



ANNALY[®]

Fourth Quarter 2018
Investor Presentation

February 13, 2019

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 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 or policy affecting our business; our ability to maintain our qualification as a REIT for U.S. federal income tax purposes; and our ability to maintain our exemption from registration under the Investment Company Act of 1940, as amended. For a discussion of the risks and uncertainties which could cause actual results to differ from those contained in the forward-looking statements, see “Risk Factors” in our most recent Annual Report on Form 10-K and any subsequent Quarterly Reports on Form 10-Q. 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.

We routinely post important information for investors on our website, www.annaly.com. We intend to use this webpage as a means of disclosing material, non-public information, for complying with our disclosure obligations under Regulation FD and to post and update investor presentations and similar materials on a regular basis. Annaly encourages investors, analysts, the media and others interested in Annaly to monitor the Investors section of our website, in addition to following our press releases, SEC filings, public conference calls, presentations, webcasts and other information we post from time to time on our website. To sign-up for email-notifications, please visit the “Email Alerts” section of our website, www.annaly.com, under the “Investors” section and enter the required information to enable notifications. The information contained on, or that may be accessed through, our webpage is not incorporated by reference into, and is not a part of, this document.

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

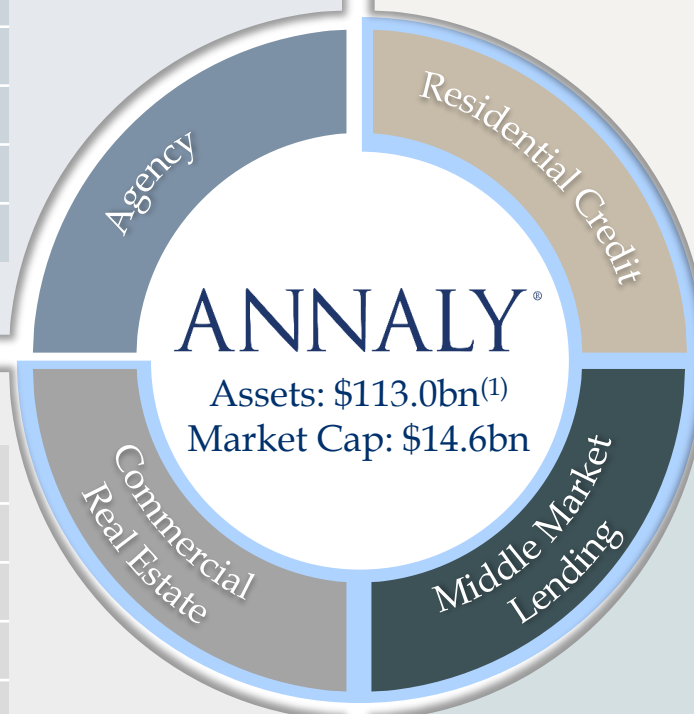
Annaly is a Leading Diversified Capital Manager

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⁾	\$105.3bn
Capital ⁽²⁾	\$9.3bn
Sector Rank ⁽³⁾	#1/5
Strategy	Countercyclical / Defensive
Levered Returns ⁽⁴⁾	10% - 12%

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

Assets ⁽¹⁾	\$3.3bn
Capital ⁽²⁾	\$1.3bn
Sector Rank ⁽³⁾	#7/17
Strategy	Cyclical / Growth
Levered Returns ⁽⁴⁾	9% - 12%



Assets ⁽¹⁾	\$2.5bn
Capital ⁽²⁾	\$0.9bn
Sector Rank ⁽³⁾	#5/12
Strategy	Cyclical / Growth
Levered Returns ⁽⁴⁾	9% - 12%

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

Assets	\$1.9bn
Capital ⁽²⁾	\$1.4bn
Sector Rank ⁽³⁾	#7/44
Strategy	Non-Cyclical / Defensive
Levered Returns ⁽⁴⁾	10% - 13%

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 January 31, 2019. Financial data as of December 31, 2018. Detailed endnotes and a glossary of defined terms are included at the end of this presentation.

 Represents credit business

Recent Accomplishments

Annaly achieved a number of significant strategic milestones since the beginning of 2018

Business Expansion and Diversification

Origination

\$4.2 Billion

of whole loans, CMBS and equity assets originated or purchased in 2018, an increase of 65% year-over-year⁽¹⁾

Financing

\$2.4 Billion

of incremental financing capacity across the three credit businesses since the beginning of 2018⁽²⁾

Capital to Credit

28%

of capital dedicated to credit assets at the end of 2018⁽³⁾, an increase from 24% at the end of 2017

Acquisitions

ANNALY[®]

\$906 Million

Acquisition of
**MTGE
Investment Corp.**

May 2018⁽⁴⁾

Market Leading Capital Raises

ANNALY[®]

\$425 Million

6.50% Series G Fixed-to-Floating
Rate Cumulative Redeemable
Preferred Stock

January 2018

ANNALY[®]

\$877 Million

Common Equity Follow-On

September 2018

ANNALY[®]

\$840 Million

Common Equity Follow-On

January 2019

Since the beginning of 2018, Annaly has raised nearly \$3 billion of equity through three successful capital markets offerings, a transformative acquisition and our at-the-market sales program⁽⁵⁾

Source: Bloomberg and Company filings.

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

Recent Corporate Responsibility Enhancements

Recent initiatives and acknowledgements demonstrate Annaly's continued focus on Corporate Responsibility

Corporate Governance

ANNALY®

Corporate Governance Enhancements Related to Board Declassification and Refreshment

December 13, 2018

"We believe that continually refreshing the framework of our governance practices and oversight ensures fairness and transparency and will contribute to increased value to our shareholders over the long term...enhancing our Board refreshment policy increases the accountability of our Board, and reflects management's and the Board's efforts to proactively respond to the input of our global investor base and address important initiatives relating to the best practices of corporate governance."

***– Kevin Keyes
Chairman, CEO & President***

ANNALY®

Expands Board with Election of Kathy Hopinkah Hannan

February 13, 2019

"We are excited to welcome Kathy to our Board of Directors and look forward to benefiting from her significant experience in tax and accounting, financial reporting and controls, Board effectiveness and corporate governance...Kathy is a proven thought leader with a track record of success and valued financial, governance and corporate advisory experience that will be a tremendous benefit to Annaly's Management and shareholders. In addition, Kathy's leadership on topics of gender equality, ethics and mentorship align with Annaly's broader ESG initiatives."

***– Kevin Keyes
Chairman, CEO & President***

Gender Diversity

ANNALY®

Recognized in Bloomberg Gender-Equality Index for Second Consecutive Year

January 16, 2019

"Annaly is honored to again be recognized in the Bloomberg Gender-Equality Index for our commitment to balanced representation across our Firm...Diversity and inclusion continue to be core values at Annaly, reflected in our culture, policies and practices, and we know that all dimensions of diversity enhance our overall performance, creating incremental value for our shareholders. This recognition...is further acknowledgement of the broad efforts that Annaly continues to make across our Environmental, Social and Governance practices."

***– Kevin Keyes
Chairman, CEO & President***

Responsible Investments

ANNALY® &  CAPITAL IMPACT PARTNERS

Announce Launch of Second Social Impact Investing Joint Venture

January 16, 2019

"We are excited to announce our second social impact venture with Capital Impact Partners. Our commitment is aimed at improving economic opportunity while helping to preserve and protect affordable housing and foster education in Washington, D.C...Housing and educational opportunity are fundamental to the economic health of individuals and communities. We are proud of this Venture and look forward to continuing to deliver long-term benefits and diversified returns to our shareholders through our social impact investment strategies."

***– Kevin Keyes
Chairman, CEO & President***

Note: For more information and to review the complete Press Releases referenced above, please visit www.annaly.com/investors.

Fourth Quarter 2018 Financial Highlights

Earnings & Book Value

Earnings (Loss) per Share

GAAP Core
(\$1.74) | \$0.29
(ex. PAA)*

Book Value per Share

\$9.39

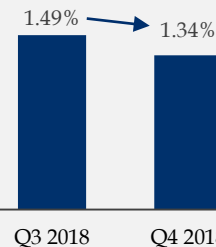
Dividend per Share

\$0.30

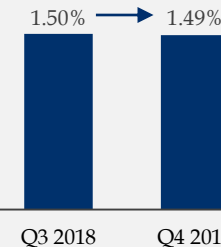
Dividend Yield⁽¹⁾

12.22%

Net Interest Margin



Net Interest Margin (ex. PAA)*



Investment Portfolio

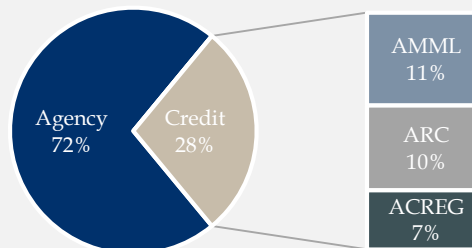
Total Portfolio⁽²⁾

\$113.0bn

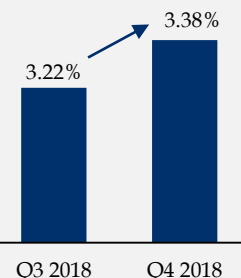
Total Stockholders' Equity

\$14.1bn

Capital Allocation⁽³⁾



Yield on Interest Earning Assets (ex-PAA)*



Financing, Liquidity & Hedging

Financing & Liquidity

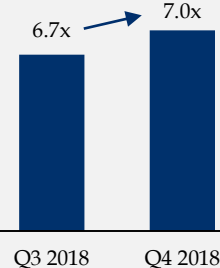
\$900mm
of credit facility
capacity added since
beginning of 2018⁽⁴⁾

