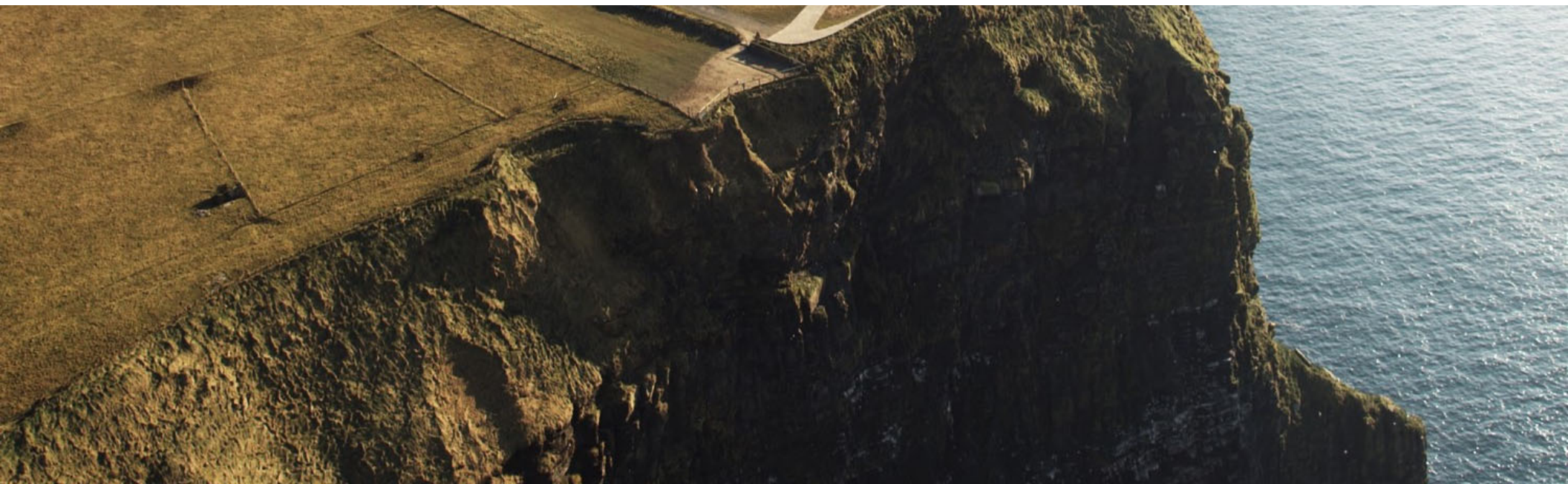




ANNALY®

Commercial Real Estate Group

February 2020



Important Notices

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. Such statements include those relating to our future performance, macro outlook, the interest rate and credit environments, tax reform and future opportunities. 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; our ability to maintain our 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 our current plans and operations; the impact, if any, of the announcement or pendency of the Internalization on our 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. We do not undertake, and specifically disclaim any obligation, to publicly release the result of any revisions which may be made to any forward-looking statements to reflect the occurrence of anticipated or unanticipated events or circumstances after the date of such statements, except as required by law.

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Past performance is no guarantee of future results. There is no guarantee that any investment strategy referenced herein will work under all market conditions. Prior to making any investment decision, you should evaluate your ability to invest for the long-term, especially during periods of downturns in the market. You alone assume the responsibility of evaluating the merits and risks associated with any potential investment or investment strategy referenced herein. To the extent that this material contains reference to any past specific investment recommendations or strategies which were or would have been profitable to any person, it should not be assumed that recommendations made in the future will be profitable or will equal the performance of such past investment recommendations or strategies. The information contained herein is not intended to provide, and should not be relied upon for accounting, legal or tax advice or investment recommendations for Annaly or any of its affiliates.

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Non-GAAP Financial Measures

This presentation includes certain non-GAAP financial measures, including core earnings metrics, which are presented both inclusive and exclusive of the premium amortization adjustment (“PAA”). We believe the non-GAAP financial measures are useful for management, investors, analysts, and other interested parties in evaluating our performance but should not be viewed in isolation and are not a substitute for financial measures computed in accordance with U.S. generally accepted accounting principles (“GAAP”). In addition, we may calculate non-GAAP metrics, which include core earnings, and the PAA, differently than our peers making comparative analysis difficult. Please see the section entitled “Non-GAAP Reconciliations” in the attached Appendix for a reconciliation to the most directly comparable GAAP financial measures.

