



ANNALY®

Investor Presentation

October 2016



This presentation, other written or oral communications and our public documents to which we refer contain or incorporate by reference certain forward-looking statements which are based on various assumptions (some of which are beyond our control) and may be identified by reference to a future period or periods or by the use of forward-looking terminology, such as "may," "will," "believe," "expect," "anticipate," "continue," or similar terms or variations on those terms or the negative of those terms. Actual results could differ materially from those set forth in forward-looking statements due to a variety of factors, including, but not limited to, changes in interest rates; changes in the yield curve; changes in prepayment rates; the availability of mortgage-backed securities and other securities for purchase; the availability of financing and, if available, the terms of any financings; changes in the market value of our assets; changes in business conditions and the general economy; our ability to grow our commercial business; our ability to grow our residential mortgage credit 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 and ownership of a servicer; any potential business disruption following the acquisition of Hatteras Financial Corp.; our ability to consummate any contemplated investment opportunities; changes in government regulations affecting our business; our ability to maintain our qualification as a REIT; and our ability to maintain our exemption from registration under the Investment Company Act of 1940, as amended. For a discussion of the risks and uncertainties which could cause actual results to differ from those contained in the forward-looking statements, see "Risk Factors" in our most recent Annual Report on Form 10-K and any subsequent Quarterly Reports on Form 10-Q. We do not undertake, and specifically disclaim any obligation, to publicly release the result of any revisions which may be made to any forward-looking statements to reflect the occurrence of anticipated or unanticipated events or circumstances after the date of such statements, except as required by law.

This presentation includes unaudited pro forma information reflecting the acquisition of Hatteras Financial Corp. The unaudited pro forma information should be read in conjunction with the historical financial information and accompanying notes of Annaly Capital Management, Inc. and Hatteras Financial Corp.

## Non-GAAP Financial Measures

This presentation includes certain non-GAAP financial measures. The non-GAAP financial measures should not be viewed in isolation and are not a substitute for financial measures computed in accordance with GAAP. Please see the section entitled "Non-GAAP Reconciliations" in the attached Appendix for a reconciliation to the most directly comparable GAAP financial measures.

# The Case for Owning Annaly



## Size and Liquidity

- 15x Size of Median mREIT

## Relative Performance / Valuation

- Valuation More Attractive than Other Yield Sectors Given Favorable Performance, Yield and Leverage Profile

## Diversification Strategy

- Four Distinct Operating Businesses Designed to Produce More Stable Earnings and Book Value

## Consolidator

- Recent Hatteras Acquisition Demonstrates External Growth and Ability to be Opportunistic

## Stability & Liquidity

- Core EPS 81% Less Volatile than the Agency mREIT Average over the Last 9 Quarters<sup>(1)</sup>

## Prominent Institutional Sponsorship

- Investor Base Includes Leading Equity and Bond Fund Managers

## Premium Yield with Downside Protection

- Durability of Book Value Supported by Both Asset and Hedge Selection

## Management / Employee Stock Ownership

- Significant Management Share Purchases; Unique Employee Stock Ownership Guidelines

## Operating Efficiency

- Expense Level as a Percentage of Equity is 56% Lower than Industry Peers<sup>(2)</sup>

## Track Record

- Outperformed S&P 500 by More than 3x and mREIT Sector by More than 5x Since NLY's Inception<sup>(3)</sup>

Source: Bloomberg and company filings. Market data as of September 23, 2016. Quarterly peer financial data as of June 30, 2016. All peer comparisons represent NLY vs. the Bloomberg mREIT Index (BBREMTG) unless otherwise noted.

(1) Definition of core earnings per share, which is a non-GAAP measure, can vary by Agency mREIT. Volatility based on range of quarterly core EPS reported from Q2 2014 to Q2 2016. Agency mREIT peers include AGNC, CYS, CMO, ARR and ANH. 3

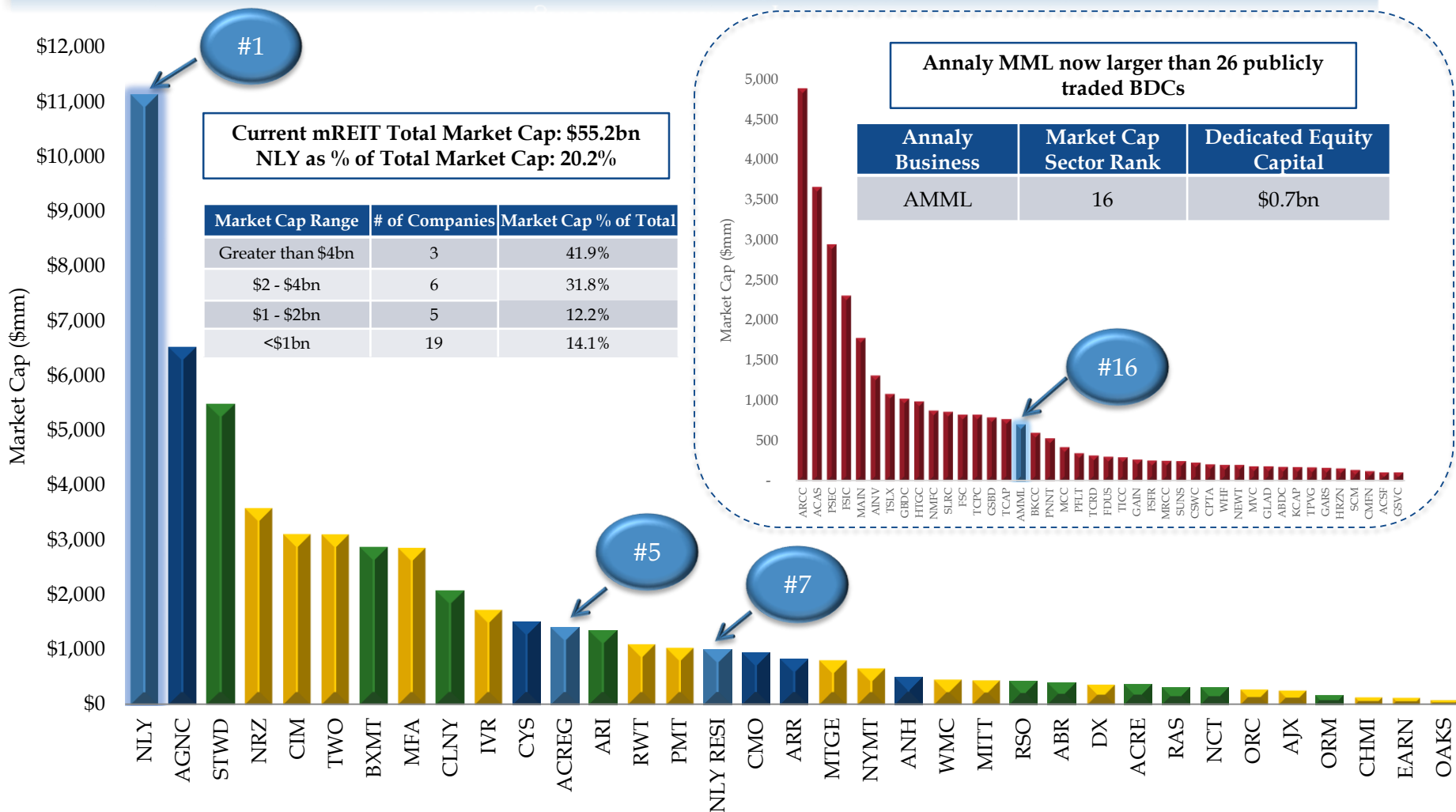
(2) Financial data shown as of June 30, 2016; sector averages reflect 1H 2016 annualized data market weighted within each sector. Annaly financial data show as of June 30, 2016 and pro forma for Hatteras acquisition.

(3) Represents weekly total return of Annaly against the BBREMTG Index and the S&P 500 from IPO (October 10, 1997) through September 23, 2016.

# Annaly's Diversification Strategy Now Has Scale



As Annaly Has Continued its Diversification Effort across Asset Classes, the Credit-Focused Business Lines are Now of Meaningful Size in Their Respective Industries



Source: Bloomberg mREIT Index (BBREMTG Index). Data as September 23, 2016. Excludes targets of announced acquisitions. Market cap rank represents rank among respective sector.

Note: For purposes of bar graph, light blue bars denote Annaly, dark blue bars denote agency peers, yellow bars denote hybrid peers, green bars denote commercial peers and red bars denotes MML peers. Blue ovals indicate sector ranking, which compares Annaly's dedicated equity capital in each of its business strategies (Agency, CRE, Residential Credit and MML) pro forma for Hatteras acquisition as of June 30, 2016, adjusted for the relevant sector average price to book multiple to the market capitalization of the companies in each respective sector as of September 23, 2016. Comparative sectors include the BBREMTG Index for Agency, ACREG and Residential Credit and the S&P BDC Index for MML.

