



ANNALY®

Investor Presentation
September 2015



Size

- Market Capitalization: \$9.5 Billion
- Total Assets: \$76 Billion

✓ Largest mREIT in the World

Strategy

- | Fixed | Floating |
|-----------------|-------------------------|
| - Agency | - Non-Agency |
| - Commercial RE | - Commercial RE |
| | - Middle Market Lending |

✓ Most Diversified: \$2 Trillion Opportunity

Yield

- Dividend Yield: 11.9%

✓ Historically High Relative Yield

Liquidity

- Economic Leverage ⁽¹⁾: 5.9x
- Capital Ratio ⁽²⁾: 14.2%

✓ Strongest Balance Sheet

Operations

- Management Fee: 1.05%
- Realized Cost Savings ⁽³⁾: ~\$135mm

✓ Highly Scalable Platform

Performance

- Total Return Since Inception: 533%

✓ Outperformed the Market by 346% ⁽⁴⁾

Source: Company filings as of Q2 2015. Market data as of September 1, 2015.

(1) Economic leverage includes net TBA position.

(2) Total stockholders' equity divided by total assets.

(3) Includes cost savings from Annaly externalization and management estimates of operating expense reductions related to other business rationalizations.

(4) Market represented by S&P 500.

Complementary Investment Strategies



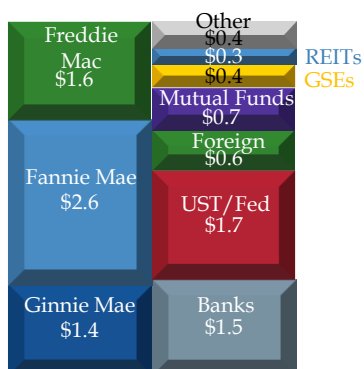
The current landscape for Annaly's investment opportunities is broad, diverse and complementary

(\$ in trillions)

