



ANNALY[®]

Third Quarter 2018
Investor Presentation

October 31, 2018

Safe Harbor Notice

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,” “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 mortgage 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; our ability to consummate any contemplated investment opportunities; changes in government regulations and 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. 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.

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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.

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

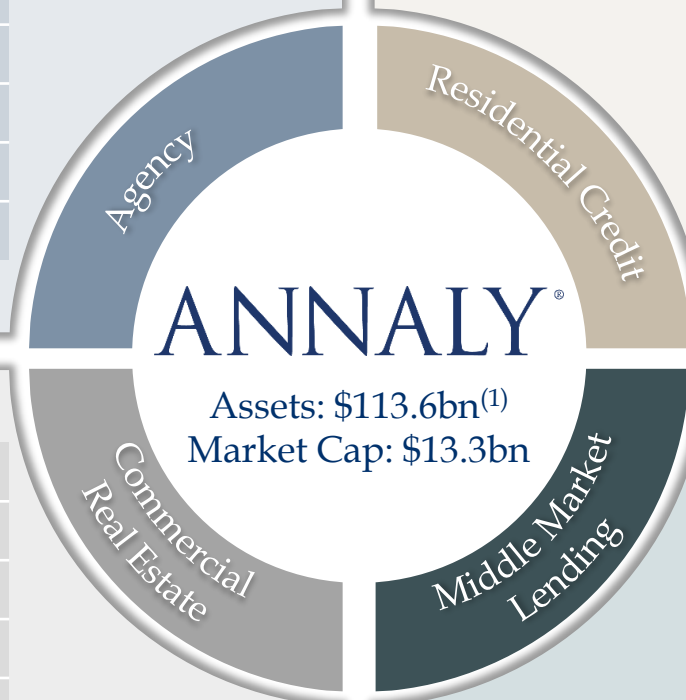
Annaly is a Leading Diversified Capital Manager

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

Assets ⁽¹⁾	\$106.1bn
Capital ⁽²⁾	\$8.8bn
Sector Rank ⁽³⁾	#1/5
Strategy	Countercyclical / Defensive
Levered Returns ⁽⁴⁾	9% - 10%

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

Assets ⁽¹⁾	\$3.2bn
Capital ⁽²⁾	\$1.5bn
Sector Rank ⁽³⁾	#6/17
Strategy	Cyclical / Growth
Levered Returns ⁽⁴⁾	9% - 12%



Assets ⁽¹⁾	\$2.7bn
Capital ⁽²⁾	\$1.1bn
Sector Rank ⁽³⁾	#4/12
Strategy	Cyclical / Growth
Levered Returns ⁽⁴⁾	8% - 11%

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

Assets	\$1.5bn
Capital ⁽²⁾	\$1.1bn
Sector Rank ⁽³⁾	#12/45
Strategy	Non-Cyclical / Defensive
Levered Returns ⁽⁴⁾	9% - 12%

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

Source: Bloomberg and Company filings. Market data as of September 28, 2018. Financial data as of September 30, 2018. Detailed endnotes and a glossary of defined terms are included at the end of this presentation.

Third Quarter 2018 Financial Highlights

Earnings & Book Value

Earnings per Share

GAAP Core
\$0.29 | \$0.30
(ex. PAA)*

Book Value Per Share

\$10.03

Dividend per Share

\$0.30

Dividend Yield⁽¹⁾

11.73%

Net Interest Margin

GAAP (ex. PAA)*
1.49% | 1.50%

Return on Equity

GAAP Core
10.73% | 10.85%
(ex. PAA)*

Investment Portfolio

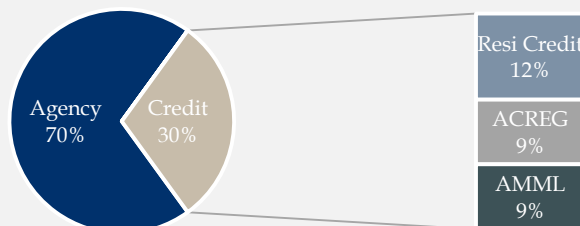
Total Portfolio⁽²⁾

\$113.6bn

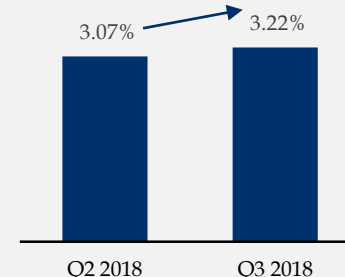
Total Stockholders' Equity

\$14.9bn

Capital Allocation⁽³⁾



Yield on Interest Earning Assets (ex-PAA)*



Financing & Hedging

Financing & Liquidity

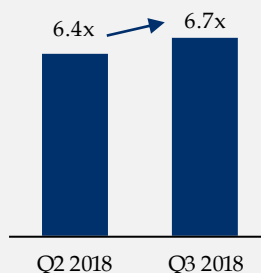
\$700mm
of facility capacity
added during Q3'18

\$8.4bn
of unencumbered
assets⁽⁴⁾

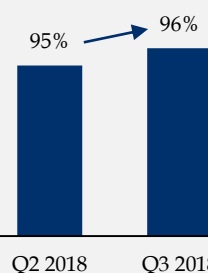
Total Hedge Portfolio

\$96bn
Includes \$71bn of
swaps, \$5bn of
swaptions and
\$20bn of futures

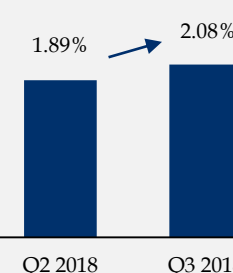
Economic Leverage



Hedge Ratio⁽⁵⁾



Average Cost of Funds⁽⁶⁾



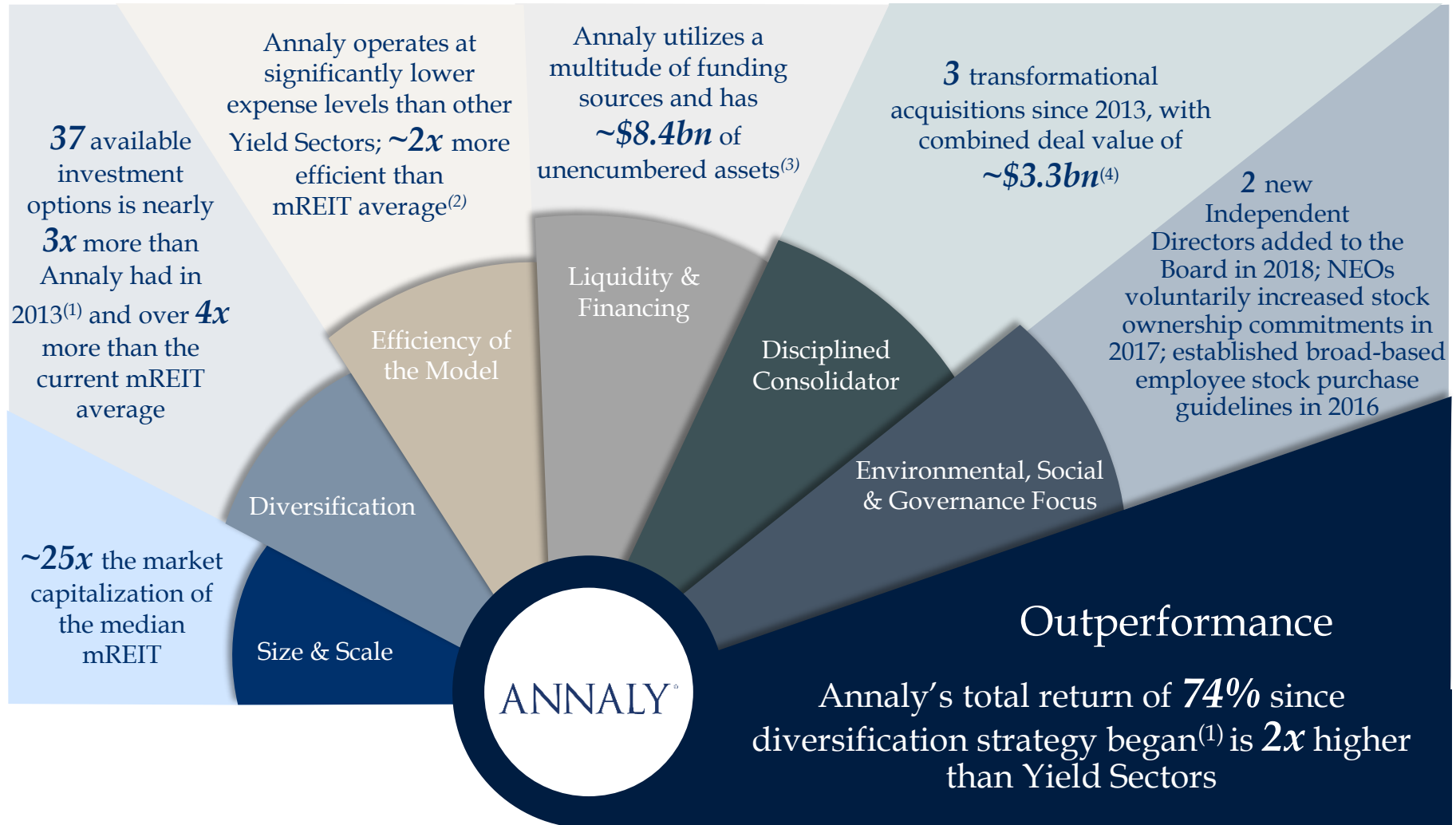
Source: Company filings. Financial data as of September 30, 2018, unless otherwise noted. * Represents a non-GAAP financial measure; see Appendix.

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

Investment Highlights

Annaly Advantages

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



Source: Bloomberg, SNL Financial and Company filings.

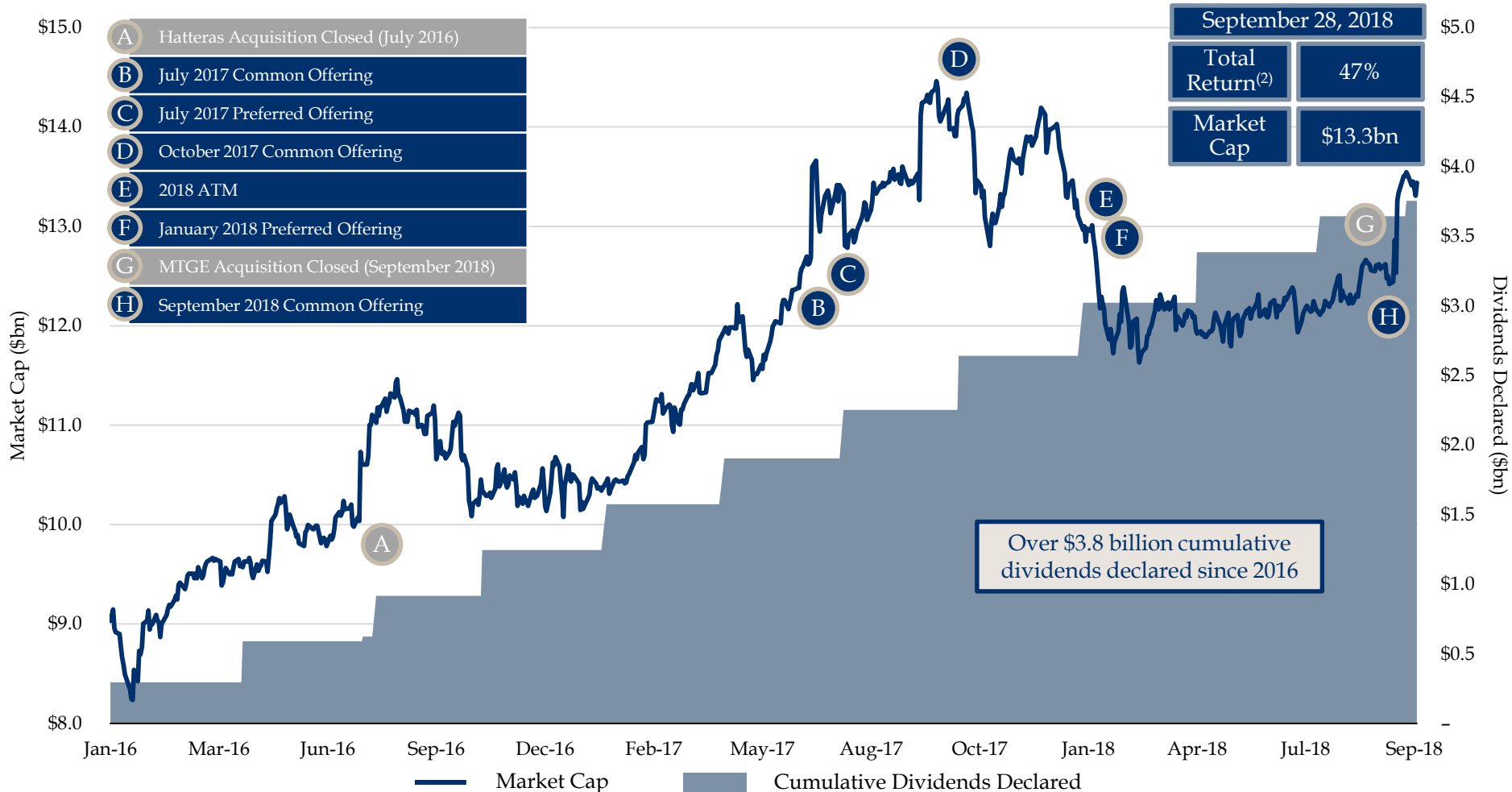
Note: Market data as of September 28, 2018. Financial data as of September 30, 2018 unless otherwise noted.