# Sum of the Parts Capital Diversification



Annaly is Positioned as a Permanent Capital Solution for the Redistribution of MBS, Residential Credit, Commercial Real Estate Assets and Institutional Loans

	Agency	Commercial Real Estate	Residential Credit	Middle Market Lending
<b>\$ Amount / % of Total Capital<sup>(1)</sup></b>	\$10.1bn / 77%	\$1.4bn / 11% <sup>(4)</sup>	\$1.0bn / 8%	\$0.7bn / 5%
<b>Assets<sup>(2)</sup></b>	<ul style="list-style-type: none"> <li>Spec Pools</li> <li>ARMs</li> <li>MSR</li> </ul>	<ul style="list-style-type: none"> <li>1st Mortgages</li> <li>Mezzanine</li> <li>CRE Equity</li> </ul>	<ul style="list-style-type: none"> <li>CRT</li> <li>NPL/RPL</li> <li>Legacy</li> <li>Whole Loans</li> </ul>	<ul style="list-style-type: none"> <li>First Lien</li> <li>Second Lien</li> </ul>
<b>Hedges</b>	<ul style="list-style-type: none"> <li>Swaps</li> <li>Euro Dollar Futures</li> <li>Treasuries</li> <li>IO / MSR</li> </ul>	-	-	-
<b>Liquidity</b>	Very Liquid	Low to Moderate	Liquid	Moderate
<b>Income Stability</b>	Fluctuates	Fairly Stable	Fluctuates	Fairly Stable
<b>Book Value Impact</b>	Higher	Low to Moderate	Higher	Low
<b>Yield<sup>(3)</sup></b>	2.0%	4.5%	4.5%	8.0%
<b>Financing Cost<sup>(3)</sup></b>	0.8%	3.0%	2.0%	3.0%
<b>NIS</b>	1.2%	1.5%	2.5%	5.0%
<b>Levered Return</b>	9-10%	7-10%	10-11%	8-11%

Note: Financial data is as of June 30, 2016. Financial data is unaudited and shown pro forma for the Hatteras acquisition.

(1) Dedicated capital excludes non-portfolio related activity and may differ from total stockholders' equity.

(2) Agency assets include TBA purchase contracts (market value). Commercial Real Estate assets are exclusive of consolidated VIEs associated with B Piece commercial mortgage-backed securities.

(3) Yield and Financing Cost are illustrative numbers. Financing Cost is inclusive of hedge expense.

(4) Includes loans held for sale.



# Diversification Strategy Also Provides Significant Financing Advantages



Annaly Has a Variety of Potential Financing Sources for Each Asset Class in which the Company Invests

	Agency	Commercial Real Estate	Residential Credit	Middle Market Lending
Potential Financing Source	<ul style="list-style-type: none"> <li>☑ Repo</li> <li>☑ RCap Securities</li> <li>☑ FHLB</li> </ul>	<ul style="list-style-type: none"> <li>☑ Securitization</li> <li>☑ Credit Facilities</li> <li>☑ 1<sup>st</sup> Mortgages</li> <li>☑ Note Sales</li> <li>☑ FHLB</li> </ul>	<ul style="list-style-type: none"> <li>☑ Repo</li> <li>☑ FHLB</li> <li>☐ Securitization</li> </ul>	<ul style="list-style-type: none"> <li>☑ Credit Facilities</li> <li>☐ CLO</li> </ul>
Target Leverage	6.0x - 8.0x \$60.6bn - \$80.8bn	2.0x - 3.0x \$2.8bn - \$4.2bn	2.0x - 3.0x \$2.0bn-\$3.0bn	0.5x - 1.5x \$0.4bn-1.1bn
Commentary	<ul style="list-style-type: none"> <li>▪ Maintain significant funding capacity with RCap Securities and the Street</li> <li>▪ Sunset<sup>(1)</sup> for FHLB funding provides competitive advantage</li> </ul>	<ul style="list-style-type: none"> <li>▪ Able to attain non-recourse leverage via securitization market for certain asset classes</li> <li>▪ Credit facilities provide term leverage</li> <li>▪ Note sales expand liquidity scope for institutional lending</li> <li>▪ FHLB funding for certain asset classes remains attractive</li> </ul>	<ul style="list-style-type: none"> <li>▪ Significant appetite across the Street to fund Resi Credit collateral</li> <li>▪ FHLB funding for certain asset classes remains attractive</li> </ul>	<ul style="list-style-type: none"> <li>▪ Portfolio generates attractive risk-adjusted yields on an unlevered basis</li> <li>▪ Significant capacity exists for bank funding</li> </ul>

Note: Potential financing sources and target leverage represent the current views of Annaly's management with respect to financing. Check mark indicates that Annaly currently uses this form of financing.

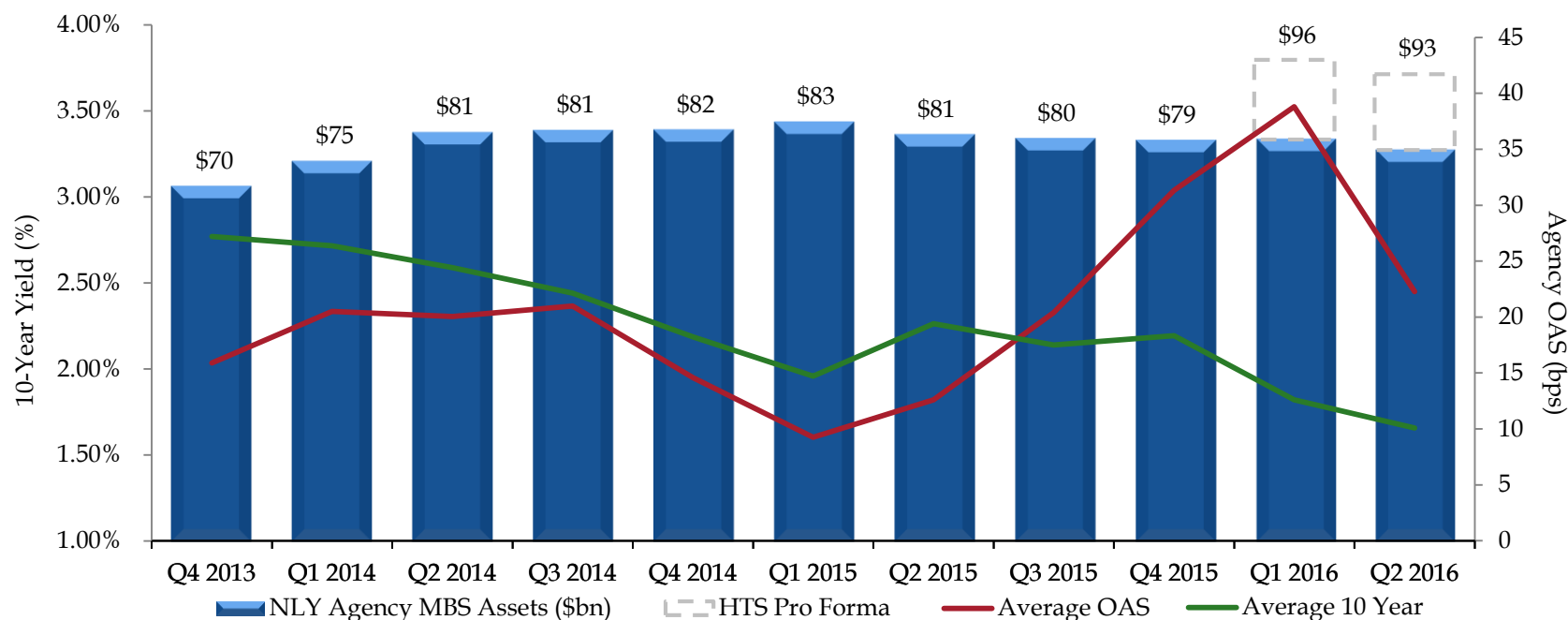
(1) Sunset reflects an FHLB membership termination date of February 2021.