Annaly is a Leading Diversified Capital Manager

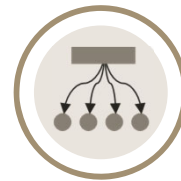
The diversification, scale and liquidity of Annaly's complementary investment businesses provide a broad range of opportunities in today's markets



\$129 billion
Total Assets⁽¹⁾



\$15+ billion
Permanent Capital⁽²⁾



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

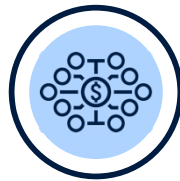


91%
*Total Shareholder Return
Since Diversification⁽³⁾*

ANNALY[®]



\$3 billion
*Combined Deal Value of
Transformational Acquisitions⁽⁴⁾*



Evolved & Evolving
*38 Distinct Investment
Options & Counting*



180+
Talented Professionals



ESG Focus
*Robust
Corporate Responsibility
& Governance*

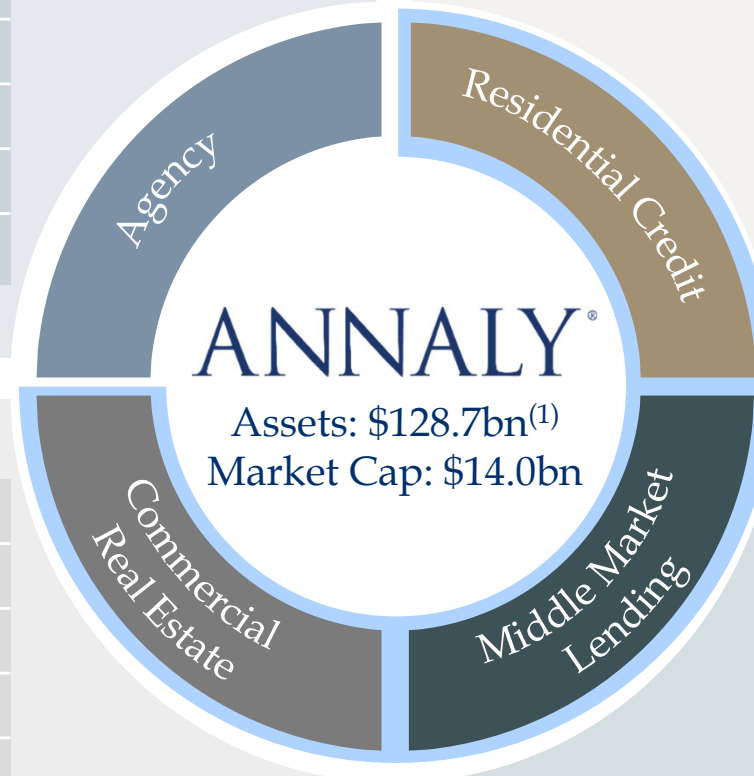
Annaly Investment Strategies

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

Assets ⁽¹⁾	\$120.3bn
Capital ⁽²⁾	\$10.9bn
Sector Rank ⁽³⁾	#1/7
Strategy	Countercyclical / Defensive
Illustrative 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⁾	\$3.9bn
Capital ⁽²⁾	\$1.5bn
Sector Rank ⁽³⁾	#9/14
Strategy	Cyclical / Growth
Illustrative Levered Returns ⁽⁴⁾	11% - 13%



Assets ⁽¹⁾	\$2.3bn
Capital ⁽²⁾	\$0.9bn
Sector Rank ⁽³⁾	#7/15
Strategy	Cyclical / Growth
Illustrative Levered Returns ⁽⁴⁾	9% - 11%

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

Assets	\$2.1bn
Capital ⁽²⁾	\$1.3bn
Sector Rank ⁽³⁾	#10/44
Strategy	Non-Cyclical / Defensive
Illustrative Levered Returns ⁽⁴⁾	9% - 11%