\$7.7bn
of unencumbered
assets

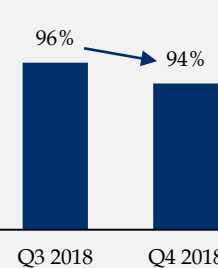
Total Hedge Portfolio

\$93bn
Hedge portfolio
includes \$70bn of
swaps, \$4bn of
swaptions and
\$19bn of futures
contracts

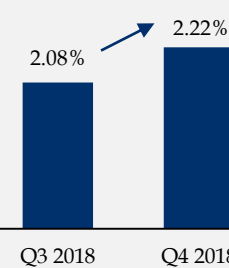
Economic Leverage



Hedge Ratio⁽⁵⁾



Average Cost of Funds⁽⁶⁾

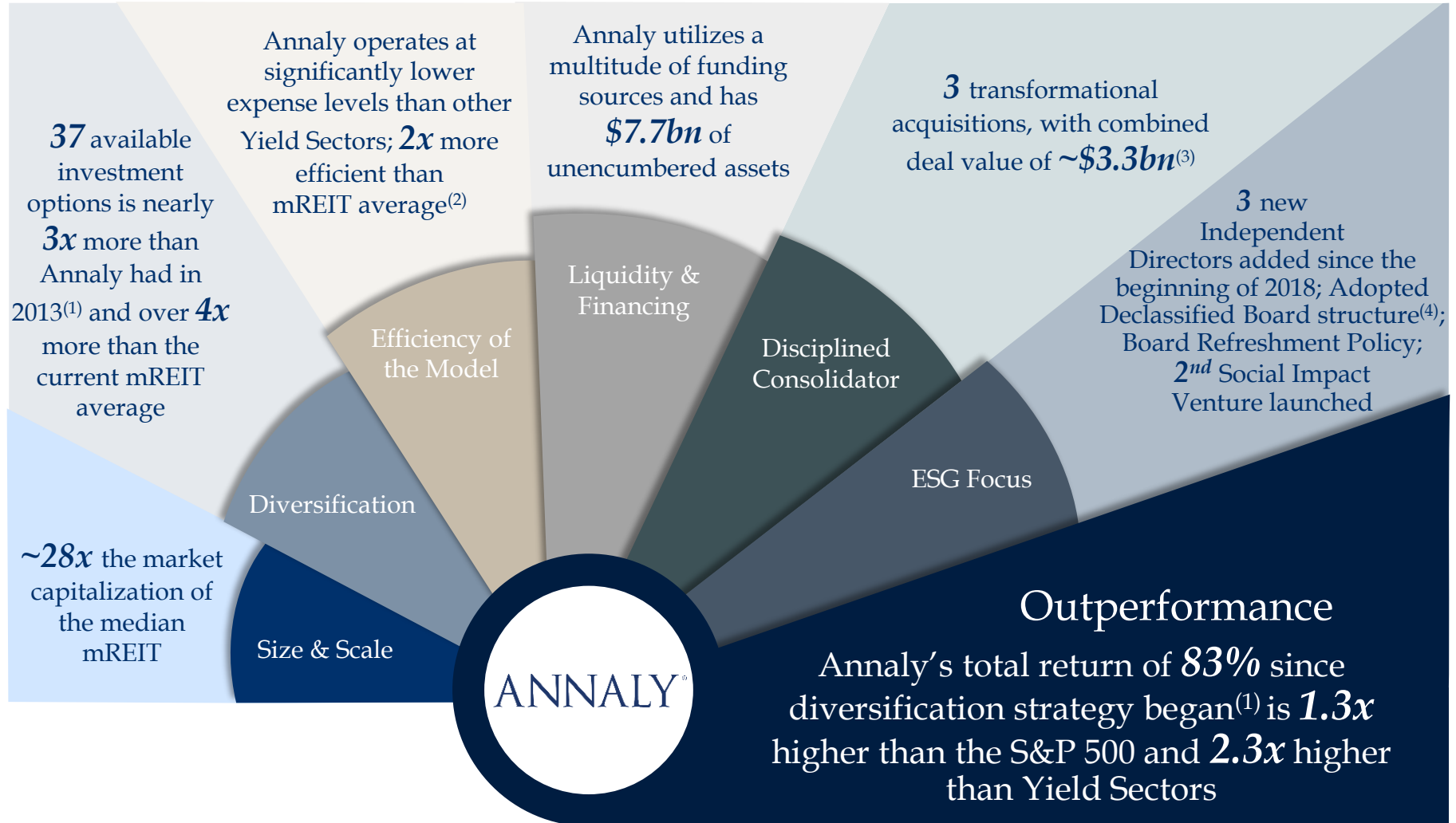


Source: Company filings. Financial data as of December 31, 2018, unless otherwise noted. * Represents a non-GAAP financial measure; see Appendix. Detailed endnotes and a glossary of defined terms are included at the end of this presentation.

Investment Highlights

Annaly Advantages

The diversification, scale and liquidity of Annaly's established investment platform provide a unique opportunity in today's markets



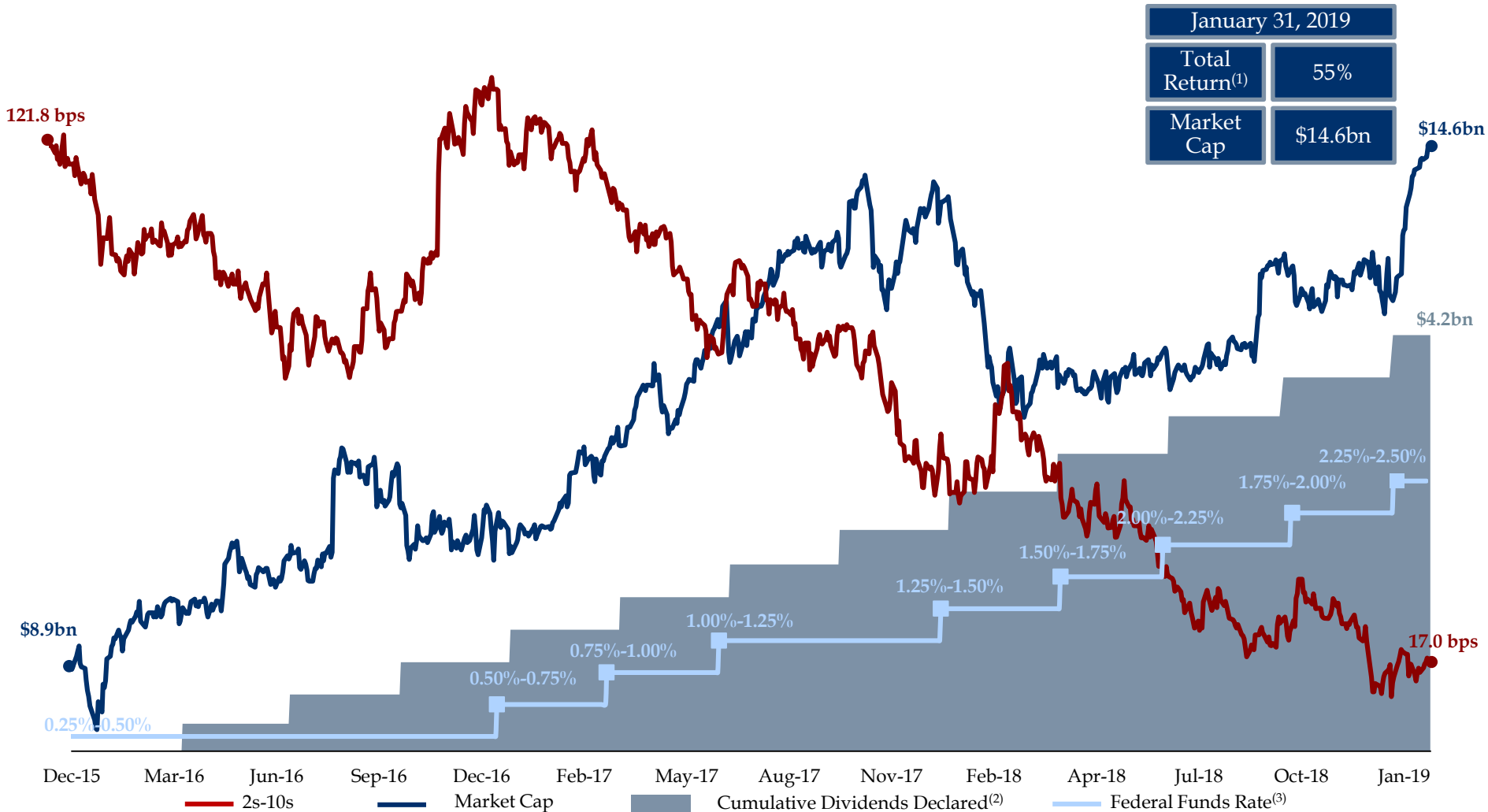
Source: Bloomberg, SNL Financial and Company filings.

Note: Market data as of January 31, 2019. Financial data as of December 31, 2018 unless otherwise noted.

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

Annaly Advantages | Size & Scale Drive Performance Even in Challenging Markets

Since January 2016, Annaly has grown its market cap by \$5.7 billion, or 64%, and declared over \$4.2 billion in dividends to shareholders amidst a market backdrop where the Fed has raised rates 8 times and the 2s-10s curve has flattened by 86%



Source: Bloomberg and Company filings. Market data shown from December 31, 2015 to January 31, 2019.

Note: Cumulative dividends reflects common and preferred dividends.