# Evolution of Annaly's Agency MBS Strategy...



Since the Beginning of 2014, Annaly Has Established an Agency Portfolio with a Long-Term Perspective to Enhance its Risk-Adjusted Return

2014	2015	2016
<ul style="list-style-type: none"> <li>Q1 - Added Leverage, Increased Duration</li> <li>Q2 - Unwound Short Duration Swaps</li> <li>Q3 / Q4 - Repositioned Portfolio to Improve Convexity Profile</li> </ul>	<ul style="list-style-type: none"> <li>Q1 - Rebalanced Hedges to Include Futures</li> <li>Q1 - Monetized Spec Pool Payups and Transitioned into TBAs</li> <li>Q3 / Q4 - Reduced 15 Year Exposure in Favor of 30 Year in Preparation for Yield Curve Flattening</li> </ul>	<ul style="list-style-type: none"> <li>Q2 - Opportunistically Increased TBA</li> <li>Q2- Increased High Quality Specified Pools to 43% of Portfolio</li> <li>Q3 - Acquired HTS Portfolio Including ARMs and MSRs</li> </ul>



Note: Financial data is as of June 30, 2016.  
Source: Bloomberg and company filings.

# ...Augmented by Capital Allocation into Complementary Credit Businesses



Multiple Investment Options Allow for Flexibility to Rotate into Sectors When Relative Returns are Attractive

## Pre-2015

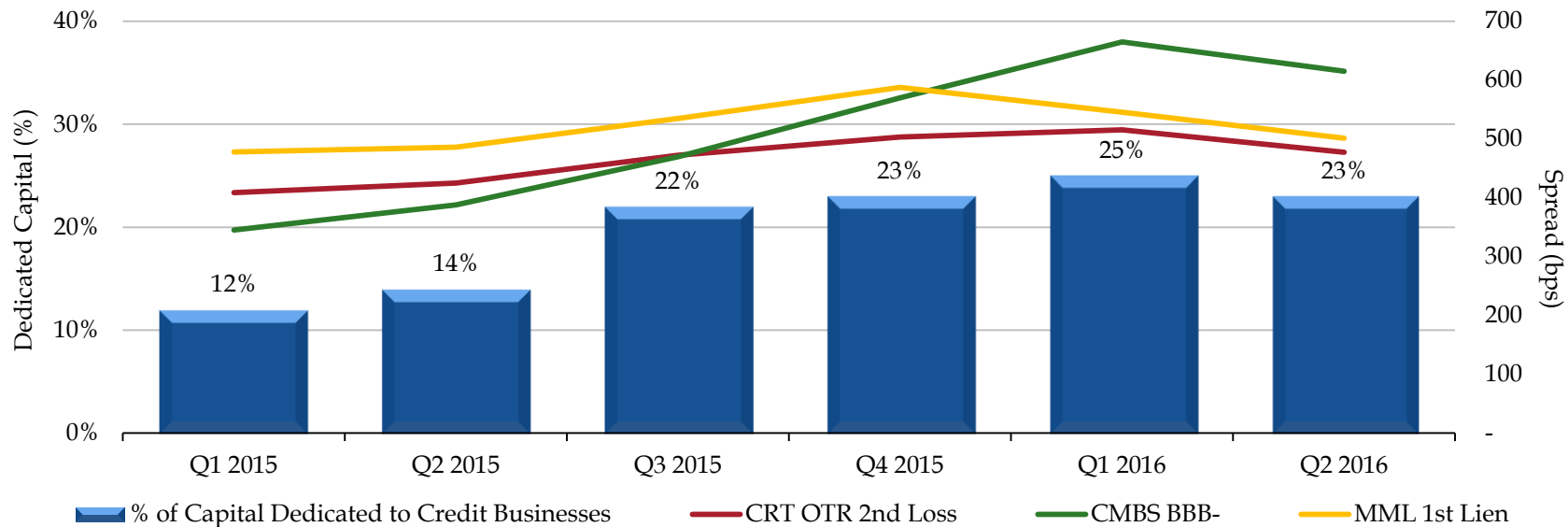
- Chimera - Gained Exposure to and Expertise in Residential Credit
- CreXus - Brought Commercial Real Estate Business on Balance Sheet

## 2015

- Additions to Agency, Commercial, and Middle Market Teams
- Separation from Chimera and Entrance into Non-Agency RMBS
  - Total Portfolio Growth to \$1.4bn
- MML Portfolio Nearly Triples in Size to ~\$500 million

## 2016

- MML and Resi Credit Teams Capitalize On Spread Widening
- MML Portfolio Continues to Grow to Over \$700 million
- Resi Credit Team Enters into Whole Loans
- New Diversified Financing Added for ACREG, Resi-Credit and MML



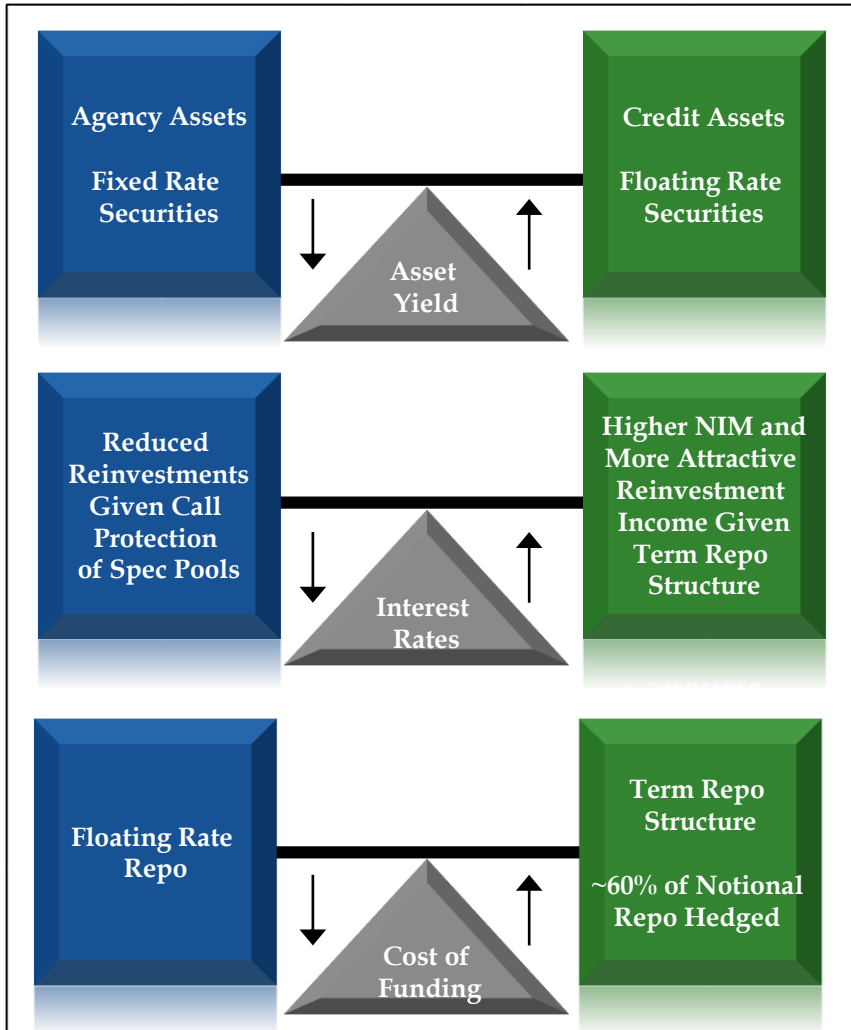
Note: Financial data is as of June 30, 2016. Financial data is unaudited and shown pro forma for the Hatteras acquisition.  
Source: Bloomberg and company filings. Middle Market Data from Leveraged Commentary & Data (LCD).