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Annaly Advantages | Recent Developments Enhance Size and Scale

Since January 2016, Annaly has grown its market cap by \$4.4 billion, or 50%, through 2 strategic acquisitions and 5 equity offerings⁽¹⁾, while declaring over \$3.8 billion in dividends to shareholders

Annaly Market Capitalization and Cumulative Dividends Declared



Source: Bloomberg and Company filings. Market data shown from December 31, 2015 to September 28, 2018.

Note: Cumulative dividends reflects common and preferred dividends.

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Annaly Advantages | Diversification

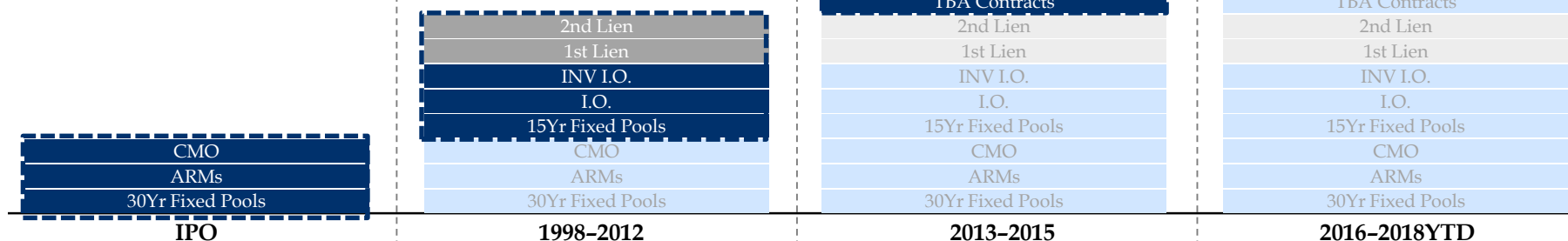
Expanded diversification enhances flexibility to capture opportunities

(\$ in millions)	IPO	Average			Today
		1998-2012	2013-2015	2016-2018	
Market Cap	\$140	\$5,184	\$10,894	\$11,515	\$13,330
Total Assets ⁽¹⁾	\$415	\$40,716	\$81,823	\$98,968	\$105,962
Beta	0.63	0.72	0.63	0.57	0.53

2014 represents the beginning of Annaly's broad-based diversification efforts

Investment Options

- Agency
- Resi
- CRE
- MML
- New Options⁽²⁾



Source: Company filings. Financial data as of September 30, 2018 and market data as of September 28, 2018 unless otherwise noted.

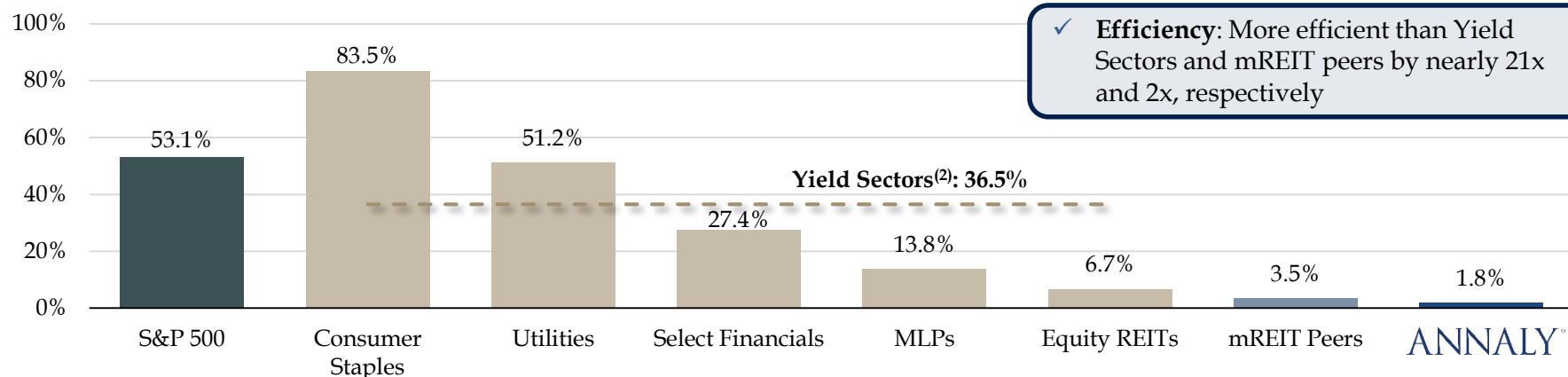
Note: Diagram is not representative of the size of each portfolio. Annaly may not be invested in all investment options at any one point in time.

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

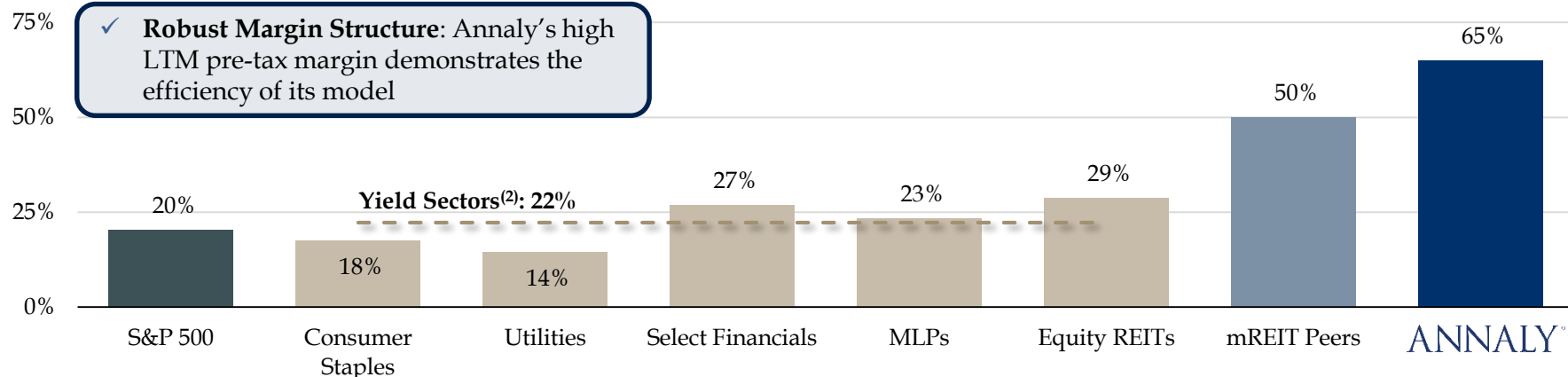
Annaly Advantages | Efficiency

Annaly continues to further establish itself as a diversified market leader while operating more efficiently than Yield Sectors and mREIT peers

OpEx as % of Average Equity⁽¹⁾



LTM Pre-Tax Margin⁽³⁾



Source: Bloomberg and Company filings. Financial data as of June 30, 2018.

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

Annaly Advantages | Strategic Financing Alternatives

Annaly's financing flexibility and ability to raise liquidity provides the company with unique competitive advantages

Total Capitalization		Financing Options				
9/30/2018: \$99.2 billion ⁽¹⁾		Available Financing Options	Agency	Residential Credit	ACREG	AMML
Agency, Non-Agency & CMBS Repo \$78.3 billion		In-House Broker-Dealer	✓			
		Street Repo	✓	✓	✓	
		Direct Repo	✓			
		FHLB	✓	✓	✓	
FHLB ⁽²⁾ \$3.6 billion		Credit Facilities / Warehouse Financing			✓	✓
Secured Financing ⁽³⁾ \$2.3 billion		Non-Recourse Financing Term ⁽⁴⁾	✓	✓	✓	✓
Preferred Equity \$1.8 billion		Syndication			✓	✓
		Mortgage Financing			✓	
Common Equity \$13.2 billion		Preferred Equity	✓	✓	✓	✓
		Common Equity	✓	✓	✓	✓

Source: Company filings. Financial data as of September 30, 2018.

Note: Diagram is not representative of Annaly's entire list of financing options.

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

Annaly Advantages | Proven Track Record as a Disciplined Consolidator

Annaly is an industry leading acquirer

ANNALY[®] *Acquires*

CREXUS
Investment Corp.

HATTERAS
FINANCIAL

MTGE
Investment Corp.

