



ANNALY®

First Quarter 2020  
Investor Presentation

April 29, 2020

# Important Notices

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This presentation, other written or oral communications, and our public documents to which we refer contain or incorporate by reference certain forward-looking statements which are based on various assumptions (some of which are beyond our control) and may be identified by reference to a future period or periods or by the use of forward-looking terminology, such as "may," "will," "believe," "expect," "anticipate," "continue," or similar terms or variations on those terms or the negative of those terms. Such statements include those relating to the Company's future performance, macro outlook, the interest rate and credit environments, tax reform, future opportunities and the anticipated Internalization. Actual results could differ materially from those set forth in forward-looking statements due to a variety of factors, including, but not limited to, risks and uncertainties related to the COVID-19 pandemic, including as related to adverse economic conditions on real estate-related assets and financing conditions; changes in interest rates; changes in the yield curve; changes in prepayment rates; the availability of mortgage-backed securities ("MBS") and other securities for purchase; the availability of financing and, if available, the terms of any financing; changes in the market value of the Company's assets; changes in business conditions and the general economy; the Company's ability to grow our commercial real estate business; the Company's ability to grow its residential credit business; the Company's ability to grow its middle market lending business; credit risks related to the Company's investments in credit risk transfer securities, residential mortgage-backed securities and related residential mortgage credit assets, commercial real estate assets and corporate debt; risks related to investments in mortgage servicing rights; the Company's ability to consummate any contemplated investment opportunities; changes in government regulations or policy affecting the Company's business; the Company's ability to maintain its qualification as a REIT for U.S. federal income tax purposes; the Company's ability to maintain its exemption from registration under the Investment Company Act of 1940, as amended; and risks and uncertainties associated with the Internalization, including but not limited to the occurrence of any event, change or other circumstances that could give rise to the termination of the Internalization Agreement; the outcome of any legal proceedings that may be instituted against the parties to the Internalization Agreement; the inability to complete the Internalization due to the failure to satisfy closing conditions or otherwise; risks that the Internalization disrupts the Company's current plans and operations; the impact, if any, of the announcement or pendency of the Internalization on the Company's relationships with third parties; and the amount of the costs, fees, expenses charges related to the Internalization; and the risk that the expected benefits, including long-term cost savings, of the Internalization are not achieved. For a discussion of the risks and uncertainties which could cause actual results to differ from those contained in the forward-looking statements, see "Risk Factors" in our most recent Annual Report on Form 10-K and any subsequent Quarterly Reports on Form 10-Q. The Company does not undertake, and specifically disclaims any obligation, to publicly release the result of any revisions which may be made to any forward-looking statements to reflect the occurrence of anticipated or unanticipated events or circumstances after the date of such statements, except as required by law.

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## **Non-GAAP Financial Measures**

This presentation includes certain non-GAAP financial measures, including core earnings excluding 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, such as core earnings (excluding PAA), or 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.

# Annaly is a Leading Diversified Capital Manager

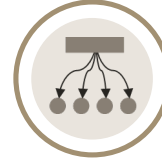
The diversification, scale and liquidity of Annaly's complementary investment businesses provide a broad range of opportunities in today's markets



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



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



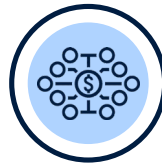
4 Investment Strategies  
Agency, Residential Credit,  
Commercial Real Estate  
& Middle Market Lending



\$20 billion  
Common and Preferred  
Dividends Declared<sup>(3)</sup>



\$3 billion  
Combined Deal Value of  
Transformational Acquisitions<sup>(4)</sup>



Evolved & Evolving  
38 Distinct Investment  
Options & Counting



~180  
Talented Professionals



ESG Focus  
Robust  
Corporate Responsibility  
& Governance

# ANNALY<sup>®</sup>

# How Annaly is Navigating the COVID-19 Pandemic

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

## Supporting our Operations and Employees

- 100% of our employees are working from home
- Utilized the Company's well-established, and routinely tested, Business Continuity Planning ("BCP") process
  - Our BCP has been designed to ensure continued, effective operations through a variety of scenarios including natural disasters and disease pandemics
- Enhanced technology and video conferencing to support operational efficiencies
- Management's Enterprise Risk Committee has oversight of cybersecurity
- Increased firm-wide internal communication through a variety of mediums to facilitate staff connectivity
- Company-sponsored stipend to employees for upgrades to home workstations
- Telemedicine benefits available to employees to better meet their health needs

## Supporting our Communities

- Our thoughts are with those impacted by the COVID-19 pandemic
- A sincere thank you to the healthcare workers and first responders who selflessly risk their health to protect ours
- Annaly, together with our Management team members personally, is proud to have pledged financial resources to non-profit organizations that align with our business mission as part of our corporate philanthropy program
  - Housing and shelter-related organizations
  - Food access and workforce development for vulnerable populations
- Employee-matching program to provide additional support for donations to COVID-19 relief efforts

*"...the best-run companies do more. They put the customer first and invest in their employees and communities"*

*- Business Roundtable<sup>(1)</sup>*

# First Quarter 2020 Financial Highlights

## Earnings & Book Value

### Earnings (Loss) per Share

GAAP Core  
\$(2.57) | \$0.21  
(ex. PAA)\*

### Book Value per Share

\$7.50

### Dividend per Share

\$0.25

### Dividend Yield<sup>(1)</sup>

19.7%

### Net Interest Margin

1.49%



Q4 2019

### Net Interest Margin (ex. PAA)\*

1.41%



Q4 2019

0.18%



Q1 2020

1.18%



Q1 2020

## Investment Portfolio

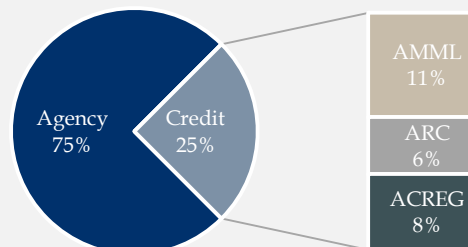
### Total Portfolio<sup>(2)</sup>

\$99.3bn

### Total Stockholders' Equity

\$12.7bn

### Capital Allocation<sup>(3)</sup>



### Average Yield on Interest Earning Assets (ex. PAA)\*

3.25%



Q4 2019

2.91%



Q1 2020

## Financing, Liquidity & Hedging

### Liquidity Position

\$4.6bn  
of cash and  
unencumbered  
Agency MBS

\$6.9bn  
of total unencumbered  
assets

### Total Hedge Portfolio<sup>(4)</sup>

\$17bn

Hedge portfolio,  
reduced from \$85bn as  
of Q4'19 given the  
market rally; duration  
gap of 0.7 years as of  
Q1'20

### Economic Leverage\*

7.2x



Q4 2019

6.8x



Q1 2020

### Hedge Ratio<sup>(5)</sup>

75%



Q4 2019

19%



Q1 2020

### Average Economic Cost of Funds<sup>\*(6)</sup>

2.01%



Q4 2019

1.91%



Q1 2020

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

## Recent Announcements

Annaly has made a series of announcements since the beginning of Q1 2020 that demonstrate our leadership, commitment to robust governance and continued transparency for our shareholders

### Internalization

**ANNALY®**

***Announces Agreement to  
Internalize Management***

*February 12, 2020*

*"...We are excited to continue delivering market-leading performance for Annaly's shareholders as an internally-managed REIT. This decision is a logical next step in the series of measures Annaly has implemented as a leader in our industry from a governance standpoint. We believe this change will provide Annaly with enhanced flexibility and resources to create value for our shareholders over the long term."*

***– Glenn Votek  
Senior Advisor & Director  
Former Interim CEO & President***

### Appointment of New CEO

**ANNALY®**

***Names David L. Finkelstein  
Chief Executive Officer***

*March 16, 2020*

*"The Board is pleased to have selected David as Annaly's CEO given his deep investment and operational expertise, strategic orientation and embodiment of Annaly's values and unique culture. David is recognized as a leading voice of the Company and will leverage his extensive markets and policy experience in guiding Annaly in his new role."*

***– Michael Haylon  
Chair of the Board***

### Update for Shareholders

**ANNALY®**

***Issues Letter to Shareholders***

*April 7, 2020*

*"We have a more than twenty-year track record managing Agency MBS, interest rate, short-term financing and credit risk over many cycles. The size of our capital base and deep financing relationships, along with our measured decisions with respect to managing the composition of our portfolio and risk profile, have been critical to our ability to successfully navigate through environments like the one we face today."*

***– David Finkelstein  
CEO & CIO***

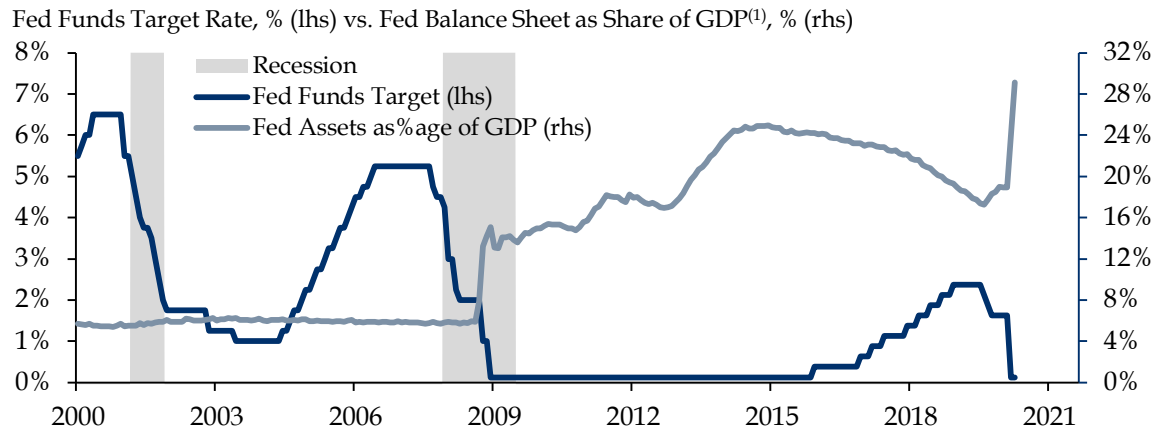
Note: For more information and to review the complete Press Releases referenced above, please visit [www.annaly.com/investors](http://www.annaly.com/investors).

