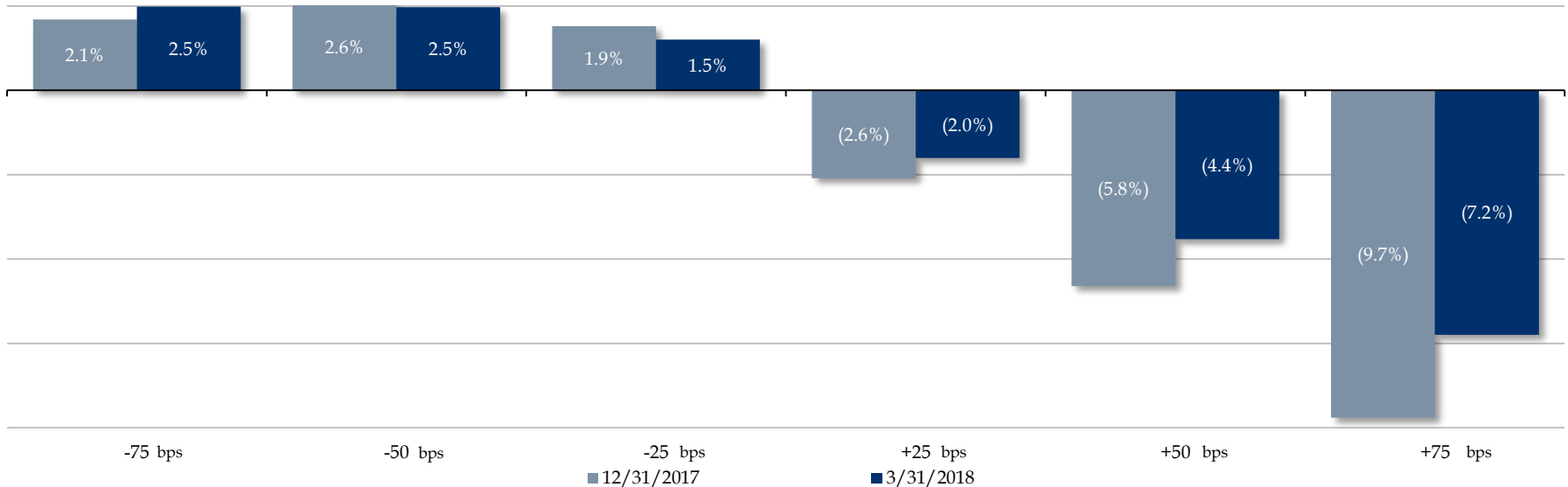
Annaly Well Prepared for Market Uncertainty

Defensive posturing strategically positions the portfolio for a range of market environments

Annaly actively reduced interest rate and convexity risk and net sold \$7 billion of Agency MBS⁽¹⁾

- At higher rate levels, Annaly's portfolio exhibits a healthier convexity profile as demonstrated by more benign changes in book value for similar sized interest rate selloffs
- Interest rate outlook remains highly tied to inflation readings, which are expected to be higher than in 2017, but remain well anchored around the Fed's 2% target
- This more defensive stance allows for opportunistic positioning to take advantage of further rate moves

Annaly Reduced Book Value Sensitivity to Interest Rates During Q1'18⁽²⁾



Source: Company filings as of March 31, 2018.

1. Interest rates spread sensitivity is based on results from third party models in conjunction with inputs from our internal investment professionals. Actual results could differ materially from these estimates. Projected book value sensitivity based on disclosed rate and sensitivity table from Annaly's quarterly financial supplement for the quarter ended March 31, 2018.