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

Fourth Quarter 2019 Financial Highlights

Earnings & Book Value

Earnings (Loss) per Share

GAAP Core
\$0.82 | \$0.26
(ex. PAA)*

Book Value per Share

\$9.66

Dividend per Share/ Yield⁽¹⁾

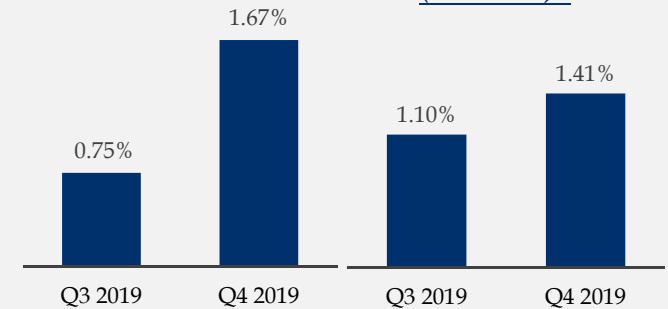
\$0.25 / 10.6%

Economic Return - Q4/ FY

7.6% / 14.1%

Net Interest Margin

Net Interest Margin (ex. PAA)*



Investment Portfolio

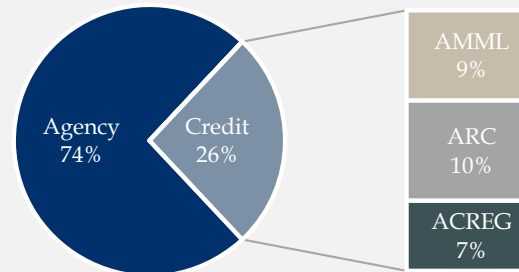
Total Portfolio⁽²⁾

\$128.7bn

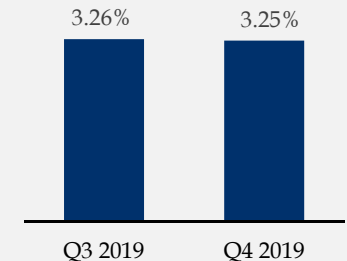
Total Stockholders' Equity

\$15.8bn

Capital Allocation⁽³⁾



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



Financing, Liquidity & Hedging

Financing & Liquidity

\$840mm
of resi whole loan
securitizations since the
beginning of Q4⁽⁴⁾

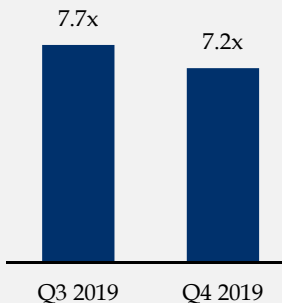
\$7.9bn
of unencumbered
assets

Total Hedge Portfolio

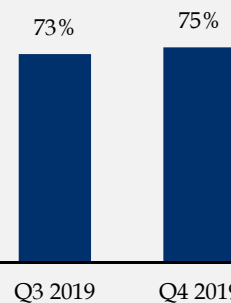
\$85bn

Hedge portfolio
includes \$74bn of
swaps, \$5bn of payer
swaptions and \$6bn
of futures contracts

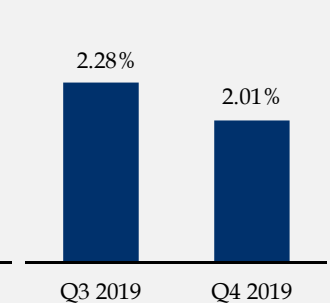
Economic Leverage



Hedge Ratio⁽⁵⁾



Average Cost of Funds⁽⁶⁾



Source: Company filings. Financial data as of December 31, 2019, unless otherwise noted. * Represents a non-GAAP financial measure; see Appendix. Detailed endnotes are included at the end of this presentation.

Annaly Commercial Real Estate Group (“ACREG”) | At a Glance

Guided by dedicated credit and asset expertise, ACREG offers flexible, customized solutions to borrowers

26 years

*Average experience of ACREG's
deal screening committee*

\$5.7bn

*Total gross investments
2014–2019⁽¹⁾*

29

ACREG investment professionals

\$56mm

*Average ACREG investment size
2014–2019⁽¹⁾*

\$945mm

*Average ACREG investment
volume 2014–2019⁽¹⁾*

10+ years

Operating history⁽²⁾

Detailed endnotes are included at the end of this presentation.

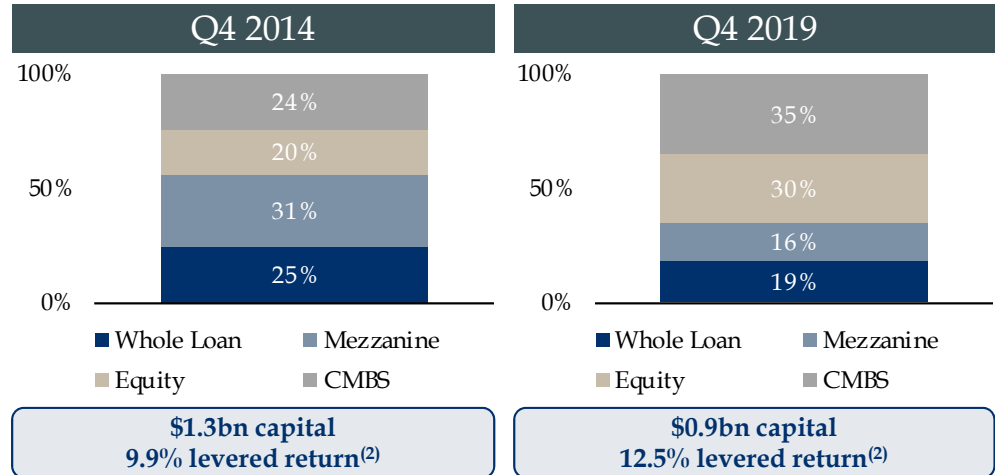
ACREG | Q4 2019 Business Update

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 given length of cycle and pricing levels; 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 ⁽¹⁾