# **Market Environment & Annaly Positioning**

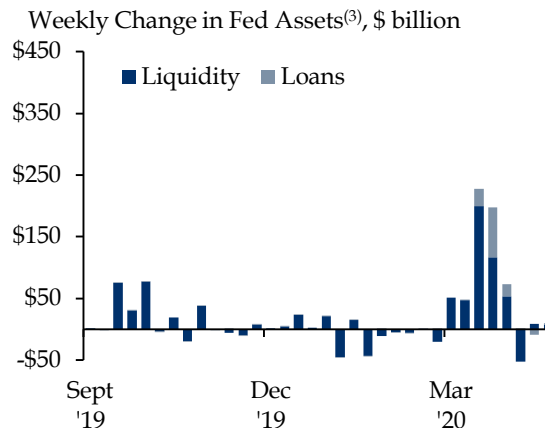
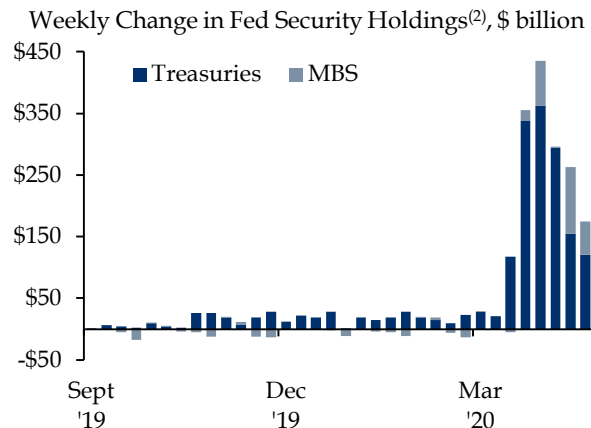
# Monetary and Fiscal Policy Response

The Federal Reserve and Congress have provided unprecedented stimulus measures to soften the adverse economic impact of the COVID-19 pandemic

The Fed cut rates to the zero lower bound and expanded balance sheet...



... by buying assets and providing loans and liquidity



Policy makers step in

- The Fed has enacted accommodative measures more rapidly and broadly than during the 2008 Financial Crisis:
  - Cut the Fed Funds Target Range by 150bps to zero
  - Added liquidity through repo operations, USD swaps, lending programs
  - Purchased U.S. Treasuries and Agency MBS at record pace
  - Established numerous facilities to support credit intermediation in various markets
- Congress has passed four rounds of stimulus thus far
  - Expanded fiscal spending at fastest pace in 75 years
  - Designed to help consumers and businesses deal with the economic shock from virus related closures

Source: Haver Analytics, Federal Reserve, Annaly Calculations. Data as of April 22, 2020.

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

# Fed Purchases Impact on MBS Market

The large amount of Fed purchases has meaningfully improved MBS market technicals

## Improved the supply/demand outlook

- The economic downturn and sizeable Federal Reserve MBS purchases have changed the supply/demand outlook
  - Net supply will likely be lower than anticipated, given reduced housing turnover and slower home price appreciation
  - Fed shifted from largest seller in the market (via runoff) to largest buyer; net supply to private investors is now sharply negative

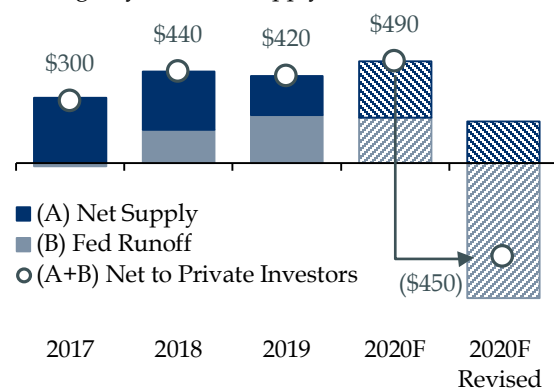
## Removed the fastest prepaying securities

- Given the Fed's purchases occur in the TBA market, the purchases improve the collateral available to private investors
- We estimate the Fed has purchased up to one half of MBS securities currently not permanently locked up in investor portfolios ("float")
- These purchases remove the fastest paying securities with the most negative convexity from the market making the remaining securities available more attractive to investors

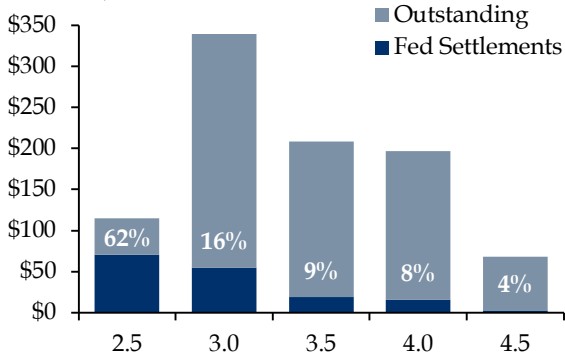
## Has benefitted the MBS market

- Fed purchases immediately benefitted TBA collateral, which tightened spreads meaningfully
- Repo financing for MBS specified pools is widely available
- Investors have begun to gravitate towards specified pools in Q2, which provide more stable cash flows than TBA collateral
- While pools lagged initial tightening of TBA, we have seen performance of pools improve relative to TBAs

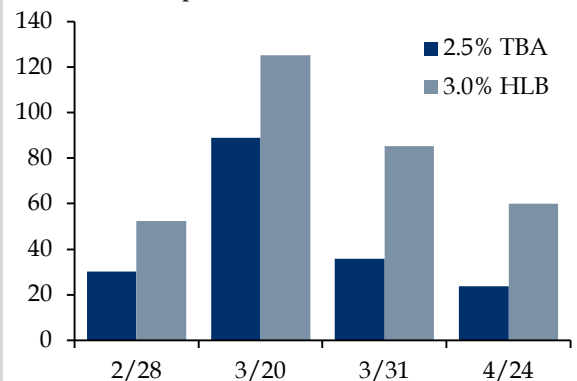
Est. Agency MBS Net Supply<sup>(1)</sup>, \$ billion



Fed Purchases Relative to Tradeable 30-year UMBS<sup>(2)</sup>, \$ billion



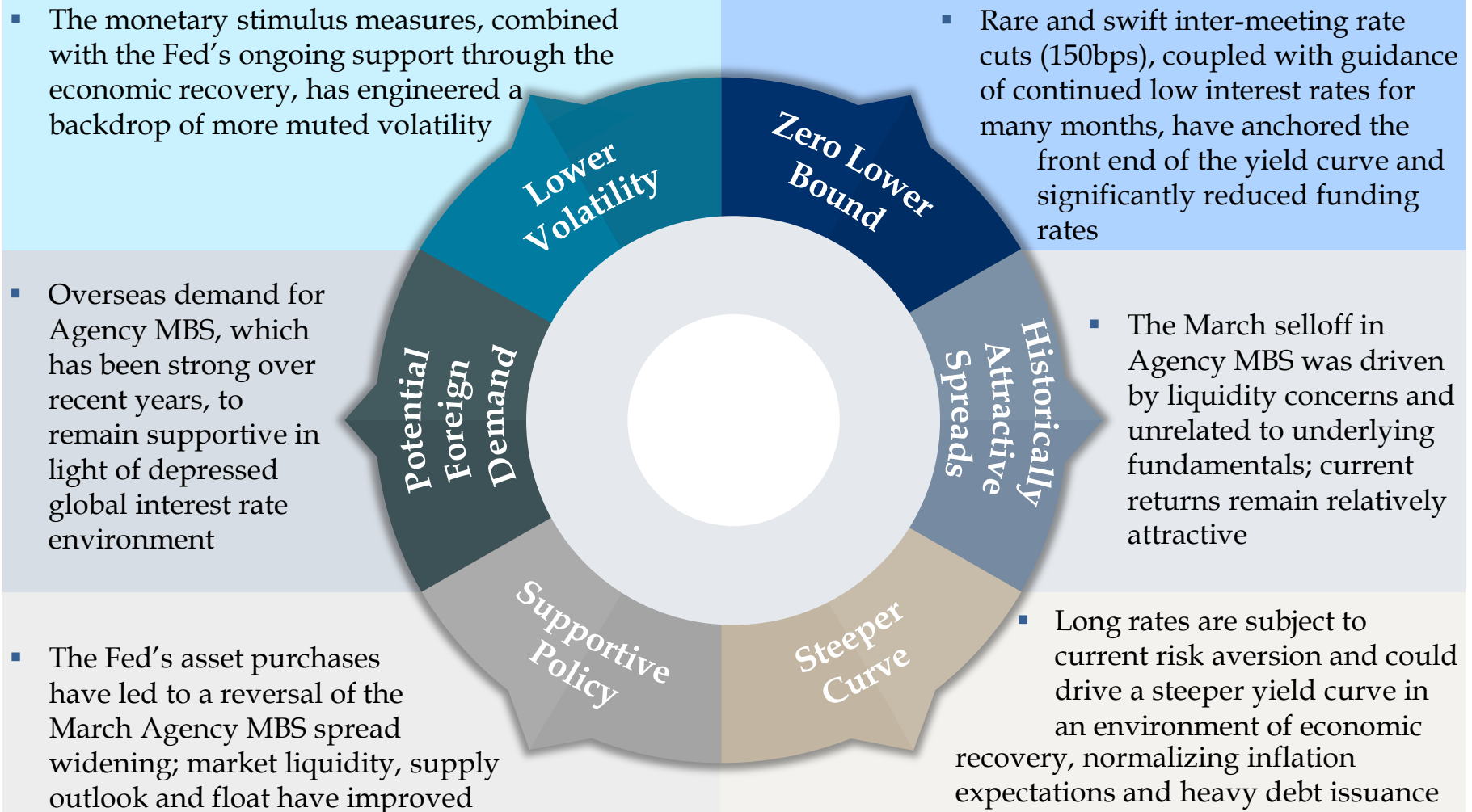
Libor OAS<sup>(3)</sup>, bps



Source: JP Morgan Chase, Federal Reserve Bank of NY, eMBS, Annaly Calculations. Data as of April 24, 2020.  
Detailed endnotes and a glossary of defined terms are included at the end of this presentation.