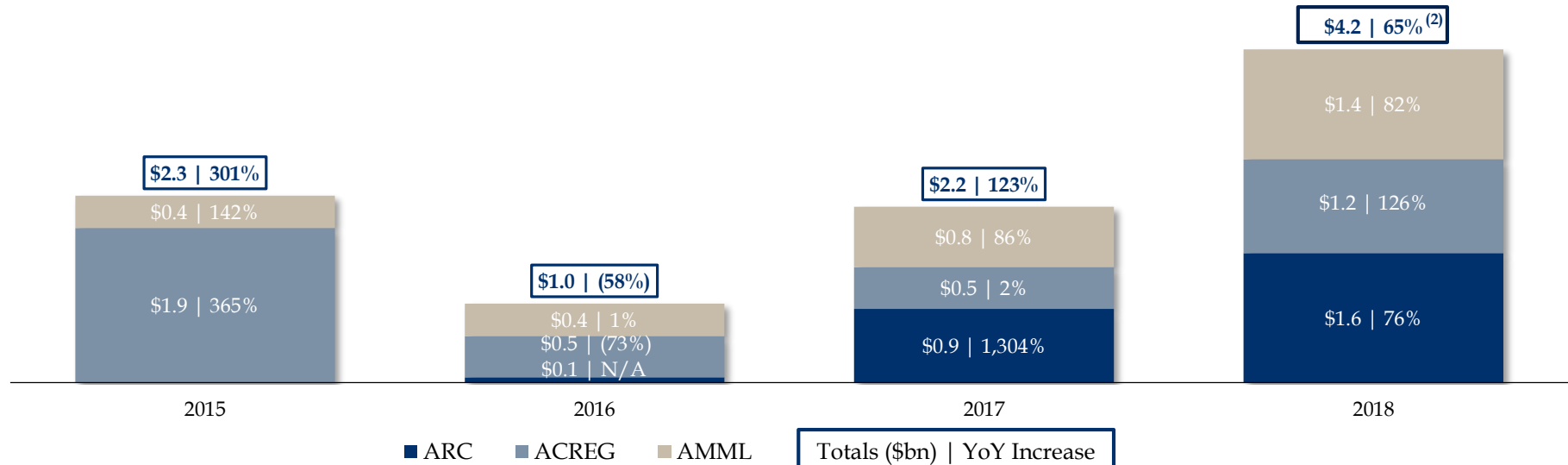
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Annaly Advantages | Diversification Allows for Optionality

Annaly continues to successfully implement its diversification strategy by originating high quality assets with compelling valuations and structures

- Annaly originated or purchased \$4.2 billion of whole loans, commercial mortgage-backed securities and real estate equity across its three credit businesses in 2018⁽¹⁾, an increase of 65% year-over-year⁽²⁾
- The deliberate growth in credit activity in 2018 was driven by:
 - Expansion of unique partnership channels, enabling Residential Credit to purchase \$1.3 billion of residential whole loans
 - Increased focus by Middle Market Lending to lead and take larger investment positions in non-cyclical, high credit quality deals, most notably a \$445 million senior secured, private equity-sponsored credit facility (50% retained post-syndication)
 - Enhanced regional origination presence and expanded capital markets efforts, enabling Commercial Real Estate to close over \$1.2 billion of commercial assets, an increase of 126% year-over-year

Annual Credit Assets Deployed (\$bn)⁽¹⁾⁽³⁾



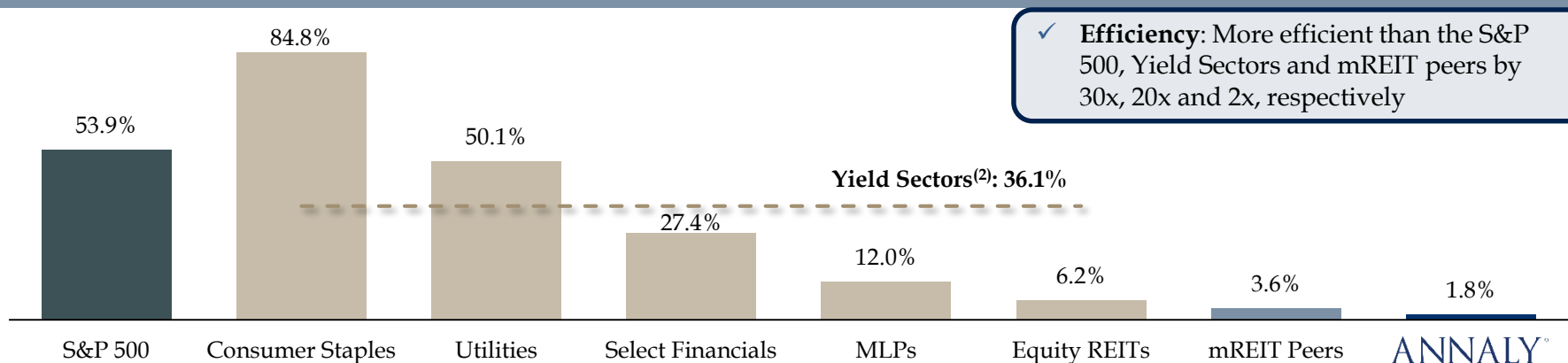
Source: Company filings. Financial data as of December 31, 2018.

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

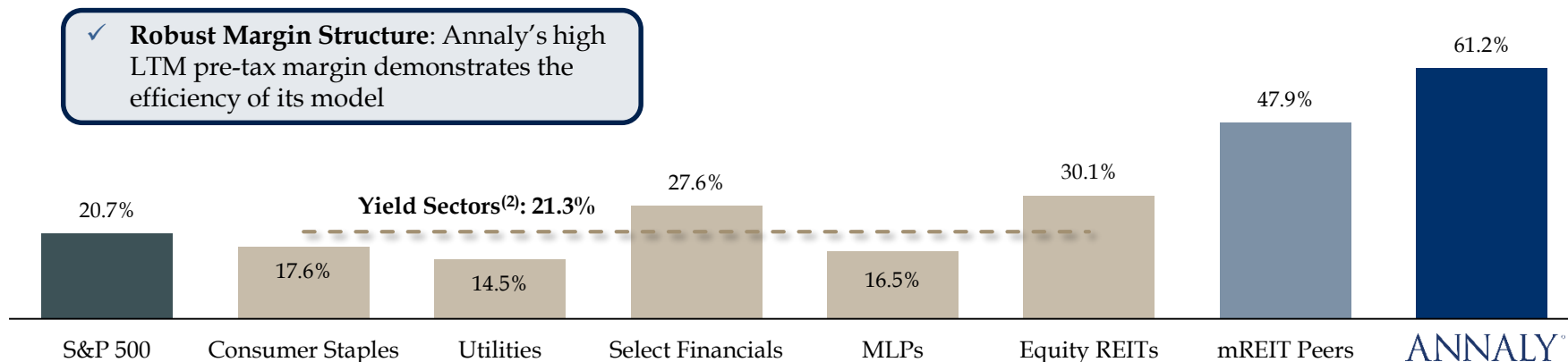
Annaly Advantages | Efficiency of Annaly's Model Helps Drive Performance

Annaly continues to further scale its diversified platform 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 September 30, 2018.

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

Annaly Advantages | Diversified Financing Enhances Liquidity

Annaly's diversified financing sources and liquidity provide the Company with unique competitive advantages

- Achieved financing diversification through four residential whole loan securitizations for an aggregate \$1.5 billion since the beginning of 2018⁽¹⁾
- Expanded direct repo relationships with key counterparties
- \$3.6 billion line with FHLB⁽²⁾ provides attractive terms
- Added \$900 million of credit financing capacity through three new facilities and upsizing of existing facilities since the beginning of 2018⁽³⁾
- Remain ~75% less levered across our credit businesses than peers⁽⁴⁾

Total Capitalization		Financing Options				
12/31/2018: \$100.7bn ⁽⁵⁾		Available Financing Options	Agency	Residential Credit	Commercial Real Estate	Middle Market Lending
Agency, Non-Agency & CMBS Repo \$80.4bn		In-House Broker-Dealer	✓			
		Street Repo	✓	✓	✓	
		Direct Repo	✓			
		FHLB	✓	✓	✓	
FHLB ⁽²⁾ \$3.6bn		Credit Facilities / Warehouse Financing			✓	✓
Secured Financing ⁽⁶⁾ \$2.6bn		Non-Recourse Term Financing ⁽⁷⁾		✓	✓	✓
Preferred Equity \$1.8bn		Syndication			✓	✓
Common Equity \$12.3bn		Mortgage Financing			✓	
		Preferred Equity	✓	✓	✓	✓
		Common Equity	✓	✓	✓	✓

Source: Company filings. Financial data as of December 31, 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