Sample Transactions - Q4 2019⁽³⁾

Blackstone GLP Industrial

- \$100mm B- rated CMBS purchase
- Partial financing for Blackstone's \$18.7bn industrial portfolio acquisition
- Secured by 406 assets
- 62% B- LTV



178-02 Hillside Avenue

- \$61mm floating rate loan
- Jamaica, NY
- 131-unit newly built multifamily property
- 72% LTV



The Concord

- \$47mm floating rate loan
- Wilmington, DE
- 166-unit newly built luxury multifamily property
- 73% LTV



Premier Distribution Center

- \$56mm floating rate loan
- Charlotte, NC
- 1.4mm sf industrial property
- 75% LTV



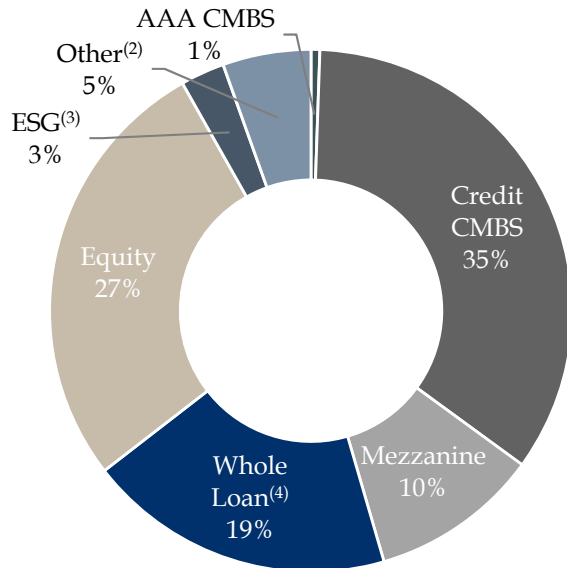
Source: Company filings. Financial data as of quarter end for each respective period.
Detailed endnotes are included at the end of this presentation.

ACREG | Portfolio Summary

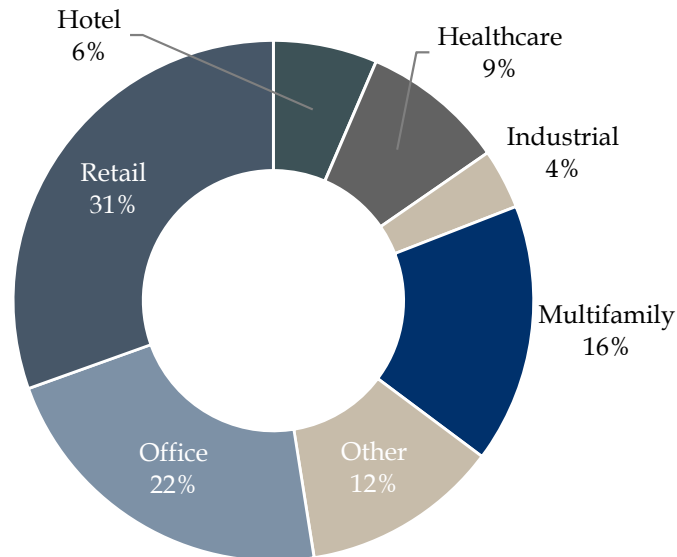
- ACREG Portfolio: \$2.3 billion in assets at the end of Q4 2019
 - Total assets of \$3.0 billion inclusive of the carrying value of the mortgage loans contributed to the managed CRE CLO
- New investment activity outpaced paydowns during 2019
 - \$1.2 billion of new investment activity
 - \$431 million of payoffs/sales⁽¹⁾
- Selectively adding to commercial real estate portfolio despite sustained competition in the credit markets