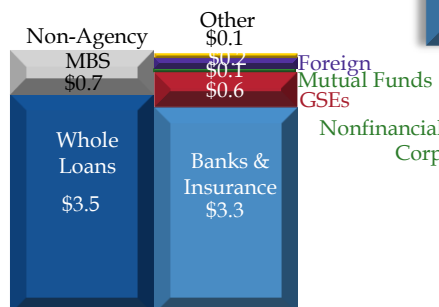
\$26.6 Trillion of Assets

**Total Residential Mortgage:
~\$9.9 trillion**

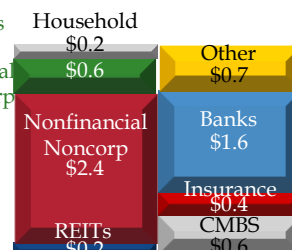
Total: ~\$5.7 trillion



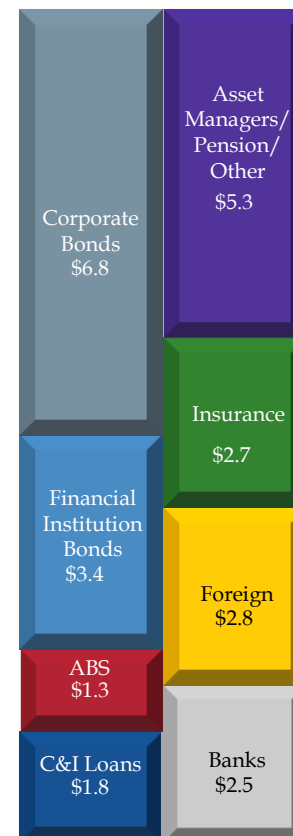
Total: ~\$4.2 trillion



**Total CRE:
~\$3.4 trillion**



**Total Corporate:
~\$13.3 trillion**



Agency MBS

Non-Agency

Commercial Debt

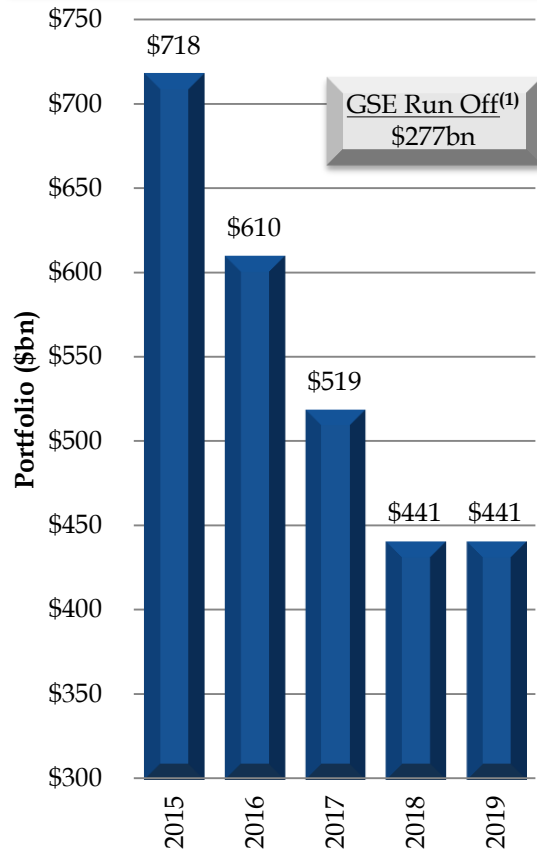
Corporate

\$2 Trillion Opportunity

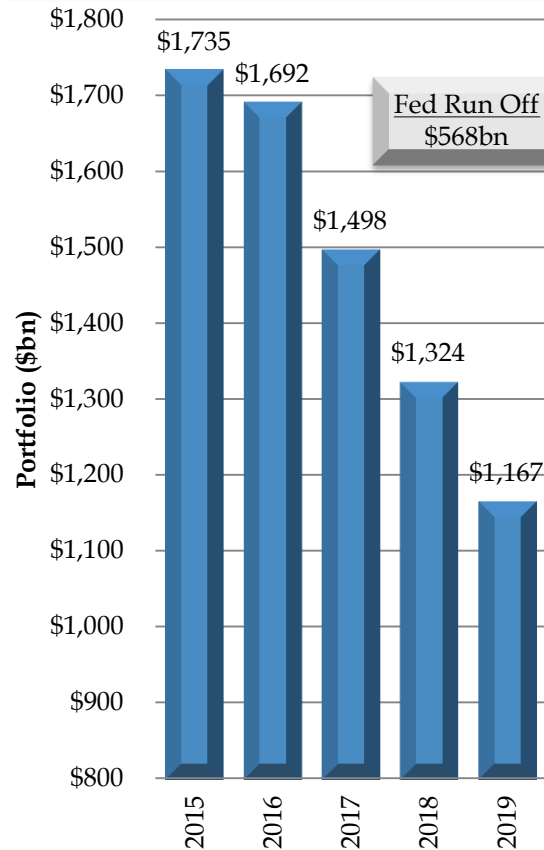


Annaly is positioned to be a permanent capital solution

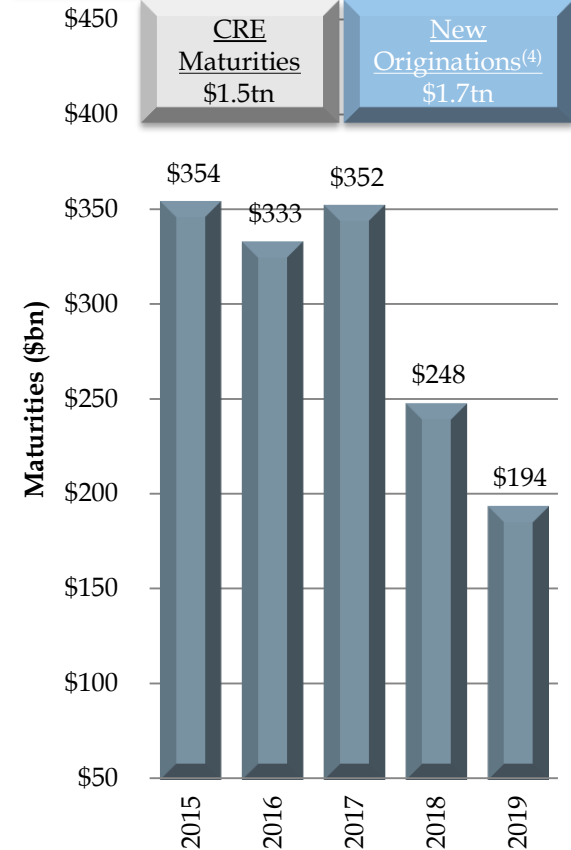
Fannie / Freddie⁽¹⁾



Federal Reserve⁽²⁾



CRE Maturities & New Originations⁽³⁾



Source: JPMorgan, Federal Reserve Flow of Funds Report, Trepp, Goldman Sachs and Mortgage Bankers Association. Analytics provided by The YieldBook Software.

(1) Retained portfolios include both MBS and unsecuritized loans and represent 15% annual declines from 2015YE target of \$718bn (10% below originally agreed upon target in Senior Preferred Stock Purchase Agreement).

(2) Fed holdings and runoff are projected assuming reinvestments continue until September 30, 2016.

(3) CMBS Data from RSS as of July 13, 2015.

(4) Mortgage Bankers Originations from MBA Commercial/Multifamily Real Estate Forecast from February 2015.

Capital Allocation Profile




	≥ 75% of Capital	Up to 25% of Capital	
	Agency/Residential	Commercial	Middle Mkt Lending
Liquidity	Very Strong	Low to Moderate	Moderate
Income Stability	Fluctuates	Fairly Stable	Fairly Stable
BV Impact	Higher	Low to Moderate	Low
Financing	<ul style="list-style-type: none"> ▪ Highly Liquid Repo Markets ▪ Term Repo Available 	<ul style="list-style-type: none"> ▪ FHLB ▪ Securitization ▪ Warehouse Lines ▪ 1st Mortgages 	<ul style="list-style-type: none"> ▪ CLO ▪ Warehouse Lines
Benefits & Considerations	<ul style="list-style-type: none"> ▲ Very Scalable ▲ Huge Market ▲ FHLB as Supplemental Funding ▼ Repo Supply Constraints 	<ul style="list-style-type: none"> ▲ Stable EPS & BV Profile ▲ Better Market Valuation ▼ Long Lead Time 	<ul style="list-style-type: none"> ▲ Unique Economic View ▲ Stable Profile ▼ Idiosyncratic Risk

Annaly vs. the mREIT Sector



Annaly operates the largest, most liquid mREIT in the industry

	 ANNALY*	Agency Peers	Hybrid Peers	Commercial Peers
Average Market Cap (\$bn)	\$9.5	\$2.0	\$1.4	\$1.9
Yield	11.9%	13.7%	14.1%	8.8%
Price / Book	0.82x	0.77x	0.85x	1.03x
Leverage (Q2'15)	5.9x	8.0x	4.2x	2.1x
ADTV (\$mm)	\$106.4	\$22.7	\$13.8	\$20.2
Total Return ⁽¹⁾	19.3%	15.4%	8.1%	10.8%

Source: Bloomberg and Company filings. Market data as of September 1, 2015.


Note: Agency peers include AGNC, HTS, CYS, ARR, CMO and ANH. Hybrid peers include TWO, NRZ, CIM, MFA, IVR, PMT, RWT, MTGE, NYMT, WMC, MITT, AMTG, DX and EARN. Commercial peers include STWD, CLNY, BXMT, ARI, NCT and ACRE. Leverage represents reported economic leverage where available.

(1) Total Return since January 1, 2014 per Bloomberg.

Annaly vs. Other Yield Investments



Annaly pays a superior dividend yield compared to other income-oriented sectors

	 ANNALY	 Utilities	 Equity REITs	 MLPs	 Asset Managers	 Banks
Average Market Cap (\$bn)	\$9.5	\$9.3	\$4.9	\$5.7	\$9.6	\$50.3
Yield	11.9%	4.3%	4.2%	7.2%	7.1%	2.1%
Price / Book	0.82x	1.93x	2.34x	1.76x	3.86x	1.06x
Leverage (Q2'15)	5.9x	5.0x	4.1x	2.8x	1.6x	9.7x
ADTV (\$mm)	\$106.4	\$17.2	\$35.5	\$5.0	\$41.7	\$85.4
Total Return ⁽¹⁾	19.3%	6.9%	17.4%	(16.2%)	(9.4%)	3.7%

Note: Market data as of September 1, 2015. Annaly leverage represents economic leverage.