Announcement Date

1/31/2013

4/11/2016

5/2/2018

Size⁽¹⁾

\$872mm

\$1,498mm

\$906mm

Highlights

Increased Diversification



Accretive to Earnings⁽²⁾



Improved Operating
Efficiency and Scale



Enhanced Investment
Opportunities



Demonstrated Ability To
Successfully Execute



Annaly's Proven Value Proposition

Differentiated Scale
and Liquidity

Diversified Capital
Allocation

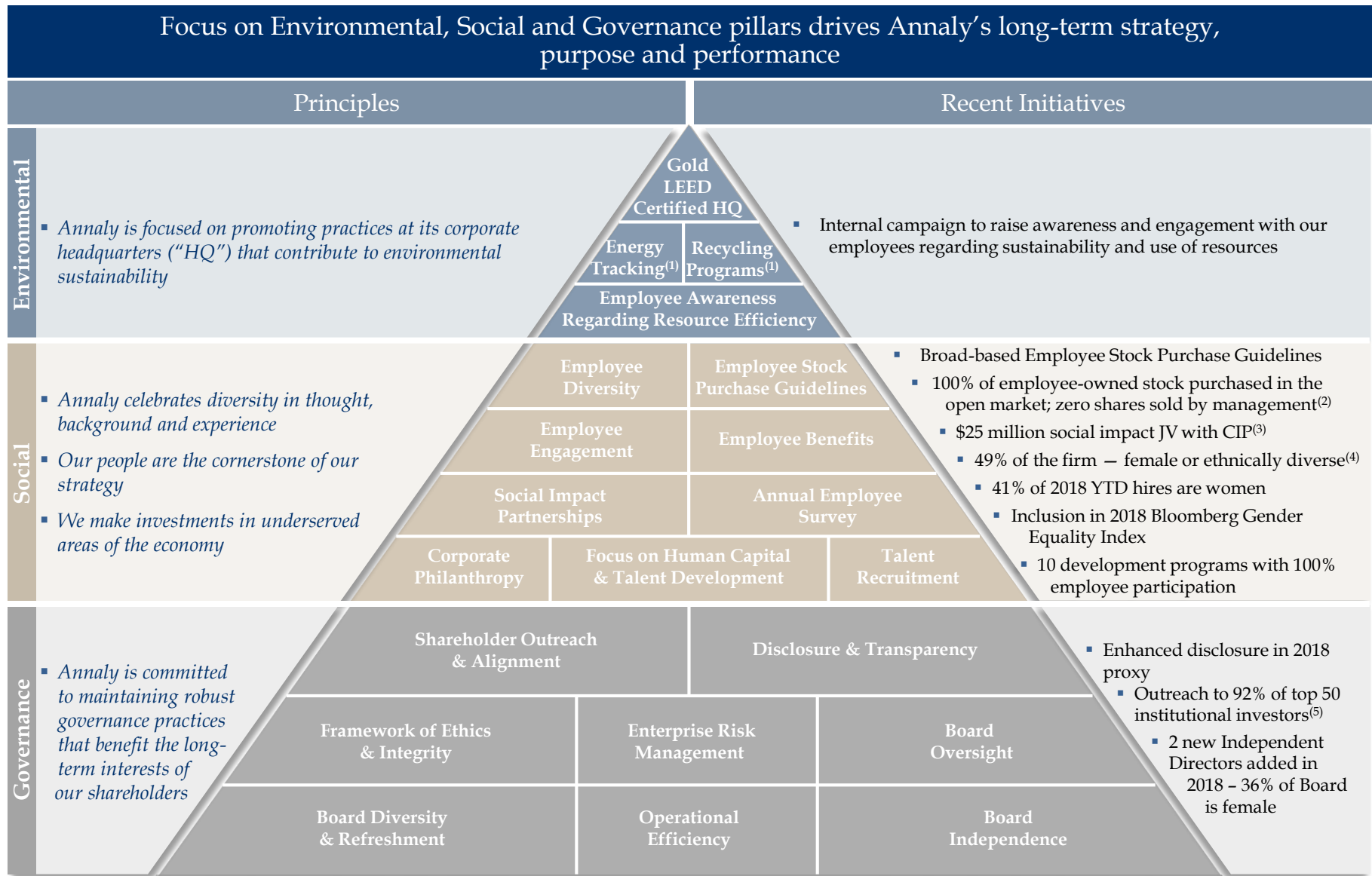
Compelling ROEs with
Moderate Leverage

Proven Capabilities Across
Asset Classes

Source: Company filings.

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

Annaly Advantages | Environmental, Social and Governance (“ESG”) Focus



Note: Company statistics as of September 30, 2018, unless otherwise noted.

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Annaly Advantages | Our Investments Help Fuel the Economy

Annaly's housing finance portfolio supports homes and communities in every state across the U.S.

Nearly 750,000 homes

Annaly provides financing for Americans and their families⁽¹⁾

3.9 million additional homes

Supported through Annaly's investments in CRT securities, which are instruments that allow the private sector to take credit risk from the GSEs⁽²⁾

Agency

Lower Loan Balance Mortgages

177,000 Loans Totaling \$14.3 Billion

To borrowers with lower loan balance mortgages typically financing homes that are less than half the national house price average⁽³⁾

Residential Credit

Self-Employed Borrowers

1,000 Loans Totaling \$590 Million

To self-employed borrowers with relatively strong credit, including small business owners that have challenges accessing mortgage credit from commercial banks⁽⁴⁾

Commercial Real Estate

Social Impact Investing Joint Venture

\$25 Million Social Joint Venture⁽⁵⁾

Established joint venture with CIP dedicated to supporting underserved communities across the country

Annaly provides private capital to housing finance markets⁽⁶⁾

Agency MBS

Finances residential mortgages that have GSE guarantees

\$105.5 billion

Mortgage Servicing Rights

Invests in servicing rights of Agency MBS

\$589 million

GSE CRT

Investments that shift credit risk from the GSEs to the private sector during an economic downturn

\$689 million

Residential Whole Loans and Securities

Finances residential mortgages that do not have GSE guarantees

\$2.6 billion

Multifamily Commercial Real Estate Loans, Securities, and Equity

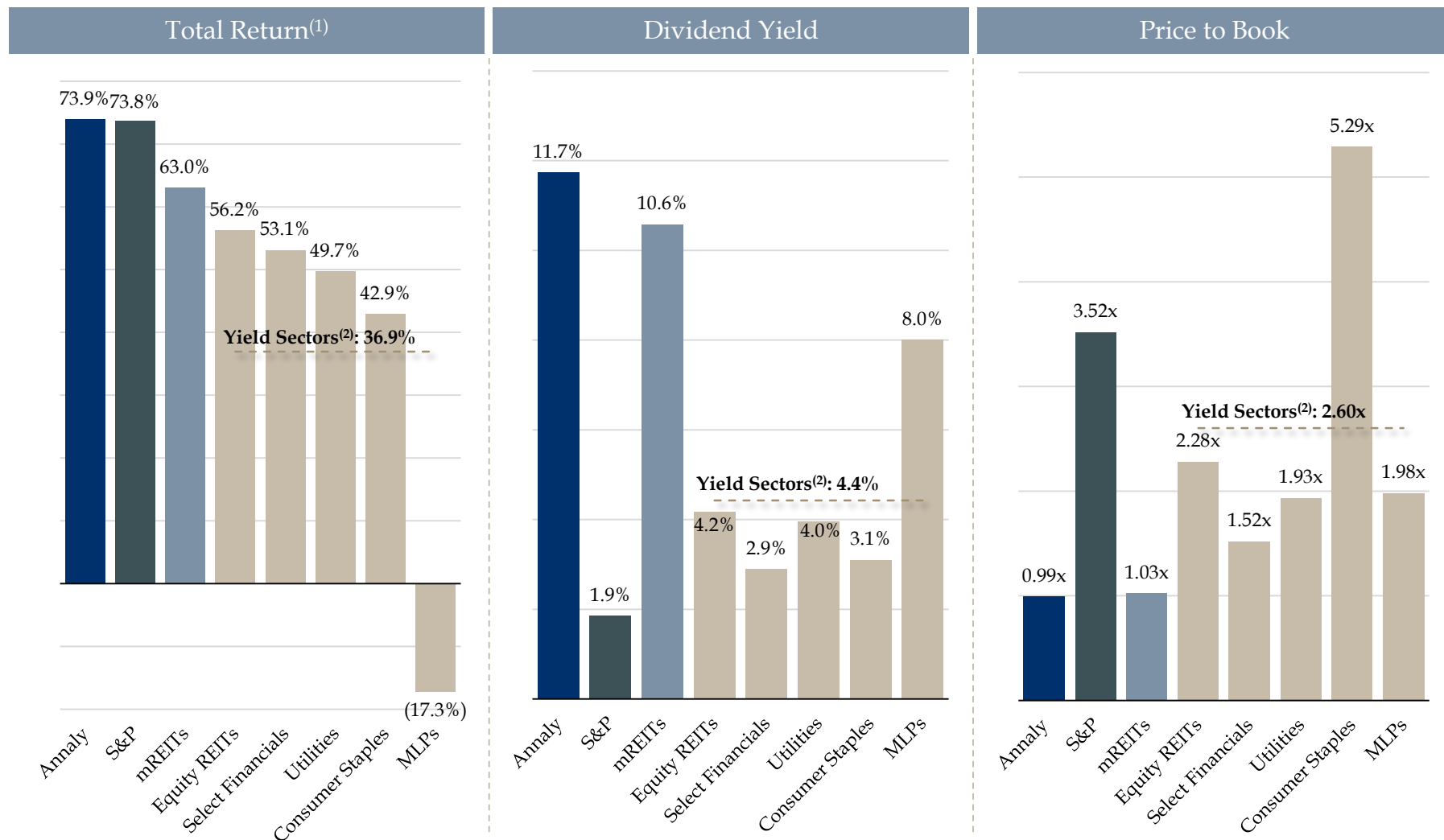
Finances multifamily investments that do not have GSE guarantees

\$632 million

Source: Bloomberg and Company filings. Financial data as of September 30, 2018.
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Annaly Advantages | Outperformance and Relative Valuation

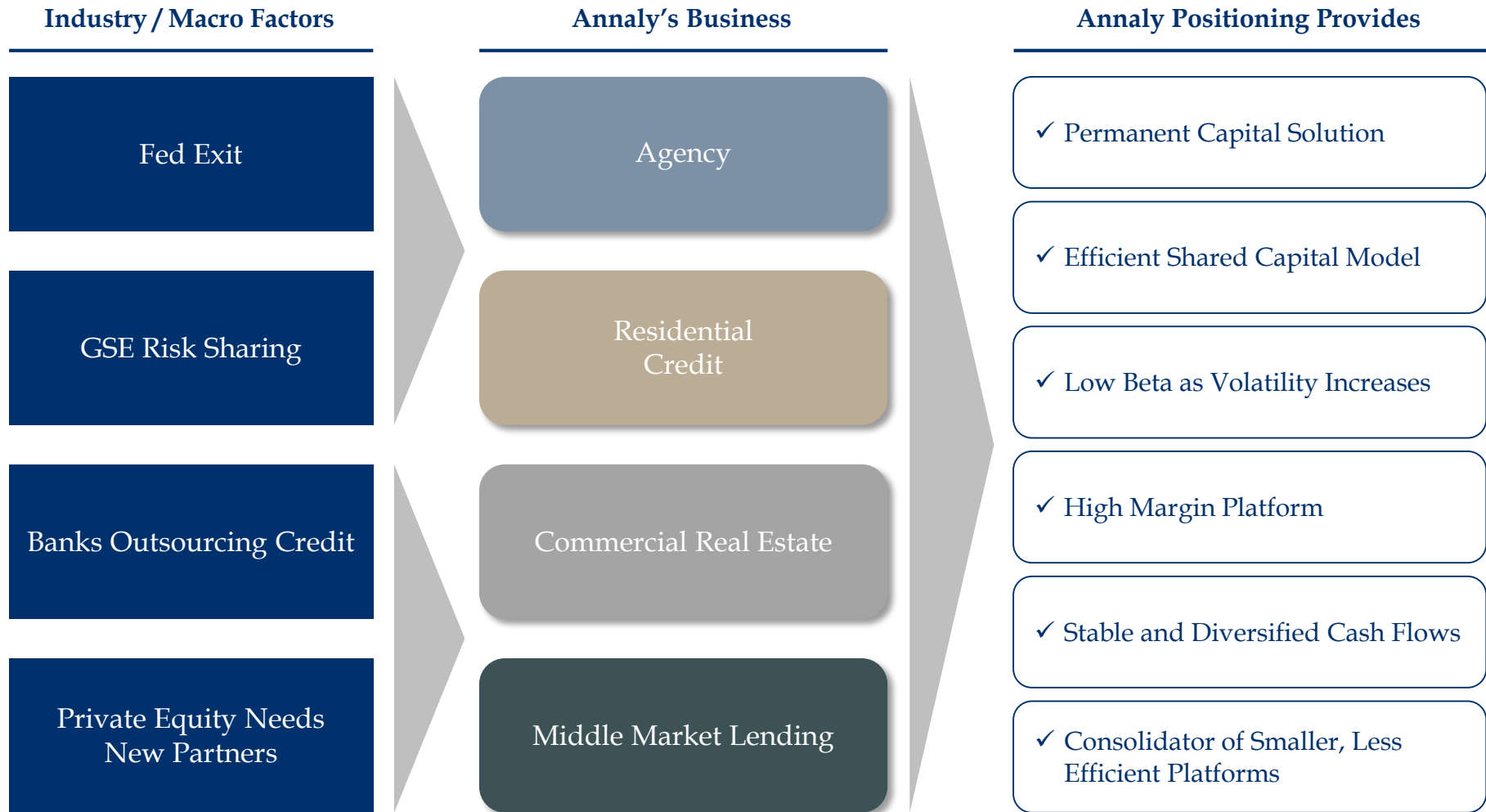
Annaly's performance and yield profile are superior to other yield asset classes, yet valuation remains relatively low



Source: Bloomberg, Company Filings as of June 30, 2018. Market data as of September 28, 2018.
Detailed endnotes and a glossary of defined terms are included at the end of this presentation.

Annaly's Opportunity

Annaly is positioned to capitalize on industry and macro trends



Annaly's Relative Value

Traditional Valuation and Performance Metrics...