Total Dedicated Capital: \$0.9 billion

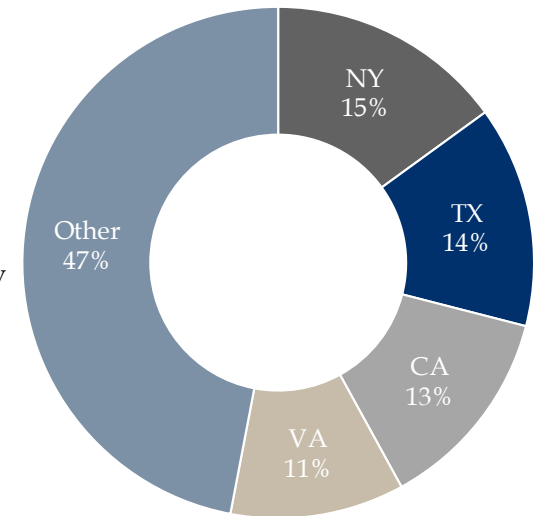
Asset Type



Sector Type



Geographic Concentration⁽⁵⁾



Note: Data as of December 31, 2019. 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 are included at the end of this presentation.

Annaly Securitization Experience | NLY 2019-FL2

Capital Structure

Class	Ratings (Moody's/KBRA)	Approximate Initial Principal Balance	Current Credit Support	Current Principal Balance	Initial Weighted Average Life (Yrs)	Coupon	Initial Price (\$)
Offered Certificates							
Class A	Aaa(sf) / AAA(sf)	\$447,956,000	47.75%	\$447,956,000	2.99	L+1.30%	100.00
Class A-S	NR / AAA(sf)	\$51,440,000	41.75%	\$51,440,000	3.74	L+1.60%	100.00
Class B	NR / AA-(sf)	\$54,655,000	35.37%	\$54,655,000	3.81	L+1.90%	100.00
Class C	NR / A-(sf)	\$57,870,000	28.63%	\$57,870,000	3.98	L+2.35%	100.00
Class D	NR / BBB-(sf)	\$67,515,000	20.75%	\$67,515,000	4.23	L+3.00%	100.00
Non-offered Certificates							
Class E	NR / BB-(sf)	\$45,010,000	15.50%	\$45,010,000	4.40	N/A	NAP
Class F	NR / B-(sf)	\$23,577,000	12.75%	\$23,577,000	4.64	N/A	NAP
Preferred Shares	NR / NR	\$109,310,261	-	\$109,310,261	N/A	N/A	NAP

Pool Information at Closing

Aggregate Cut-off Date Mortgage Asset Balance:	\$739,058,404	WA Cut-off Date Mortgage Asset As-Is LTV Ratio:	66.3%
Number of Mortgage Assets / Mortgaged Properties:	19 / 21	WA Appraisal Stabilized LTV Ratio	62.1%
WA Initial Loan Term (Original) (months):	36	WA Underwritten NOI Debt Yield:	8.2%
WA Fully Extended Loan Term (Original) (months):	61	WA Underwritten Stabilized NOI Debt Yield:	10.5%
WA Loan Term (Remaining) (months):	24	WA Underwritten NCF Debt Yield:	7.6%
WA Fully Extended Loan Term (Remaining) (months):	49	WA Underwritten Stabilized NCF Debt Yield:	9.7%
WA Mortgage Asset Interest Rate Margin:	3.66%	WA Underwritten Net Cash Flow DSCR:	1.32x
WA LIBOR Cap Strike Price:	3.12%	WA Underwritten Stabilized NCF DSCR:	1.56x

- On February 28, 2019, ACREG priced an \$857.3mm managed transaction ("NLY 2019-FL2")
- The transaction was structured with a \$118.3mm, six-month Ramp-Up period (completed on August 13, 2019) and a two-year Reinvestment period
- At issuance, the pool's weighted average KBRA Property Score⁽¹⁾ of 3.39 was the second highest across all KBRA-rated transactions
- KBRA affirmed ratings on all classes on February 3, 2020

Detailed endnotes are included at the end of this presentation.

Annaly Securitization Experience | NLY 2014-FL1

Capital Structure

Class	Ratings (Fitch/KBRA)	Approximate Initial Principal Balance	Approximate Initial Credit Support	Current Principal Balance	Initial Weighted Average Life (Yrs)	Coupon	Initial Price (\$)
Offered Certificates							
Class A	Aaa(sf) / AAA(sf)	\$178,794,000	55.25%	\$0	1.35	L+1.20%	100.00
Class B	AA-(sf) / AA-(sf)	\$25,471,000	48.88%	\$0	2.27	L+1.75%	100.00
Class C	A-(sf) / A-(sf)	\$17,480,000	44.50%	\$0	2.27	L+2.60%	100.00
Class D	NR / BBB-(sf)	\$38,955,000	34.75%	\$0	2.27	L+3.80%	100.00
Non-offered Certificates							
Class E	NR / BB(sf)	\$24,971,000	28.50%	\$0	2.29	N/A	NAP
Class F	NR / B(sf)	\$35,460,000	19.63%	\$0	2.35	N/A	NAP
Class G	NR / NR	\$78,410,000	0.00%	\$0	2.43	N/A	NAP
Class X	NR / AAA(sf)	\$260,700,000	N/A	\$0	N/A	N/A	NAP