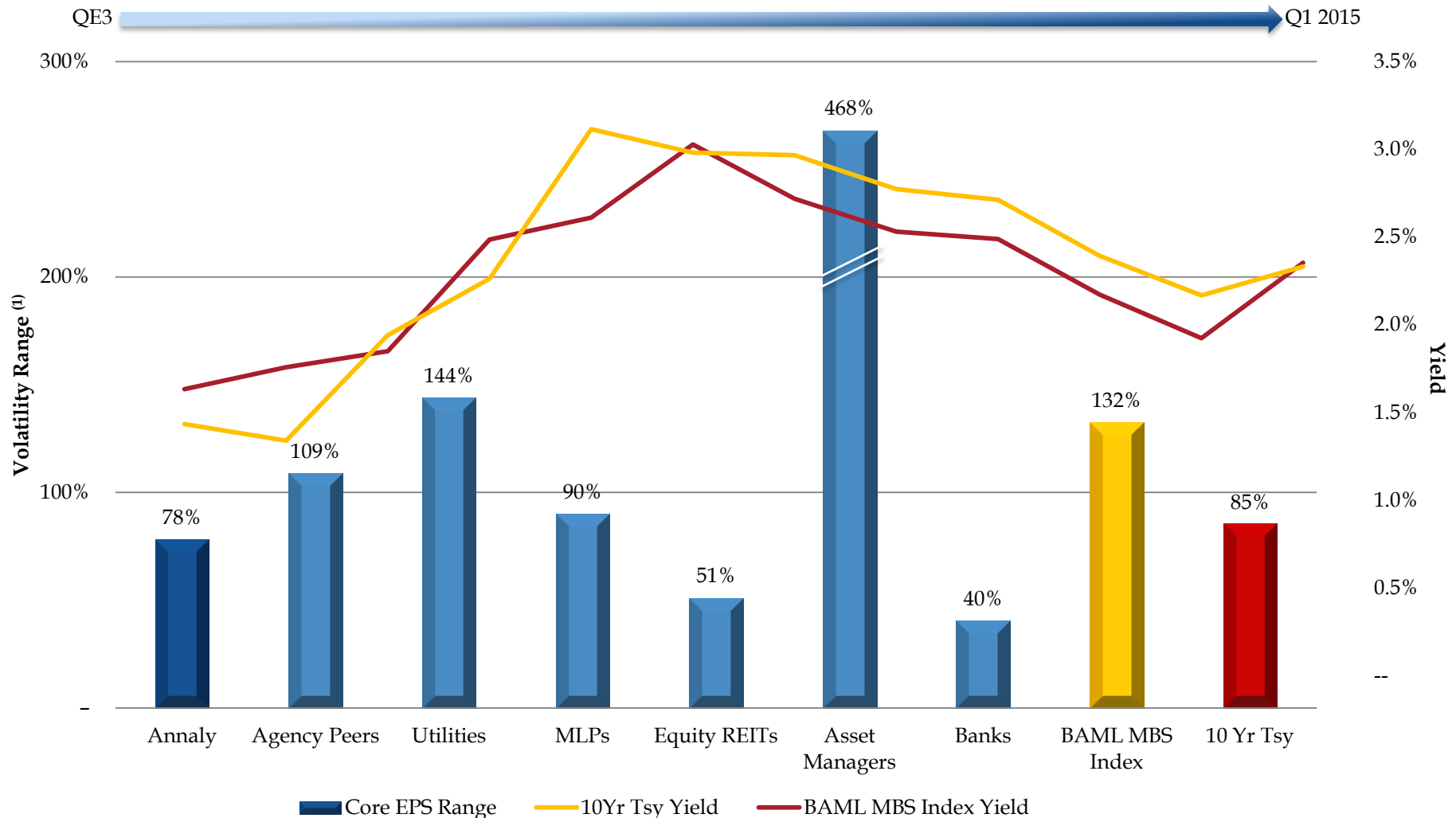
Source: Bloomberg, Company filings and SNL Financial. Utilities represents the Russell 3000 Utilities Index. Equity REITs represents the FTSE NAREIT Equity REITs Index. MLPs represents the Alerian MLP Index. Asset Managers represents the averages of OAK, CG, BX, OZM, FIG, JNS, LM, KKR, ARES, and APO. Banks represent the KBW Bank Index.

(1) Total Return since January 1, 2014 per Bloomberg.

Annaly Has Demonstrated Stability in Core Earnings Over Time...



Annaly produced core earnings ranging from \$0.25 to \$0.35 in 10 of the 12 quarters since QE3 – a range that is much less volatile than average for most other yield oriented asset classes



Source: Bloomberg. Quarterly data from Q3 2012 to Q2 2015.

Note: Utilities represents the Russell 3000 Utilities Index. Equity REITs represents the FTSE NAREIT Equity REITs Index. MLPs represents the Alerian MLP Index. Asset Managers represents the averages of OAK, CG, BX, OZM, FIG, JNS, LM, KKR, ARES, and APO. Banks represent the KBW Bank Index.

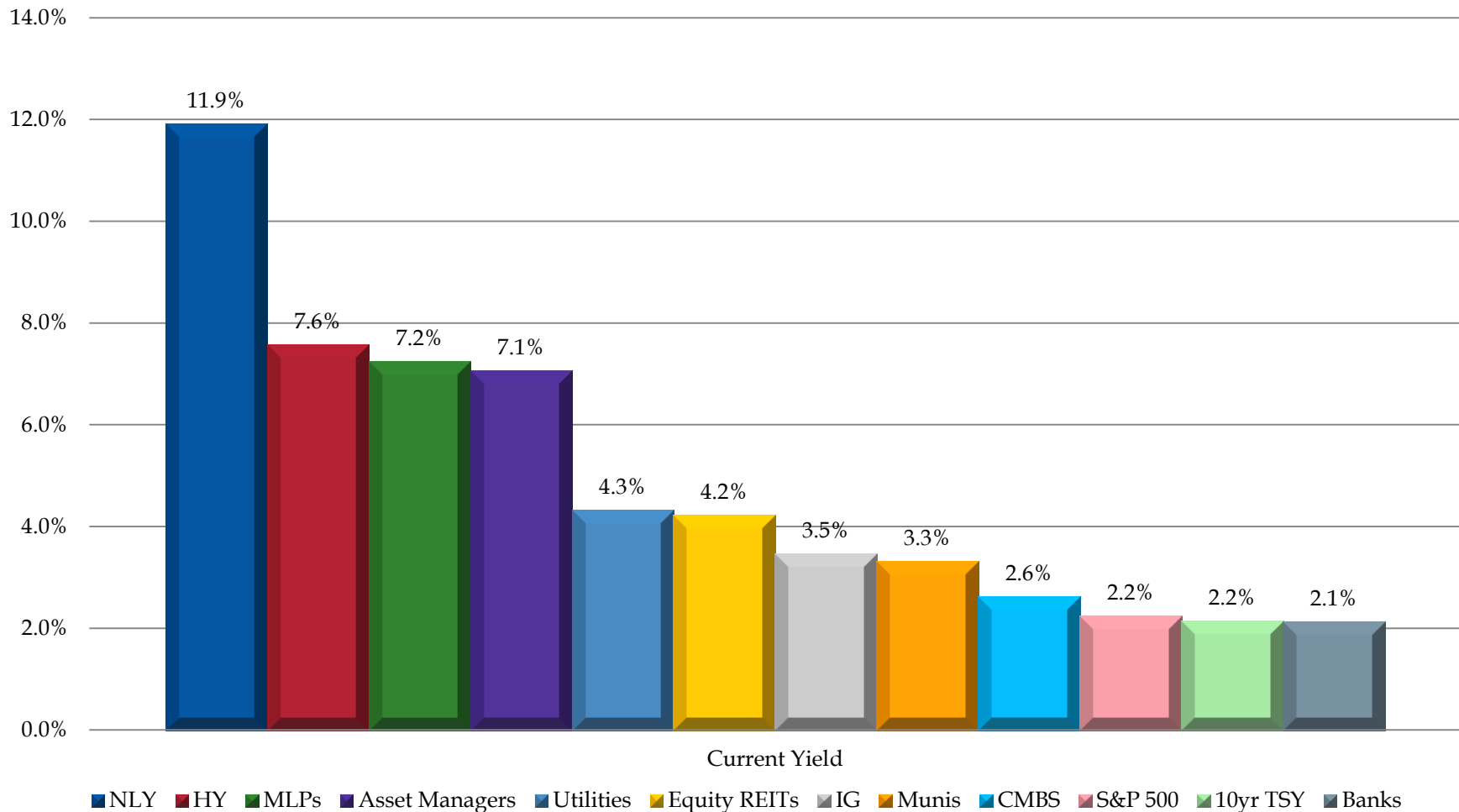
(1) Volatility measures the range of earnings since the beginning of QE3 in 2012. Annaly and Agency peers represented by core EPS. Utilities, MLPs, Equity REITs, Asset Managers and Banks represented by EBITDA.

...While Delivering Premium Yield



Annaly's current yield far outstrips income-oriented market alternatives

Current Yields



Source: Bloomberg. Data as of September 1, 2015.