2. Includes TBA dollar roll.

Business Update

Agency: Portfolio Summary

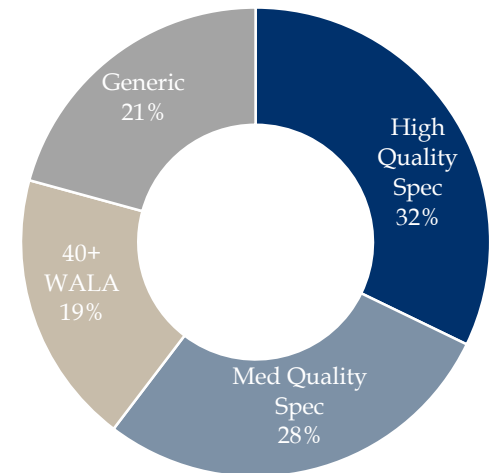
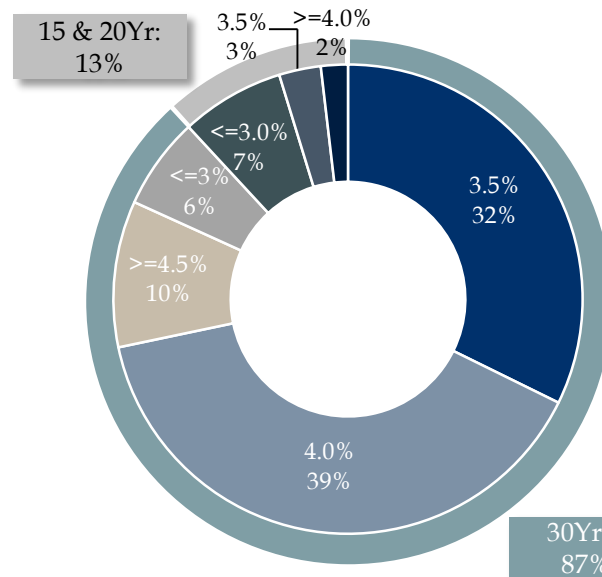
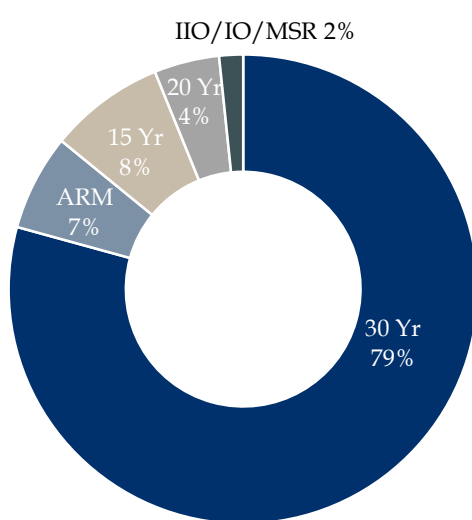
- The Agency portfolio was \$98.3 billion in assets at the end of Q1 2018 – a decrease of ~8% from Q4 2017⁽¹⁾
- Most of the decline in the Agency portfolio was from the sale of lower coupon TBAs
- Active duration management helped offset portfolio extension amid market selloff
- Agency MBS spreads were modestly wider in Q1 driven by strong net supply, higher rates and a rise in implied volatility
- ~79% of the portfolio was positioned in securities with prepayment protection at the end of Q1 2018

Total Dedicated Capital: \$9.6 billion⁽¹⁾

Asset Type⁽¹⁾

Pass Through
Coupon Type

Portfolio Quality⁽²⁾



Note: Data as of March 31, 2018. Percentages based on fair market value and may not sum to 100% due to rounding.

1. Includes TBA purchase contracts and MSRs.

2. "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 pools (CQ 105-125% LTV). "40+ WALA" is defined as weighted average loan age greater than 40 months and treated as seasoned collateral.