Annaly trades at a relative discount to other yield producing sectors despite outperforming across operating and performance metrics

		Yield Sectors						ANNALY [®]	Annaly vs. Yield Sectors ⁽¹⁾
		S&P 500	Equity REITs	Utilities	Select Financials	Consumer Staples	MLPs		
Performance & Valuation Measures	Price to Book	3.52x	2.28x	1.93x	1.52x	5.29x	1.98x	0.99x	62% lower P/B
	Price to Earnings ⁽²⁾	21.1x	16.5x	15.9x	14.2x	19.6x	15.5x	8.5x	48% lower P/E
	Dividend Yield	1.9%	4.2%	4.0%	2.9%	3.1%	8.0%	11.7%	2.7x higher dividend yield
	Total Return ⁽³⁾	73.8%	56.2%	49.7%	53.1%	42.9%	(17.3%)	73.9%	Outperformed all other yield options
Operating Efficiency & Trading Metrics	Operating Margin ⁽⁴⁾	21%	29%	16%	30%	18%	25%	46%	1.9x higher operating margin
	Leverage ⁽⁵⁾	2.8x	1.9x	2.7x	9.2x	2.2x	3.2x	6.4x	Modestly higher
	ADTV	\$1,261	\$89	\$397	\$712	\$421	\$54	\$120	ADTV 4.5x the median yield stock
	Beta	1.00	0.70	0.63	1.13	0.73	0.88	0.53	34% lower beta

Full Valuation /
Less Efficient

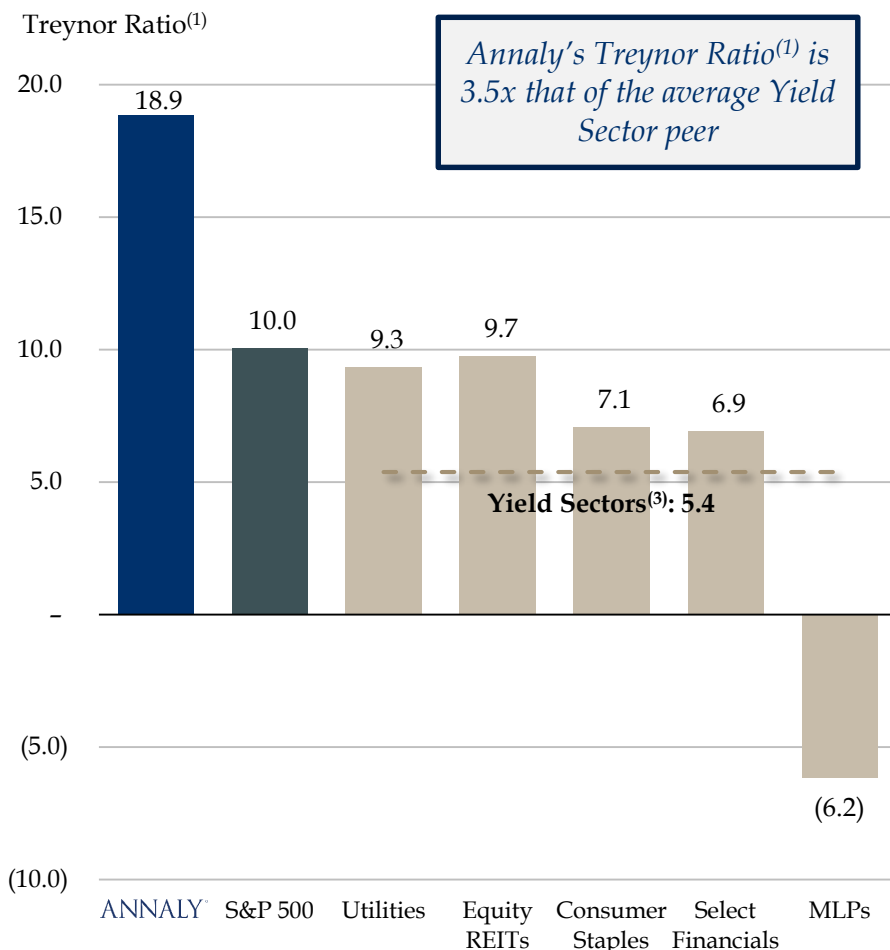
Potential Upside to
Valuation / More Efficient

Source: Bloomberg, Company Filings as of June 30, 2018. Operating Margin based on trailing 12 month financials as of June 30, 2018. Market data as of September 28, 2018.
Detailed endnotes and a glossary of defined terms are included at the end of this presentation.

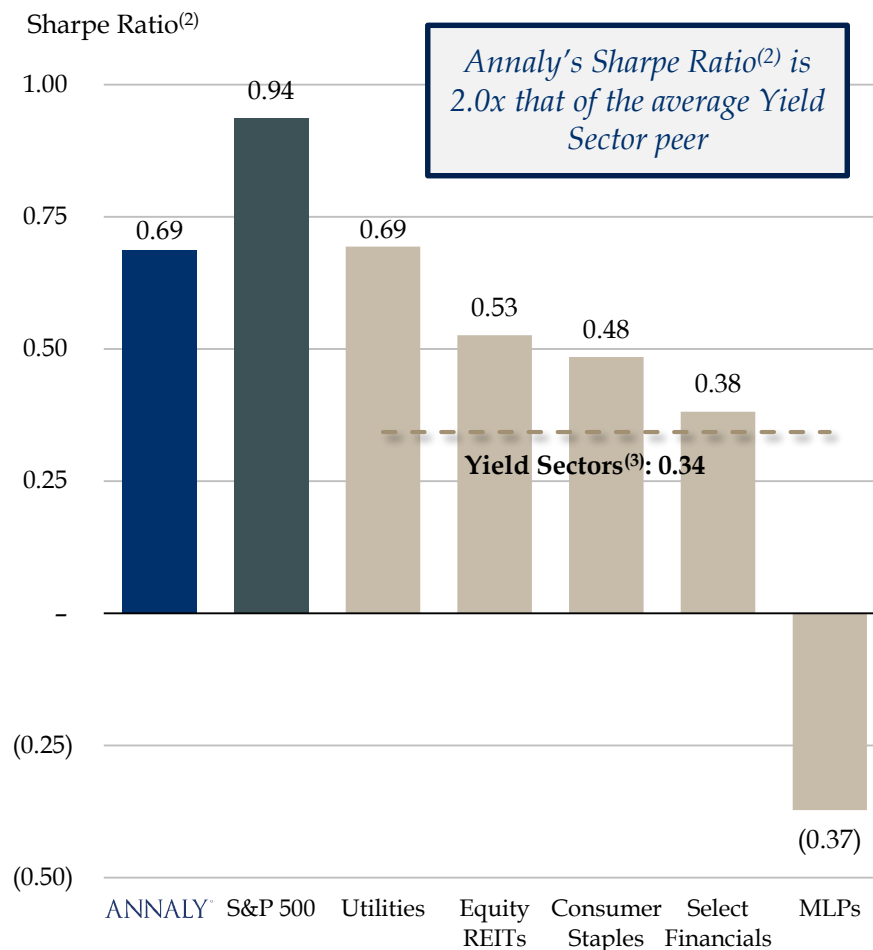
...Can be Supplemented by Analyzing Risk-Adjusted Returns

Stability, low beta and strong performance have resulted in outsized risk-adjusted returns

Performance vs. Beta



Performance vs. Standard Deviation of Returns



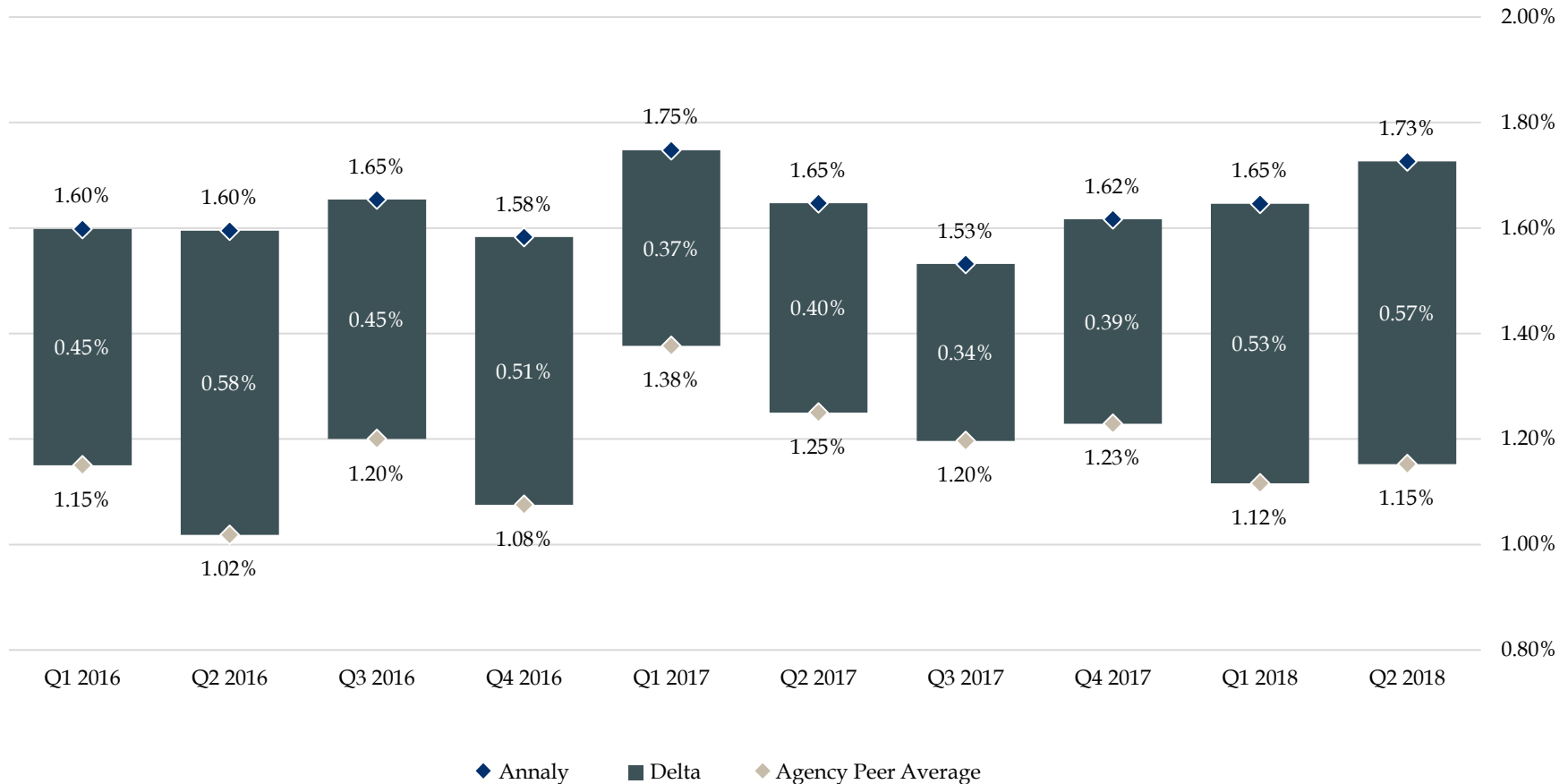
Source: Bloomberg. Market data as of September 28, 2018.

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

Risk-Adjusted Returns | Return per Unit of Economic Leverage

Since 2016, Annaly's core ROE⁽¹⁾ per unit of leverage has been ~46bps, or 39%, greater on average than the Agency Peer average

Annualized Core ROE⁽¹⁾ per Unit of Economic Leverage



Source: Company filings.