Pool Information at Closing

Aggregate Cut-off Date Mortgage Asset Balance:	\$399,541,000	WA Cut-off Date Mortgage Asset As-Is LTV Ratio:	73.4%
Number of Mortgage Assets / Mortgaged Properties:	10 / 23	WA Appraisal Stabilized LTV Ratio	64.0%
WA Initial Loan Term (Original) (months):	26	WA Underwritten NOI Debt Yield:	9.9%
WA Fully Extended Loan Term (Original) (months):	52	WA Underwritten Stabilized NOI Debt Yield:	10.7%
WA Loan Term (Remaining) (months):	23	WA Underwritten NCF Debt Yield:	9.2%
WA Fully Extended Loan Term (Remaining) (months):	49	WA Underwritten Stabilized NCF Debt Yield:	9.5%
WA Mortgage Asset Interest Rate Margin:	4.36%	WA Underwritten Net Cash Flow DSCR:	1.67x
WA LIBOR Cap Strike Price:	2.48%	WA Underwritten Stabilized NCF DSCR:	1.72x

- On January 16, 2014, ACREG priced a \$399.5mm static REMIC transaction ("NLY 2014-FL1")
- ACREG retained approximately \$139mm or 34.8% of the initial principal balance
- The pool was comprised of 41% multifamily properties
- In November 2016, NLY 2014-FL1 fully paid off. All loans and classes paid as expected, and the pool had no losses

Appendix: Non-GAAP Reconciliations

Non-GAAP Reconciliations

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.

	For the quarters ended				
	12/31/2019	9/30/2019	6/30/2019	3/31/2019	12/31/2018
GAAP to Core Reconciliation					
GAAP net income (loss)	\$1,209,742	(\$747,169)	(\$1,776,413)	(\$849,251)	(\$2,254,872)
Net income (loss) attributable to non-controlling interests	68	(110)	(83)	(101)	17
Net income (loss) attributable to Annaly	\$1,209,674	(\$747,059)	(\$1,776,330)	(\$849,150)	(\$2,254,889)
Adjustments to excluded reported realized and unrealized (gains) losses:					
Realized (gains) losses on termination of interest rate swaps	4,615	682,602	167,491	588,256	-
Unrealized (gains) losses on interest rate swaps	(782,608)	326,309	1,276,019	390,556	1,313,882
Net (gains) losses on disposal of investments	(17,783)	(66,522)	38,333	93,916	747,505
Net (gains) losses on other derivatives	42,312	16,888	506,411	115,159	484,872
Net unrealized (gains) losses on instruments measured at fair value through earnings	5,636	1,091	4,881	(47,629)	18,169
Loan loss provision	7,362	3,504	-	5,703	3,496
Adjustments to exclude components of other (income) loss:					
Depreciation and amortization expense related to commercial real estate ⁽¹⁾	9,823	9,974	10,147	10,114	11,000
Non-core (income) loss allocated to equity method investments ⁽²⁾	(3,979)	4,541	11,327	9,496	(10,307)
Adjustments to exclude components of general and administrative expenses and income taxes:					
Transaction expenses and non-recurring items ⁽³⁾	3,634	2,622	3,046	9,982	3,816
Income tax effect on non-core income (loss) items	(418)	(2,762)	(3,507)	726	3,334
Adjustments to add back components of realized and unrealized (gains) losses:					
TBA dollar roll income and CMBX coupon income ⁽⁴⁾	36,901	15,554	33,229	38,134	69,572
MSR amortization ⁽⁵⁾	(22,120)	(21,963)	(19,657)	(13,979)	(18,753)
Core earnings*	493,049	224,779	251,390	351,284	371,697
Less:					
Premium amortization adjustment (PAA) cost (benefit)	(83,892)	117,152	139,763	81,871	45,472
Core Earnings (excluding PAA)*	\$409,157	\$341,931	\$391,153	\$433,155	\$417,169
Dividends on preferred stock	35,509	36,151	32,422	32,494	32,494
Core Earnings attributable to common shareholders *	\$457,540	\$188,628	\$218,968	\$318,790	\$339,203
Core Earnings (excluding PAA) attributable to common shareholders *	\$373,648	\$305,780	\$358,731	\$400,661	\$384,675
GAAP net income (loss) per average common share ⁽⁶⁾	\$0.82	(\$0.54)	(\$1.24)	(\$0.63)	(\$1.74)
Core earnings per average common share ^{(6)*}	\$0.32	\$0.13	\$0.15	\$0.23	\$0.26
Core earnings (excluding PAA) per average common share ^{(6)*}	\$0.26	\$0.21	\$0.25	\$0.29	\$0.29
Annualized GAAP return (loss) on average equity	31.20%	(19.32%)	(45.13%)	(22.72%)	(62.05%)
Annualized core return on average equity (excluding PAA)*	10.56%	8.85%	9.94%	11.59%	11.48%