# The Interest Rate Risk Outlook Has Improved

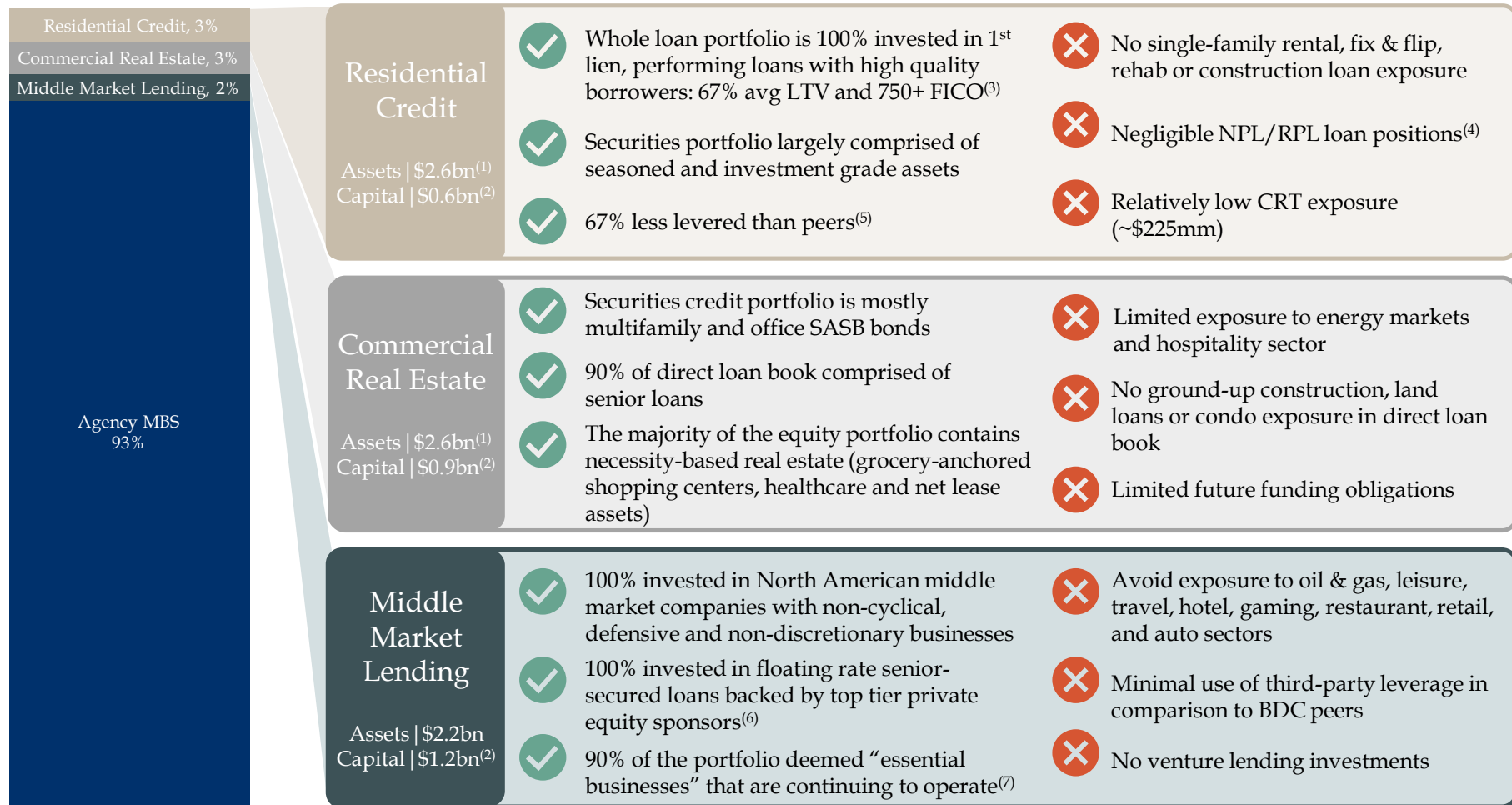
With coordinated fiscal and monetary policy support, asset and financing markets have improved since mid-March and while challenges remain, we see positive tailwinds for investing in Agency MBS



# Annaly's Credit Businesses are Well-Positioned to Weather Current Volatility

Annaly's credit businesses have manageable exposure to industries and asset classes most heavily-affected by the COVID-19 Pandemic

## Current Investment Portfolio Characteristics



Assets <sup>(1)</sup>

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

Note: Reflects certain characteristics of Annaly's current investment portfolio and is not representative of the entire investment portfolio. There is no guarantee that the current investment portfolio will include or exclude these characteristics in the future. 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.

# Business Update

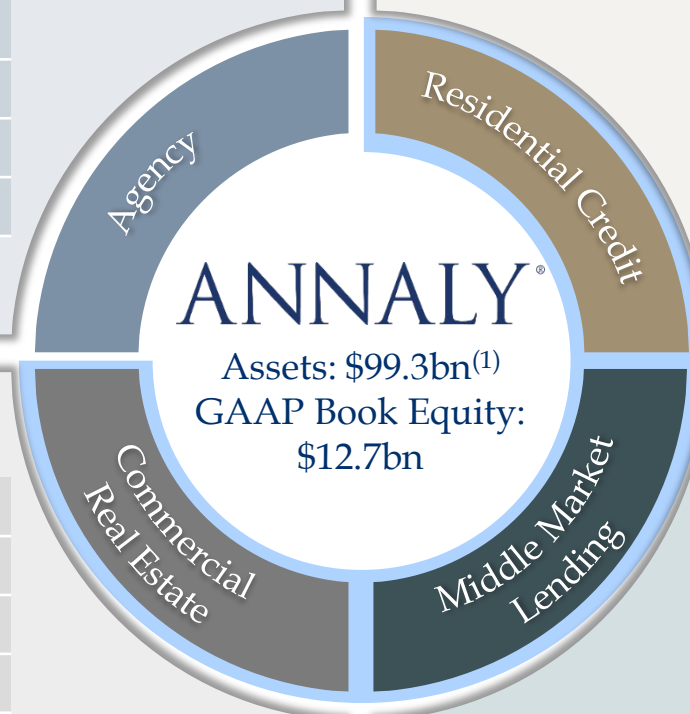
# Annaly Investment Strategies

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

Assets <sup>(1)</sup>	\$92.0bn
Capital <sup>(2)</sup>	\$8.3bn
Sector Rank <sup>(3)</sup>	#1/8
Strategy	Countercyclical/ Defensive

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

Assets <sup>(1)</sup>	\$2.6bn
Capital <sup>(2)</sup>	\$0.6bn
Sector Rank <sup>(3)</sup>	#8/14
Strategy	Cyclical/ Growth



Assets <sup>(1)</sup>	\$2.6bn
Capital <sup>(2)</sup>	\$0.9bn
Sector Rank <sup>(3)</sup>	#8/17
Strategy	Cyclical/ Growth

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

Assets	\$2.2bn
Capital <sup>(2)</sup>	\$1.2bn
Sector Rank <sup>(3)</sup>	#9/45
Strategy	Non-Cyclical/ Defensive

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

Source: Bloomberg and Company filings. Financial data as of March 31, 2020. Market data as of April 15, 2020. Detailed endnotes and a glossary of defined terms are included at the end of this presentation.

 Represents credit business

## Agency MBS spreads have rebounded post Fed intervention, though headwinds remain

### Strategic Approach

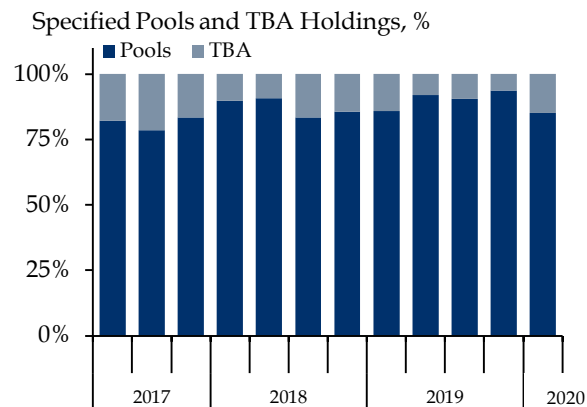
- Annaly's Agency Portfolio is made up of high quality and relatively liquid securities, including specified pools, TBA, ARMs and derivatives
- Portfolio benefits from in-house proprietary analytics that identify emerging prepayment trends and aid in accurately estimating cash flows
- Diversified portfolio construct enhances total return profile while duration and convexity risks are hedged to protect book value across various interest rate and spread environments
- Annaly's Agency team has access to traditional wholesale repo and proprietary broker-dealer repo

### Market Trends

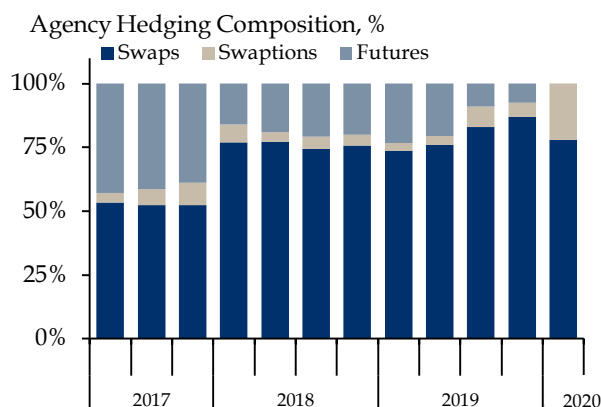
- We remain constructive on Agency MBS spreads given the extensive intervention by the Federal Reserve in financial markets and the new supply/demand dynamic estimated to prevail for the remainder of 2020
- Although there are capacity constraints on the originator side, the speed outlook remains challenged by both low rates in the immediate term and forbearance actions extended by the GSEs in the longer term
- MBS repo markets have been relatively stable amid the added liquidity from the Federal Reserve, we have shortened our repo term given the abrupt shift in the market

## Agency Portfolio Detail

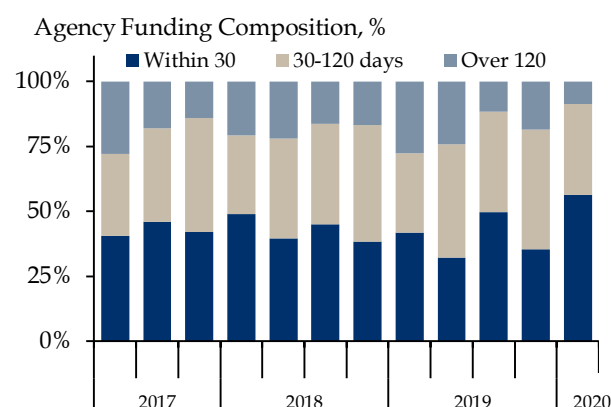
### Assets



### Hedges<sup>(1)</sup>



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



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

Note: Portfolio data as of quarter end for each respective period.