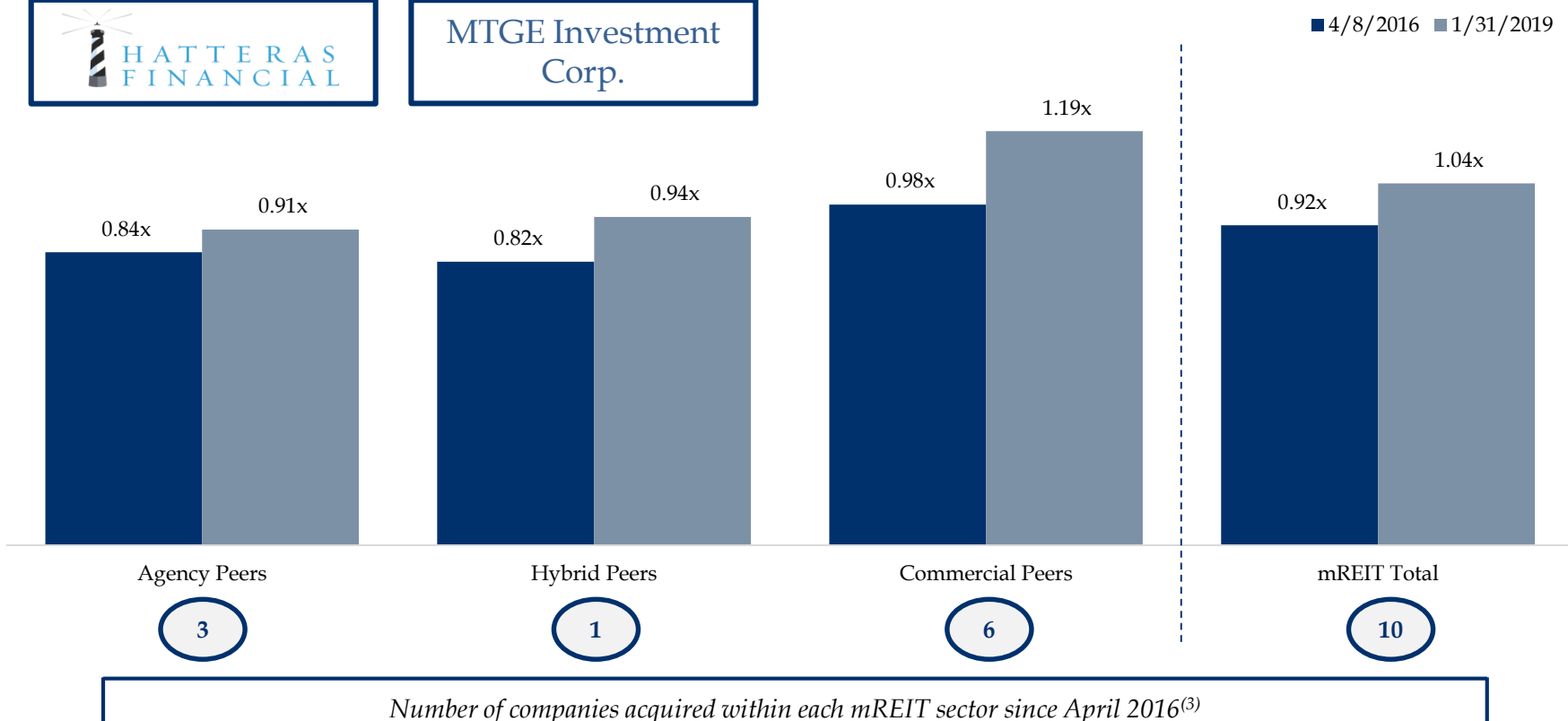
Since Annaly announced the acquisition of Hatteras Financial Corp. in April 2016, the number of mREITs has decreased by 23% while the sector market capitalization has grown ~\$19 billion⁽¹⁾, or 41%, and P/TBV multiples expanded by 13%

Price to Tangible Book Value ("P/TBV") Multiple Expansion (April 2016 vs. January 2019)

Annaly has announced two acquisitions since April 2016, representing 20% of mREIT M&A activity⁽²⁾



MTGE Investment Corp.



Source: Bloomberg and company filings as of September 30, 2018. Market data as of January 31, 2019.

Note: Excludes commercial mREITs SACH and RASF as SACH was not publicly traded in April 2016 and RASF currently has negative common equity.

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

Annaly Advantages | ESG Focus Embedded in Annaly's Culture

Annaly takes into account Environmental, Social and Governance factors that contribute to our ability to drive positive impacts and deliver attractive risk-adjusted returns over the long term

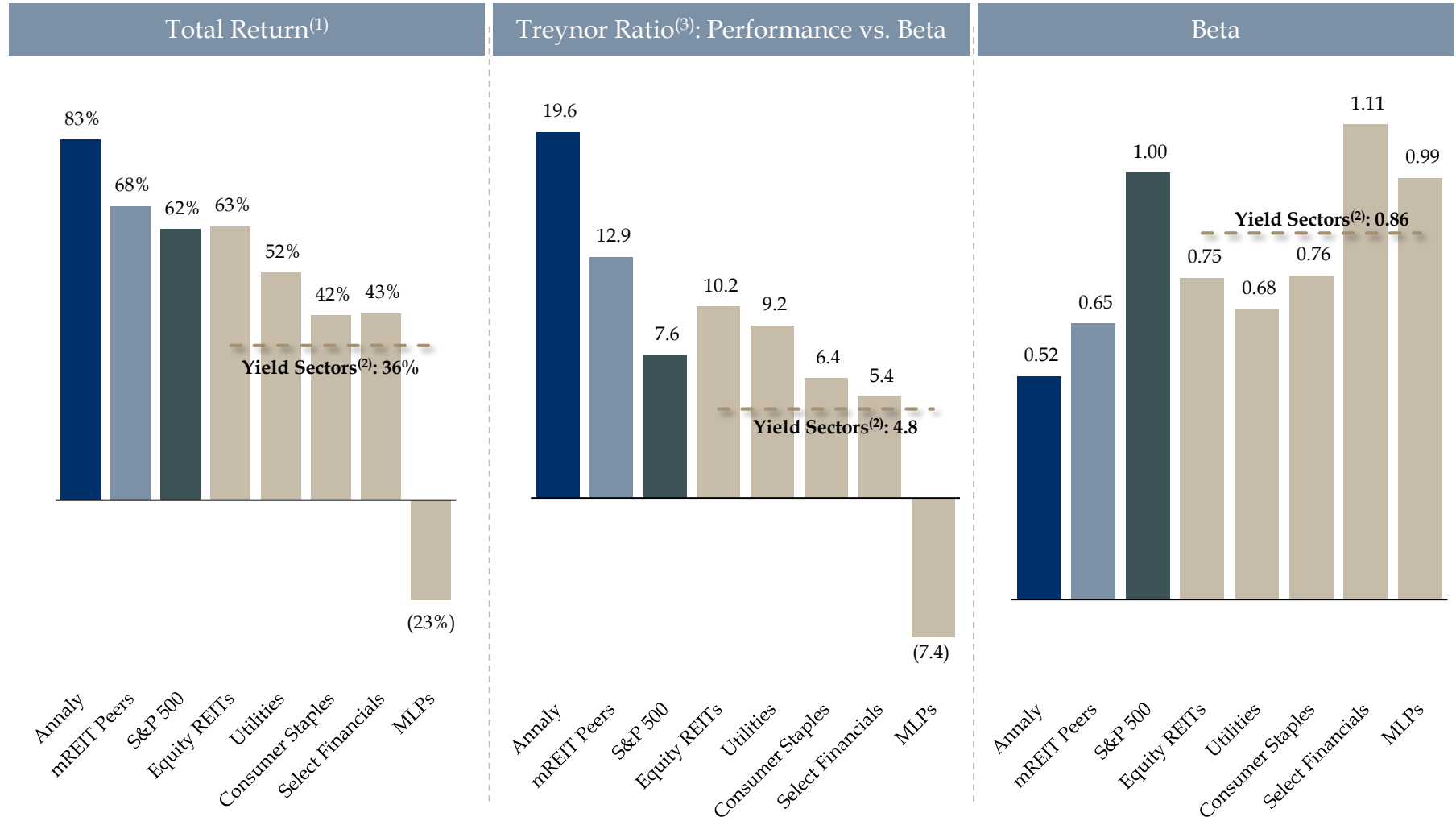
	Principles	Recent Initiatives
Environmental	<ul style="list-style-type: none"> Annaly promotes practices at our corporate headquarters that contribute to environmental sustainability 	<ul style="list-style-type: none"> ✓ Internal campaign to raise awareness and engagement with our employees regarding sustainability and use of resources ✓ Initiated an extensive energy audit to more thoroughly track and monitor our impact and energy use ✓ Invested nearly \$430 million in environmentally friendly buildings and businesses⁽¹⁾
Social	<ul style="list-style-type: none"> Our people are our greatest asset We are committed to a culture of ownership, inclusion and excellence that promotes our employees' engagement, development and full potential Our investments finance housing across the country and support the vitality of local communities and the economy 	<ul style="list-style-type: none"> ✓ Inclusion in 2018 and 2019 Bloomberg Gender-Equality Index ✓ 40% of Managing Director promotions and 50% of additions to Annaly's Operating Committee since 2015 were women ✓ Expanded parental leave and dependent support programs ✓ Since 2015, we have delivered 10 different learning and development programs that are available to 100% of our employees ✓ Two social impact JVs totaling \$50 million of commitments with Capital Impact Partners⁽²⁾ ✓ ~750,000 homes financed by Annaly for Americans and their families⁽³⁾
Governance	<ul style="list-style-type: none"> Annaly is committed to maintaining robust governance practices that benefit the long-term interests of our shareholders 	<ul style="list-style-type: none"> ✓ Added three new Independent Board members since 2018: 83% of the Board is independent; 42% of the Board are women⁽⁴⁾, which compares to 25% on average for the S&P 500⁽⁵⁾ ✓ Enhanced disclosure in 2018 proxy; ~94% approval on Say-on-Pay ✓ Adopted Board Refreshment policy requiring that an Independent Director may not stand for re-election following the earlier of the Director's 12th anniversary of service or 73rd birthday ✓ Amended bylaws to declassify the Board of Directors beginning at the annual meeting in 2019⁽⁶⁾

Note: Company statistics as of December 31, 2018, unless otherwise noted.