Note: Utilities represents the Russell 3000 Utilities Index. Equity REITs represents the FTSE NAREIT Equity REITs Index. MLPs represents the Alerian MLP Index. Asset Managers represents the averages of OAK, CG, BX, OZM, FIG, JNS, LM, KKR, ARES, and APO. Banks represent KBW Bank Index. Munis represent BAML US Muni Index. CMBS represents BAML CMBS Index. IG represents BAML US Corporate Index. HY represents BAML High Yield Index.

Industry Performance Analysis: 5-Year Dividends Paid



Company Name	Market Cap	Dividends Paid (\$ millions)			Total Return
		LTM	3 Years	5 Years	2014
Wells Fargo	\$261,750	\$8,572	\$22,141	\$29,190	24%
JPMorgan	227,248	7,364	19,481	26,610	10%
Bank of America	162,631	4,834	8,158	11,734	16%
Annaly Capital Management, Inc.	9,544	1,209	4,507	8,457	21%
Goldman Sachs	82,260	1,567	4,153	8,138	11%
US Bancorp	70,916	2,005	5,662	7,525	14%
Simon Property	54,151	1,713	4,613	6,639	31%
MetLife	53,599	1,729	4,609	6,424	3%
Average:	\$96,317	\$3,136	\$8,079	\$11,527	18%

Legend
Top Financial Companies in the S&P 500 By Mkt Cap
Mortgage REITs
Property REITs

Source: Bloomberg. Dividend data as of quarter ended June 30, 2015. Market Cap as of September 1, 2015. 2014 total return represents full year from December 31, 2013 to December 31, 2014.
 Note: Top Dividend Paying Public Companies in the S&P 500 Financials, Property REITs and Mortgage REITs.

Top Insider Purchases



Top Annaly Management Purchases Since 2011

Filing Date	Holder	Shares Purchased ⁽¹⁾	Purchase Price (\$) ⁽¹⁾	Purchase Value (\$)
8/7/2015	Kevin G. Keyes-President; Director	300,000	\$10.08	\$3,024,000
8/20/2013	Wellington J. Denahan-Chairman of Board & CEO	181,818	\$10.96	\$1,993,631
5/8/2015	Wellington J. Denahan-Chairman of Board & CEO	198,216	\$10.04	\$1,991,203
8/8/2014	R. Nicholas Singh-Chief Legal Officer	122,784	\$11.46	\$1,407,105
11/15/2012	Kevin G. Keyes-President; Director	100,000	\$13.90	\$1,390,000
11/12/2013	Kevin G. Keyes-President; Director	100,000	\$10.43	\$1,043,000
8/21/2015	Wellington J. Denahan-Chairman of Board & CEO	100,000	\$10.33	\$1,033,000
8/13/2014	Wellington J. Denahan-Chairman of Board & CEO	86,837	\$11.52	\$1,000,362
11/8/2013	Wellington J. Denahan-Chairman of Board & CEO	93,000	\$10.68	\$993,240
8/8/2011	Kevin G. Keyes-President; Director	50,000	\$17.13	\$856,500
3/18/2015	Glenn A. Votek-Chief Financial Officer	25,000	\$10.65	\$266,250
8/17/2015	Glenn A. Votek-Chief Financial Officer	25,000	\$10.36	\$259,000

Source: SNL Financial as of August 25, 2015. Current market data from Bloomberg as of August 25, 2015.

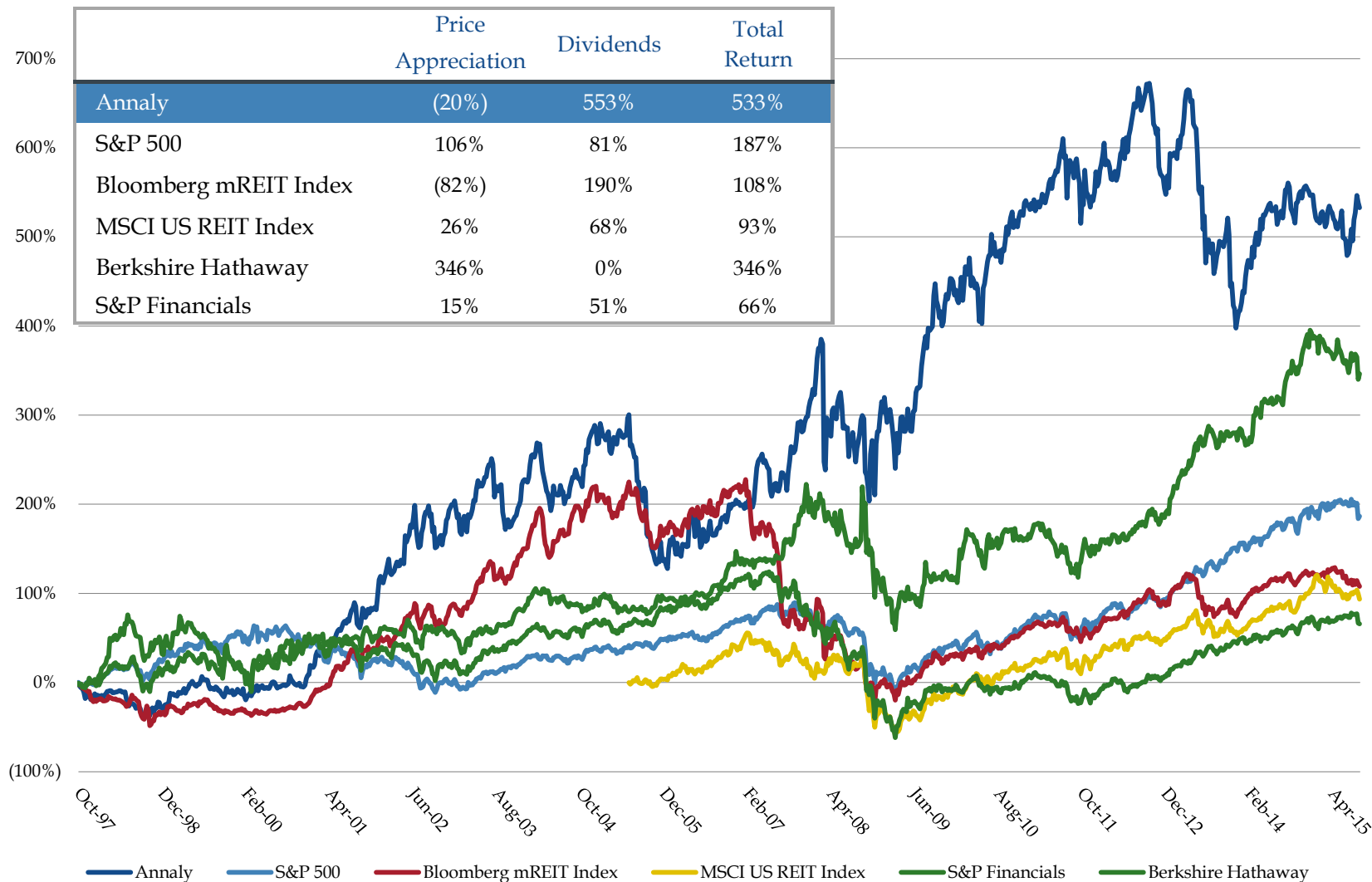
Note: Includes open market purchases of securities. Not inclusive of purchases tied to options or awards granted.