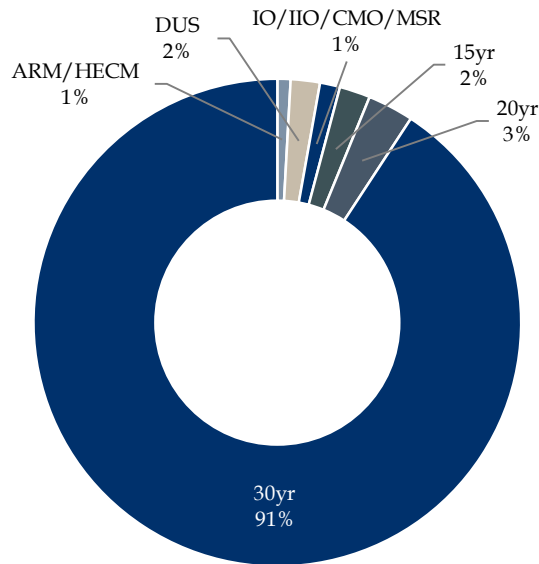
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# Agency | Portfolio Summary

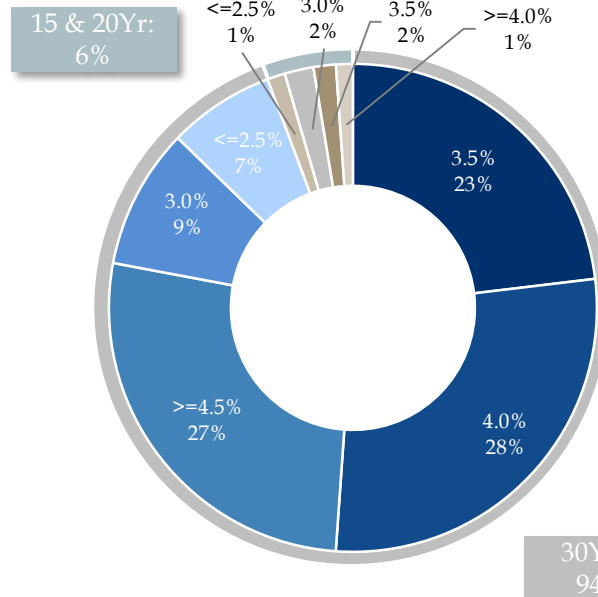
- Annaly Agency Portfolio: \$92.0 billion in assets at the end of Q1 2020, a decrease of 24% from Q4 2019 given de-levering amid the COVID-19 pandemic
- Asset reduction in Q1 2020 was primarily in our pool position, with additional sales in ARM and DUS
  - The majority of pool sales were concentrated in generic pools, resulting in a current profile composed almost entirely of pools positioned in securities with attractive convexity profiles including seasoning, loan balance, low FICO and high LTV stories
- The portfolio mix continues to be predominately concentrated in 30-year fixed rate securities
- Portfolio profile shifted down in coupon over the course of the quarter, with a reduction in 30-year 3% through 4% and additions of 30-year 2.5% and 2.0%

Total Dedicated Capital: \$8.3 billion<sup>(1)</sup>

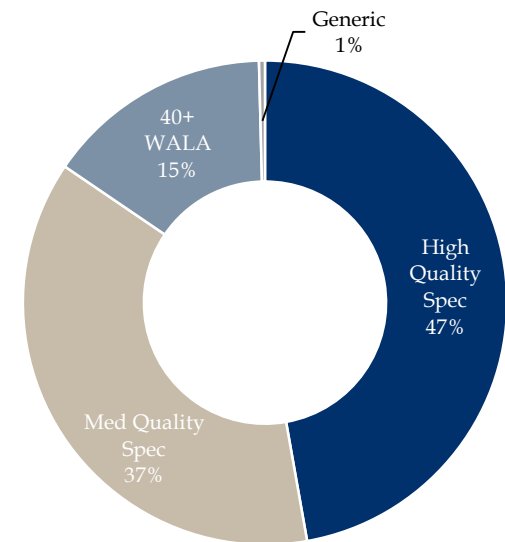
Asset Type<sup>(1)</sup>



Pass Through Coupon Type<sup>(2)</sup>



Portfolio Quality<sup>(3)</sup>



Note: Data as of March 31, 2020. Percentages based on fair market value and may not sum to 100% due to rounding.

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

# Residential Credit | Business Update

Annaly's Residential Credit strategy was actively managed throughout the market volatility

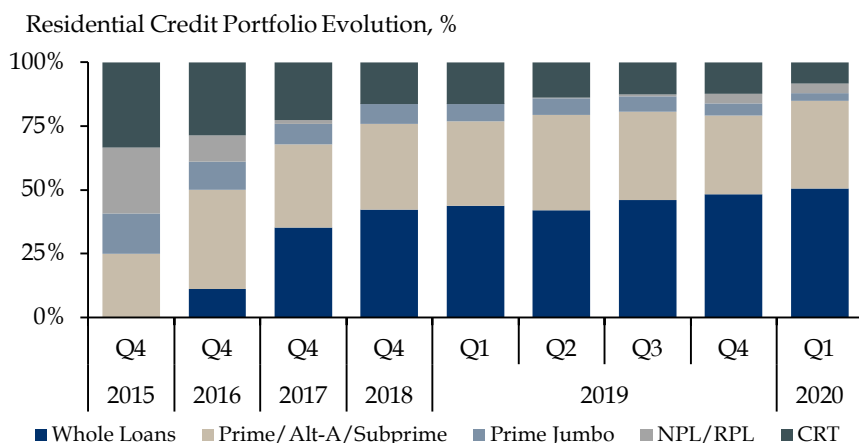
## Strategic Approach

- A conservative portfolio stance cushioned volatility in the portfolio into the market dislocation
  - Seasoned Legacy portfolio
  - 50% of the securities portfolio invested in investment grade assets, excluding Legacy, to start the quarter
  - Small percentage of portfolio dedicated to CRT
- Prudent planning of loan pipeline and securitization cadence including two securitizations ahead of the market volatility
- Meticulous attention to credit and layered risk on borrower profiles within the whole loan portfolio

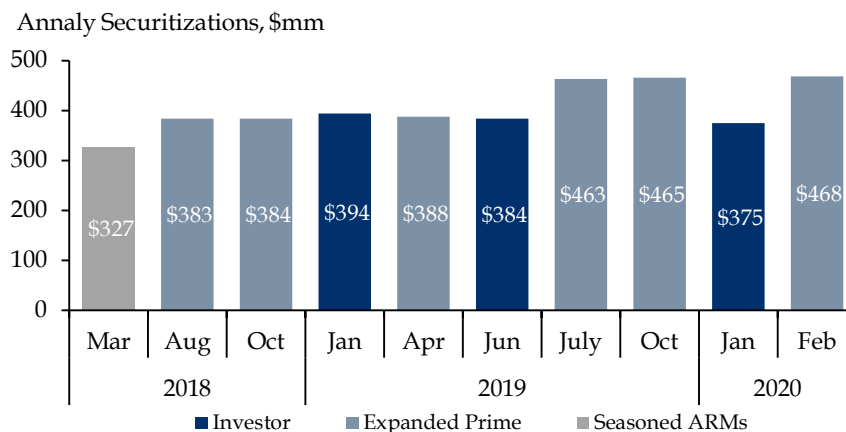
## Market Trends

- Significant disruption late in Q1 with both asset prices and liquidity under pressure
- Market stabilization occurred post quarter end, however levels are still wider than pre-virus
- Whole loan securitization market has halted and re-pricing of loans has occurred as well, leading to originator and aggregator shutdowns, both permanent and temporary
- Market participants are poised to evaluate market fundamentals post crisis, including forbearance effects

## Portfolio Evolution<sup>(1)</sup>



## Annaly Securitization History



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

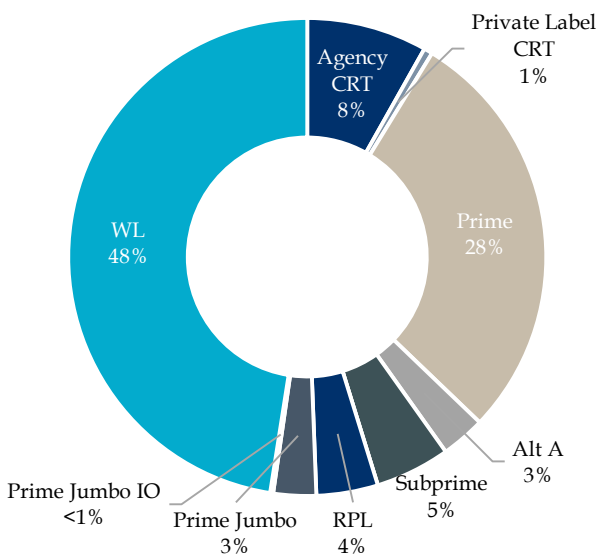
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# Residential Credit | Portfolio Summary

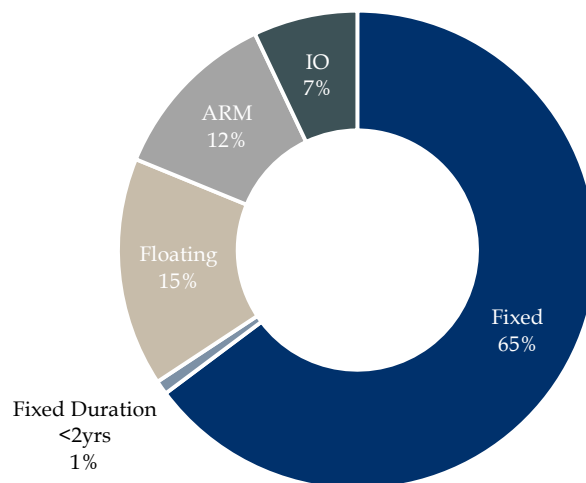
- Annaly Residential Credit Portfolio: \$2.6 billion in assets at the end of Q1 2020, comprised of a \$1.3 billion securities portfolio and a \$1.3 billion whole loan portfolio
- Two OBX securitizations closed during the quarter, a \$375 million Agency Investor deal and a \$468 million Expanded Prime transaction, representing our ninth and tenth securitizations, respectively, since the beginning of 2018
- Given the de-levering occurring more broadly in the sector, we strategically sold bonds across all residential credit securities sectors during the quarter
- The loan portfolio is conservatively positioned as it consists of 100% 1<sup>st</sup> lien, new origination collateral with strong credit characteristics (762 Original FICO, 67% LTV, 37% DTI)

Total Dedicated Capital: \$0.6 billion

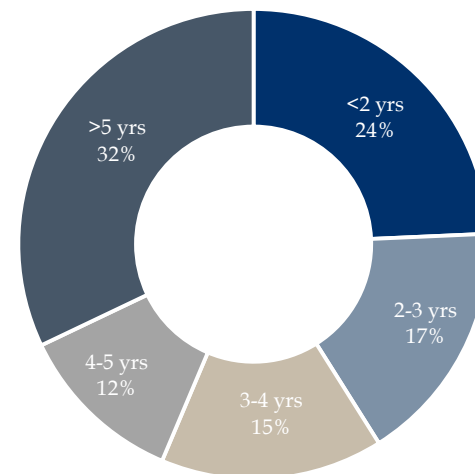
Sector Type<sup>(1)(2)</sup>



Coupon Type<sup>(1)</sup>



Effective Duration<sup>(1)</sup>



Note: Data as of March 31, 2020, 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.