* 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				
	12/31/2019	9/30/2019	6/30/2019	3/31/2019	12/31/2018
<u>Premium Amortization Reconciliation</u>					
Premium amortization expense	\$171,447	\$376,306	\$318,587	\$247,446	\$220,131
Less:					
PAA cost (benefit)	(83,892)	117,152	139,763	81,871	45,472
Premium amortization expense (excluding PAA)	\$255,339	\$259,154	\$178,824	\$165,575	\$174,659
<u>Interest Income (excluding PAA) Reconciliation</u>					
GAAP interest income	\$1,074,214	\$919,299	\$927,598	\$866,186	\$859,674
PAA cost (benefit)	(83,892)	117,152	139,763	81,871	45,472
Interest income (excluding PAA)*	\$990,322	\$1,036,451	\$1,067,361	\$948,057	\$905,146
<u>Economic Interest Expense Reconciliation</u>					
GAAP interest expense	\$620,058	\$766,905	\$750,217	\$647,695	\$586,774
Add:					
Net interest component of interest rate swaps ⁽¹⁾	(45,221)	(88,466)	(83,653)	(134,035)	(65,889)
Economic interest expense* ⁽¹⁾	\$574,837	\$678,439	\$666,564	\$513,660	\$520,885
<u>Economic Net Interest Income (excluding PAA) Reconciliation</u>					
Interest income (excluding PAA)	\$990,322	\$1,036,451	\$1,067,361	\$948,057	\$905,146
Less:					
Economic interest expense* ⁽¹⁾	574,837	678,439	666,564	513,660	520,885
Economic net interest income (excluding PAA)* ⁽¹⁾	\$415,485	\$358,012	\$400,797	\$434,397	\$384,261
<u>Economic Metrics (excluding PAA)</u>					
Average interest earning assets	\$121,801,951	\$127,207,668	\$122,601,881	\$109,946,527	\$107,232,861
Interest income (excluding PAA)*	\$990,322	\$1,036,451	\$1,067,361	\$948,057	\$905,146
Average yield on interest earning assets (excluding PAA)*	3.25%	3.26%	3.48%	3.45%	3.38%
Average interest bearing liabilities	\$111,873,379	\$116,391,094	\$109,628,007	\$95,529,819	\$91,746,160
Economic interest expense* ⁽¹⁾	574,837	678,439	666,564	513,660	520,885
Average cost of interest bearing liabilities ⁽¹⁾	2.01%	2.28%	2.41%	2.15%	2.22%
Economic net interest income (excluding PAA)* ⁽¹⁾	\$415,485	\$358,012	\$400,797	\$434,397	\$384,261
Net interest spread (excluding PAA)*	1.24%	0.98%	1.07%	1.30%	1.16%
Interest income (excluding PAA)*	\$990,322	\$1,036,451	\$1,067,361	\$948,057	\$905,146
TBA dollar roll income and CMBX coupon income	36,901	15,554	33,229	38,134	69,572
Interest expense	(620,058)	(766,905)	(750,217)	(647,695)	(586,774)
Net interest component of interest rate swaps	45,221	88,466	83,653	134,035	65,889
Subtotal	\$452,386	\$373,566	\$434,026	\$472,531	\$453,833
Average interest earning assets	\$121,801,951	\$127,207,668	\$122,601,881	\$109,946,527	\$107,232,861
Average TBA contract and CMBX balances	6,878,502	9,248,502	12,757,975	14,927,490	14,788,453
Subtotal	\$128,680,453	\$136,456,170	\$135,359,856	\$124,874,017	\$122,021,314
Net interest margin (excluding PAA)*	1.41%	1.10%	1.28%	1.51%	1.49%

* Represents a non-GAAP financial measure.