(1) In instances where multiple transactions are disclosed in a single filing, share purchases are combined and weighted average price is shown.

The Annaly Track Record



Annaly has paid out \$13.0 billion in dividends since inception ⁽¹⁾



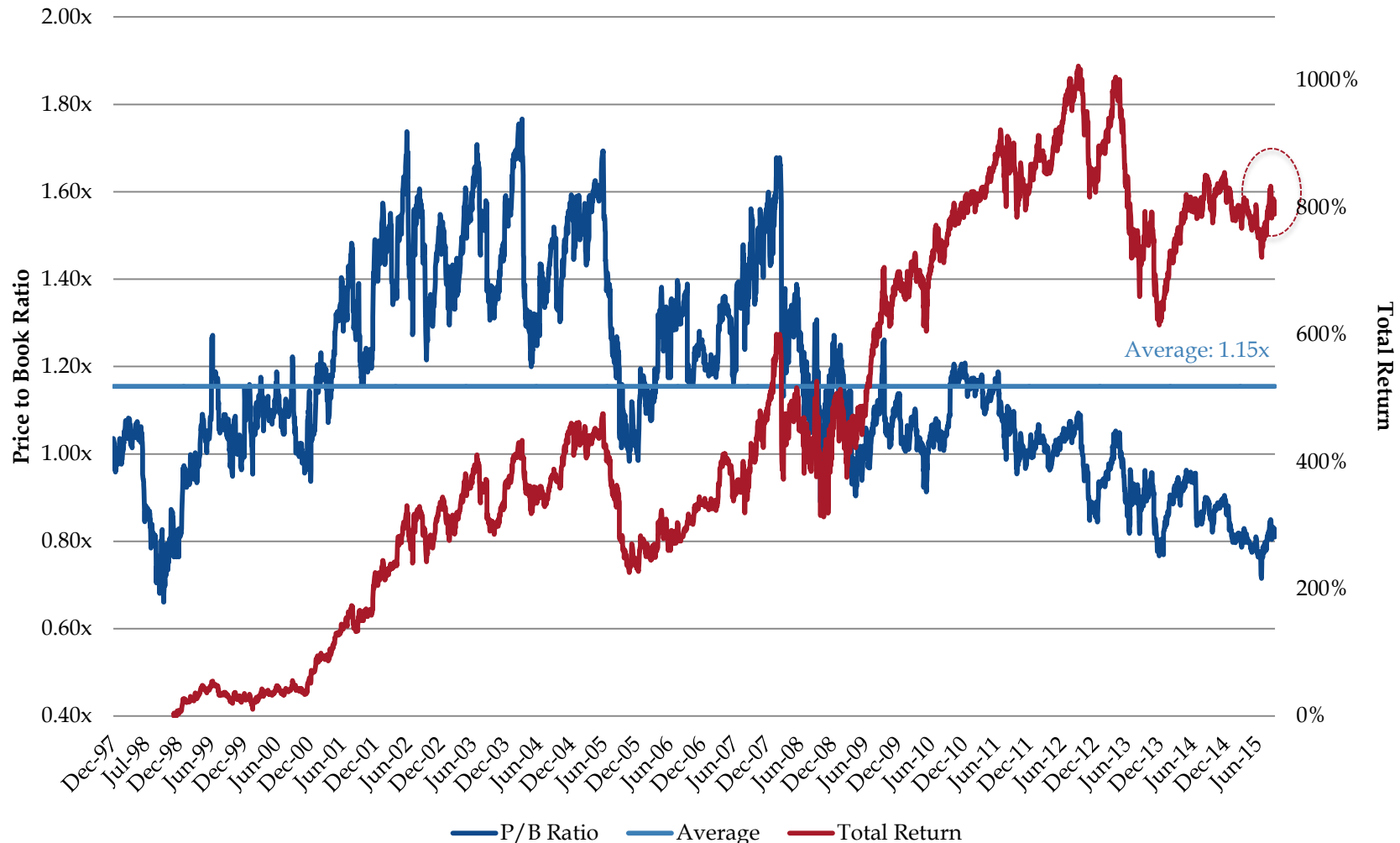
Source: Bloomberg, weekly, October 10, 1997 through September 1, 2015. MSCI US REIT Index performance data begins June 17, 2005.

(1) Source: Company filings and Bloomberg.

Annaly Investors Have Been Rewarded Over the Long Term



Annaly has generated a total return of over 800% since the last time the stock traded at such a steep discount to Book Value (December 1998)



Source: Bloomberg. Market data as of September 1, 2015.
Note: Total return begins at trough on December 2, 1998.



Agency

Annaly Evolution



	1998	2004 / 2005	2015	Key Takeaways
Market Cap ⁽¹⁾	\$104mm	\$1.4bn	\$9.5bn	▪ Largest mREIT globally
Asset Classes	Agency MBS	Agency MBS	Agency MBS Resi Credit CRE Debt & Equity Corporate Debt	▪ More durable earnings and book value
Agency Portfolio Mix	30% Fixed 30% Floating 40% ARMs	30-40% Fixed / Floating 60-70% ARMs	75% Spec Pools 16% Dollar Roll 4% ARMs 4% CMO/Derivatives 1% Other ⁽²⁾	▪ Agency strategy has evolved over time to better manage various rate environments
Hedge Instruments	No explicit hedges used Barbelled portfolio	No explicit hedges used Barbelled portfolio	Pay Fixed/Receiver Swaps Treasuries EuroDollar Futures	▪ More hedging than ever
Leverage	10.0x	9.0 - 9.8x	5.9x	▪ Industry low leverage
NIM	0.50 - 1.50%	0.70% - 1.70%	1.25% - 2.25%	▪ Reinvestment spreads remain attractive

Source: Bloomberg and Company filings.

(1) Market Caps for 1998, 2005 and 2015 are as of December 31, 1998, December 30, 2005 and September 1, 2015, respectively.

(2) GSE Credit Risk Sharing debt, Callable debt.

2014 – 2015 Agency Strategic Roadmap



Annaly actively manages the portfolio with a long-term perspective to provide an attractive risk-adjusted, stable return to shareholders

Q2'14: Swap Unwinds

- Decision to increase duration (through interest rate risk) based on Desk's rate view

Q3/Q4: Repositioning

- Shift to shorter duration, with an improved convexity profile and focus on sectors less susceptible to low/declining rates

Q1-15: Dollar Roll

- Monetized Specified Pool Payups and transitioned into TBAs for increased liquidity and beneficial financing

Q1'14

Q2'14

Q3'14

Q4'14

Q1'15

Q2'15

Q1: Add Leverage

- Decision to increase duration (via basis risk – addition of specified pools) based on relative MBS valuations

Q1'15: Swap Unwind

- Hedge against a continued rally; opportunity to rebalance into Futures for TBA trade

Q2'15 Performance

- TBAs continued to outperform specifieds in the selloff as demand for call protection waned
- Swap unwind trade performed well as the long-end sold off in Q2/Q3 given the front end remained well-anchored and the tenor of the unwinds

'14 - YTD'15

Annaly

Peer Avg

Economic Return

16.4%

11.0%

Source: Bloomberg and Company filings.