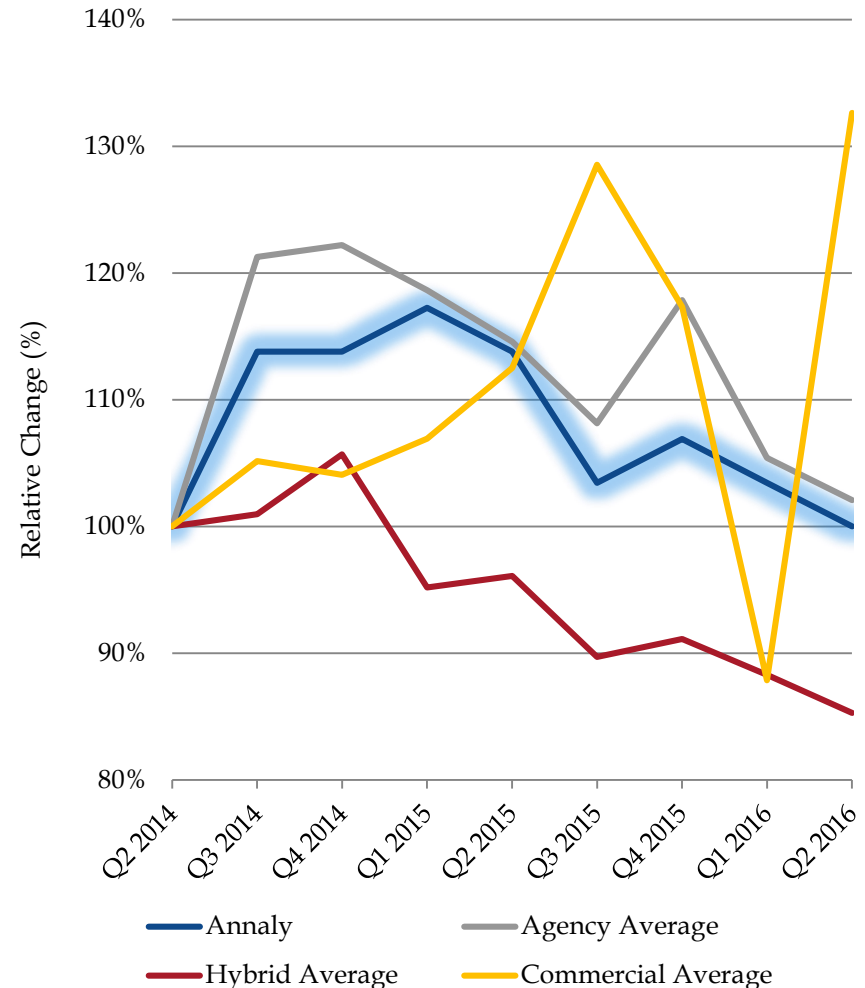
# Stability of Core Earnings



## Composition of Annaly's EPS is Comprised of Balanced Instruments



## Despite Volatile Markets, Annaly Has Generated Stable, Consistent Core Earnings



Source: Bloomberg and company filings. Agency average represents AGNC, CYS, CMO, ARR and ANH. Hybrid average represents TWO, MFA, CIM, IVR, NRZ, RWT, PMT, MTGE, DX, MITT, AMTG, NYMT, WMC, EARN and OAKS. Commercial average represents STWD, NCT, CLNY, BXMT, NRF, ARI and ACRE.

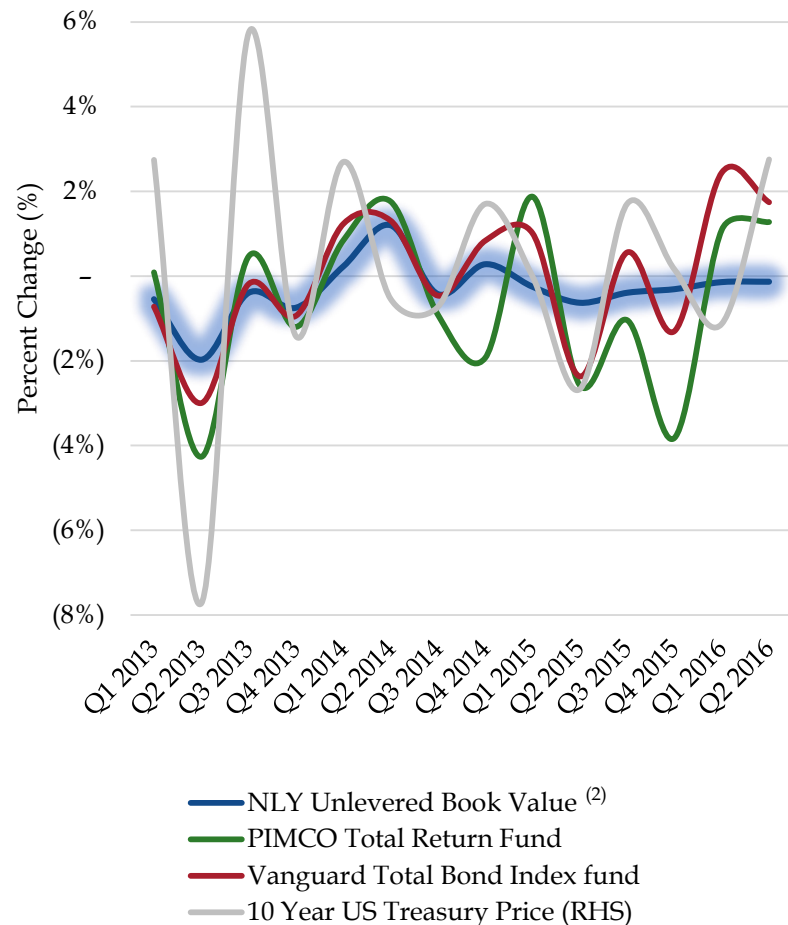
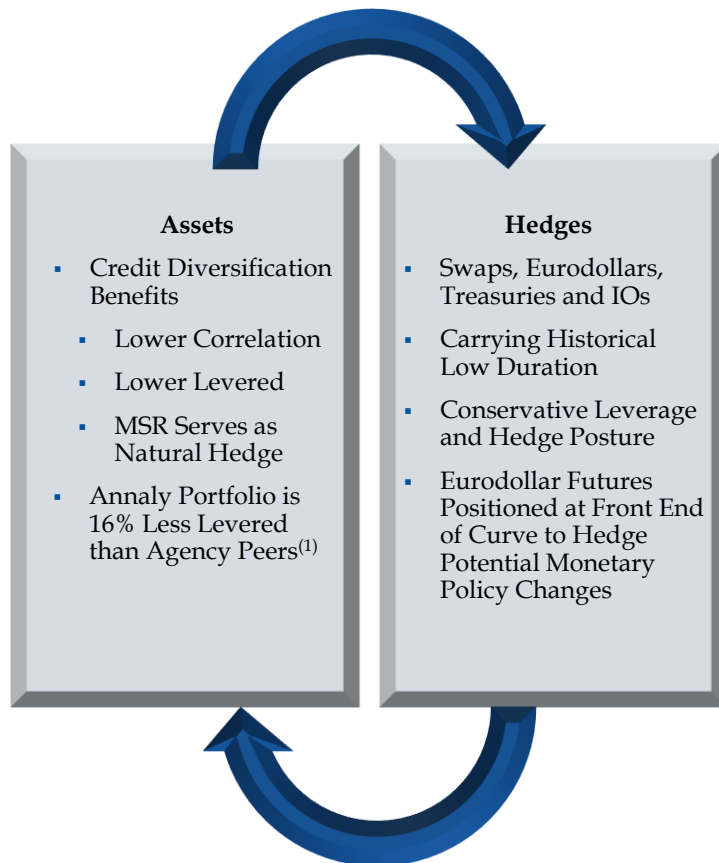
Note: Relative change in core earnings represents earnings as a percentage of Q2/2014 earnings. Core or other adjusted non-GAAP earnings used except for RWT, PMT and ACRE, which only report GAAP earnings. Core earnings represents a non-GAAP measure. See appendix.

# Durability of Book Value



Durability of Annaly's Book Value is Supported by Both Asset Selection, Hedges and Lower Leverage

Since 2013, Annaly's Book Value has Been 36% Less Volatile than the 10-Year Note and Most Bond Fund Strategies



Source: Bloomberg and company filings. Note: Financial data is as of June 30, 2016 pro forma for Hatteras.

(1) 'Agency Peers' include AGNC, CYS, CMO, ARR and ANH.

(2) Analysis adjusts the change in book value by leverage at period end to illustrate NLY's change in market value.

# Liquidity is Paramount to the Annaly Model...



Annaly is a Liquid Alternative Asset Management Company

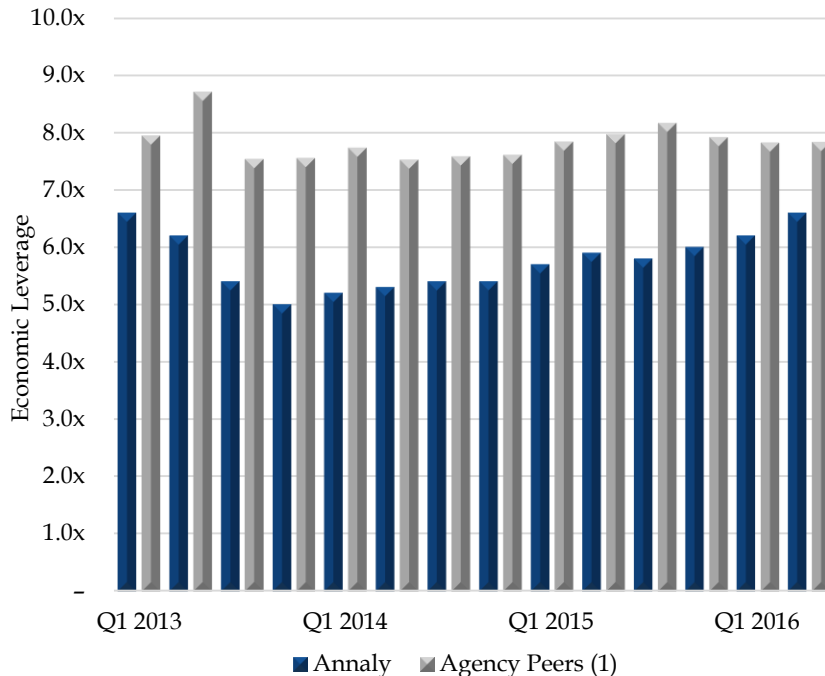
## Liquidity of Company

- Unencumbered Assets 10.8x Larger than the Median Market Cap of mREITs<sup>(1)</sup>
- 16% Lower Economic Leverage than Agency Peers<sup>(2)</sup>