Residential Credit: Portfolio Summary

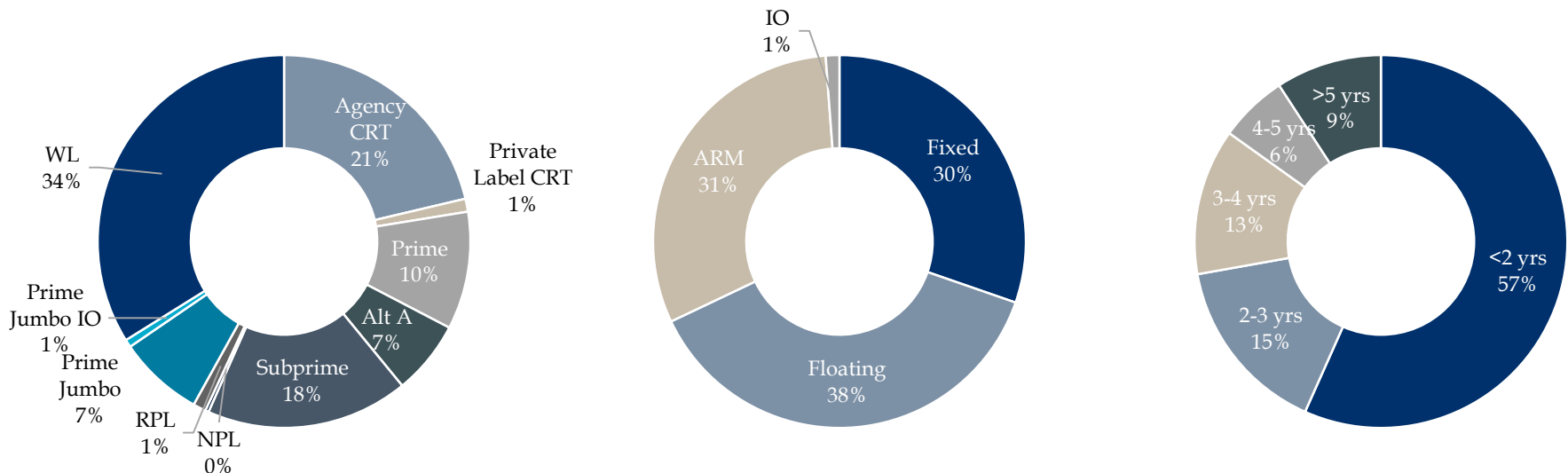
- The Residential Credit portfolio was unchanged at \$2.8 billion in assets during Q1 2018
 - Whole loan portfolio grew by \$10 million whereas securities were down \$19 million
- Annaly priced its inaugural non-agency RMBS transaction in March 2018, totaling \$327 million
 - 63% of the collateral came from the collapse of two legacy securitizations, supplemented with an additional \$122 million of loans previously held on balance sheet
- Strong securitization execution coupled with FHLB financing is supportive of continued whole loan portfolio growth
- Securitized residential credit continued to outperform throughout Q1 2018 despite broader macro volatility

Total Dedicated Capital: \$1.5 billion

Sector Type⁽¹⁾⁽²⁾

Coupon Type⁽¹⁾

Effective Duration⁽¹⁾



Note: Data as of March 31, 2018. 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.

1. Pie charts are shown exclusive of securitized residential mortgage loans of a consolidated VIE.

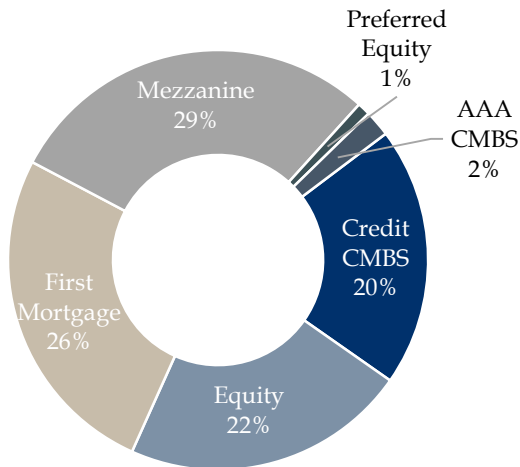
2. Prime classification includes \$14mm of Prime IO.