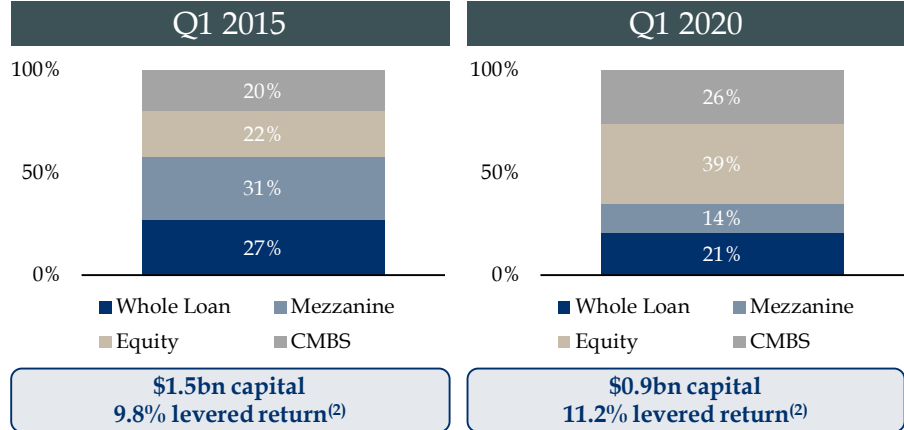
# Commercial Real Estate | Business Update

Institutional commercial real estate platform with thoughtful and sustained exposure to investment options that span the capital structure

## Strategic Approach

- Cautious approach to new investments; premium on cash flow and downside protection
- Dedicated senior investment professionals with broad direct sourcing capabilities across investment and property types, and spanning the capital structure
- Utilize credit intensive investment process and long established relationships with top sponsors, major banks, leading national commercial brokerage firms and best-in-class operating partners
- Maintain a diversity of funding sources for optimal execution

## Portfolio Evolution <sup>(1)</sup>



## Sample Transactions From Q1 2020<sup>(3)</sup>

### Vivian Apartments

- \$28mm floating rate loan
- Chicago, IL
- 160-unit newly renovated multifamily property
- 76% LTV



### Diamond Oaks Village

- \$33mm floating rate loan
- Bonita Springs, FL
- 160-unit newly built luxury Active Adult multifamily community
- 70% LTV



### Rancho Vista Corporate Center

- \$112mm floating rate loan
- Rancho Bernardo, CA
- 67.5-acre office and R&D campus
- 59% LTV



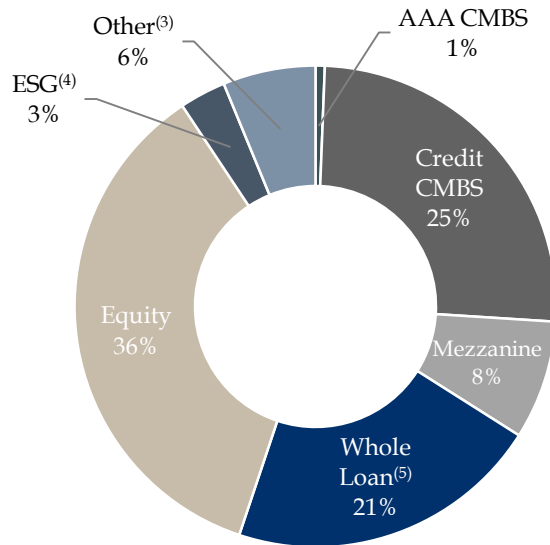
Source: Company filings. Financial data as of quarter end for each respective period.  
Detailed endnotes and a glossary of defined terms are included at the end of this presentation.

# Commercial Real Estate | Portfolio Summary

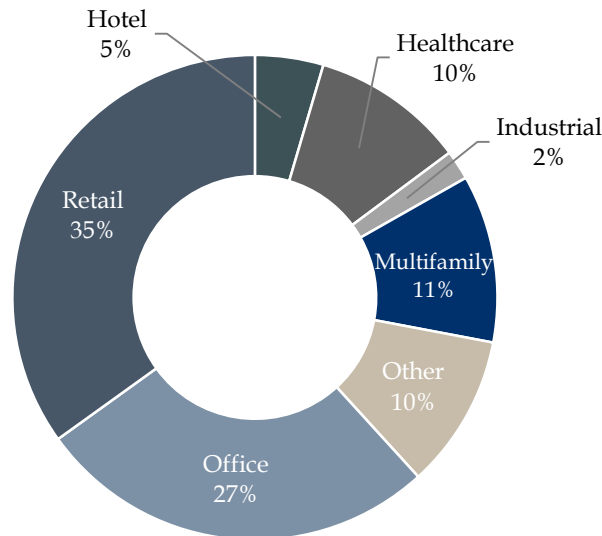
- Annaly Commercial Real Estate Portfolio: \$2.6 billion<sup>(1)</sup> in assets at the end of Q1 2020, reflecting a decrease of 3% from Q4 2019
- Navigated the market environment through prudent new investment origination and capital preservation through asset sales and borrower payoffs
  - \$172 million of new investment activity
  - \$211 million of payoffs/sales
- Evaluating new opportunities very selectively given market disruption

Total Dedicated Capital: \$0.9 billion

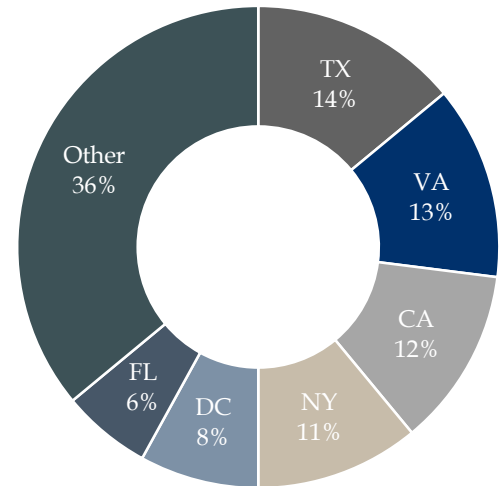
Asset Type<sup>(2)</sup>



Sector Type<sup>(2)</sup>



Geographic Concentration<sup>(2)(6)</sup>



Note: Data as of March 31, 2020. Portfolio statistics and percentages are based on fair market value and reflect economic interest in securitizations. 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 | Business Update

AMML's recent portfolio activity has been driven by growth from within our portfolio as opposed to the rapid addition of new borrowers

## Strategic Approach

- Execute on a disciplined credit focused investment strategy comprised predominantly of 1<sup>st</sup> and 2<sup>nd</sup> lien loans
- Maintain strong relationships with top quartile U.S. based private equity firms to generate repeat deal flow
- Experienced investment team with a history of allocating capital through multiple economic cycles
- Utilize a credit intensive investment process and long-established relationships to build a defensive portfolio with a stringent focus on non-discretionary, niche industries
- Deal types include leveraged buyouts, acquisition financing, refinancings and recapitalizations

## AMML by the Numbers

### Current Portfolio

**32**

Private Equity  
Sponsors

**51**

Portfolio  
Borrowers

**\$44mm**

Avg. Investment  
Size<sup>(1)</sup>

**\$88mm**

Avg. EBITDA at  
Underwriting

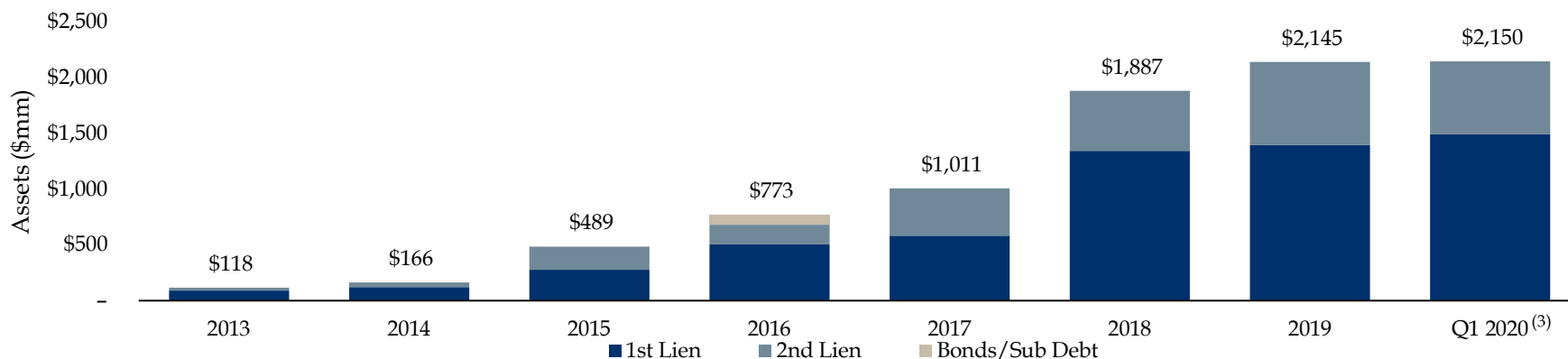
**5.2% / 8.4%**

Weighted Avg.  
1<sup>st</sup> / 2<sup>nd</sup> Lien LIBOR  
Spread

**0.7x**

Leverage on  
Portfolio<sup>(2)</sup>

## Portfolio Evolution



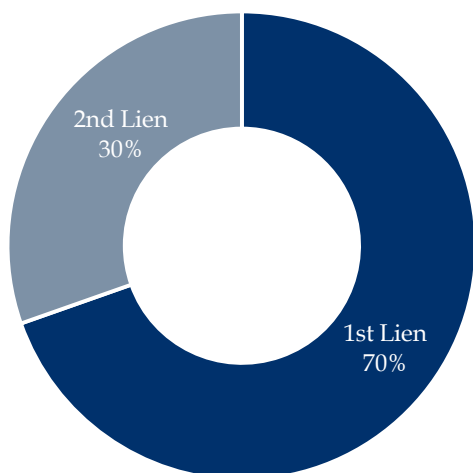
Source: Company filings. Financial data as of year end for each respective period unless otherwise noted. Current portfolio data as of March 31, 2020.  
Detailed endnotes, additional important disclosures and a glossary of defined terms are included at the end of this presentation.