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

Annaly Advantages | Outperformance and Relative Valuation

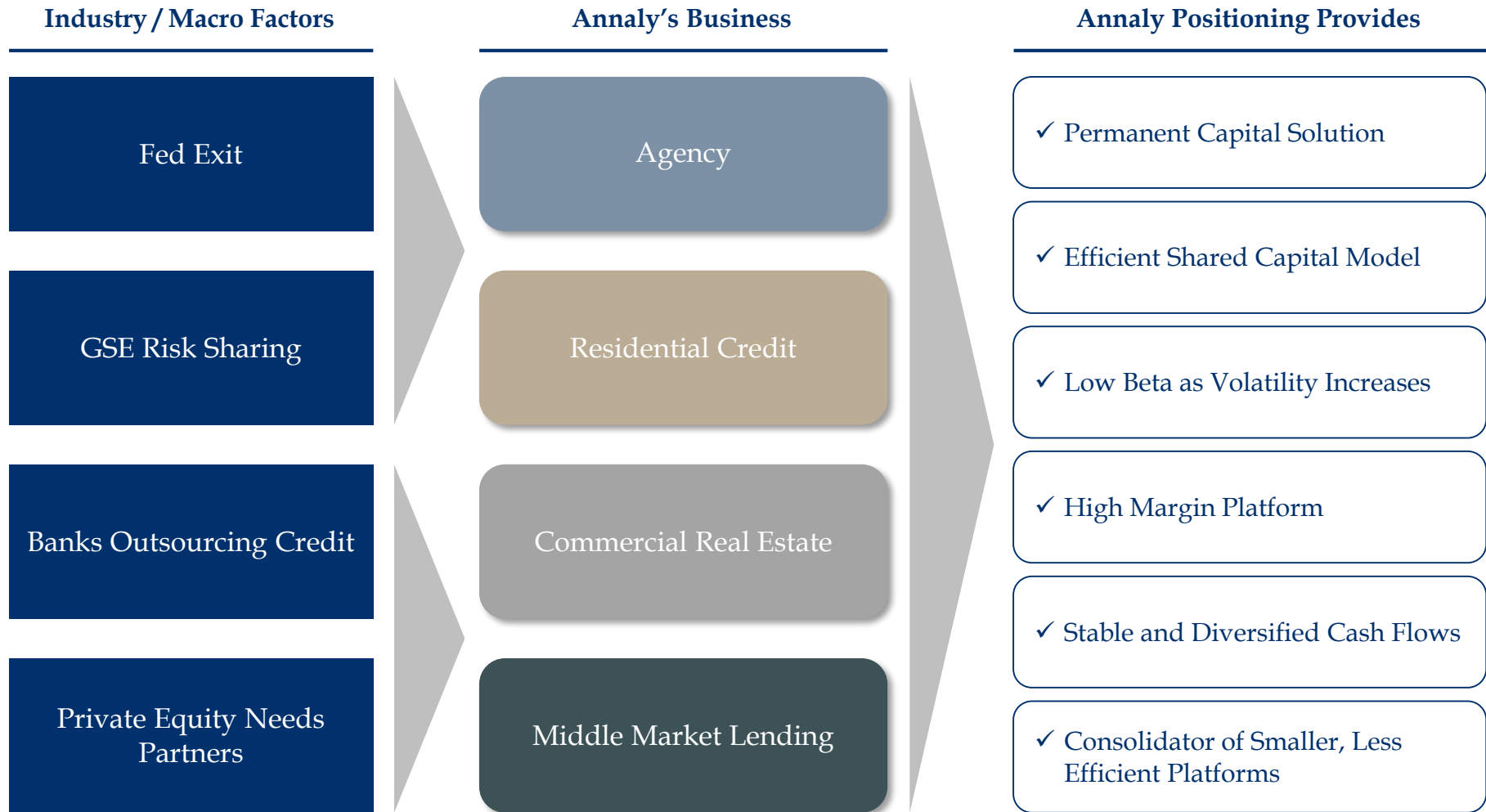
Annaly's low beta and strong performance have resulted in outsized risk-adjusted returns since the beginning of 2014



Source: Bloomberg, Company Filings as of September 30, 2018. Market data as of January 31, 2019.
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



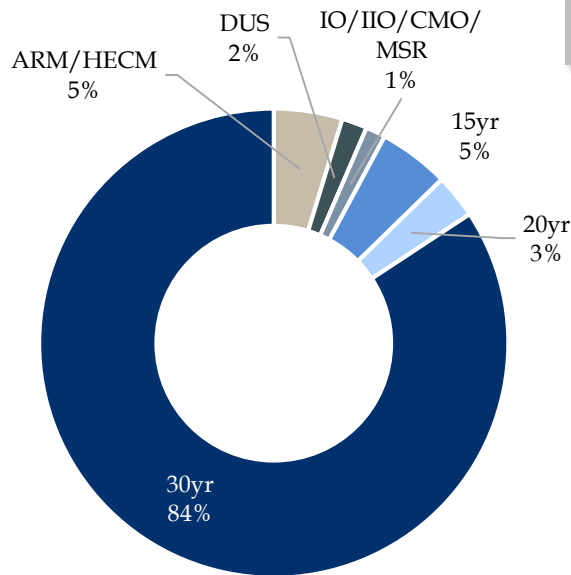
Business Update

Agency | Portfolio Summary

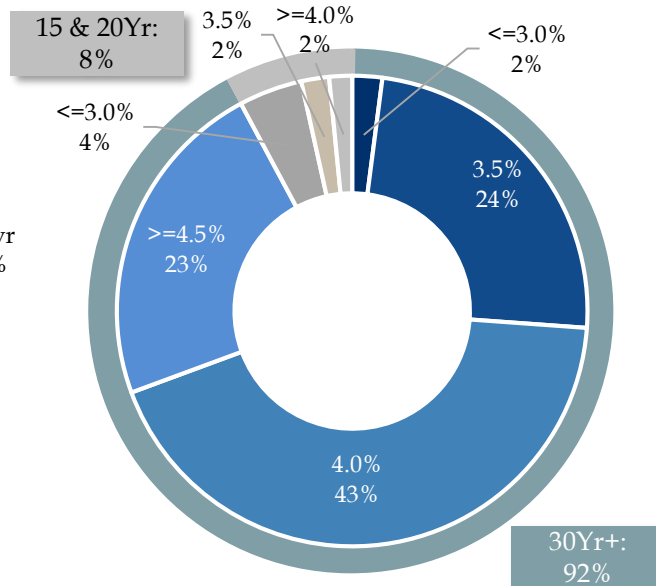
- Annaly Agency Portfolio: \$105.3 billion in assets at the end of Q4 2018, a decrease of 2% from Q4 2017
- The portfolio mix was comprised of over 90% 30-year fixed rate securities, as we believe these offer the most attractive risk-adjusted returns in the Agency MBS market
 - Steadily shifted the portfolio towards higher coupons in Q4 2018
- Levered returns improved as a result of runoff and turnover at more attractive spreads
 - Diversified into Agency CMBS, which were attractive relative to the single-family sector for much of the year
- ~84% of the portfolio was positioned in securities with attractive convexity profiles at the end of Q4 2018

Total Dedicated Capital: \$9.3 billion⁽¹⁾

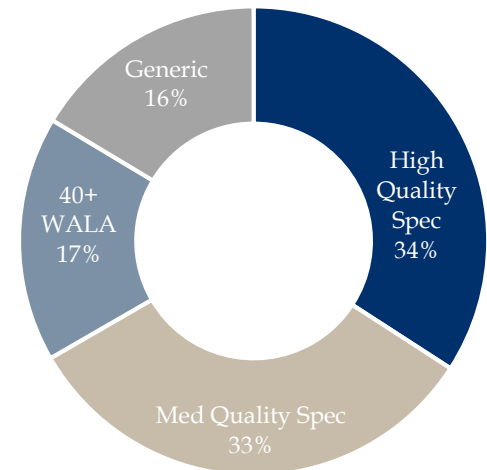
Asset Type⁽¹⁾



Pass Through Coupon Type



Portfolio Quality⁽²⁾



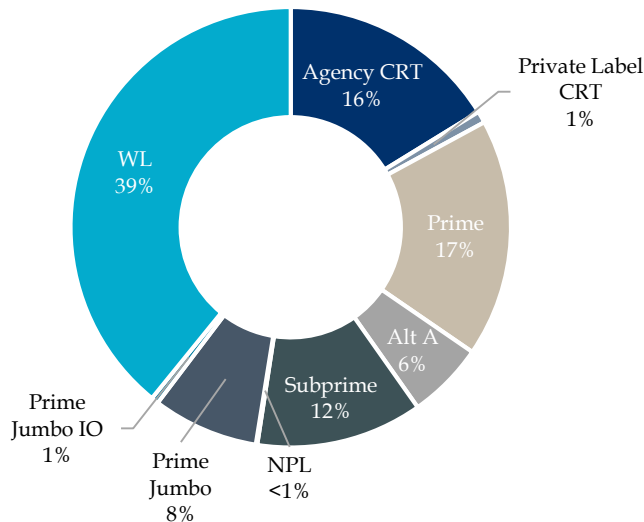
Note: Data as of December 31, 2018. Percentages based on fair market value and may not sum to 100% due to rounding. Detailed endnotes and a glossary of defined terms are included at the end of this presentation.