Commercial Real Estate: Portfolio Summary

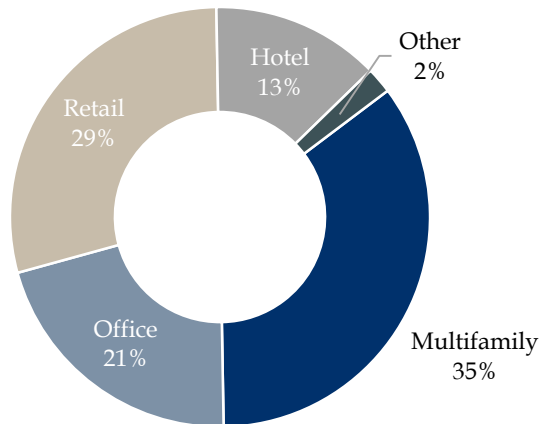
- The Commercial Real Estate portfolio grew slightly to \$2.0 billion in assets at the end of Q1 2018
- Assets continue to perform as the supply/demand fundamentals in the U.S. commercial real estate market remain favorable
- New investment activity outpaced paydowns during the quarter
 - \$120 million of new investment activity, \$91 million funded
 - \$42 million of payoffs/paydowns received
- We are cautious on credit in a highly competitive market but do expect some growth in the portfolio in the coming months based on an attractive pipeline

Total Dedicated Capital: \$1.1 billion

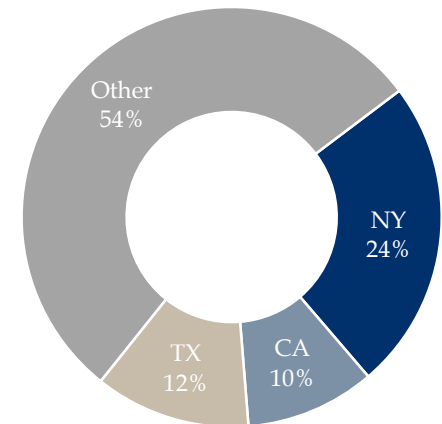
Asset Type



Sector Type



Geographic Concentration⁽¹⁾



Note: Data as of March 31, 2018. Portfolio statistics and percentages are based on economic interest and may not sum to 100% due to rounding. Data shown excludes consolidated VIEs associated with B-Piece CMBS and includes CMBS conduit securities.

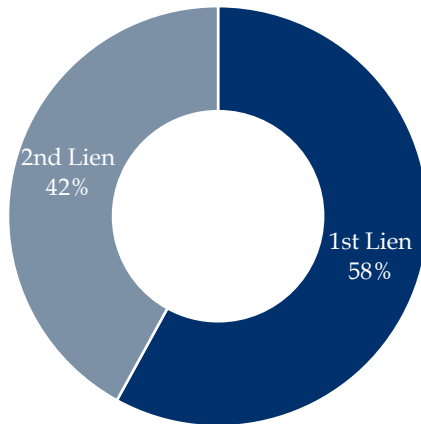
1. Other includes 47 states, none of which represents more than 5% of total portfolio value. The Company looked through to the underlying property characteristics for securitizations and equity method investments.

Middle Market Lending: Portfolio Summary

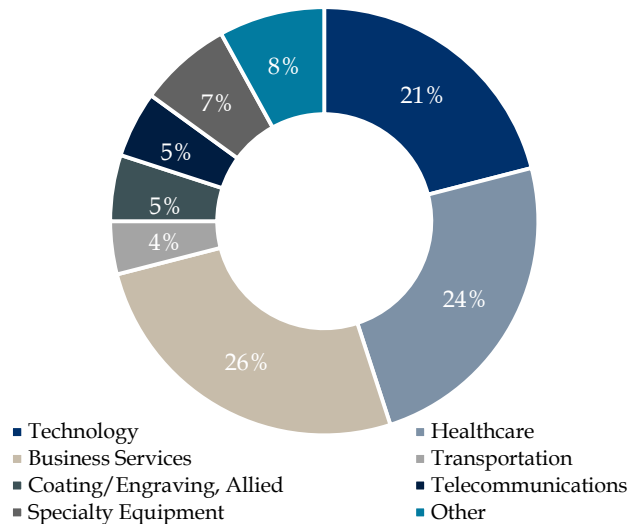
- The Middle Market Lending portfolio grew to \$1.2 billion in assets at the end of Q1 2018, a ~14% increase from Q4 2017
- Diversified first and second lien portfolio with increased focus on lead arranger opportunities and more concentrated positions
- Funded \$249 million of new deals in Q1 2018⁽¹⁾
- Portfolio of ~40 borrowers is well diversified by sponsor, industry and borrower