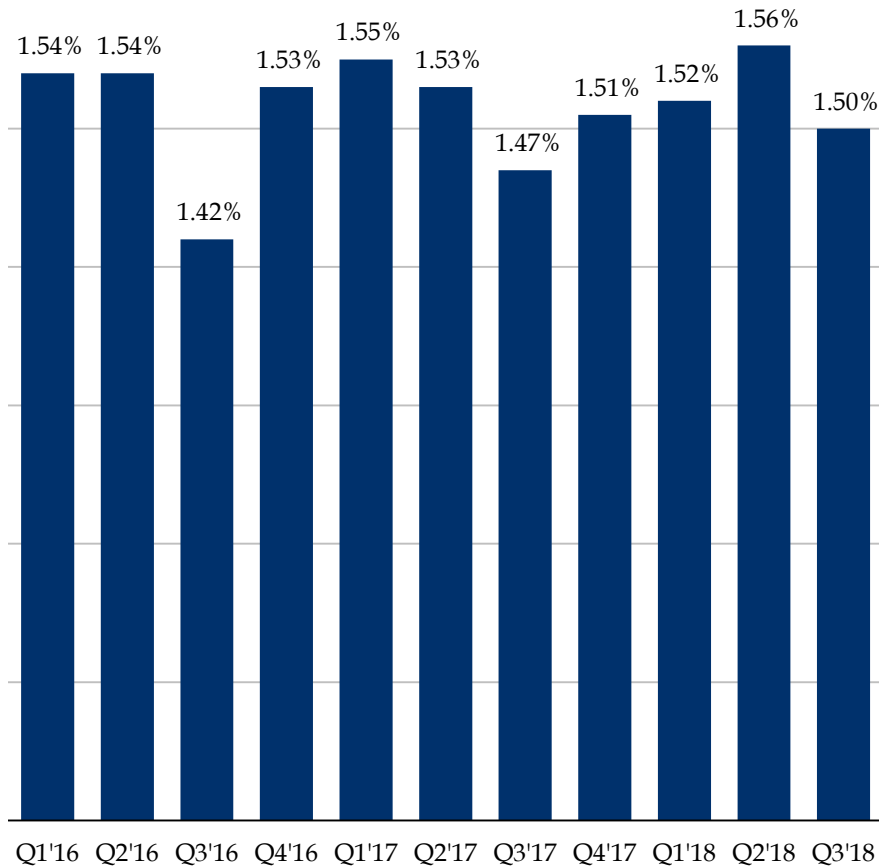
Note: Financial data as of June 30, 2018. Values may not sum due to rounding.

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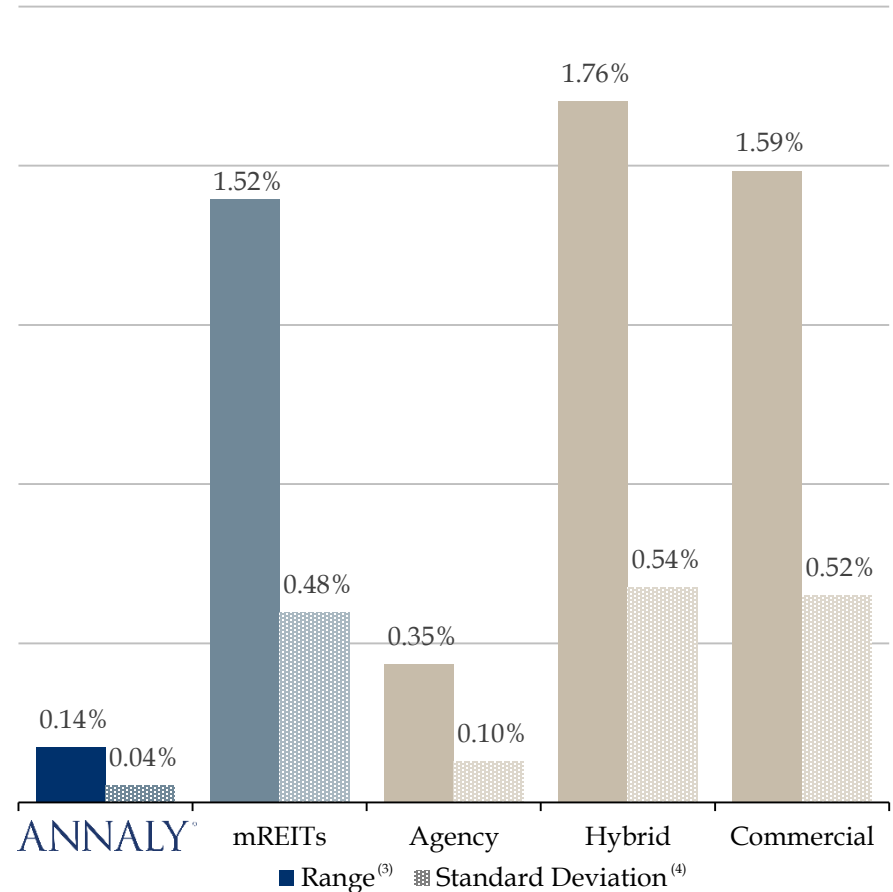
Risk-Adjusted Returns | Margin Stability

Annaly has maintained a Net Interest Margin ("NIM") (ex-PAA)⁽¹⁾ that is 11x more stable than the average mREIT since 2016

Annaly NIM (ex-PAA)⁽¹⁾
(Q1 2016 – Q3 2018)



NIM Dispersion Relative to mREIT Peers⁽²⁾
(Q1 2016 – Q2 2018)



Source: Company filings and SNL Financial.

Note: Financial data as of September 30, 2018, unless otherwise noted.

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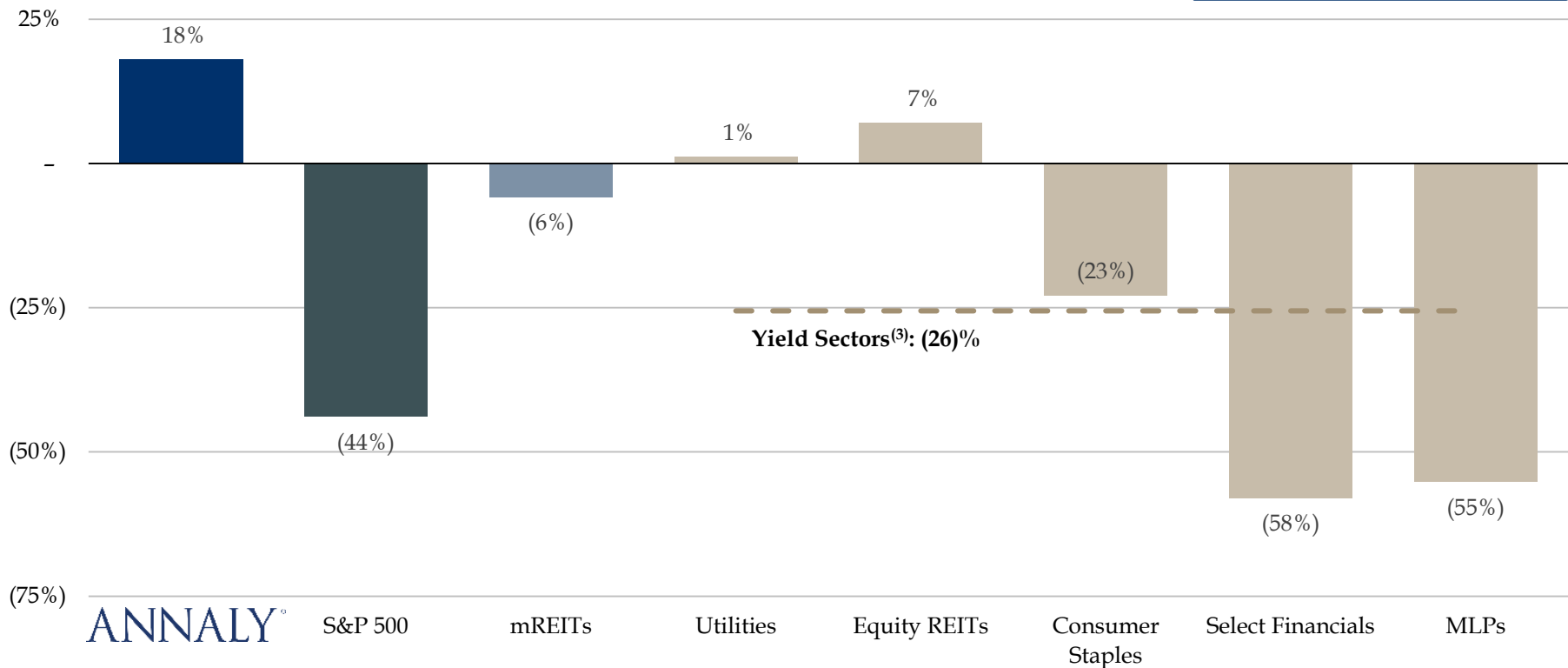
Outperformance During Volatile Periods

Annaly has historically outperformed the broader market as market volatility has risen

Total Shareholder Return Since 2014 When the VIX Index⁽¹⁾ is Above 15

Total Shareholder Return⁽²⁾

*Annaly Outperformed the
S&P 500 by 62%*



Source: Bloomberg. Market data as of September 28, 2018.

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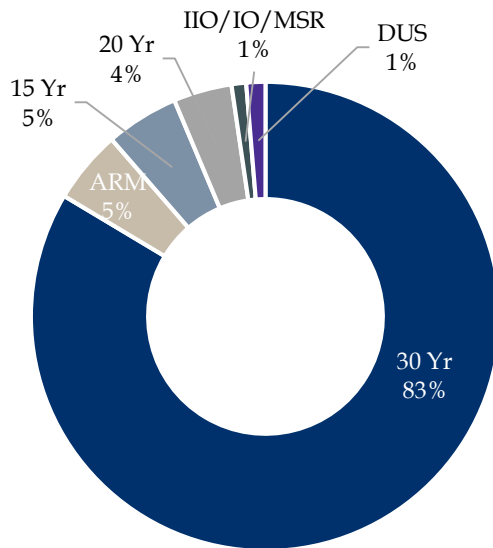
Business Update

Agency | Portfolio Summary

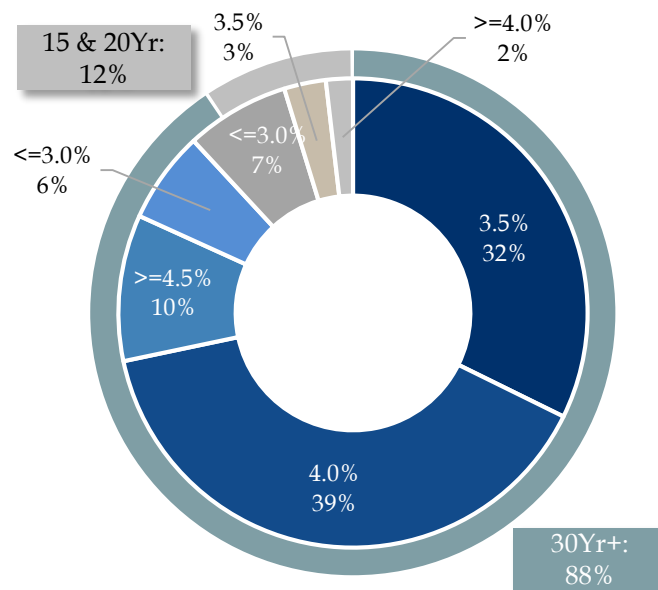
- Agency Portfolio: \$106.1 billion in assets at the end of Q3 2018, an increase of ~11% from Q2 2018⁽¹⁾
- Portfolio increase was driven by onboarding of MTGE assets and outright purchases of specified pools and TBAs
- Mixed Agency MBS performance in Q3 2018 amid the continued rate sell-off
 - While Agency MBS continues to face a challenging supply/demand picture, product fundamentals remain attractive
 - Strong economy supports housing turnover, while a fraction of borrowers have refinancing incentive
- ~85% of the portfolio was positioned in securities with attractive convexity profiles at the end of Q3 2018