# Middle Market Lending | Portfolio Summary

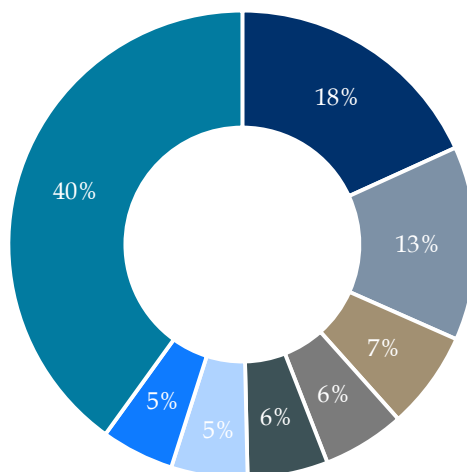
- Annaly Middle Market Lending Portfolio: \$2.2 billion<sup>(1)</sup> in assets at the end of Q1 2020, relatively flat compared to Q4 2019
- AMML's portfolio is positioned to withstand the near-term effects caused by COVID-19, the cascading effects of OPEC+, U.S. dollar strength, and short-term funding volatility across markets, through portfolio characteristics including the following:
  - Concentrated approach avoiding exposure to sectors such as oil & gas, leisure, travel, hotel, gaming, restaurants, retail and auto
  - Essential nature of our borrowers' businesses that continue to operate based on critical infrastructure
  - Borrowers with limited reliance on foreign or physical supply chains
  - U.S. centric portfolio with dollar driven revenues, cash flows and debt
- Evaluating new opportunities very selectively and cautiously given market environment

Total Dedicated Capital: \$1.2 billion

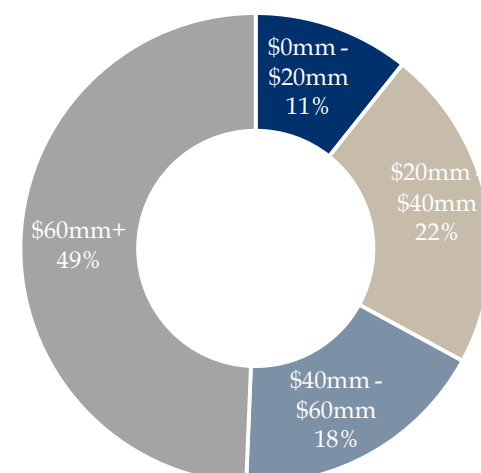
Lien Position<sup>(2)</sup>



Industry<sup>(3)</sup>



Loan Size<sup>(4)</sup>



- Computer Programming & Data Processing
- Chemicals & Chemical Preparations
- Public Warehousing & Storage
- Metal Cans & Shipping Containers
- Management & Public Relations Services
- Miscellaneous Business Services
- Engineering, Architectural, & Surveying
- Other

Note: Data as of March 31, 2020. 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.

# Financial Highlights and Trends

# Financial Highlights and Trends

Unaudited

	For the quarters ended				
	3/31/2020	12/31/2019	9/30/2019	6/30/2019	3/31/2019
GAAP net income (loss) per average common share <sup>(1)</sup>	(\$2.57)	\$0.82	(\$0.54)	(\$1.24)	(\$0.63)
Core earnings (excluding PAA) per average common share <sup>*(1)</sup>	\$0.21	\$0.26	\$0.21	\$0.25	\$0.29
Dividends declared per common share	\$0.25	\$0.25	\$0.25	\$0.25	\$0.30
Book value per common share	\$7.50	\$9.66	\$9.21	\$9.33	\$9.67
Annualized GAAP return (loss) on average equity	(102.17%)	31.20%	(19.32%)	(45.13%)	(22.72%)
Annualized core return on average equity (excluding PAA)*	9.27%	10.56%	8.85%	9.94%	11.59%
Net interest margin <sup>(2)</sup>	0.18%	1.49%	0.48%	0.58%	0.79%
Average yield on interest earning assets <sup>(3)</sup>	1.91%	3.53%	2.89%	3.03%	3.15%
Average GAAP cost of interest bearing liabilities <sup>(4)</sup>	1.86%	2.17%	2.58%	2.71%	2.71%
Net interest margin (excluding PAA) <sup>(2)*</sup>	1.18%	1.41%	1.10%	1.28%	1.51%
Average yield on interest earning assets (excluding PAA) <sup>(3)*</sup>	2.91%	3.25%	3.26%	3.48%	3.45%
Average economic cost of interest bearing liabilities <sup>(4)*</sup>	1.91%	2.01%	2.28%	2.41%	2.15%
Leverage, at period-end <sup>(5)</sup>	6.4x	7.1x	7.3x	7.2x	6.1x
Economic leverage, at period-end <sup>(6)*</sup>	6.8x	7.2x	7.7x	7.6x	7.0x
Credit portfolio as a percentage of stockholders' equity <sup>(7)</sup>	25%	26%	23%	22%	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.

# Financial Highlights and Trends (cont'd)

Unaudited, dollars in thousands

	For the quarters ended				
	3/31/2020	12/31/2019	9/30/2019	6/30/2019	3/31/2019
Agency mortgage-backed securities	\$78,456,846	\$112,893,367	\$114,462,524	\$118,202,040	\$103,093,526
Credit risk transfer securities	222,871	531,322	474,765	491,969	607,945
Non-Agency mortgage-backed securities	585,954	1,135,868	1,015,921	1,097,752	1,116,569
Commercial mortgage-backed securities	91,925	273,023	140,851	135,108	175,231
Total securities	\$79,357,596	\$114,833,580	\$116,094,061	\$119,926,869	\$104,993,271
Residential mortgage loans	\$1,268,083	\$1,647,787	\$1,219,402	\$1,061,124	\$1,311,720
Commercial real estate debt and preferred equity	649,843	669,713	611,429	623,705	722,962
Corporate debt	2,150,263	2,144,850	2,115,783	1,792,837	1,758,082
Loans held for sale	-	-	-	68,802	86,560
Total loans, net	\$4,068,189	\$4,462,350	\$3,946,614	\$3,546,468	\$3,879,324
Mortgage servicing rights	\$280,558	\$378,078	\$386,051	\$425,328	\$500,745
Agency mortgage-backed securities transferred or pledged to securitization vehicles	\$1,803,608	\$1,122,588	\$0	\$0	\$0
Residential mortgage loans transferred or pledged to securitization vehicles	3,027,188	2,598,374	2,376,731	2,106,981	1,425,668
Commercial real estate debt investments transferred or pledged to securitization vehicles	1,927,575	2,345,120	2,311,413	2,104,601	2,939,632
Commercial real estate debt and preferred equity transferred or pledged to securitization vehicles	913,291	936,378	-	-	-
Assets transferred or pledged to securitization vehicles	\$7,671,662	\$7,002,460	\$4,688,144	\$4,211,582	\$4,365,300
Real estate, net	\$751,738	\$725,638	\$725,508	\$733,196	\$734,239
Total residential and commercial investments	\$92,129,743	\$127,402,106	\$125,840,378	\$128,843,443	\$114,472,879

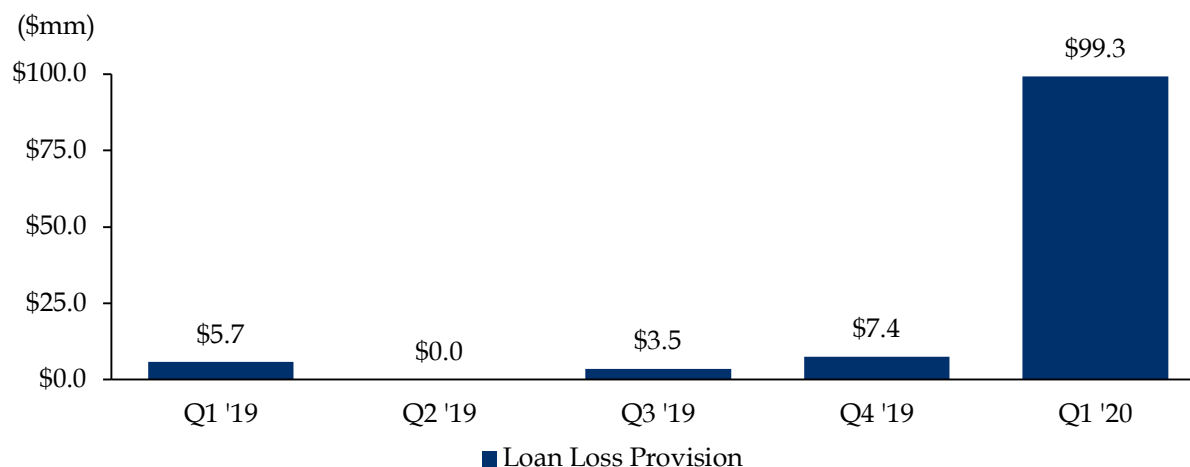
# Financial Highlights and Trends (cont'd)

During Q1 2020, we recorded reserves of \$136.7 million (4% of ACREG and AMML's funded loan portfolio), which was largely driven by adoption of the new CECL accounting standard and COVID-19-related adverse economic scenario forecasting

## Credit Reserves on Funded Loan Portfolio

(\$mm)	12/31/19 Specific Reserves	1/1/20 CECL Adoption	Q1 2020 Reserve Buildup	3/31/20 Cumulative Reserves <sup>(1)</sup>	3/31/20 Loan Carrying Value
ACREG	\$12.7	\$7.8	\$75.3	\$95.8	\$1,563.1
AMML	7.4	29.6	24.0	61.0	2,150.3
<b>Total</b>	<b>\$20.1</b>	<b>\$37.4</b>	<b>\$99.3</b>	<b>\$156.8</b>	<b>\$3,713.4</b>
<b>% of Loan Balance<sup>(2)</sup></b>	<b>0.53%</b>	<b>0.99%</b>	<b>2.67%</b>	<b>4.07%</b>	

## Income Statement Summary<sup>(3)</sup>



## Commentary

- Current Expected Credit Losses ("CECL") accounting standard requires estimation of expected losses over a loan's remaining maturity
- Total loans in scope of CECL (ACREG and AMML) represent 4% and 3% of Annaly's total assets as of March 31, 2020 and December 31, 2019, respectively
- Upon adoption of CECL accounting standard on 1/1/20 recorded \$37.4 million of general reserves on funded loans<sup>(4)</sup>
- During Q1 2020, management recorded \$99.3 million in additional reserves related to COVID-19 impacts, including changes to economic forecasts
- Economic forecasts reflect assumptions for significantly increased unemployment levels and a decrease in CRE values compared to Q4 2019

Note: Data as of March 31, 2020.