Total Dedicated Capital: \$0.9 billion

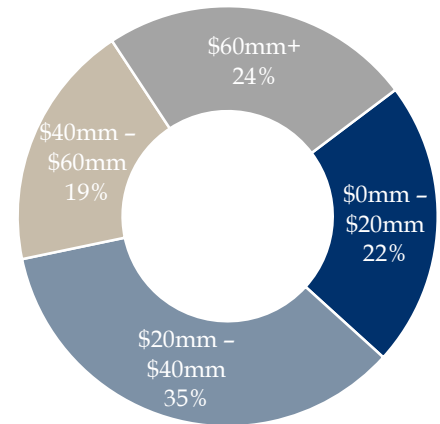
Lien Position



Industry⁽²⁾



Loan Size⁽³⁾



Note: Data as of March 31, 2018. Percentages based on amortized cost and may not sum to 100% due to rounding.

1. Inclusive of add-ons and repricings.

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.

Performance Highlights and Trends

Unaudited, dollars in thousands except per share amounts

	For the quarters ended				
	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017
GAAP net income (loss) per average common share ⁽¹⁾	\$1.12	\$0.62	\$0.31	(\$0.01)	\$0.41
Core earnings (excluding PAA) per average common share* ⁽¹⁾⁽²⁾	\$0.30	\$0.31	\$0.30	\$0.30	\$0.31
Core earnings per average common share* ⁽¹⁾⁽²⁾	\$0.41	\$0.30	\$0.26	\$0.23	\$0.29
PAA cost (benefit) per average common share	(\$0.11)	\$0.01	\$0.04	\$0.07	\$0.02
Dividends declared per common share	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30
Book value per common share	\$10.53	\$11.34	\$11.42	\$11.19	\$11.23
Annualized GAAP return (loss) on average equity	36.86%	20.58%	10.98%	0.46%	13.97%
Annualized core return on average equity (excluding PAA)*	10.70%	10.67%	10.57%	10.54%	10.66%
Net interest margin	1.94%	1.47%	1.33%	1.23%	1.47%
Net interest margin (excluding PAA)*	1.52%	1.51%	1.47%	1.53%	1.55%
Agency mortgage-backed securities	\$88,579,097	\$90,551,763	\$85,889,131	\$73,963,998	\$72,708,490
Mortgage servicing rights	596,378	580,860	570,218	605,653	632,166
Residential credit portfolio ⁽³⁾	3,230,970	3,187,380	2,706,092	2,619,564	2,778,452
Commercial real estate investments ⁽⁴⁾	4,521,681	4,604,388	5,321,786	5,375,251	5,550,464
Corporate debt	1,152,745	1,011,275	856,110	773,957	841,265
Total residential and commercial investments	\$98,080,871	\$99,935,666	\$95,343,337	\$83,338,423	\$82,510,837
Leverage, at period-end ⁽⁵⁾	6.1x	5.7x	5.4x	5.6x	5.6x
Economic leverage, at period-end ⁽⁶⁾	6.5x	6.6x	6.9x	6.4x	6.1x
Credit portfolio as a percentage of stockholders' equity ⁽⁷⁾	26%	24%	23%	20%	21%

* Represents a non-GAAP financial measure; see Appendix.

1. Net of dividends on preferred stock. The quarter ended December 31, 2017 excludes, and the quarter ended September 30, 2017, includes cumulative and undeclared dividends of \$8.3 million on the Company's Series F Preferred stock as of September 30, 2017.