Note: Economic Return represents Ending Book Value plus Cumulative Dividends, expressed as a percentage of Beginning Book Value. Peer Average includes AGNC, HTS, CYS, ARR, CMO, and ANH.



Resi Credit Investment Overview

Diversification

- Low correlation profile to Agency book
- Spread attractive relative to alternative credit products
- Helps better manage interest rate cycles
 - Given the combination of floating-rate coupons and discounted securities, low sensitivity to interest rate volatility

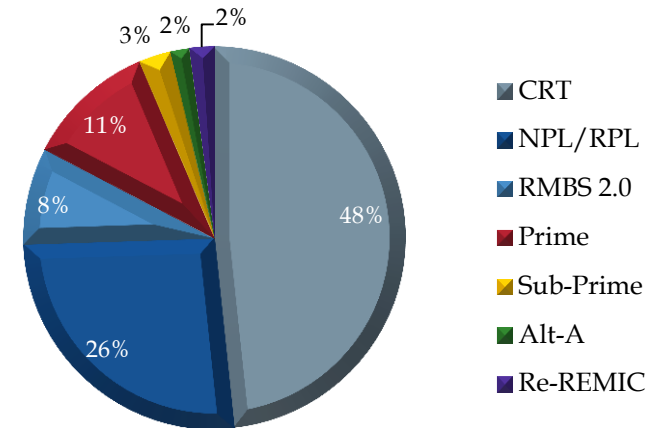
Positive Technicals/ Fundamentals

- Housing has stabilized and demonstrates balanced dynamics:
 - low inventories
 - price/income ratios
 - high home affordability
 - long term home ownership
- Lack of new supply in legacy sector

Attractive Returns

- Position the portfolio in high carry assets as cash flows should drive returns going forward
- Approximate levered yields in low double digits

Portfolio Composition (Holdings) ⁽¹⁾



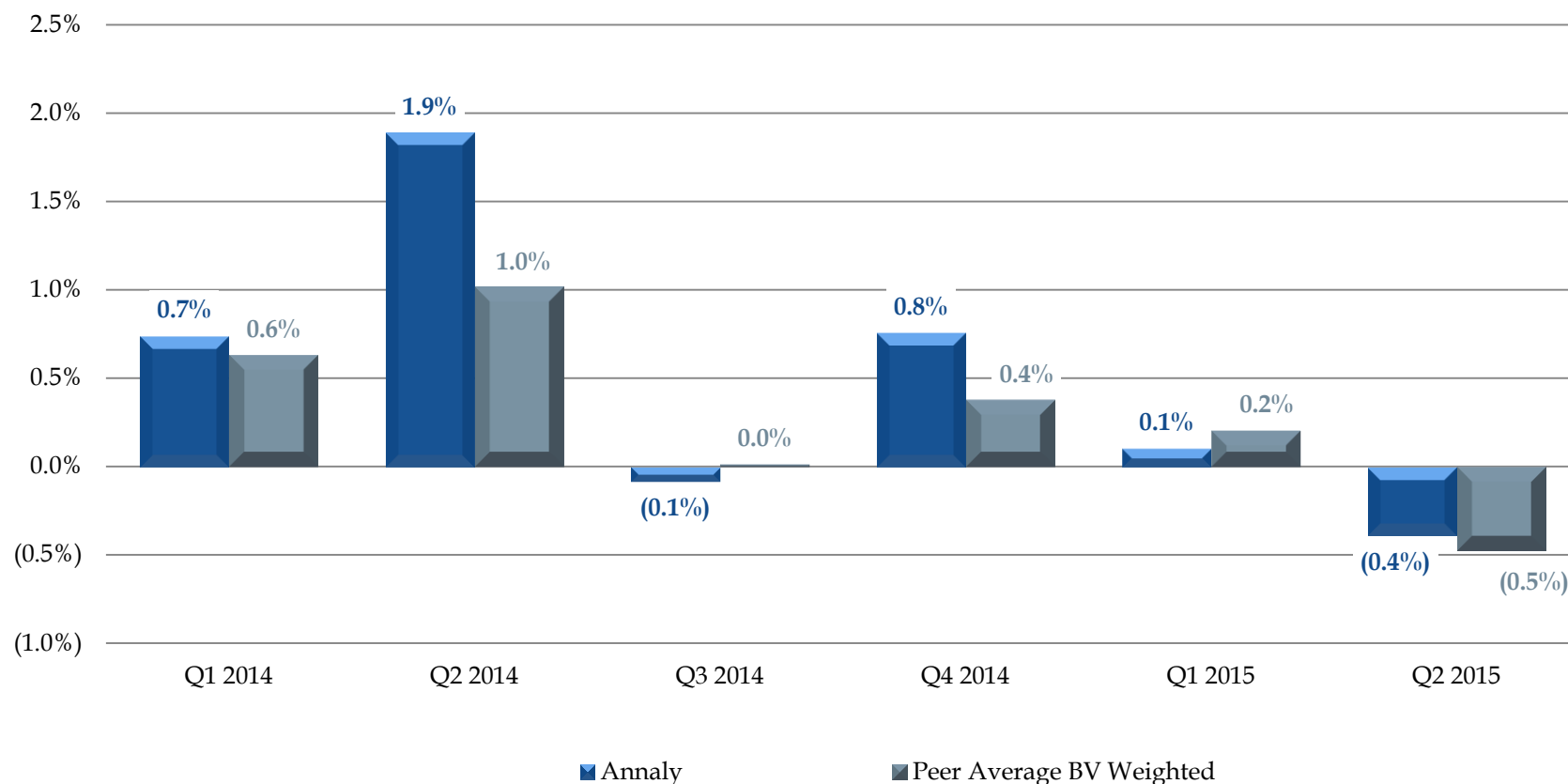
- Since the beginning of July, the resi credit portfolio has grown to \$547mm
- We have focused on our target sectors (RMBS 2.0, Legacy, CRT and NPL/RPL) within the securitization market

Comparative Performance



Annaly has generated an economic return of 16.4% over the last 6 quarter vs. 11.0% for its Agency peers while operating at 70% of the average peer leverage