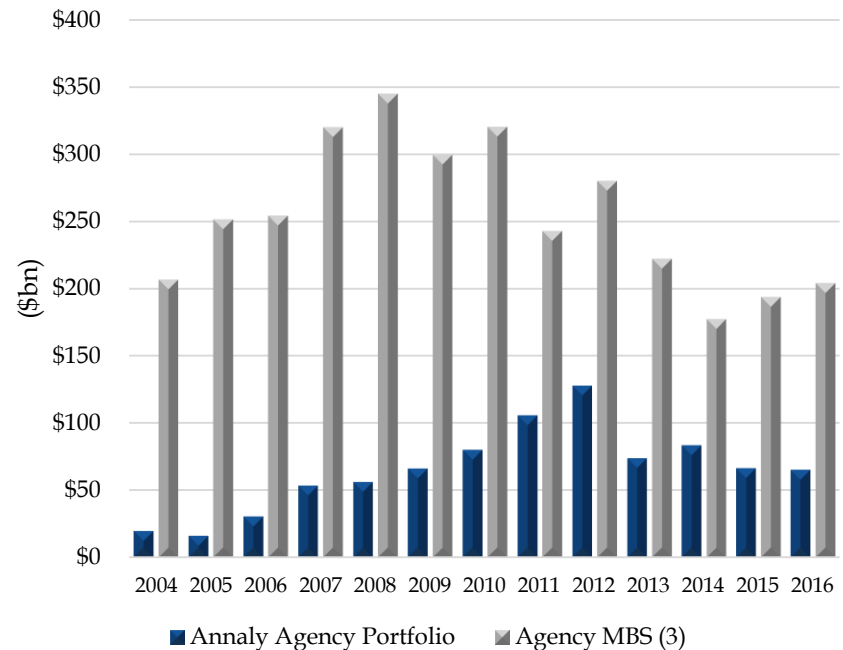
## Liquidity of Underlying Assets

- Agency MBS Market is Fixed Income's Second Most Liquid Market, Only Behind US Treasury Market
- Annaly Portfolio Represents 1/3 of Daily Agency MBS Trading Volume

Annaly Economic Leverage vs Peers



Annaly Agency Portfolio vs Total Market



Note: Financial data is as of June 30, 2016. Financial data is unaudited and shown pro forma for the Hatteras acquisition.

(1) Source: Bloomberg and company filings. mREITs represents the BBREMITG Index (excludes Annaly) with data as of September 23, 2016.

(2) 'Agency Peers' include AGNC, CYS, CMO, ARR and ANH.

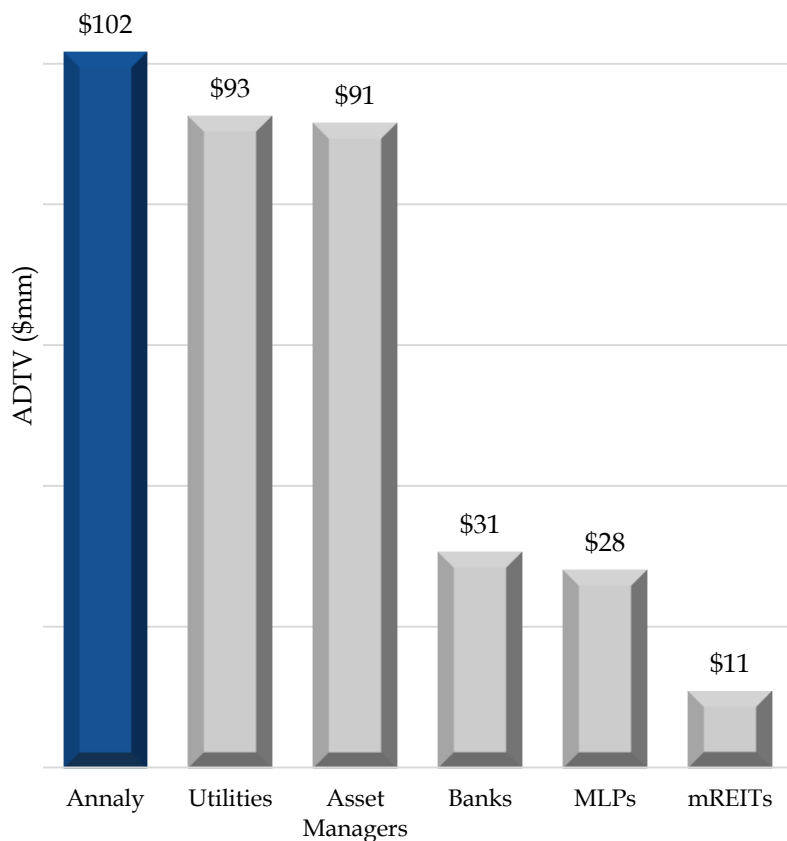
(3) Source: SIFMA data. 2016 represents ADTV through August 30, 2016.

# ...Providing One of the Most Liquid Yield Investment Options in the Market

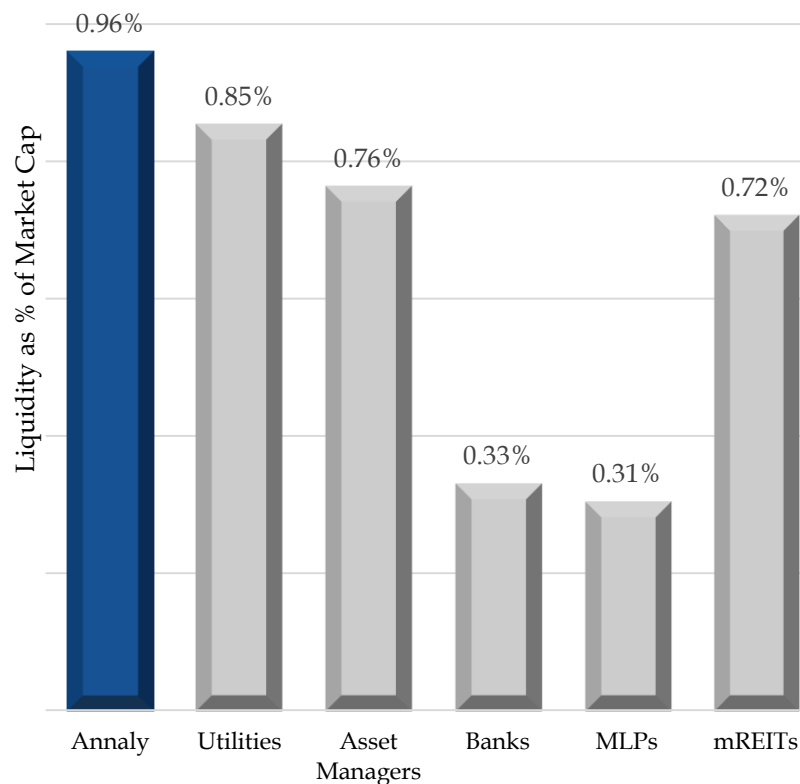


Annaly's Average Daily Trading Volume Represents ~20% of Total mREIT Daily Traded Volume

Average Daily Trading Volume (\$mm)



Liquidity as a % of Market Cap



Source: Bloomberg.