Total Dedicated Capital: \$8.8 billion⁽¹⁾

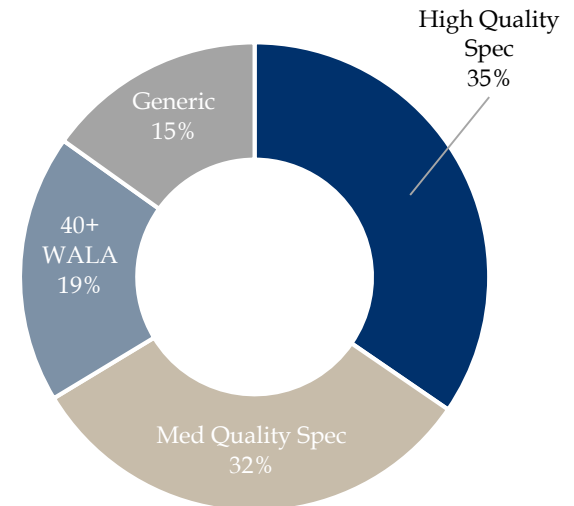
Asset Type⁽¹⁾



Pass Through Coupon Type



Portfolio Quality⁽²⁾



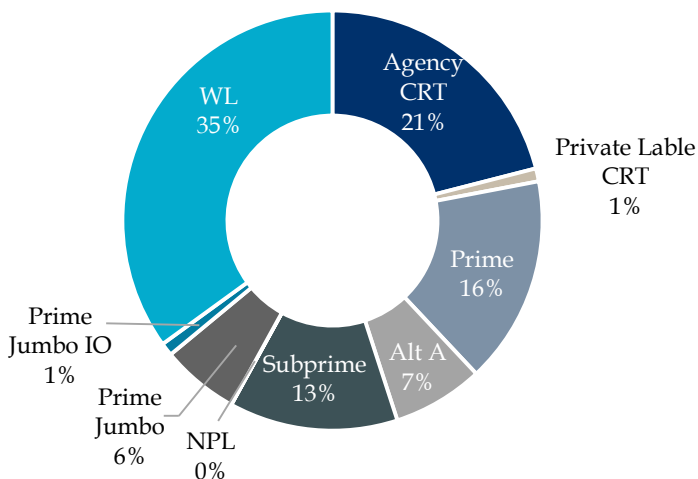
Note: Data as of September 30, 2018. Percentages based on fair market value and may not sum to 100% due to rounding.
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Residential Credit | Portfolio Summary

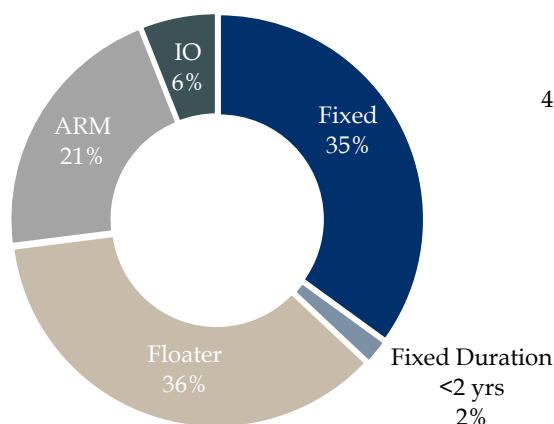
- Residential Credit Portfolio: \$3.2 billion in assets at the end of Q3 2018, an increase of ~13% from Q2 2018
 - Portfolio growth primarily attributable to whole loan purchases coupled with the onboarding of MTGE credit assets
- Closed \$384 million residential whole loan securitization during Q3 2018, representing the second securitization of 2018
- Subsequent to the third quarter, closed on a third securitization of \$384.0 million in October 2018, for an aggregate \$1.1 billion in whole loan securitizations in 2018
 - Plan to continue utilizing securitization execution as a complement to advantageous FHLB financing of the whole loan portfolio – to date, there have been zero realized losses on the \$1.1 billion whole loan portfolio⁽¹⁾⁽²⁾
- Residential Credit continues to perform well, evidenced by spreads tightening across the capital stack during Q3 2018, reversing the widening that occurred at the end of Q2 2018

Total Dedicated Capital: \$1.5 billion

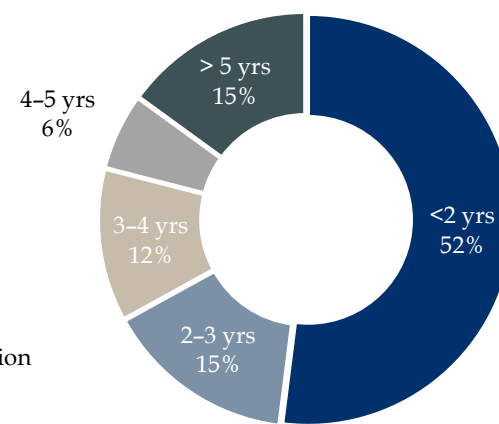
Sector Type⁽²⁾⁽³⁾



Coupon Type⁽²⁾



Effective Duration⁽²⁾



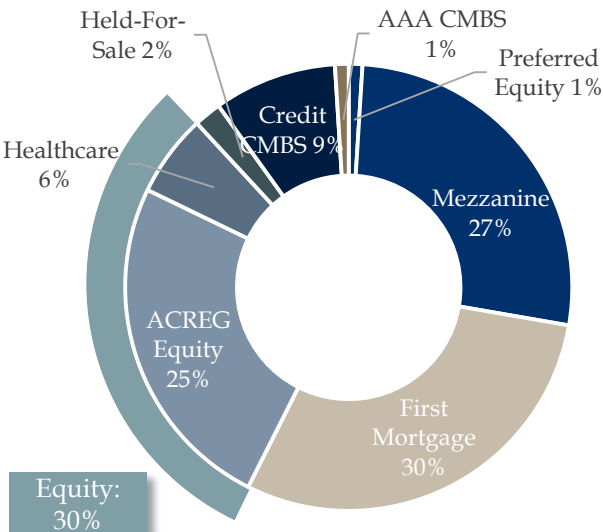
Note: Data as of September 30, 2018, unless otherwise noted. Portfolio statistics and percentages are based on fair market value and reflect economic interest in securitizations. Prime Jumbo and Prime classifications include the economic interest of certain positions that are classified as Residential 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

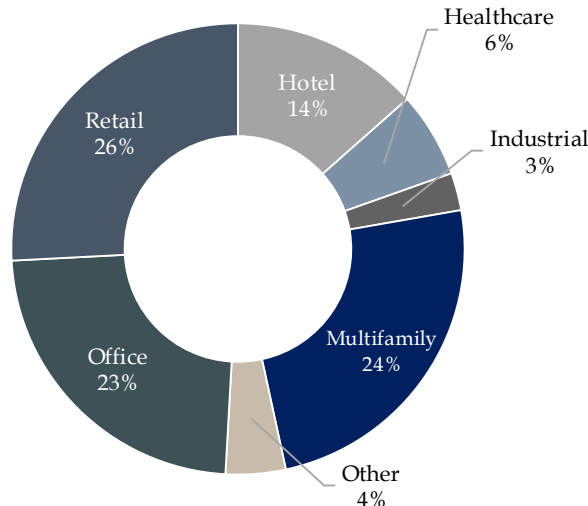
- Commercial Real Estate Portfolio: \$2.7 billion in assets at the end of Q3 2018, an increase of ~19% from Q2 2018
 - Continued to drive portfolio growth through an attractive pipeline despite increasingly competitive credit markets
 - Increased debt originations YTD while improving initial debt yields and LTVs
- 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 Q3 2018
 - \$545 million of new investments⁽¹⁾ with levered yields of ~11%
 - Includes \$278 million of healthcare investments acquired in connection with the MTGE acquisition
 - \$95 million of payoffs / paydowns
- Added additional credit facility counterparties and increased total maximum credit facility capacity during the quarter to provide additional liquidity, lower pricing and debt origination optionality

Total Dedicated Capital: \$1.1 billion

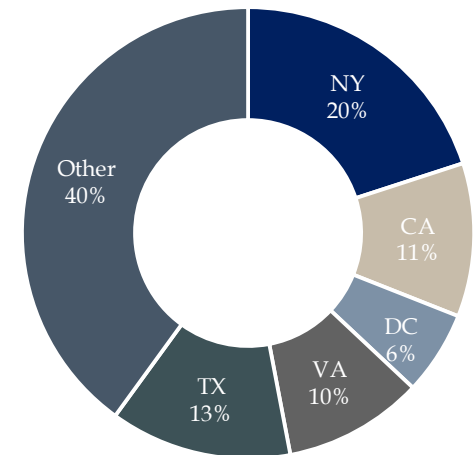
Asset Type⁽²⁾



Sector Type



Geographic Concentration⁽³⁾



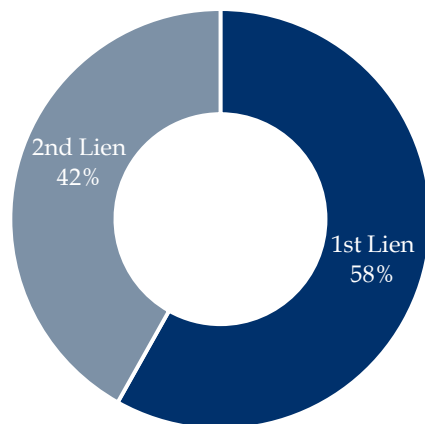
Note: Data as of September 30, 2018. Portfolio statistics and percentages are based on economic interest and excludes consolidated VIE positions. Percentages may not sum to 100% due to rounding.
Detailed endnotes and a glossary of defined terms are included at the end of this presentation.

Middle Market Lending | Portfolio Summary

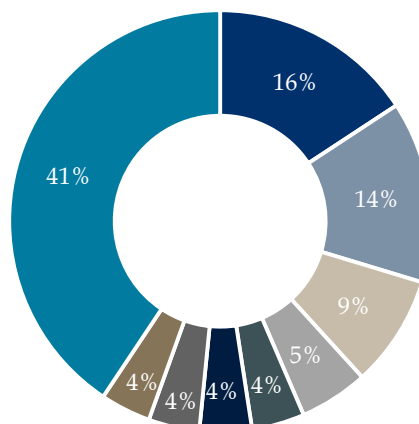
- Middle Market Lending Portfolio: \$1.5 billion in assets at the end of Q3 2018, an increase of ~22% from Q2 2018
- First and second lien portfolio with increased focus on lead arranger opportunities and more concentrated positions
- New investment activity outpaced paydowns during Q3 2018
 - \$259 million of new investments with unlevered yield of ~10%⁽¹⁾
 - \$9 million of paydowns
- Portfolio of 45 borrowers built through long established relationships with a focus on defensive, non-discretionary, niche industries
- Risk rating upgrades represent 24% of portfolio due to net leverage declines
- Improved terms and access to financing through \$100 million upsize of existing credit facility

Total Dedicated Capital: \$1.1 billion

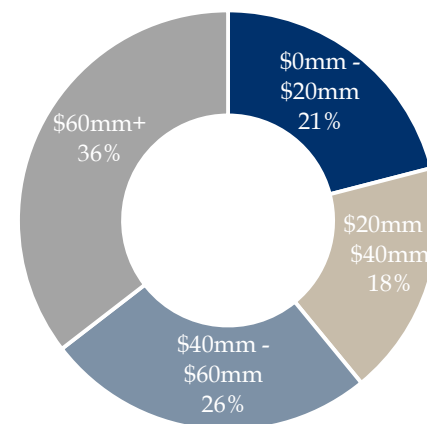
Lien Position



Industry⁽²⁾



Loan Size⁽³⁾



- Management & Public Relations Services
- Manufacturing
- Public Warehousing & Storage
- Offices & Clinics of Doctors
- Other
- Computer Programming & Data Processing
- Engineering, Architectural, and Surveying
- Telephone Communications
- Offices & Clinics of Health Practitioners

Note: Data as of September 30, 2018. 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.