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

## **Appendix: Non-GAAP Reconciliations**

# Non-GAAP Reconciliations

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Core earnings (excluding PAA), a non-GAAP measure, is defined 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 excludes (g) 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 ("PAA").

# 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.

	For the quarters ended				
	3/31/2020	12/31/2019	9/30/2019	6/30/2019	3/31/2019
<b><i>GAAP to Core Reconciliation</i></b>					
GAAP net income (loss)	(\$3,640,189)	\$1,209,742	(\$747,169)	(\$1,776,413)	(\$849,251)
Net income (loss) attributable to non-controlling interests	66	68	(110)	(83)	(101)
Net income (loss) attributable to Annaly	(3,640,255)	1,209,674	(747,059)	(1,776,330)	(849,150)
<b>Adjustments to excluded reported realized and unrealized (gains) losses:</b>					
Realized (gains) losses on termination of interest rate swaps	397,561	4,615	682,602	167,491	588,256
Unrealized (gains) losses on interest rate swaps	2,827,723	(782,608)	326,309	1,276,019	390,556
Net (gains) losses on disposal of investments	(206,583)	(17,783)	(66,522)	38,333	93,916
Net (gains) losses on other derivatives	(206,426)	42,312	16,888	506,411	115,159
Net unrealized (gains) losses on instruments measured at fair value through earnings	730,160	5,636	1,091	4,881	(47,629)
Loan loss provision <sup>(1)</sup>	99,993	7,362	3,504	-	5,703
<b>Adjustments to exclude components of other (income) loss:</b>					
Depreciation and amortization expense related to commercial real estate <sup>(2)</sup>	7,934	9,823	9,974	10,147	10,114
Non-core (income) loss allocated to equity method investments <sup>(3)</sup>	19,398	(3,979)	4,541	11,327	9,496
<b>Adjustments to exclude components of general and administrative expenses and income taxes:</b>					
Transaction expenses and non-recurring items <sup>(4)</sup>	7,245	3,634	2,622	3,046	9,982
Income tax effect on non-core income (loss) items	(23,862)	(418)	(2,762)	(3,507)	726
<b>Adjustments to add back components of realized and unrealized (gains) losses:</b>					
TBA dollar roll income and CMBX coupon income <sup>(5)</sup>	44,904	36,901	15,554	33,229	38,134
MSR amortization <sup>(6)</sup>	(18,296)	(22,120)	(21,963)	(19,657)	(13,979)
<b>Plus:</b>					
Premium amortization adjustment (PAA) cost (benefit)	290,722	(83,892)	117,152	139,763	81,871
Core Earnings (excluding PAA)*	330,218	409,157	341,931	391,153	433,155
Dividends on preferred stock <sup>(7)</sup>	35,509	35,509	36,151	32,422	32,494
Core Earnings (excluding PAA) attributable to common shareholders *	\$294,709	\$373,648	\$305,780	\$358,731	\$400,661
GAAP net income (loss) per average common share <sup>(8)</sup>	(\$2.57)	\$0.82	(\$0.54)	(\$1.24)	(\$0.63)
Core earnings (excluding PAA) per average common share <sup>(8)*</sup>	\$0.21	\$0.26	\$0.21	\$0.25	\$0.29
Annualized GAAP return (loss) on average equity	(102.17%)	31.20%	(19.32%)	(45.13%)	(22.72%)
Annualized core return on average equity (excluding PAA)*	9.27%	10.56%	8.85%	9.94%	11.59%

\* 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				
	3/31/2020	12/31/2019	9/30/2019	6/30/2019	3/31/2019
<b><u>Premium Amortization Reconciliation</u></b>					
Premium amortization expense	\$616,937	\$171,447	\$376,306	\$318,587	\$247,446
Less:					
PAA cost (benefit)	290,722	(83,892)	117,152	139,763	81,871
Premium amortization expense (excluding PAA)	\$326,215	\$255,339	\$259,154	\$178,824	\$165,575
<b><u>Interest Income (excluding PAA) Reconciliation</u></b>					
GAAP interest income	\$555,026	\$1,074,214	\$919,299	\$927,598	\$866,186
PAA cost (benefit)	290,722	(83,892)	117,152	139,763	81,871
Interest income (excluding PAA)*	\$845,748	\$990,322	\$1,036,451	\$1,067,361	\$948,057
<b><u>Economic Interest Expense Reconciliation</u></b>					
GAAP interest expense	\$503,473	\$620,058	\$766,905	\$750,217	\$647,695
Add:					
Net interest component of interest rate swaps <sup>(1)</sup>	13,980	(45,221)	(88,466)	(83,653)	(134,035)
Economic interest expense* <sup>(1)</sup>	\$517,453	\$574,837	\$678,439	\$666,564	\$513,660
<b><u>Economic Net Interest Income (excluding PAA) Reconciliation</u></b>					
Interest income (excluding PAA)	\$845,748	\$990,322	\$1,036,451	\$1,067,361	\$948,057
Less:					
Economic interest expense* <sup>(1)</sup>	517,453	574,837	678,439	666,564	513,660
Economic net interest income (excluding PAA)* <sup>(1)</sup>	\$328,295	\$415,485	\$358,012	\$400,797	\$434,397
<b><u>Economic Metrics (excluding PAA)</u></b>					
Average interest earning assets	\$116,063,895	\$121,801,951	\$127,207,668	\$122,601,881	\$109,946,527
Interest income (excluding PAA)*	845,748	990,322	1,036,451	1,067,361	948,057
Average yield on interest earning assets (excluding PAA)*	2.91%	3.25%	3.26%	3.48%	3.45%
Average interest bearing liabilities	\$107,029,466	\$111,873,379	\$116,391,094	\$109,628,007	\$95,529,819
Economic interest expense* <sup>(1)</sup>	517,453	574,837	678,439	666,564	513,660
Average economic cost of interest bearing liabilities <sup>(1)</sup>	1.91%	2.01%	2.28%	2.41%	2.15%
Economic net interest income (excluding PAA)* <sup>(1)</sup>	\$328,295	\$415,485	\$358,012	\$400,797	\$434,397
Net interest spread (excluding PAA)*	1.00%	1.24%	0.98%	1.07%	1.30%
Interest income (excluding PAA)*	\$845,748	\$990,322	\$1,036,451	\$1,067,361	\$948,057
TBA dollar roll income and CMBX coupon income <sup>(2)</sup>	44,904	36,901	15,554	33,229	38,134
Interest expense	(503,473)	(620,058)	(766,905)	(750,217)	(647,695)
Net interest component of interest rate swaps	(13,980)	45,221	88,466	83,653	134,035
Subtotal	\$373,199	\$452,386	\$373,566	\$434,026	\$472,531
Average interest earning assets	\$116,063,895	\$121,801,951	\$127,207,668	\$122,601,881	\$109,946,527
Average TBA contract and CMBX balances <sup>(2)</sup>	9,965,142	6,878,502	9,248,502	12,757,975	14,927,490
Subtotal	\$126,029,037	\$128,680,453	\$136,456,170	\$135,359,856	\$124,874,017
Net interest margin (excluding PAA)*	1.18%	1.41%	1.10%	1.28%	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

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**ACREG:** Refers to Annaly Commercial Real Estate Group

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

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

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

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

**CECL:** Refers Current Expected Credit Losses

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

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

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

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

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

**GSE:** Refers to Government Sponsored Enterprise

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

**Legacy:** Refers to residential credit securities whose underlying collateral was securitized prior to 2009

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

**NIM:** Refers to Net Interest Margin

**Non-QM:** Refers to a Non-Qualified Mortgage

**OBX Securities:** Refers to Onslow Bay Securities

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

**Unencumbered Assets:** Represents Annaly's excess liquidity and 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)

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\*Represents constituents as of April 15, 2020.

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

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

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

# Endnotes

## Page 3

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

## Page 4

1. "Business Roundtable Redefines the Purpose of a Corporation to Promote 'An Economy That Serves All Americans'"; Business Roundtable Press Release; Tricia Griffith, President and CEO of Progressive Corporation; August 19, 2019.

## Page 5

1. Dividend yield is based on annualized Q1 2020 dividend of \$0.25 and a closing price of \$5.07 on March 31, 2020.
2. Total portfolio represents Annaly's investments that are on balance sheet, net of securitized debt of consolidated VIEs, as well as investments that are off-balance sheet in which the Company has economic exposure. Assets include TBA purchase contracts (market value) of \$13.1bn and CMBX derivatives (market value) of \$463.5mm and are shown net of securitized debt of consolidated VIEs of \$6.4bn.
3. Capital allocation for each of the four investment strategies is calculated as the difference between each investment strategies' assets and related financing. This calculation includes TBA purchase contracts and excludes non-portfolio related activity and will vary from total stockholders' equity.
4. Hedge portfolio excludes receiver swaptions.
5. Hedge ratio measures total notional balances of interest rate swaps, interest rate swaptions (excluding receiver swaptions) and futures relative to repurchase agreements, other secured financing and cost basis of TBA derivatives outstanding; excludes MSR 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. Average economic cost of funds includes GAAP interest expense and the net interest component of interest rate swaps.

## Page 8

1. Current quarter calculated as size of Fed balance sheet as of April 15, 2020 divided by nominal GDP as of December 31, 2019.
2. Weekly change in settled security holdings at the Federal Reserve. Excludes ~\$260bn of Agency MBS purchases that had already been purchased but will only settle in coming months.
3. Liquidity defined as repurchase agreements and central bank liquidity swaps as reported on the Federal Reserve H4.1 report. Loans, also reported on the H4.1 report, include balances of lending programs announced and operational.