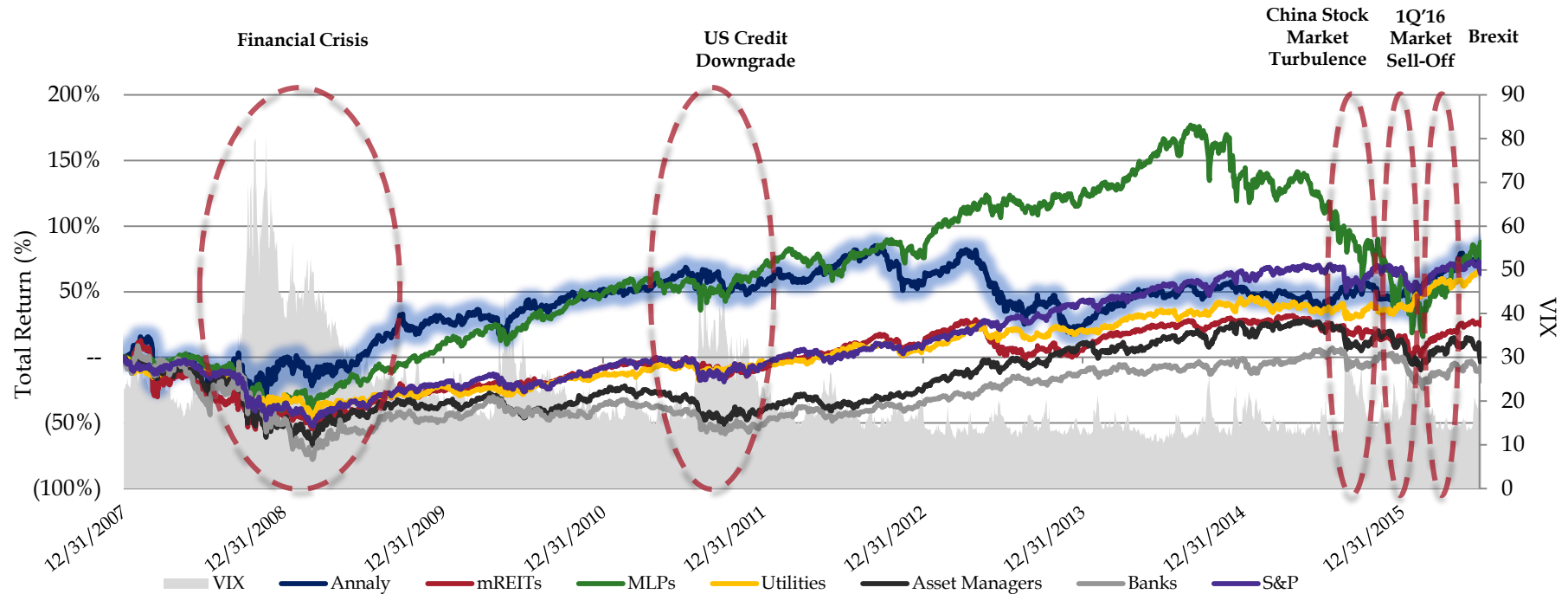
Notes: Data for June 26, 2016 to September 23, 2016. mREITs represents the BBREMTG Index (excludes Annaly). Utilities represents the Russell 3000 Utilities Index. MLPs represents the Alerian MLP Index. Asset Managers represents the S&P 500 Asset Management and Custody Bank Index. Banks represents KBW Bank Index. With the exception of mREITs, analysis represents companies with market capitalization between \$5-\$15bn within their respective indices.

(1) 'Liquidity' denotes average daily \$ value traded as a % of market cap.

# Diversification and Liquidity Results in Outperformance in Volatile Times



Annaly Has Demonstrated Significant Outperformance During Periods of Heightened Market Volatility



	Financial Crisis Dec'07-May'09	US Credit Downgrade July'11-Dec'11	China Stock Market Turbulence June'15 - Sept'15	1Q'16 Market Sell-Off Jan'16-Mar'16	Brexit June'16 - July'16
<b>NLY Performance</b>					
<b>vs mREITs</b>	33.4%	1.6%	13.7%	8.9%	3.1%
<b>vs MLPs</b>	5.9%	-11.7%	31.5%	16.8%	7.8%
<b>vs Utilities</b>	24.7%	-4.9%	7.1%	-2.6%	1.0%
<b>vs Asset Managers</b>	34.0%	9.2%	20.9%	17.7%	14.7%
<b>vs Banks</b>	45.6%	13.6%	16.6%	24.2%	13.8%
<b>vs S&amp;P</b>	25.7%	2.1%	13.5%	11.3%	6.1%

Note: Market data from December 31, 2013 to September 23, 2016. Percentages in table denote Annaly's total return performance vs respective peer groups during respective time periods.

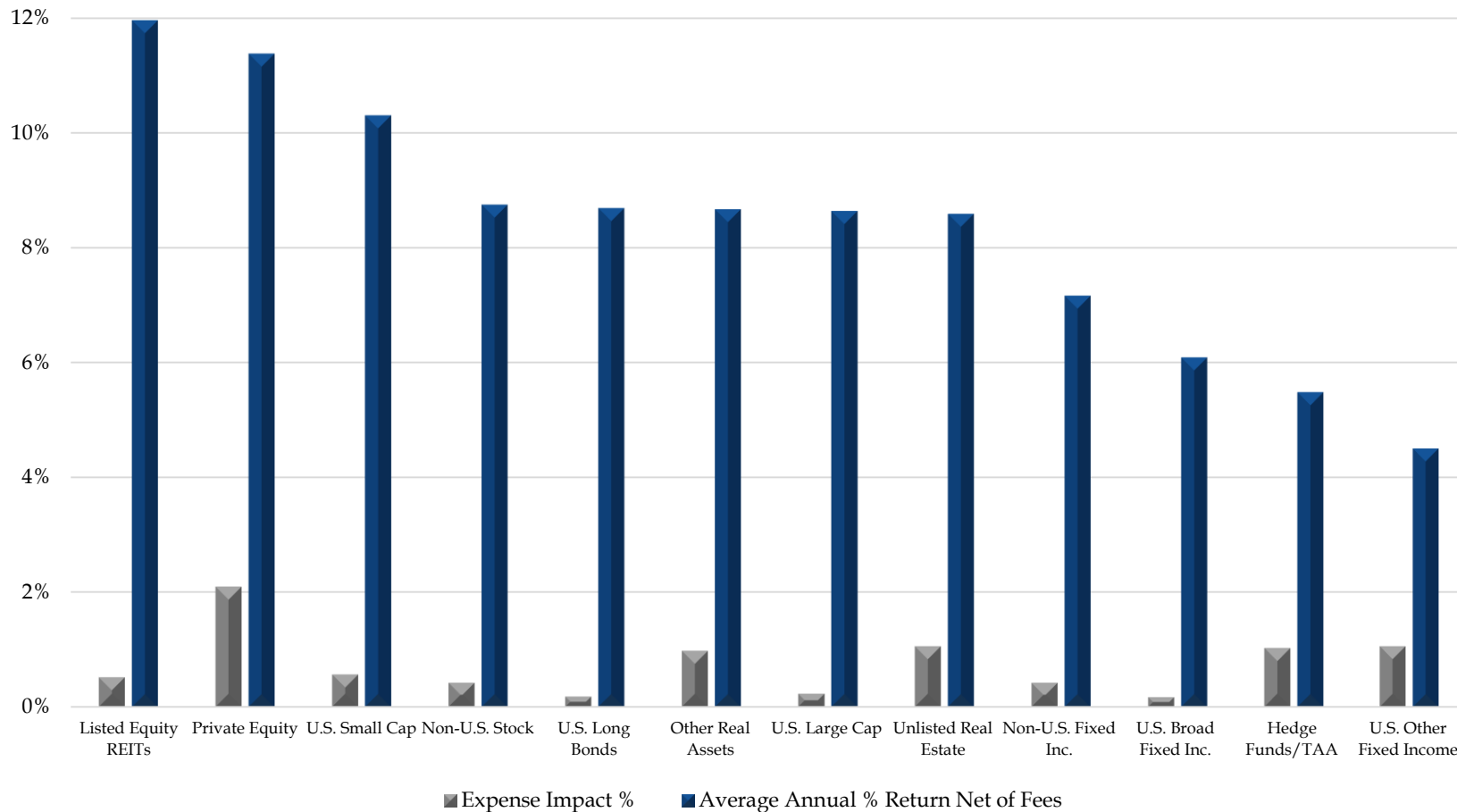
Source: Bloomberg. mREITs represents the BBREMTG Index. Utilities represents the Russell 3000 Utilities Index. MLPs represents the Alerian MLP Index. Asset Managers represents the S&P 500 Asset Management and Custody Bank Index. Banks represents the KBW Bank Index.