Economic Return per Unit of Leverage



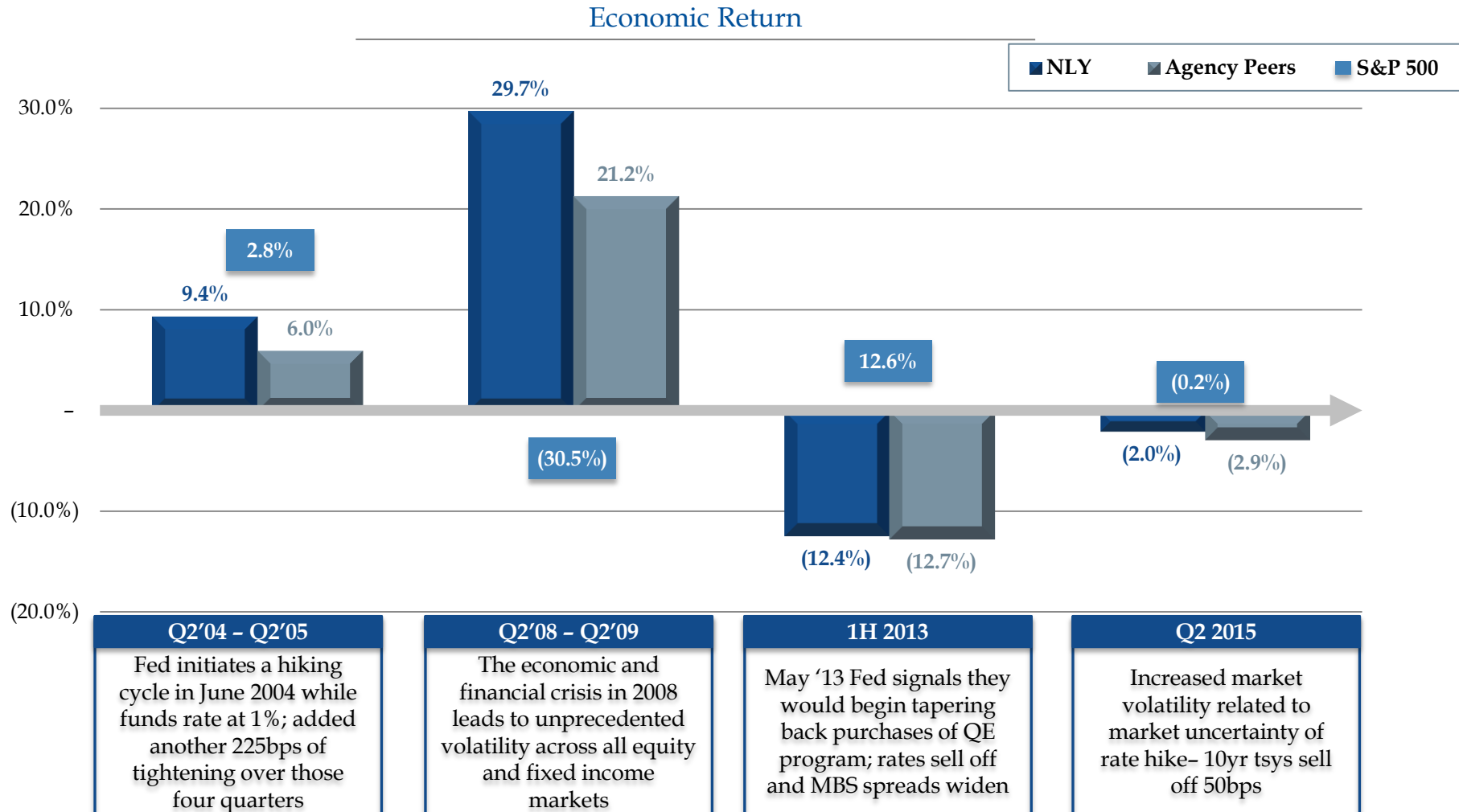
Source: Company filings.

Note: Peer Average includes AGNC, HTS, CYS, ARR, CMO, and ANH.

Economic Return in Stressed or Volatile Markets



Annaly has consistently outperformed during times of volatility;
aggregate returns over the period of 25.7% vs. (15.3%) for the S&P 500 ⁽¹⁾



Source: Bloomberg and Company filings.

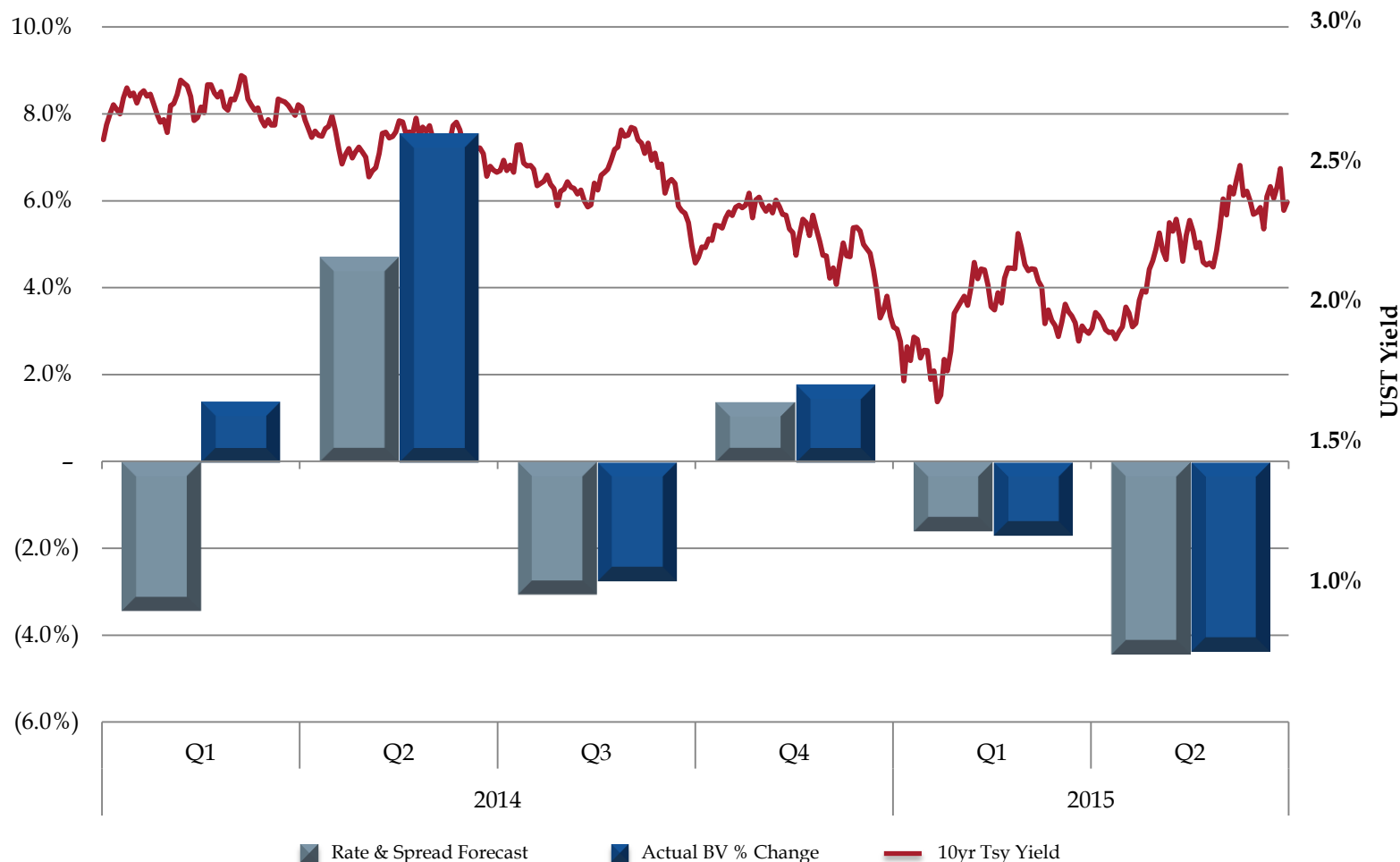
Note: Agency Peers represents the market cap weighted average of AGNC, HTS, CYS, ARR, CMO and ANH.

(1) Represents cumulative return for period shown at bottom, specifically 4/1/2004 to 6/30/2005, 4/1/2008 to 6/30/2009, 1/1/2013 to 6/30/2013 and 4/1/2015 to 6/30/2015.