Residential Credit | Portfolio Summary

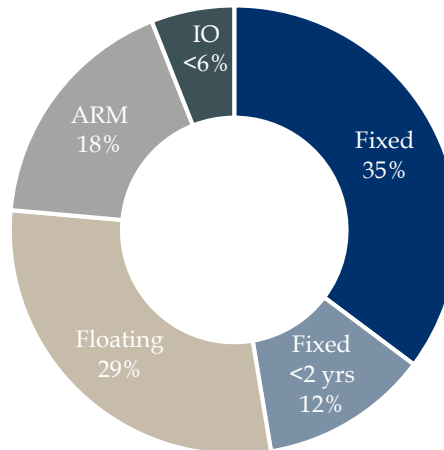
- Annaly Residential Credit Portfolio: \$3.3 billion at the end of Q4 2018, an increase of 17% from Q4 2017⁽¹⁾
- Closed three residential whole loan securitizations during 2018 for an aggregate \$1.1 billion
 - Subsequent to year end, priced a fourth securitization of \$394 million which settled in Q1 2019
 - These transactions establish Annaly as a programmatic residential MBS issuer
- Residential whole loans continued to be the largest area of growth, with acquisitions increasing approximately 76% year-over-year
 - Purchased \$1.3 billion of residential whole loans in 2018 through unique partnership channels
 - Executed call rights on three legacy securitizations during the year, gaining access to \$313 million of high-quality seasoned loans

Total Dedicated Capital: \$1.3 billion

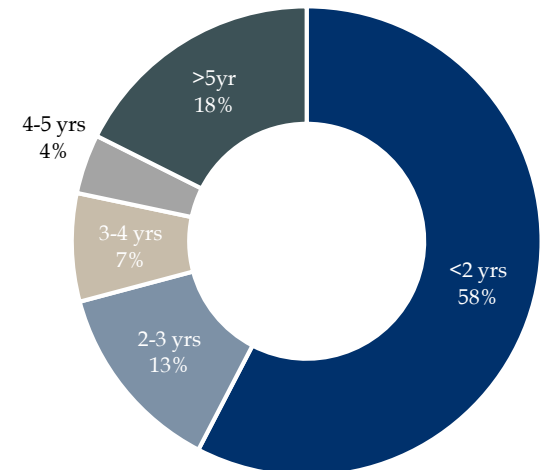
Sector Type⁽¹⁾⁽²⁾



Coupon Type⁽¹⁾



Effective Duration⁽¹⁾



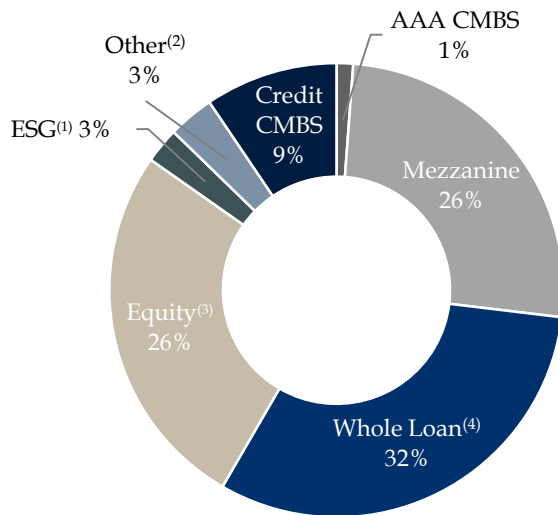
Note: Data as of December 31, 2018, unless otherwise noted. Portfolio statistics and percentages are based on fair market value and reflect economic interest in securitizations. Prime Jumbo and Prime classifications include the economic interest of certain positions that are classified as Residential 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

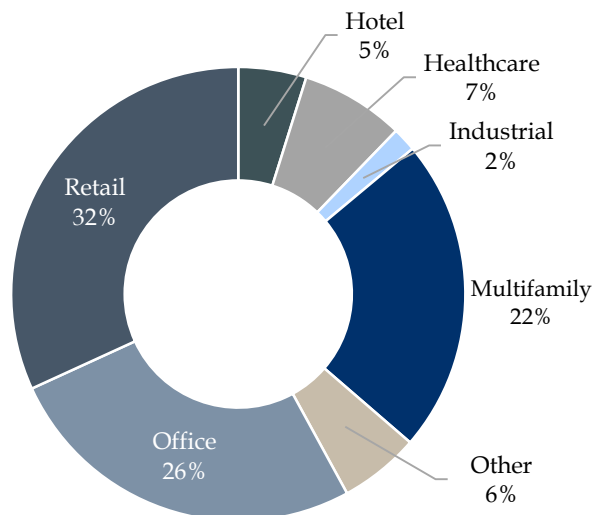
- Annaly Commercial Real Estate Portfolio: \$2.5 billion in assets at the end of Q4 2018, an increase of 24% from Q4 2017
- Enhanced regional origination presence and expanded capital markets efforts enabled Commercial Real Estate to close over \$1.2 billion of commercial assets in 2018, an increase of ~126% from Q4 2017 across the portfolio
- Noteworthy deals closed in 2018 include:
 - Originated a \$185 million floating-rate whole loan secured by a Class-A office tower in Dallas, Texas
 - Acquired a ~\$100 million controlling interest in a CMBS trust secured by a pool of full service hotels across 16 states
- Extended an existing credit facility and further reduced facility pricing during Q4 2018 to maintain competitiveness in debt origination secured by high quality assets

Total Dedicated Capital: \$0.9 billion

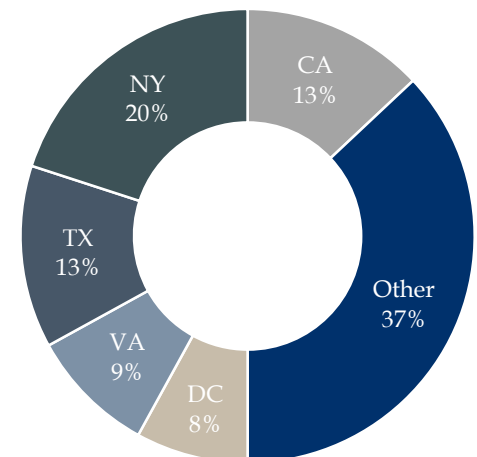
Asset Type



Sector Type



Geographic Concentration⁽⁵⁾



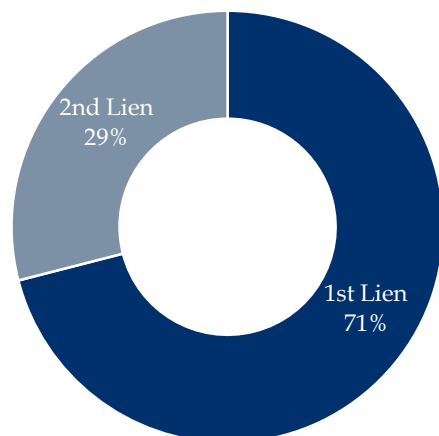
Note: Data as of December 31, 2018. Portfolio statistics and percentages are based on economic interest and excludes consolidated VIE positions. Percentages may not sum to 100% due to rounding. Detailed endnotes and a glossary of defined terms are included at the end of this presentation.

Middle Market Lending | Portfolio Summary

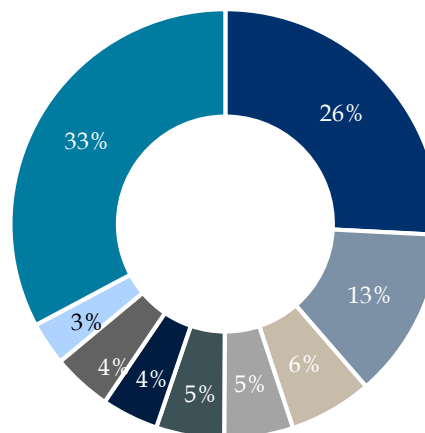
- Annaly Middle Market Lending Portfolio: \$1.9 billion in assets at the end of Q4 2018, an increase of 87% from Q4 2017
- Given evolving market conditions, the portfolio shifted towards more first lien investments while maintaining outsized returns
 - Portfolio split of 71% first lien and 29% second lien at year end
- Increased focus on lead arranger opportunities and more concentrated positions in defensive, non-discretionary, niche industries including five lead agent transactions with average facility sizes of \$200 million in 2018
- New investment activity outpaced paydowns during Q4 2018
 - \$526 million of new investments with unlevered yield of ~9%⁽¹⁾
 - \$143 million of paydowns⁽²⁾
- Subsequent to year end, improved terms and access to financing through additional \$200 million credit facility that closed in January 2019

Total Dedicated Capital: \$1.4 billion

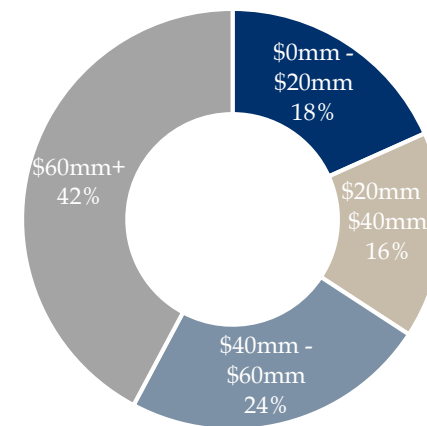
Lien Position



Industry⁽³⁾



Loan Size⁽⁴⁾



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

Note: Data as of December 31, 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

	For the quarters ended				
	12/31/2018	9/30/2018	6/30/2018	3/31/2018	12/31/2017
GAAP net income (loss) per average common share ⁽¹⁾	(\$1.74)	\$0.29	\$0.49	\$1.12	\$0.62
Core earnings (excluding PAA) per average common share* ⁽¹⁾	\$0.29	\$0.30	\$0.30	\$0.30	\$0.31
Core earnings per average common share* ⁽¹⁾	\$0.26	\$0.29	\$0.30	\$0.41	\$0.30
PAA cost (benefit) per average common share ⁽²⁾	\$0.03	\$0.01	\$0.00	(\$0.11)	\$0.01
Dividends declared per common share	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30
Book value per common share ⁽³⁾	\$9.39	\$10.03	\$10.35	\$10.53	\$11.34
Annualized GAAP return (loss) on average equity	(62.05%)	10.73%	17.20%	36.86%	20.58%
Annualized core return on average equity (excluding PAA)*	11.48%	10.85%	11.05%	10.70%	10.67%
Net interest margin	1.34%	1.49%	1.53%	1.94%	1.47%
Net interest margin (excluding PAA)*	1.49%	1.50%	1.56%	1.52%	1.51%
Leverage, at period-end ⁽⁴⁾	6.3x	5.9x	6.0x	6.1x	5.7x
Economic leverage, at period-end ⁽⁵⁾	7.0x	6.7x	6.4x	6.5x	6.6x
Credit portfolio as a percentage of stockholders' equity ⁽⁶⁾	28%	30%	28%	26%	24%