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

Endnotes

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1. Assets represent Annaly's portfolio of investments on its balance sheet, including TBA purchase contracts (market value) of \$6.9bn, mortgage servicing rights ("MSRs") of \$378.1mm, and excluding securitized debt of consolidated variable interest entities ("VIEs") of \$5.6bn.
2. Permanent capital represents Annaly's total stockholders' equity as of December 31, 2019.
3. Total shareholder return shown since December 31, 2013, which marks the beginning of Annaly's diversification efforts, through January 31, 2020. Since its IPO in 1997, Annaly's total shareholder return is 912%.
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).

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1. Assets represent Annaly's portfolio of investments on its balance sheet. Agency assets include TBA purchase contracts (market value) of \$6.9bn and MSRs of \$378.1mm and exclude securitized debt of consolidated VIEs of \$1.0bn. Residential Credit assets exclude securitized debt of consolidated VIEs of \$2.0bn. Commercial Real Estate assets exclude securitized debt of consolidated VIEs of \$2.6bn.
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 December 31, 2019 (adjusted for P/B as of January 31, 2020) to the market capitalization of the companies in each respective comparative sector as of January 31, 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 BBREMTG Index as of January 31, 2020 and for Middle Market Lending sector ranking is the S&P BDC Index as of January 31, 2020.
4. Levered return assumptions are for illustrative purposes only and attempt to represent current market asset returns and financing terms as of January 31, 2020 for prospective investments of the same, or of a substantially similar, nature in each respective group.

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1. Dividend yield is based on annualized Q4 2019 dividend of \$0.25 and a closing price of \$9.42 on December 31, 2019.
2. Total portfolio represents Annaly's portfolio of investments on its balance sheet, including TBA purchase contracts and excluding securitized debt of consolidated VIEs.
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. Residential whole loan securitizations since the beginning of the fourth quarter include: (1) a \$465mm residential whole loan securitization in October 2019, and (2) a \$375mm residential whole loan securitization in January 2020.
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 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. Average cost of funds includes GAAP interest expense and the net interest component of interest rate swaps.

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1. Includes whole loans, B-notes, mezzanine loans, preferred equity, common equity, credit CMBS, and Freddie B-pieces. Includes future funding commitments.
2. CreXus Investment Corp. ("CreXus") went public in September 2009. Annaly acquired CreXus in May 2013 and simultaneously changed its name to Annaly Commercial Real Estate Group, Inc.

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1. Percentages are based on economic interest and excludes the effects of consolidated VIEs. The Company's limited and general partnership interests in a commercial loan investment fund are included within mezzanine investments. Equity includes preferred equity.
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 plus, in the case of 178-02 Hillside Ave., expected near-term future funding.

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1. Payoffs figure does not reflect payoffs of loans that are in the Annaly issued CRE CLO, the proceeds from which may be reinvested within the vehicle.
2. Reflects limited and general partnership interests in a commercial loan investment fund that is accounted for under the equity method for GAAP.
3. Reflects joint venture interests in a social impact loan investment fund that is accounted for under the equity method for GAAP.
4. Includes mezzanine loans for which Annaly Commercial Real Estate is also the corresponding first mortgage lender.
5. Geographic concentration "Other" includes 46 states, none of which represents more than 5% of total portfolio economic interest. Annaly looked through to the collateral characteristics of securitizations and equity method investments.

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1. Source: KBRA Pre-Sale report as of February 11, 2019. KBRA property scores range from 1-5, with 5 being the best.

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1. Includes depreciation and amortization expense related to equity method investments.
2. 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 December 31, 2019 represents costs incurred in connection with a securitization of Agency mortgage-backed securities and a securitization of residential whole loans. The quarters ended September 30, 2019 and June 30, 2019 represent costs incurred with securitizations of residential whole loans. Represents costs incurred in connection with a securitization of commercial loans and a securitization of residential whole loans for the quarter ended March 31, 2019. Represents costs incurred in connection with the MTGE transaction and costs incurred in connection with a securitization of residential whole loans for the quarter ended December 31, 2018.
4. TBA dollar roll income and CMBX coupon income each represent a component of net gains (losses) on other derivatives. CMBX coupon income totaled \$1.3mm, \$1.5mm, \$0.8mm, \$1.1mm, and \$1.2mm for the quarters ended December 31, 2019, September 30, 2019, June 30, 2019, March 31, 2019, and December 31, 2018, respectively.
5. MSR amortization represents the portion of changes in fair value that is attributable to the realization of estimated cash flows on the Company's MSR portfolio and is reported as a component of Net unrealized gains (losses) on instruments measured at fair value.
6. Net of dividends on preferred stock. 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.

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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.