Performance Highlights and Trends

Unaudited, dollars in thousands except per share amounts

	For the quarters ended				
	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017	September 30, 2017
GAAP net income (loss) per average common share ⁽¹⁾	\$0.29	\$0.49	\$1.12	\$0.62	\$0.31
Core earnings (excluding PAA) per average common share* ⁽¹⁾	\$0.30	\$0.30	\$0.30	\$0.31	\$0.30
Core earnings per average common share* ⁽¹⁾	\$0.29	\$0.30	\$0.41	\$0.30	\$0.26
PAA cost (benefit) per average common share	\$0.01	\$0.00	(\$0.11)	\$0.01	\$0.04
Dividends declared per common share	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30
Book value per common share	\$10.03	\$10.35	\$10.53	\$11.34	\$11.42
Annualized GAAP return (loss) on average equity	10.73%	17.20%	36.86%	20.58%	10.98%
Annualized core return on average equity (excluding PAA)*	10.85%	11.05%	10.70%	10.67%	10.57%
Net interest margin	1.49%	1.53%	1.94%	1.47%	1.33%
Net interest margin (excluding PAA)*	1.50%	1.56%	1.52%	1.51%	1.47%
Leverage, at period-end ⁽²⁾	5.9x	6.0x	6.1x	5.7x	5.4x
Economic leverage, at period-end ⁽³⁾	6.7x	6.4x	6.5x	6.6x	6.9x
Credit portfolio as a percentage of stockholders' equity ⁽⁴⁾	30%	28%	26%	24%	23%

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

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

Performance Highlights and Trends (cont'd)

Unaudited, dollars in thousands

	For the quarters ended				
	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017	September 30, 2017
Agency mortgage-backed securities	\$89,290,128	\$86,593,058	\$88,579,097	\$90,551,763	\$85,889,131
Credit risk transfer securities	688,521	563,796	628,942	651,764	582,938
Non-Agency mortgage-backed securities	1,173,467	1,006,785	1,066,343	1,097,294	1,227,235
Commercial mortgage-backed securities	186,495	315,050	264,810	262,751	290,479
Total Securities	\$91,338,611	\$88,478,689	\$90,539,192	\$92,563,572	\$87,989,783
Residential mortgage loans	\$1,217,139	\$1,142,300	\$974,577	\$958,546	\$755,064
Commercial real estate debt and preferred equity	1,435,865	1,251,138	1,081,295	1,029,327	981,748
Loans held for sale	42,325	42,458	-	-	-
Corporate debt	1,528,874	1,256,276	1,152,745	1,011,275	856,110
Total Loans	\$4,224,203	\$3,692,172	\$3,208,617	\$2,999,148	\$2,592,922
Mortgage servicing rights	\$588,833	\$599,014	\$596,378	\$580,860	\$570,218
Residential mortgage loans	\$765,876	\$523,857	\$561,108	\$479,776	\$140,855
Commercial real estate debt investments	3,521,945	2,542,413	2,695,513	2,826,357	3,578,631
Assets transferred or pledged to securitization vehicles	\$4,287,821	\$3,066,270	\$3,256,621	\$3,306,133	\$3,719,486
Real estate, net	\$753,014	\$477,887	\$480,063	\$485,953	\$470,928
Total residential and commercial investments	\$101,192,482	\$96,314,032	\$98,080,871	\$99,935,666	\$95,343,337

Appendix: Non-GAAP Reconciliations

Non-GAAP Reconciliations

In connection with the Company's continued growth and diversification, including the recent acquisition of MTGE Investment Corp., the Company has updated its calculation of core earnings and related metrics to reflect changes to its portfolio composition and operations. Beginning with the results for the quarter ended September 30, 2018, core earnings has been refreshed to include coupon income (expense) on CMBX positions (reported in Net gains (losses) on other derivatives) and to exclude 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 or loss (reported in Income taxes). Prior period results will not be 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 MSRs, (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). 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.

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.

	For the quarters ended										
	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016
GAAP to Core Reconciliation											
GAAP net income (loss)	\$385,429	\$595,887	\$1,327,704	\$746,771	\$367,315	\$14,522	\$440,408	\$1,848,483	\$730,880	(\$278,497)	(\$868,080)
Net income (loss) attributable to non-controlling interests	(\$149)	(\$32)	(\$96)	(\$151)	(\$232)	(\$102)	(\$103)	(\$87)	(\$336)	(\$385)	(\$162)
Net income (loss) attributable to Annaly	\$385,578	\$595,919	\$1,327,800	\$746,922	\$367,547	\$14,624	\$440,511	\$1,848,570	\$731,216	(\$278,112)	(\$867,918)
Adjustments to excluded reported realized and unrealized (gains) losses:											
Realized (gains) losses on termination of interest rate swaps	(575)	-	(834)	160,075	-	58	-	55,214	(1,337)	60,064	-
Unrealized (gains) losses on interest rate swaps	(417,203)	(343,475)	(977,285)	(484,447)	(56,854)	177,567	(149,184)	(1,430,668)	(256,462)	373,220	1,031,720
Net (gains) losses on disposal of investments	324,294	66,117	(13,468)	(7,895)	11,552	5,516	(5,235)	(7,782)	(14,447)	(12,535)	1,675
Net (gains) losses on other derivatives	(94,827)	(34,189)	47,145	(121,334)	(154,208)	14,423	(319)	139,470	(162,981)	(81,880)	(125,189)
Net unrealized (gains) losses on instruments measured at fair value through earnings	39,944	48,376	51,593	12,115	67,492	(16,240)	(23,683)	(110,742)	(29,675)	54,154	(128)
Bargain purchase gain	-	-	-	-	-	-	-	-	(72,576)	-	-
Adjustments to exclude components of other (income) loss:											
Depreciation and amortization expense related to commercial real estate	9,278	-	-	-	-	-	-	-	-	-	-
Non-core (income) loss allocated to equity method investments ⁽¹⁾	(2,358)	-	-	-	-	-	-	-	-	-	-
Non-core other (income) loss ⁽²⁾	44,525	-	-	-	-	-	-	-	-	-	-
Adjustments to exclude components of general and administrative expenses and income taxes:											
Transaction expenses and non-recurring items ⁽³⁾	60,081	-	1,519	-	-	-	-	-	46,724	2,163	-
Income tax effect on non-core income (loss) items	886	-	-	-	-	-	-	-	-	-	-
Other non-recurring loss	-	-	-	-	-	-	-	-	-	-	-
Adjustments to add back components of realized and unrealized (gains) losses:											
TBA dollar roll income and CMBX coupon income ⁽⁴⁾	56,570	62,491	88,353	89,479	94,326	81,051	69,968	98,896	90,174	79,519	83,189
MSR amortization ⁽⁵⁾	(19,913)	(19,942)	(21,156)	(19,331)	(16,208)	(17,098)	(14,030)	(27,018)	(21,634)	-	-
Core earnings*	\$386,280	\$375,297	\$503,667	\$375,584	\$313,647	\$259,901	\$318,028	\$565,940	\$309,002	\$196,593	\$123,349
Less:											
Premium amortization adjustment (PAA) cost (benefit)	3,386	7,516	(118,395)	11,367	39,899	72,700	17,870	(238,941)	3,891	85,583	168,408
Core Earnings (excluding PAA)*	389,666	382,813	385,272	386,951	353,546	332,601	335,898	326,999	312,893	282,176	291,757
GAAP net income (loss) per average common share ⁽⁶⁾	\$0.29	\$0.49	\$1.12	\$0.62	\$0.31	(\$0.01)	\$0.41	\$1.79	\$0.70	(\$0.32)	(\$0.96)
Core earnings per average common share ^{(6)*}	\$0.29	\$0.30	\$0.41	\$0.30	\$0.26	\$0.23	\$0.29	\$0.53	\$0.29	\$0.19	\$0.11
Core earnings (excluding PAA) per average common share ^{(6)*}	\$0.30	\$0.30	\$0.30	\$0.31	\$0.30	\$0.30	\$0.31	\$0.30	\$0.29	\$0.29	\$0.30
Annualized GAAP return (loss) on average equity	10.73%	17.20%	36.86%	20.58%	10.98%	0.46%	13.97%	57.23%	23.55%	(9.60%)	(29.47%)
Annualized core return on average equity (excluding PAA)*	10.85%	11.05%	10.70%	10.67%	10.57%	10.54%	10.66%	10.13%	10.09%	9.73%	9.91%

* 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										
	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016
<u>Premium Amortization Reconciliation</u>											
Premium amortization expense	\$187,537	\$202,426	\$95,832	\$203,951	\$220,636	\$251,084	\$203,634	(\$19,812)	\$213,241	\$265,475	\$355,671
Less:											
PAA cost (benefit)	\$3,386	\$7,516	(\$118,395)	\$11,367	\$39,899	\$72,700	\$17,870	(\$238,941)	\$3,891	\$85,583	\$168,408
Premium amortization expense (excluding PAA)	\$184,151	\$194,910	\$214,227	\$192,584	\$180,737	\$178,384	\$185,764	\$219,129	\$209,350	\$179,892	\$187,263
<u>Interest Income (excluding PAA) Reconciliation</u>											
GAAP interest income	\$816,596	\$776,806	\$879,487	\$745,423	\$622,550	\$537,426	\$587,727	\$807,022	\$558,668	\$457,118	\$388,143
PAA cost (benefit)	\$3,386	\$7,516	(\$118,395)	\$11,367	\$39,899	\$72,700	\$17,870	(\$238,941)	\$3,891	\$85,583	\$168,408
Interest income (excluding PAA)*	\$819,982	\$784,322	\$761,092	\$756,790	\$662,449	\$610,126	\$605,597	\$568,081	\$562,559	\$542,701	\$556,551
<u>Economic Interest Expense Reconciliation</u>											
GAAP interest expense	\$500,973	\$442,692	\$367,421	\$318,711	\$268,937	\$222,281	\$198,425	\$183,396	\$174,154	\$152,755	\$147,447
Add:											
Net interest component of interest rate swaps ⁽¹⁾	(\$1,349)	(\$1,475)	48,160	73,957	78,564	84,252	88,966	92,841	103,100	108,301	123,124
Economic interest expense* ⁽¹⁾	\$449,624	\$441,217	\$415,581	\$392,668	\$347,501	\$306,533	\$287,391	\$276,237	\$277,254	\$261,056	\$270,571
<u>Economic Net Interest Income (excluding PAA) Reconciliation</u>											
Interest income (excluding PAA)	\$819,982	\$784,322	\$761,092	\$756,790	\$662,449	\$610,126	\$605,597	\$568,081	\$562,559	\$542,701	\$556,551
Less:											
Economic interest expense* ⁽¹⁾	449,624	411,217	415,581	392,668	347,501	306,533	287,391	276,237	277,254	261,056	270,571
Economic net interest income (excluding PAA)* ⁽¹⁾	\$370,358	\$373,105	\$345,511	\$364,122	\$314,948	\$303,593	\$318,206	\$291,844	\$285,305	\$281,645	\$285,980
<u>Economic Metrics (excluding PAA)</u>											
Average interest earning assets	\$101,704,957	\$102,193,435	\$101,979,042	\$100,247,589	\$89,253,094	\$83,427,268	\$85,664,151	\$84,799,222	\$82,695,270	\$73,587,753	\$74,171,943
Interest income (excluding PAA)*	\$819,982	\$784,322	\$761,092	\$756,790	\$662,449	\$610,126	\$605,597	\$568,081	\$562,559	\$542,701	\$556,551
Average yield on interest earning assets (excluding PAA)*	3.22%	3.07%	2.99%	3.02%	2.97%	2.93%	2.83%	2.68%	2.72%	2.95%	3.00%
Average interest bearing liabilities	\$86,638,082	\$87,103,807	\$87,376,452	\$85,992,215	\$76,382,315	\$70,486,779	\$72,422,968	\$72,032,600	\$70,809,712	\$62,049,474	\$62,379,695
Economic interest expense* ⁽¹⁾	\$449,624	\$441,217	\$415,581	\$392,668	\$347,501	\$306,533	\$287,391	\$276,237	\$277,254	\$261,056	\$270,571
Average cost of interest bearing liabilities ⁽¹⁾	2.08%	1.89%	1.90%	1.83%	1.82%	1.74%	1.59%	1.53%	1.57%	1.68%	1.73%
Economic net interest income (excluding PAA)* ⁽¹⁾	\$370,358	\$373,105	\$345,511	\$364,122	\$314,948	\$303,593	\$318,206	\$291,844	\$285,305	\$281,645	\$285,980
Net interest spread (excluding PAA)*	1.14%	1.18%	1.09%	1.19%	1.15%	1.19%	1.24%	1.15%	1.15%	1.27%	1.27%
<u>Interest Income (excluding PAA)*</u>											
Interest income (excluding PAA)*	\$819,982	\$784,322	\$761,092	\$756,790	\$662,449	\$610,126	\$605,597	\$568,081	\$562,559	\$542,701	\$556,551
TBA dollar roll income and CMBX coupon income ⁽²⁾	56,570	62,491	88,353	89,479	94,326	81,051	69,968	98,896	90,174	79,519	83,189
Interest expense	(\$500,973)	(\$442,692)	(\$367,421)	(\$318,711)	(\$268,937)	(\$222,281)	(\$198,425)	(\$183,396)	(\$174,154)	(\$152,755)	(\$147,447)
Net interest component of interest rate swaps	51,349	31,475	(48,160)	(82,271)	(88,211)	(96,470)	(104,156)	(103,872)	(124,572)	(130,762)	(147,475)
Subtotal	\$426,928	\$435,596	\$433,864	\$445,287	\$399,627	\$372,426	\$372,984	\$379,709	\$354,007	\$338,703	\$344,818
Average interest earning assets	\$101,704,957	\$102,193,435	\$101,979,042	\$100,247,589	\$89,253,094	\$83,427,268	\$85,664,151	\$84,799,222	\$82,695,270	\$73,587,753	\$74,171,943
Average TBA contract and CMBX balances ⁽²⁾	12,216,863	9,407,819	12,050,341	17,509,691	19,291,834	14,206,869	10,655,785	14,613,149	17,280,237	14,592,236	15,110,947
Subtotal	\$113,921,820	\$111,601,254	\$114,029,383	\$117,757,280	\$108,544,928	\$97,634,137	\$96,319,936	\$99,412,371	\$99,975,507	\$88,179,989	\$89,282,890
Net interest margin (excluding PAA)*	1.50%	1.56%	1.52%	1.51%	1.47%	1.53%	1.55%	1.53%	1.42%	1.54%	1.54%