# Study Highlights Return / Fee Imbalance of Certain Investment Vehicles



Independent Report Summarizes Average Annual Net Returns and Expenses for 12 Asset Classes, Highlighting Disconnect Between Performance and Fees

## Average Annual Net Returns and Expenses 1998-2014





# Compared to Industry Peers, Annaly is More Efficient



Annaly's Scale Allows the Company to Operate More Efficiently than Industry Peers

Sector	Sector Average as % of Average Equity			NLY Dedicated Equity		
	Mgmt. Fees / Compensation <sup>(1)</sup>	General & Administrative	Total Operating Exp.	\$MM	%	Relative Industry Size
Agency <sup>(2)</sup>	1.32%	0.58%	1.90%	\$10,118	76.5%	10.8x
Hybrid/Resi-Credit <sup>(2)</sup>	1.59%	1.08%	2.67%	1,032	7.8%	1.6x
Commercial <sup>(2)</sup>	2.56%	2.41%	4.97%	1,398	10.6%	3.5x
Middle Market Lending <sup>(3)</sup>	5.18%	0.61%	5.79%	670	5.1%	2.3x
<b>Average of 4 Sectors</b>	<b>2.66%</b>	<b>1.17%</b>	<b>3.83%</b>	<b>\$13,219</b>	<b>100.0%</b>	
<b>Annaly Actual<sup>(4)</sup></b>	<b>1.26%</b>	<b>0.42%</b>	<b>1.67%</b>			
<b>Annaly Discount</b>	<b>53%</b>	<b>64%</b>	<b>56%</b>			

Note: Financial data shown as of June 30, 2016; sector averages reflect 1H 2016 annualized data market weighted within each sector. Annaly financial data shown as of June 30, 2016 and pro forma for Hatteras acquisition.

(1) Management fees and compensation includes performance and incentive fees for publicly traded BDCs and commercial mREITs.

(2) Includes members of the BBREMTG Index with market capitalization above \$200mm. Excludes NLY.

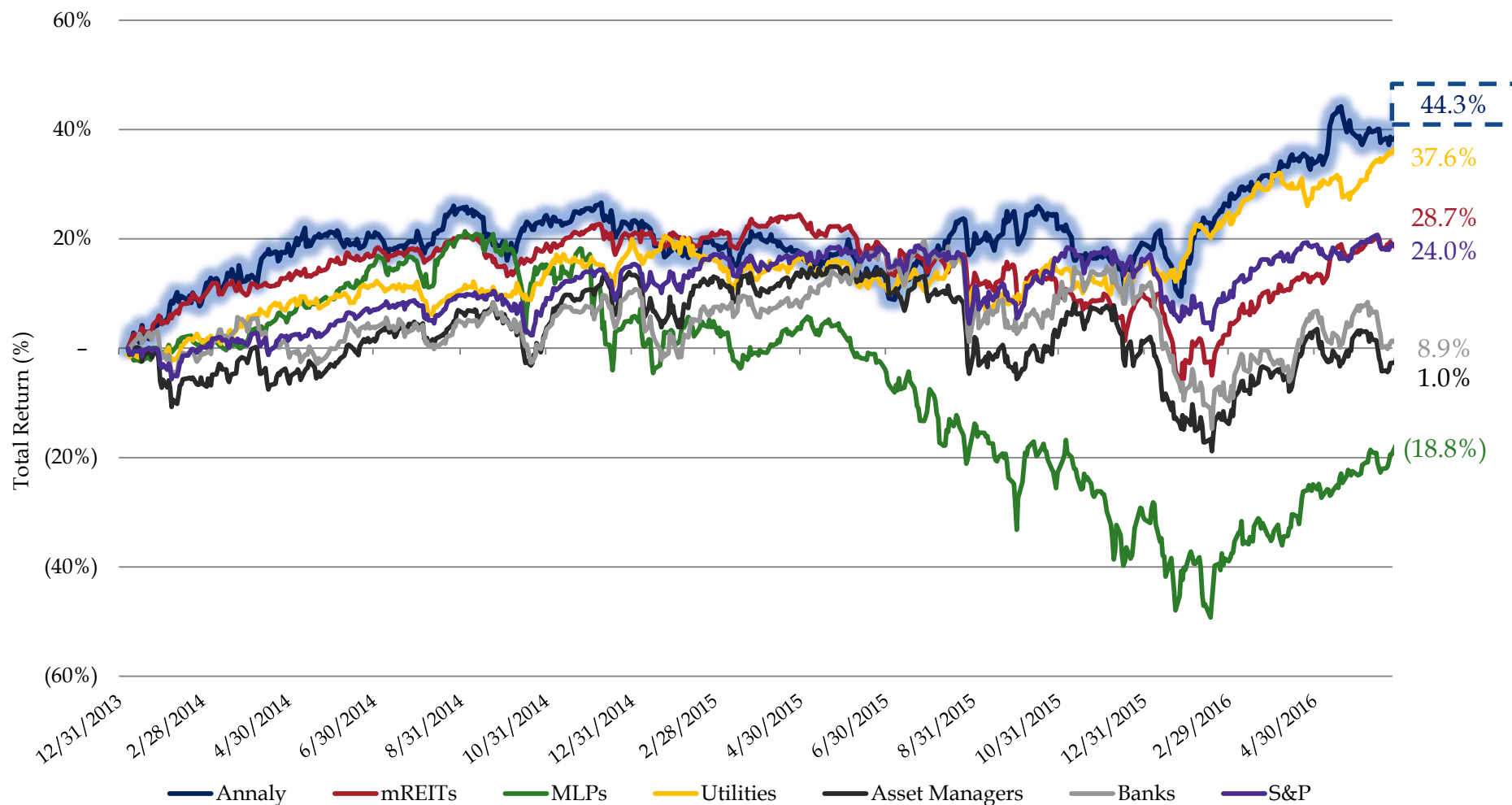
(3) Includes publicly traded BDCs with total market capitalization greater than \$500 million.

(4) Annaly actual expense ratios reflect annualized 1H 2016 expense figures over 1H 2016 average equity.

# Annaly vs. Other Yield Investments – Total Return



Annaly's Current Investment Team Has Outperformed All Other Yield Options Since 2014



Note: Market data from December 31, 2013 to September 23, 2016.

Source: Bloomberg. mREITs represents the BBREMTG Index. Utilities represents the Russell 3000 Utilities Index. MLPs represents the Alerian MLP Index. Asset Managers represents the S&P 500 Asset Management and Custody Bank Index. Banks represents the KBW Bank Index.

# Annaly vs. Other Yield Investments – Relative Valuation



Annaly's Performance, Leverage and Yield Profiles are Superior to Other Yield Asset Classes, yet Valuation Still Lags the Other Yield Sectors

Total Return  
Since 2014:

44.3%

28.7%

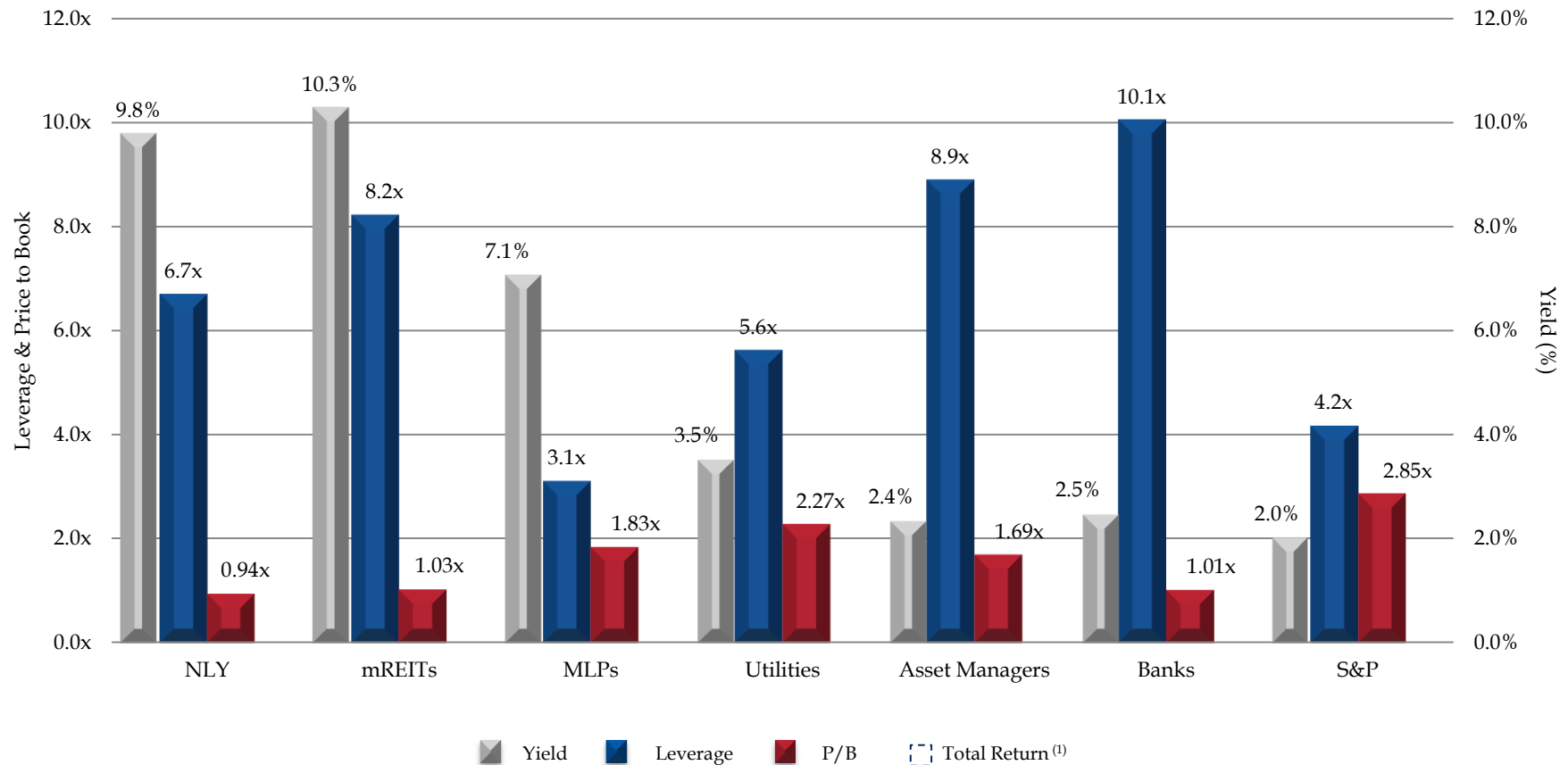
(18.8%)