Conservative Book Value Forecasting



Due to active portfolio management, Annaly has consistently outperformed model projections of book value impact based on realized movements in interest rates and mortgage spreads





Commercial

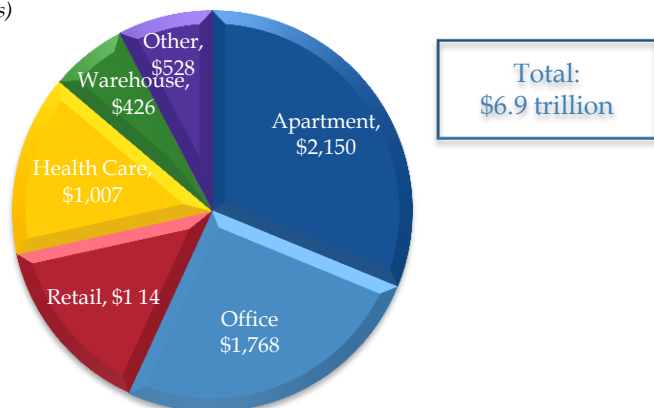
CRE: Large Investable Market – Room for Growth



Continued growth for investing opportunities in the U.S.

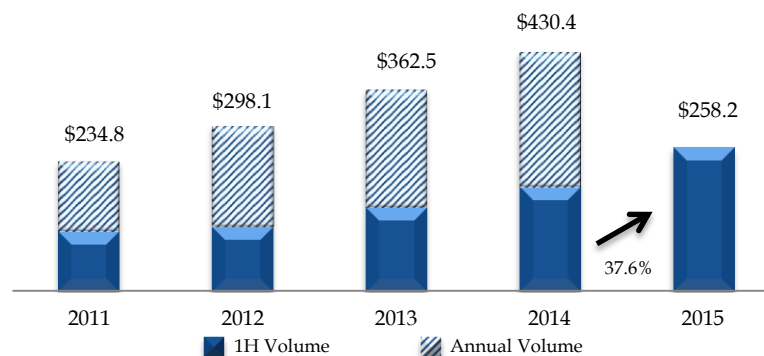
Current Net Stock of Private CRE Assets ⁽¹⁾

(\$ in billions)



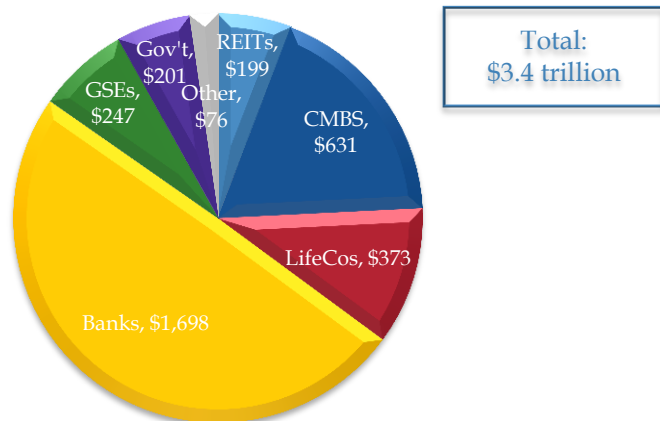
CRE Transaction Volume ⁽²⁾

(\$ in billions)



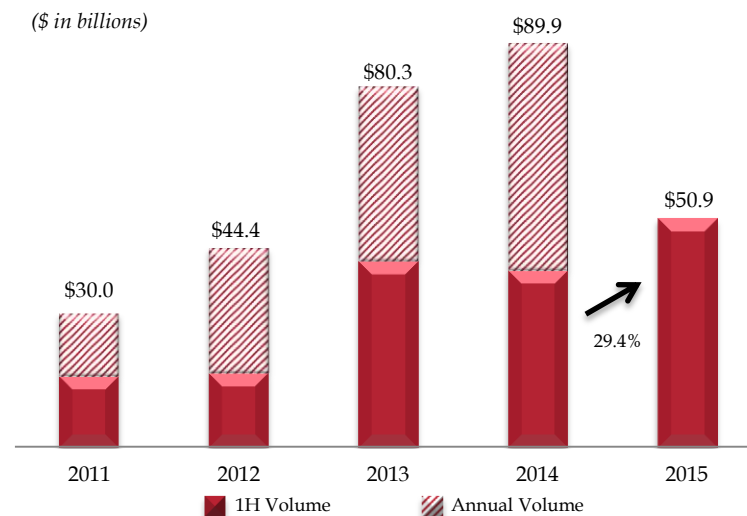
Commercial Mortgage Debt Outstanding ⁽³⁾

(\$ in billions)



CMBS Deal Issuance ⁽⁴⁾

(\$ in billions)



(1) Source: Bureau of Economic Analysis (as of 2014).

(2) Source: Real Capital Analytics. Volumes annual except for 2015, which is as of June 30, 2015.

(3) Source: Haver Analytics.

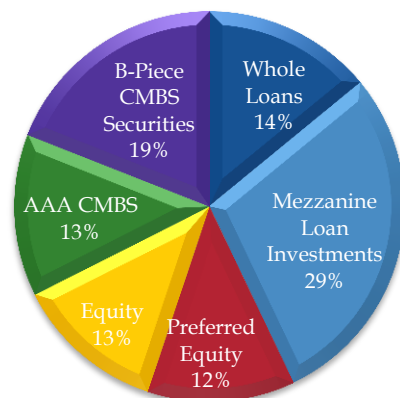
(4) Source: Commercial Real Estate Finance Council. Volumes annual except for 2015, which is as of June 30, 2015.

Annaly Commercial Real Estate Group Portfolio



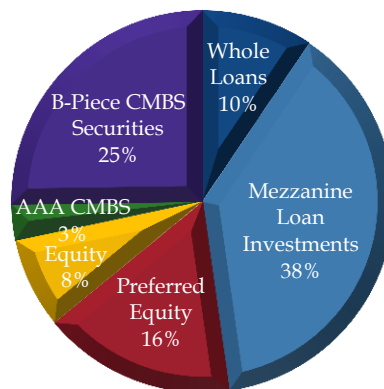
- ACREG invests across the capital structure
 - ✓ Whole Loans
 - ✓ Mezzanine Loans
 - ✓ Preferred Equity
 - ✓ Equity
 - ✓ Securities (AAA CMBS, B-Pieces)
- ACREG uses leverage to enhance returns of whole loans, equity and AAA CMBS

Asset Value



Total Value: \$1.74 billion
Unlevered Yield: 7.9%

Equity Invested



Total Invested: \$1.31 billion
Levered Yield: 9.9%

Annaly Book Equity ⁽¹⁾



Total Equity: \$12.6 billion



Intensive credit focus as long-term investors, not traders

Debt Approach – Broad Based

- Providing capital for acquisitions and refinancings at higher leverage points in the capital structure on real estate with growth potential
- Focus on top tier sponsors, operating in good markets with rational business plans, and loan structures that mitigate risk
- Maximize returns through conservative financing strategies utilizing syndication relationships, credit facilities and the securitization market

Equity Approach – Strategic and Focused

- Enhance the current yield of the overall commercial real estate book by investing in assets with attractive current yields, durable income streams and potential upside from appreciation
- Executing strategy by making both direct investments and investments with operating partners primarily in:
 - Grocery-anchored shopping centers
 - Multifamily
 - Net Lease