2. Core earnings is defined as net income (loss) excluding gains or losses on disposals of investments and termination or maturity of interest rate swaps, unrealized gains or losses on interest rate swaps and investments measured at fair value through earnings, net gains and losses on trading assets, impairment losses, net income (loss) attributable to noncontrolling interest, transaction expenses and certain other non-recurring gains or losses, and inclusive of TBA dollar roll income (a component of Net gains (losses) on trading assets) and realized amortization of MSRs (a component of net unrealized gains (losses) on investments measured at fair value through earnings). Core earnings (excluding PAA) excludes 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.

3. Includes non-Agency securities, credit risk transfer securities and residential mortgage loans; includes consolidated VIEs.

4. Includes consolidated VIEs.

5. Debt consists of repurchase agreements, other secured financing, securitized debt, participation sold, and mortgages payable. Securitized debt, participation sold and mortgages payable are non-recourse to the Company.

6. Computed as the sum of recourse debt, TBA derivative notional outstanding and net forward purchases of investments divided by total equity. Recourse debt consists of repurchase agreements, other secured financing and securitized debt, participation sold and mortgages payable are non-recourse to the Company and are excluded from this measure.

7. Represents CRT securities, non-Agency mortgage-backed securities, residential mortgage loans, commercial real estate debt investments and preferred equity investments, loans held for sale, investments in commercial real estate and corporate debt, net of financing.

Appendix: Non-GAAP Reconciliations

Non-GAAP Reconciliations

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.

	For the quarters ended				
	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017
<u>GAAP to Core Reconciliation</u>					
GAAP net income (loss)	\$1,327,704	\$746,771	\$367,315	\$14,522	\$440,408
Less:					
Realized (gains) losses on termination of interest rate swaps	(834)	160,075	-	58	-
Unrealized (gains) losses on interest rate swaps	(977,285)	(484,447)	(56,854)	177,567	(149,184)
Net (gains) losses on disposal of investments	(13,468)	(7,895)	11,552	5,516	(5,235)
Net (gains) losses on trading assets	47,145	(121,334)	(154,208)	14,423	(319)
Net unrealized (gains) losses on investments measured at fair value through earnings	51,593	12,115	67,492	(16,240)	(23,683)
Transaction expenses ⁽¹⁾	1,519	-	-	-	-
Net (income) loss attributable to non-controlling interest	96	151	232	102	103
Plus:					
TBA dollar roll income ⁽²⁾	88,353	89,479	94,326	81,051	69,968
MSR amortization ⁽³⁾	(21,156)	(19,331)	(16,208)	(17,098)	(14,030)
Core earnings*	\$503,667	\$375,584	\$313,647	\$259,901	\$318,028
Less:					
Premium amortization adjustment (PAA) cost (benefit)	(118,395)	11,367	39,899	72,700	17,870
Core Earnings (excluding PAA)*	385,272	386,951	353,546	332,601	335,898
GAAP net income (loss) per average common share ⁽⁴⁾	\$1.12	\$0.62	\$0.31	(\$0.01)	\$0.41
Core earnings per average common share ^{(4)*}	\$0.41	\$0.30	\$0.26	\$0.23	\$0.29
Core earnings (excluding PAA) per average common share ^{(4)*}	\$0.30	\$0.31	\$0.30	\$0.30	\$0.31
Annualized GAAP return (loss) on average equity	36.86%	20.58%	10.98%	0.46%	13.97%
Annualized core return on average equity (excluding PAA)*	10.70%	10.67%	10.57%	10.54%	10.66%

* Represents a non-GAAP financial measure.

1. Represents costs incurred in connection with a securitization of residential whole loans.

2. Represents a component of Net gains (losses) on trading assets.

3. 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 investments measured at fair value.

4. Net of dividends on preferred stock. The quarter ended December 31, 2017 excludes, and the quarter ended September 30, 2017, includes cumulative and undeclared dividends of \$8.3 million on the Company's Series F Preferred stock as of September 30, 2017.