* 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

ACREG: Refers to Annaly Commercial Real Estate Group

ADTV: Represents the average daily trading volume (\$millions) for the trailing 3 months

Agency Peers: Represents their respective sector within the BBREMTG Index*

AMML: Refers to Annaly Middle Market Lending Group

BBREMTG: Represents the Bloomberg Mortgage REIT Index*

Beta: Represents Bloomberg's 'Overridable Adjusted Beta' which estimates the degree to which a stock's price will fluctuate based on a given movement in the representative market index, calculated over a two-year historical period as of the date indicated. S&P 500 is used as the relative index for the calculation

Commercial Peers: Represents their respective sector within the BBREMTG Index*

Consumer Staples: Represents the S5CONS Index*

CRT: Refers to credit risk transfers

Equity REITs: Represents the RMZ Index*

FHLB: Refers to the Federal Home Loan Bank

GSE: Refers to government sponsored enterprise

Hybrid Peers: Represents their respective sector within the BBREMTG Index*

MLPs: Represents the Alerian MLP Index*

mREITs or mREIT Peers: Represents the BBREMTG Index*

S&P 500: Represents the S&P 500 Index*

Select Financials: Represents an average of companies in the S5FINL Index with dividend yields greater than 50 basis points higher than the S&P 500 dividend yield as of September 28, 2018

Utilities: Represents the Russell 3000 Utilities Index*

Yield Sectors or Yield Sector Peers: Representative of Consumer Staples, Equity REITs, MLPs, Select Financials and Utilities

*Represents constituents as of September 28, 2018.

Endnotes

Page 4

1. Agency assets include to be announced ("TBA") purchase contracts (market value) and mortgage servicing rights ("MSRs"). Residential Credit and ACREG assets include only the economic interest of consolidated variable interest entities ("VIEs"). Sum of business segment totals does not tie due to rounding.
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 September 30, 2018 (adjusted for P/B as of September 28, 2018) to the market capitalization of the companies in each respective comparative sector as of September 28, 2018. Comparative sectors used for Agency, ACREG and Residential Credit ranking are their respective sector within the BBREMTG Index as of September 28, 2018. Comparative sector used for Annaly AMML ranking is the S&P BDC Index.
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 5

1. Based on annualized, aggregate Q3 2018 dividend of \$0.30 and a closing price of \$10.23 on September 28, 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 includes TBA purchase contracts, excludes non-portfolio related activity and varies from total stockholders' equity.
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, reverse repo agreements, 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 the net interest component of interest rate swaps.

Page 7

1. Data shown since December 31, 2013, which marks the beginning of Annaly's diversification efforts through September 28, 2018.
2. Represents Annaly's operating expense as a percentage of average equity compared to the BBREMTG Index as of June 30, 2018 annualized. Operating expense is defined as: (i) for internally-managed peers, the sum of compensation and benefits, G&A and other operating expenses, and (ii) for externally-managed peers, the sum of net management fees, compensation and benefits (if any), G&A and other operating expenses.
3. "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, reverse repo agreements, CRE debt and preferred equity and corporate debt).
4. Includes Annaly's \$872mm acquisition of CreXus Investment Corp. (closed May 24, 2013), \$1,498mm acquisition of Hatteras Financial Corp. (closed July 12, 2016) and \$906mm acquisition of MTGE Investment Corp. (closed September 7, 2018).

Page 8

1. Number of equity offerings does not include any distributions made pursuant to Annaly's at-the-market ("ATM") program of its common stock, which was entered into in January 2018. Offering proceeds are calculated before expenses.
2. Total return shown since December 31, 2015.

Page 9

1. Reflects total balance sheet asset values.
2. Represents new options in the period.

Page 10

1. Represents operating expense as a percentage of average equity as of June 30, 2018 annualized. For Annaly and mREIT Peers, operating expense is defined as: (i) for internally-managed peers, the sum of compensation and benefits, general and administrative expenses ("G&A") and other operating expenses, and (ii) for externally-managed peers, the sum of net management fees, compensation and benefits (if any), G&A and other operating expenses. Excludes companies with negative equity or operating expenses as a percent of average equity in excess of 250%.
2. Represents the average of the Yield Sectors.
3. LTM pre-tax margin is calculated as pre-tax income divided by total revenue or total gross interest income for each company. Companies with negative pre-tax margins are excluded from the analysis.

Page 11

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 VIEs that are consolidated upon the Company's purchase of a controlling financial interest in the structure. Total does not include middle market loan syndications.
4. Includes securitization, CLOs and derivative structuring.

Page 12

1. Represents total transaction value to target's public shareholders.
2. Represents core earnings (ex-PAA), which is a non-GAAP financial measure; see Non-GAAP Reconciliations.

Page 13

1. Refers to Annaly's headquarters and any internal programs and initiatives performed at Annaly's headquarters. This is not intended to capture any or all policies or procedures relating to Annaly's management of assets in its portfolio.
2. Management refers to current executive management.
3. Annaly entered into a social impact investing joint venture with Capital Impact Partners ("CIP") in November 2017, in which Annaly's investment represents \$20 million and CIP's investment represents \$5 million.
4. As permitted by the Equal Employment Opportunity Commission, diversity composition was obtained from self-identification and visual observation when employee declined to self-identify. Ethnically diverse represents all non-white ethnicities.
5. Representative of outreach during 2018 proxy season and shareholder base as of March 31, 2018. Shareholder data per Ipreo.

Endnotes (*cont'd*)

Page 14

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. 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.
3. Represents all of the loans included in low loan balance (<\$85,000) and medium loan balance (\$85,000-\$110,000) Agency MBS pools wholly-owned by Annaly and a pro-rata share of loans in low loan balance and medium loan balance Agency MBS pools partially-owned by Annaly. Based on FHFA's June 30, 2018 seasonally adjusted House Price Index, which is calculated using home sales price information from mortgages sold to, or guaranteed by, Fannie Mae and Freddie Mac.
4. Represents residential whole loans owned by Annaly.
5. Annaly's investment represents \$20 million and CIP's investment represents \$5 million.
6. Represent holdings in each investment class. Agency assets include TBA purchase contracts (market value) and MSRs. Residential Credit and ACREG assets include only Annaly's economic interest in consolidated VIEs.

Page 15

1. Total Return represents the total return for the period beginning December 31, 2013 to September 28, 2018.
2. Represents average of the Yield Sectors.

Page 18

1. Represents average of the Yield Sectors, unless otherwise noted.
2. Price to Earnings represents the current stock price divided by the trailing 12 month earnings. For Annaly, earnings represents Core EPS (ex-PAA) a non-GAAP financial measure; see Non-GAAP Reconciliations. For Equity REITs, earnings represents Funds From Operation ("FFO").
3. Total Return represents the total return for the period beginning December 31, 2013 to September 28, 2018.
4. Annaly Operating margin defined as (trailing 12 month net interest income – trailing 12 month operating expense) / trailing 12 month interest income. Bloomberg OPER_MARGIN field used for indices.
5. Annaly Leverage is defined as Q2 2018 Economic Leverage. Bloomberg FNCL_LVRG field minus 1, making it a measure of debt to equity, used for indices. Companies with >50x leverage excluded

Page 19

1. Treynor Ratio defined as the annualized total shareholder return from December 31, 2013 through September 28, 2018 less the average yield on the 10-yr Treasury over the respective period divided by the beta over the respective period.
2. Sharpe Ratio defined as the annualized total shareholder return from December 31, 2013 through September 28, 2018 less the average yield on the 10-yr Treasury over the respective period divided by the annualized standard deviation of day to day total shareholder returns over the respective period.
3. Represents the average of the Yield Sectors.

Page 20

1. Annaly core ROE (ex-PAA) is a non-GAAP financial measure; see Non-GAAP Reconciliations. Agency Peer Average calculated using core ROE or similarly adjusted ROE as disclosed in each of the peers' respective public filings, which differ from Annaly's definition of core.

Page 21

1. Annaly's NIM represents the sum of 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. NIM (ex-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 Annaly's Agency MBS. Represents a non-GAAP financial measure; see Appendix.
2. Represents NIM (ex-PAA) for Annaly and similarly adjusted NIM for Agency peers as disclosed in each of the Agency peers' respective public filings. For Hybrid and Commercial peers, NIM represents net interest income as a percentage of average earning assets as defined by SNL Financial.
3. Standard represents the average difference between companies' maximum and minimum quarterly NIM or NIM (ex-PAA) from Q1 2016 through Q2 2018.
4. Standard deviation represents the average standard deviation of companies' quarterly NIM or NIM (ex-PAA) from Q1 2016 through Q2 2018.

Page 22

1. The VIX Index represents the Chicago Board Options Exchange Volatility Index.
2. Total Shareholder Return is the aggregate of daily total shareholder returns on days in which the VIX Index closes above 15 from December 31, 2013 to September 28, 2018.
3. Represents the average of the Yield Sectors.

Page 24

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.

Page 25

1. Realized losses represents the realized dollar loss or write-down taken on the contractual principal balance of mortgage debt.
2. Shown exclusive of securitized residential mortgage loans of a consolidated VIE and loans held by an affiliated master servicer.
3. Prime classification includes \$21 million of Prime IO.

Endnotes (*cont'd*)

Page 26

1. Includes \$30 million of future funding commitments.
2. B-Notes held for investment reflected as mezzanine investments.
3. 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 27

1. Inclusive of add-ons and repricings; yield calculated net of syndications. Does not include \$10 million of committed but undrawn revolver.
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 28

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. Debt consists of repurchase agreements, other secured financing, securitized debt, and mortgages payable. Securitized debt and mortgages payable are non-recourse to the Company.
3. 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 and other secured financing. Securitized debt and mortgages payable are non-recourse to the Company and are excluded from this measure.
4. 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.

Non-GAAP Reconciliations

Page 32

1. 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)
2. Represents the amount of consideration paid for the acquisition of MTGE Investment Corp. 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 assets over the same period.
3. Represents costs incurred in connection with the MTGE transaction and costs incurred in connection with a securitization of residential whole loans for the quarter ended September 30, 2018. Represents costs incurred in connection with a securitization of residential whole loans for the quarter ended March 31, 2018. Represents costs incurred in connection with the HTS transaction for the periods ended September 30, 2016 and June 30, 2016.
4. TBA dollar roll income and CMBX coupon income each represent a component of Net gains (losses) on other derivatives. CMBX coupon income totaled \$1.2 million for the quarter ended September 30, 2018. There were no adjustments for CMBX coupon income prior to September 30, 2018.
5. 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.
6. Net of dividends on preferred stock

Page 33

1. Prior to the quarter ended March 31, 2018, this metric included the net interest component of 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 represents the net interest component of all interest rate swaps.
2. CMBX coupon income and average CMBX balances have only been applied to the quarter ended September 30, 2018. The impact to net interest margin (ex-PAA) in prior periods was immaterial.