* 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				
	12/31/2018	9/30/2018	6/30/2018	3/31/2018	12/31/2017
Agency mortgage-backed securities	\$90,752,995	\$89,290,128	\$86,593,058	\$88,579,097	\$90,551,763
Credit risk transfer securities	552,097	688,521	563,796	628,942	651,764
Non-Agency mortgage-backed securities	1,161,938	1,173,467	1,006,785	1,066,343	1,097,294
Commercial mortgage-backed securities	156,758	186,495	315,050	264,810	262,751
Total Securities	\$92,623,789	\$91,338,611	\$88,478,689	\$90,539,192	\$92,563,572
Residential mortgage loans	\$1,359,806	\$1,217,139	\$1,142,300	\$974,577	\$958,546
Commercial real estate debt and preferred equity	1,296,803	1,435,865	1,251,138	1,081,295	1,029,327
Loans held for sale	42,184	42,325	42,458	-	-
Corporate debt	1,887,182	1,528,874	1,256,276	1,152,745	1,011,275
Total Loans	\$4,585,975	\$4,224,203	\$3,692,172	\$3,208,617	\$2,999,148
Mortgage servicing rights	\$557,813	\$588,833	\$599,014	\$596,378	\$580,860
Residential mortgage loans transferred or pledged to securitization vehicles	\$1,094,831	\$765,876	\$523,857	\$561,108	\$479,776
Commercial real estate debt investments transferred or pledged to securitization vehicles	2,738,369	3,521,945	2,542,413	2,695,513	2,826,357
Assets transferred or pledged to securitization vehicles	\$3,833,200	\$4,287,821	\$3,066,270	\$3,256,621	\$3,306,133
Real estate, net	\$739,473	\$753,014	\$477,887	\$480,063	\$485,953
Total residential and commercial investments	\$102,340,250	\$101,192,482	\$96,314,032	\$98,080,871	\$99,935,666

Appendix: Non-GAAP Reconciliations

Non-GAAP Reconciliations

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

The Company calculates “core earnings”, a non-GAAP measure, as the sum of (a) economic net interest income, (b) TBA dollar roll income and CMBX coupon income, (c) realized amortization of 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), and core earnings (excluding PAA), which is defined as core earnings excluding the premium amortization adjustment representing the cumulative impact on prior periods, but not the current period, of quarter-over-quarter changes in estimated long-term prepayment speeds related to the Company’s Agency mortgage-backed securities.

Non-GAAP Reconciliations (cont'd)

Unaudited, dollars in thousands except per share amounts

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

	12/31/2018	9/30/2018	For the quarters ended 6/30/2018	3/31/2018	12/31/2017
<u>GAAP to Core Reconciliation</u>					
GAAP net income (loss)	(\$2,254,872)	\$385,429	\$595,887	\$1,327,704	\$746,771
Net income (loss) attributable to non-controlling interests	17	(149)	(32)	(96)	(151)
Net income (loss) attributable to Annaly	(\$2,254,889)	\$385,578	\$595,919	\$1,327,800	\$746,922
Adjustments to excluded reported realized and unrealized (gains) losses:					
Realized (gains) losses on termination of interest rate swaps	-	(575)	-	(834)	160,075
Unrealized (gains) losses on interest rate swaps	1,313,882	(417,203)	(343,475)	(977,285)	(484,447)
Net (gains) losses on disposal of investments	747,505	324,294	66,117	(13,468)	(7,895)
Net (gains) losses on other derivatives	484,872	(94,827)	(34,189)	47,145	(121,334)
Net unrealized (gains) losses on instruments measured at fair value through earnings	18,169	39,944	48,376	51,593	12,115
Loan loss provision	3,496	-	-	-	-
Adjustments to exclude components of other (income) loss:					
Depreciation and amortization expense related to commercial real estate ⁽¹⁾	11,000	9,278	-	-	-
Non-core (income) loss allocated to equity method investments ⁽²⁾	(10,307)	(2,358)	-	-	-
Non-core other (income) loss ⁽³⁾	-	44,525	-	-	-
Adjustments to exclude components of general and administrative expenses and income taxes:					
Transaction expenses and non-recurring items ⁽⁴⁾	3,816	60,081	-	1,519	-
Income tax effect on non-core income (loss) items	3,334	886	-	-	-
Adjustments to add back components of realized and unrealized (gains) losses:					
TBA dollar roll income and CMBX coupon income ⁽⁵⁾	69,572	56,570	62,491	88,353	89,479
MSR amortization ⁽⁶⁾	(18,753)	(19,913)	(19,942)	(21,156)	(19,331)
Core earnings*	371,697	386,280	375,297	503,667	375,584
Less:					
Premium amortization adjustment (PAA) cost (benefit)	45,472	3,386	7,516	(118,395)	11,367
Core Earnings (excluding PAA)*	\$417,169	\$389,666	\$382,813	\$385,272	\$386,951
Dividends on preferred stock	32,494	31,675	31,377	33,766	32,334
Core Earnings attributable to common shareholders *	\$339,203	\$354,605	\$343,920	\$469,901	\$343,250
Core Earnings (excluding PAA) attributable to common shareholders *	\$384,675	\$357,991	\$351,436	\$351,506	\$354,617
GAAP net income (loss) per average common share ⁽⁷⁾	(\$1.74)	\$0.29	\$0.49	\$1.12	\$0.62
Core earnings per average common share ^{(7)*}	\$0.26	\$0.29	\$0.30	\$0.41	\$0.30
Core earnings (excluding PAA) per average common share ^{(7)*}	\$0.29	\$0.30	\$0.30	\$0.30	\$0.31
Annualized GAAP return (loss) on average equity	(62.05%)	10.73%	17.20%	36.86%	20.58%
Annualized core return on average equity (excluding PAA)*	11.48%	10.85%	11.05%	10.70%	10.67%

* 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

	12/31/2018	9/30/2018	For the quarters ended		
			6/30/2018	3/31/2018	12/31/2017
<u>Premium Amortization Reconciliation</u>					
Premium amortization expense	\$220,131	\$187,537	\$202,426	\$95,832	\$203,951
Less:					
PAA cost (benefit)	\$45,472	\$3,386	\$7,516	(\$118,395)	\$11,367
Premium amortization expense (excluding PAA)	\$174,659	\$184,151	\$194,910	\$214,227	\$192,584
<u>Interest Income (excluding PAA) Reconciliation</u>					
GAAP interest income	\$859,674	\$816,596	\$776,806	\$879,487	\$745,423
PAA cost (benefit)	\$45,472	\$3,386	\$7,516	(\$118,395)	\$11,367
Interest income (excluding PAA)*	\$905,146	\$819,982	\$784,322	\$761,092	\$756,790
<u>Economic Interest Expense Reconciliation</u>					
GAAP interest expense	\$586,774	\$500,973	\$442,692	\$367,421	\$318,711
Add:					
Net interest component of interest rate swaps ⁽¹⁾	(65,889)	(51,349)	(31,475)	48,160	73,957
Economic interest expense* ⁽¹⁾	\$520,885	\$449,624	\$411,217	\$415,581	\$392,668
<u>Economic Net Interest Income (excluding PAA) Reconciliation</u>					
Interest income (excluding PAA)	\$905,146	\$819,982	\$784,322	\$761,092	\$756,790
Less:					
Economic interest expense* ⁽¹⁾	520,885	449,624	411,217	415,581	392,668
Economic net interest income (excluding PAA)* ⁽¹⁾	\$384,261	\$370,358	\$373,105	\$345,511	\$364,122
<u>Economic Metrics (excluding PAA)</u>					
Average interest earning assets	\$107,232,861	\$101,704,957	\$102,193,435	\$101,979,042	\$100,247,589
Interest income (excluding PAA)*	\$905,146	\$819,982	\$784,322	\$761,092	\$756,790
Average yield on interest earning assets (excluding PAA)*	3.38%	3.22%	3.07%	2.99%	3.02%
Average interest bearing liabilities	\$91,746,160	\$86,638,082	\$87,103,807	\$87,376,452	\$85,992,215
Economic interest expense* ⁽¹⁾	\$520,885	\$449,624	\$411,217	\$415,581	\$392,668
Average cost of interest bearing liabilities ⁽¹⁾	2.22%	2.08%	1.89%	1.90%	1.83%
Economic net interest income (excluding PAA)* ⁽¹⁾	\$384,261	\$370,358	\$373,105	\$345,511	\$364,122
Net interest spread (excluding PAA)*	1.16%	1.14%	1.18%	1.09%	1.19%
Interest income (excluding PAA)*	\$905,146	\$819,982	\$784,322	\$761,092	\$756,790
TBA dollar roll income and CMBX coupon income ⁽²⁾	69,572	56,570	62,491	88,353	89,479
Interest expense	(586,774)	(500,973)	(442,692)	(367,421)	(318,711)
Net interest component of interest rate swaps	65,889	51,349	31,475	(48,160)	(82,271)
Subtotal	\$453,833	\$426,928	\$435,596	\$433,864	\$445,287
Average interest earning assets	\$107,232,861	\$101,704,957	\$102,193,435	\$101,979,042	\$100,247,589
Average TBA contract and CMBX balances ⁽²⁾	14,788,453	12,216,863	9,407,819	12,050,341	17,509,691
Subtotal	\$122,021,314	\$113,921,820	\$111,601,254	\$114,029,383	\$117,757,280
Net interest margin (excluding PAA)*	1.49%	1.50%	1.56%	1.52%	1.51%

* 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

Agency Peers: Represents companies comprising the Agency sector within the BBREMTG Index*

AMML: Refers to Annaly Middle Market Lending Group

ARC: Refers to Annaly Residential Credit 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 companies comprising the commercial sector within the BBREMTG Index*

Consumer Staples: Represents the S5CONS Index*

CRT: Refers to credit risk transfer securities

Equity REITs: Represents the RMZ Index*

ESG: Refers to Environmental, Social and Governance

FHLB: Refers to the Federal Home Loan Bank

GSE: Refers to government sponsored enterprise

Hybrid Peers: Represents companies comprising the hybrid 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 January 31, 2019

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

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 January 31, 2019.