Non-GAAP Reconciliations (cont'd)

Unaudited, dollars in thousands except per share amounts

	For the quarters ended				
	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017
<u>Premium Amortization Reconciliation</u>					
Premium amortization expense	\$95,832	\$203,951	\$220,636	\$251,084	\$203,634
Less:					
PAA cost (benefit)	(118,395)	11,367	39,899	72,700	17,870
Premium amortization expense (excluding PAA)	\$214,227	\$192,584	\$180,737	\$178,384	\$185,764
<u>Interest Income (excluding PAA) Reconciliation</u>					
GAAP interest income	\$879,487	\$745,423	\$622,550	\$537,426	\$587,727
PAA cost (benefit)	(118,395)	11,367	39,899	72,700	17,870
Interest Income (excluding PAA) *	\$761,092	\$756,790	\$662,449	\$610,126	\$605,597
<u>Economic Interest Expense Reconciliation</u>					
GAAP interest expense	\$367,421	\$318,711	\$268,937	\$222,281	\$198,425
Add:					
Interest expense on interest rate swaps ⁽¹⁾	48,160	73,957	78,564	84,252	88,966
Economic interest expense ⁽¹⁾	\$415,581	\$392,668	\$347,501	\$306,533	\$287,391
<u>Economic Net Interest Income (excluding PAA) Reconciliation</u>					
Interest income (excluding PAA) *	\$761,092	\$756,790	\$662,449	\$610,126	\$605,597
Less:					
Economic interest expense ⁽¹⁾	415,581	392,668	347,501	306,533	287,391
Economic net interest income (excluding PAA) ⁽¹⁾	\$345,511	\$364,122	\$314,948	\$303,593	\$318,206
<u>Economic Metrics (excluding PAA)</u>					
Average interest earning assets	\$101,979,042	\$100,247,589	\$89,253,094	\$83,427,268	\$85,664,151
Interest income (excluding PAA) *	\$761,092	\$756,790	\$662,449	\$610,126	\$605,597
Average yield on interest earning assets (excluding PAA) *	2.99%	3.02%	2.97%	2.93%	2.83%
Average interest bearing liabilities	\$87,376,452	\$85,992,215	\$76,382,315	\$70,486,779	\$72,422,968
Economic interest expense ⁽¹⁾	\$415,581	\$392,668	\$347,501	\$306,533	\$287,391
Average cost of interest bearing liabilities ⁽¹⁾	1.90%	1.83%	1.82%	1.74%	1.59%
Economic net interest income (excluding PAA) ⁽¹⁾	\$345,511	\$364,122	\$314,948	\$303,593	\$318,206
Net interest spread (excluding PAA) *	1.09%	1.19%	1.15%	1.19%	1.24%
<u>Interest Income (excluding PAA) *</u>					
Interest income (excluding PAA) *	\$761,092	\$756,790	\$662,449	\$610,126	\$605,597
TBA dollar roll income	88,353	89,479	94,326	81,051	69,968
Interest expense	(367,421)	(318,711)	(268,937)	(222,281)	(198,425)
Realized gains (losses) on interest rate swaps ⁽²⁾	(48,160)	(82,271)	(88,211)	(96,470)	(104,156)
Subtotal	\$433,864	\$445,287	\$399,627	\$372,426	\$372,984
Average interest earning assets	\$101,979,042	\$100,247,589	\$89,253,094	\$83,427,268	\$85,664,151
Average TBA contract balances	12,050,341	17,509,691	19,291,834	14,206,869	10,655,785
Subtotal	\$114,029,383	\$117,757,280	\$108,544,928	\$97,634,137	\$96,319,936
Net interest margin (excluding PAA) *	1.52%	1.51%	1.47%	1.53%	1.55%

Represents a non-GAAP financial measure.

1. Prior to the quarter ended March 31, 2018, this metric included interest expense on interest rate swaps used to hedge cost of funds. Beginning with the quarter ended March 31, 2018, as a result of changes to the Company's hedging portfolio, this metric reflects all interest expense on interest rate swaps, which is reported as Realized gains (losses) on interest rate swaps in the Company's consolidated statements of comprehensive income (loss).
2. Consists of interest expense on interest rate swaps.