## Page 9

1. Represents actual net issuance in fixed-rate agency MBS for 2017-19, January estimate for 2020 (2020F), and current estimate for 2020 (2020F Revised), which assumes the Federal Reserve will increase its agency MBS portfolio by \$650bn in 2020.
2. Tradeable UMBS ("float") defined as 30-year agency MBS securities (UMBS or Freddie Gold pools yet to be converted) produced in 2018, 2019 and 2020 that are currently not held in CMOs or by the Federal Reserve and do not classify as specified pools. Fed settlements represent the expected TBA settlement amounts for May and June purchased as of April 23, 2020.
3. Libor OAS levels as shown in JP Morgan's Research model.

## Page 11

1. Assets represent Annaly's investments that are on balance sheet, net of securitized debt of consolidated VIEs, as well as investments that are off-balance sheet in which the Company has economic exposure. Agency assets include TBA purchase contracts (market value) of \$13.1bn and are shown net of securitized debt of consolidated VIEs of \$1.6bn. Residential Credit assets are shown net of securitized debt of consolidated VIEs of \$2.5bn. Commercial Real Estate assets include CMBX derivatives (market value) of \$463.5mm and are shown net of securitized debt of consolidated VIEs of \$2.2bn.
2. Capital represents the capital allocation for each of the four investment strategies and is calculated as the difference between each investment strategies' assets and related financing. This calculation includes TBA purchase contracts and excludes non-portfolio related activity and will vary from total stockholders' equity.
3. Represents the portfolio weighted average loan-to-value ratio and FICO score at loan origination for the residential whole loan portfolio as of March 31, 2020.
4. Annaly does not actively purchase non-performing whole loans; however, purchased performing loans can become delinquent.
5. Represents economic leverage for Residential Credit relative to average of Hybrid Peers as of December 31, 2019. Does not include structural leverage.
6. AMML also has a minority equity position, which represented 0.2% of the portfolio as of March 31, 2020.
7. Represents businesses deemed essential given critical infrastructure based on CDC guidelines.

## Page 13

1. Assets represent Annaly's investments that are on balance sheet, net of securitized debt of consolidated VIEs, as well as investments that are off-balance sheet in which the Company has economic exposure. Agency assets include TBA purchase contracts (market value) of \$13.1bn and are shown net of securitized debt of consolidated VIEs of \$1.6bn. Residential Credit assets are shown net of securitized debt of consolidated VIEs of \$2.5bn. Commercial Real Estate assets include CMBX derivatives (market value) of \$463.5mm and are shown net of securitized debt of consolidated VIEs of \$2.2bn.
2. Capital represents the capital allocation for each of the four investment strategies and is calculated as the difference between each investment strategies' assets and related financing. This calculation includes TBA purchase contracts and excludes non-portfolio related activity and will vary from total stockholders' equity.
3. Sector rank compares Annaly dedicated capital in each of its four investment strategies as of March 31, 2020 (adjusted for P/B as of April 15, 2020) to the market capitalization of the companies in each respective comparative sector as of April 15, 2020. The companies in each comparative sectors are selected as follows: for Agency, Commercial Real Estate and Residential Credit sector ranking represent Agency Peers, Commercial Peers and Hybrid Peers, respectively, within the BBREMITG Index as of April 15, 2020 and for Middle Market Lending sector ranking is the S&P BDC Index as of April 15, 2020.

## Page 14

1. Represents Agency's hedging profile and does not reflect Annaly's full hedging activity.
2. Represents Agency's funding profile and does not reflect Annaly's full funding activity.

## Page 15

1. Includes TBA purchase contracts and MSRs.
2. Includes TBA purchase contracts and fixed-rate pass-through certificates
3. Includes fixed-rate pass-through certificates only. "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 (CQ 105-125% LTV), and 40-year pools. "40+ WALA" is defined as weighted average loan age greater than 40 months and treated as seasoned collateral.

## Page 16

1. Shown exclusive of securitized residential mortgage loans of a consolidated VIE and loans held by a master servicer in an MSR silo that is consolidated by the Company.

# Endnotes (*cont'd*)

## Page 17

1. Shown exclusive of securitized residential mortgage loans of a consolidated VIE and loans held by a master servicer in an MSR silo that is consolidated by the Company.
2. Prime classification includes \$75.4mm of Prime IO.

## Page 18

1. Percentages are based on economic interest and exclude the effects of consolidated VIEs. The Company's limited and general partnership interests in a commercial loan investment fund are included within mezzanine investments.
2. Levered returns for equity investments comprise a twelve-month distribution yield for JV investments and core return for wholly-owned triple net lease properties.
3. The deals included are shown for illustrative purposes only and are not necessarily representative of all transactions of a given type or of investments generally, or representative of the investment opportunities that will be available in the future. LTVs are as-is based on initial funding.

## Page 19

1. Includes \$31.0mm of CECL reserves upon adoption of the new accounting standard during the quarter ended March 31, 2020.
2. Pie charts exclude CMBX derivatives.
3. Reflects limited and general partnership interests in a commercial loan investment fund that is accounted for under the equity method for GAAP.
4. Reflects joint venture interests in social impact loan investment funds that are accounted for under the equity method for GAAP.
5. Includes mezzanine loans for which Annaly Commercial Real Estate is also the corresponding first mortgage lender.
6. Other includes 45 states, none of which represents more than 5% of total portfolio economic interest. The Company looked through to the collateral characteristics of securitizations and equity method investments.

## Page 20

1. Average Investment Size based on AMML principal balance outstanding as of March 31, 2020.
2. Represents leverage rather than economic leverage and includes non-recourse debt.
3. Does not include minority equity, which represented 0.2% of the portfolio as of March 31, 2020. Includes \$43.7mm of CECL reserves upon adoption of the new accounting standard during the quarter ended March 31, 2020.

## Page 21

1. Includes \$43.7mm of CECL reserves upon adoption of the new accounting standard during the quarter ended March 31, 2020.
2. Does not include minority equity, which represented 0.2% of the portfolio as of March 31, 2020.
3. Based on Standard Industrial Classification industry categories. Other represents industries with less than 5% exposure in the current portfolio.
4. Breakdown based on aggregate dollar amount of individual investments made within the respective loan size categories. Multiple investment positions with a single obligor shown as one individual investment.

## Page 23

1. Net of dividends on preferred stock. The quarter ended September 30, 2019 excludes, and the quarter ended June 30, 2019 includes, cumulative and undeclared dividends of \$0.3mm on the Company's Series I Preferred Stock as of June 30, 2019.
2. Net interest margin represents interest income less interest expense divided by average interest earning assets. Net interest margin (excluding PAA) represents the sum of the Company's interest income (excluding PAA) plus TBA dollar roll income and CMBX coupon income less interest expense and the net interest component of interest rate swaps divided by the sum of average interest earning assets plus average TBA contract and CMBX balances.

## Page 23 (*cont'd*)

3. Average yield on interest earning assets represents annualized interest income divided by average interest earning assets. Average interest earning assets reflects the average amortized cost of our investments during the period. Average yield on interest earning assets (excluding PAA) is calculated using annualized interest income (excluding PAA).
4. Average GAAP cost of interest bearing liabilities represents annualized interest income divided by average interest bearing liabilities. Average interest bearing liabilities reflects the average balances during the period. Average economic cost of interest bearing liabilities represents annualized economic interest expense divided by average interest bearing liabilities. Economic interest expense is comprised of GAAP interest expense and the net interest component of interest rate swaps.
5. 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.
6. Computed as the sum of recourse debt, cost basis of TBA and CMBX derivatives 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.
7. Represents CRT securities, non-Agency mortgage-backed securities, residential mortgage loans, commercial real estate debt investments and preferred equity investments, loans held for sale, investments in commercial real estate and corporate debt, net of financing.

## Page 25

1. Represents the cumulative reserves at March 31, 2020 before adjusting for \$18.9mm of charge-offs recognized during the quarter. Net of charge-offs the cumulative reserves as a % of the March 31, 2020 loan amortized cost balance was 3.58%.
2. Percentage of loan balance utilizes the loan portfolio's amortized cost before reserves as of the applicable date.
3. Excludes the \$37.4mm reserve recorded on January 1, 2020 upon adoption of CECL, which is reported as an opening adjustment to retained earnings.
4. In addition to the \$37.4mm reserve on funded loans, the Company recorded \$2.2mm of reserves on unfunded commitments.

# Endnotes (*cont'd*)

## Non-GAAP Reconciliations

### Page 28

1. Includes \$0.7mm loss provision on the Company's unfunded loan commitments as of March 31, 2020 which is reported in Other income (loss) in the Company's Consolidated Statement of Comprehensive Income (Loss).
2. Amount includes depreciation and amortization expense related to equity method investments.
3. 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).
4. The quarter ended March 31, 2020 includes costs incurred in connection with securitizations of Agency mortgage-backed securities and residential whole loans as well as costs incurred in connection with the expected Internalization and costs incurred in connection with the CEO transition. The quarter ended December 31, 2019 includes costs incurred in connection with securitizations of Agency mortgage-backed securities and residential whole loans. The quarters ended September 30, 2019 and June 30, 2019 include costs incurred in connection with securitizations of residential whole loans. The quarter ended March 31, 2019 includes costs incurred in connection with a securitization of commercial loans and a securitization of residential whole loans.
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, \$1.3mm, \$1.5mm, \$0.8mm and \$1.1mm for the quarters ended March 31, 2020, December 31, 2019, September 30, 2019, June 30, 2019 and March 31, 2019, respectively.
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. The quarter ended September 30, 2019 excludes, and the quarter ended June 30, 2019 includes, cumulative and undeclared dividends of \$0.3mm on the Company's Series I Preferred Stock as of June 30, 2019.
8. Net of dividends on preferred stock.

### Page 29

1. Average economic cost of interest bearing liabilities represents annualized economic interest expense divided by average interest bearing liabilities. Average interest bearing liabilities reflects the average balances during the period. Economic interest expense is comprised of GAAP interest expense and the net interest component of interest rate swaps.
2. 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, \$1.3mm, \$1.5mm, \$0.8mm, and \$1.1mm for the quarters ended March 31, 2020, December 31, 2019, September 30, 2019, June 30, 2019 and March 31, 2019, respectively.