Endnotes

Page 4

1. Agency assets include to be announced ("TBA") purchase contracts (market value) and mortgage servicing rights ("MSRs"). Residential Credit and Commercial Real Estate assets exclude securitized debt of consolidated variable interest entities ("VIEs").
2. Represents the capital allocation for each of the four investment groups and is calculated as the difference between assets and related financing. Includes TBA purchase contracts, excludes non-portfolio related activity and varies from total stockholders' equity.
3. Sector rank compares Annaly dedicated capital in each of its four investment groups as of December 31, 2018 (adjusted for P/B as of January 31, 2019) to the market capitalization of the companies in each respective comparative sector as of January 31, 2019. Comparative sectors used for Agency, Commercial Real Estate and Residential Credit ranking are their respective sector within the BBREMTG Index as of January 31, 2019. Comparative sector used for Middle Market Lending ranking is the S&P BDC Index as of January 31, 2019.
4. Levered return assumptions are for illustrative purposes only and attempt to represent current market asset returns and financing terms for prospective investments of the same, or of a substantially similar, nature in each respective group.

Page 5

1. Includes unfunded commitments of \$161mm. Year-over-year increase excludes loans acquired through securitization call rights and assets onboarded in connection with the MTGE acquisition.
2. \$2.4bn of financing capacity includes \$1.5bn in residential whole loan securitizations (\$1.1bn closed in 2018 and \$394mm closed subsequent to year end in January 2019) and \$900mm in additional credit facility capacity (\$700mm closed in 2018 and \$200mm closed subsequent to year end in January 2019).
3. Dedicated capital includes TBA purchase contracts, excludes non-portfolio related activity and varies from total stockholders' equity.
4. Reflects announcement date of the MTGE acquisition, which closed in September 2018.
5. ~\$3bn of equity includes: (1) \$425mm raised through a preferred equity offering in January 2018; (2) \$877mm raised through a common equity offering in September 2018; (3) \$840mm raised through a common equity offering in January 2019; (4) \$456mm of equity issued as partial merger consideration and \$55mm of preferred equity assumed in connection with the MTGE acquisition in September 2018; and (5) \$251mm raised through the Company's at-the-market sales program for its common stock, which was entered into in January 2018. These amounts exclude any applicable underwriting discounts and other estimated offering expenses. The September 2018 and January 2019 common equity offerings include the underwriters' full exercise of their overallotment option to purchase additional shares of stock.

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1. Based on annualized Q4 2018 dividend of \$0.30 and a closing price of \$9.82 on December 31, 2018.
2. Total portfolio excludes securitized debt of consolidated VIEs.
3. Capital allocation includes TBA purchase contracts, excludes non-portfolio related activity and varies from total stockholders' equity.
4. Includes \$700mm closed in 2018 and \$200mm closed subsequent to year end in January 2019.
5. Measures total notional balances of interest rate swaps, interest rate swaptions and futures relative to repurchase agreements, other secured financing and TBA derivative and CMBX notional outstanding; excludes MSRs and the effects of term financing, both of which serve to reduce interest rate risk. Additionally, the hedge ratio does not take into consideration differences in duration between assets and liabilities.
6. Includes GAAP interest expense and the net interest component of interest rate swaps.

Page 9

1. Data shown since December 31, 2013, which marks the beginning of Annaly's diversification efforts, through January 31, 2019.
2. Represents Annaly's operating expense as a percentage of average equity compared to the BBREMTG Index as of September 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. Includes Annaly's \$876mm acquisition of CreXus Investment Corp. (closed May 2013), \$1,519mm acquisition of Hatteras Financial Corp. (closed July 2016) and \$906mm acquisition of MTGE Investment Corp. (closed September 2018).
4. On December 13 2018, the Board unanimously approved and amended its bylaws to declassify the Board. The amendment provides that Directors will be nominated for election for one-year terms beginning with the Company's annual meeting of stockholders in 2019 as their terms expire. For more information, see the Form 8-K filed December 13, 2018.

Page 10

1. Total return shown since December 31, 2015.
2. The third quarter 2018 common stock dividend is represented as the aggregate \$0.30 common stock dividend comprised of (i) the \$0.22174 short period dividend paid on September 6, 2018 in connection with the MTGE acquisition and (ii) the \$0.07826 remaining dividend paid on September 28, 2018.
3. Line represents the lower bound of the target Fed Funds range.

Page 11

1. Includes unfunded commitments in the year of origination.
2. Year-over-year increase excludes loans acquired through securitization call rights and assets onboarded in connection with the MTGE acquisition.
3. Represents originated or purchased whole loans, commercial mortgage-backed securities and equity assets across the credit businesses in each year.

Page 12

1. Represents operating expense as a percentage of average equity for the quarter ended September 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 13

1. Includes \$1.1bn closed in 2018 (three securitizations) and \$394mm closed subsequent to year end in January 2019 (one securitization).
2. Reflects Annaly's 5-year FHLB financing, which sunsets in February 2021.
3. Includes \$700mm closed in 2018 and \$200mm closed subsequent to year end in January 2019.
4. Does not include structural leverage.
5. Does not include synthetic financing for TBA contracts.
6. Excludes securitized debt of consolidated VIEs. Total does not include middle market loan syndications.
7. Includes securitizations.

Endnotes (cont'd)

Page 14

1. Representative of BBREMTG Index as of January 31, 2019 pro forma for pending acquisition of ORM by RC (announced on November 7, 2018).
2. Reflects the number of Annaly's acquisitions as a percentage of the number of total acquisitions in the mREIT sector.
3. Includes M&A transactions that were either announced or closed after April 8, 2016.

Page 15

1. Includes commercial real estate loans or equity investments in buildings with U.S. Green Building Council's LEED certification or that have been designated as energy efficient by EnergyStar. \$429mm represents the cumulative commitment value at investment date of Annaly's commercial investments, including current and prior investments.
2. Annaly entered into its first social impact investing joint venture with Capital Impact Partners ("CIP") in November 2017, in which Annaly's investment represents \$20mm and CIP's investment represents \$5mm. Annaly entered into its second social impact investing joint venture with CIP in December 2018, in which Annaly's commitment represents \$20mm and CIP's commitment represents \$5mm.
3. 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.
4. Includes appointment of new Board member Kathy Hopinkah Hannan, PhD, CPA, effective February 13, 2019.
5. S&P 500 board composition per ISS Corporate Solutions as of January 2019.
6. On December 13, 2018, the Board unanimously approved and amended its bylaws to declassify the Board. The amendment provides that Directors will be nominated for election for one-year terms beginning with the Company's annual meeting of stockholders in 2019 as their terms expire. For more information, see our public filings, including Form 8-K filed December 13, 2018.

Page 16

1. Total Return represents the total shareholder return for the period beginning December 31, 2013 to January 31, 2019.
2. Represents average of the Yield Sectors.
3. Treynor Ratio defined as the annualized total shareholder return from December 31, 2013 through January 31, 2019 less the average yield on the 10-yr Treasury over the respective period divided by the beta over the respective period.

Page 19

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 20

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

Page 21

1. Reflects joint venture interests in a social impact loan investment fund that is accounted for under the equity method for GAAP.
2. Reflects limited and general partnership interests in a commercial loan investment fund that is accounted for under the equity method for GAAP.
3. Includes equity investment in health care assets.
4. Includes mezzanine loans for which Commercial Real Estate is also the corresponding first mortgage lender, B-Notes held for investment and a B-Note held for sale.
5. Other includes 46 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 22

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

Page 23

1. Net of dividends on preferred stock. The quarter ended December 31, 2017 excludes cumulative and undeclared dividends of \$8.3mm on the Company's Series F Preferred stock as of September 30, 2017.
2. The Company separately calculates core earnings per average common share and core earnings (ex-PAA) per average common share, with the difference between these two per share amounts attributed to the PAA cost (benefit) per average common share. As such, the reported value of the PAA cost (benefit) per average common share may not reflect the result of dividing the PAA cost (benefit) by the weighted average number of common shares outstanding due to rounding.
3. Book value per common share includes 10.6mm shares of the Company's common stock that were pending issuance to shareholders of MTGE Investment Corp. ("MTGE") at September 30, 2018 in connection with the MTGE acquisition.
4. Debt consists of repurchase agreements, other secured financing, securitized debt and mortgages payable. Certain credit facilities (included within other secured financing), securitized debt and mortgages payable are non-recourse to the Company.
5. Computed as the sum of recourse debt, TBA derivative and CMBX notional outstanding and net forward purchases (sales) of investments divided by total equity. Recourse debt consists of repurchase agreements and other secured financing (excluding certain non-recourse credit facilities). Securitized debt, certain credit facilities (included within other secured financing) and mortgages payable are non-recourse to the Company and are excluded from this measure.
6. 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.

Endnotes (*cont'd*)

Non-GAAP Reconciliations

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

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