37.6%

1.0%

8.9%

24.0%



Note: Financial data is as of June 30, 2016. Financial data is unaudited and shown pro forma for the Hatteras acquisition. Market Data as of September 23, 2016. Leverage for other yield investments represents financial leverage defined as average assets over average equity per Bloomberg. Yield represents market cap weighted indicated dividend yield. Source: Bloomberg. mREITs represents the BBREMTG Index. MLPs represents the Alerian MLP Index. Utilities represents the Russell 3000 Utilities Index. Banks represents the KBW Bank Index. Asset Managers represents the S&P 500 Asset Management and Custody Bank Index. S&P represents the SPX Index.

(1) Total Return represents the total return for the period beginning December 31, 2013 to September 23, 2016.

# Industry Performance Analysis – Dividends Paid



## Industry Leading Dividends Paid and Dividends Per Employee Among the Top 15 S&P Financial Companies and REITs

Rankings of the Top 15 Public Financial Companies in the S&P 500, Property REITs and Mortgage REITs

Rank	IPO Date	Company Name	Market Cap (9/23/16)	5-Year Dividends Paid (\$mm)	YTD Total Return	Number of Employees	2015 Dividend/Employee
1	12/10/1962	Wells Fargo	\$230,783	\$48,141	(14%)	267,900	\$57,103
2	3/5/1969	JPMorgan	242,906	32,563	4%	240,046	32,798
3	6/5/1979	Bank of America	158,378	18,276	(7%)	210,516	42,310
4	N/A	US Bancorp	73,527	8,927	2%	67,000	30,134
5	10/7/1997	Annaly Capital Management, Inc.	11,109	7,933	22%	149	8,115,772
6	12/13/1993	Simon Property	67,085	7,734	13%	5,000	375,836
7	4/4/2000	MetLife	48,922	7,318	(5%)	69,000	25,638
8	5/4/1999	Goldman Sachs	70,225	6,828	(7%)	34,800	48,305
9	7/7/1983	Public Storage	38,516	5,784	(8%)	5,300	258,685
10	5/18/1977	American Express	58,983	5,329	(7%)	54,800	21,387
11	2/24/84	Health Care REIT	27,345	4,809	16%	476	2,542,296
12	2/1/1991	Ventas Inc.	25,375	4,056	32%	468	2,144,045
13	6/17/1997	Boston Properties	21,468	3,501	11%	765	1,602,875
14	N/A	Citi	136,988	3,236	(8%)	220,000	5,695
15	10/8/1984	AIG	62,880	2,747	(4%)	66,400	15,482
Average:			\$84,966	\$11,145	3%	82,841	\$1,021,224

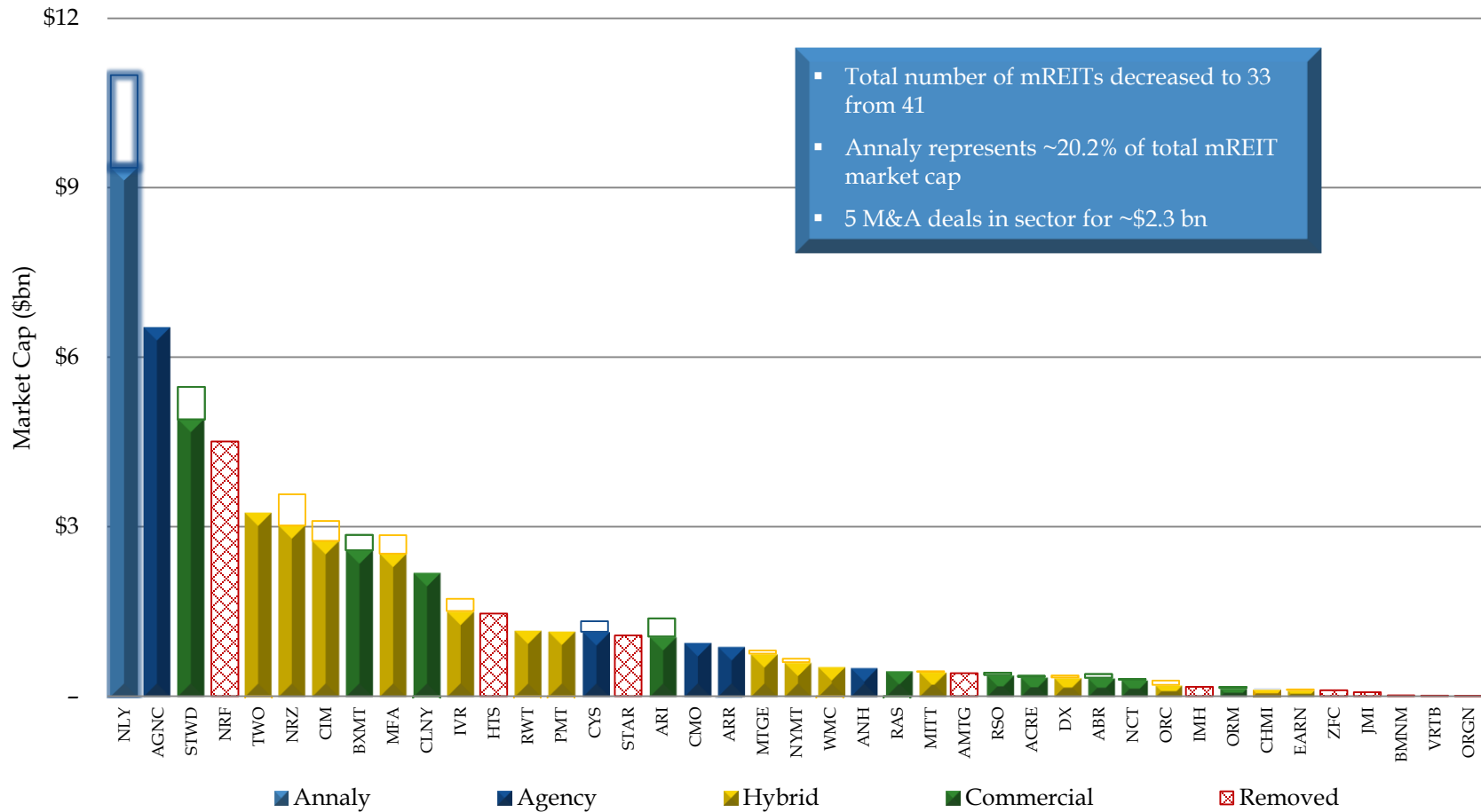
Source: Bloomberg & Company Filings.

Note: Dividend data as of quarter ended June 30, 2016. Includes only companies with dividends paid greater than \$1bn in 2015. For the purposes of highlighting, grey highlighting denotes Top Financial Companies in the S&P 500 by market cap, white highlighting denotes mortgage REITs and blue highlighting denotes property REITs.

# Mortgage REIT Industry Consolidation - September 2015 vs. Today



20% Fewer Mortgage REITs with \$4.2 Billion Higher Industry Market Capitalization



- Total number of mREITs decreased to 33 from 41
- Annaly represents ~20.2% of total mREIT market cap
- 5 M&A deals in sector for ~\$2.3 bn

Outlined Area Reflects Increase Between September 2015 and September 2016 Market Cap<sup>(1)</sup>

Source: Bloomberg. Note: Assuming current market caps as of September 23, 2016 for companies removed and added to the BBREMTG Index.

(1) No outline denotes either a reduction in market cap or no change to market cap from September 2015 to September 2016.

# Prominent Institutional Ownership



Institutional Shareholder Base Has Continued to Grow and Now Stands at 60%

PIMCO



JANUS CAPITAL  
Group

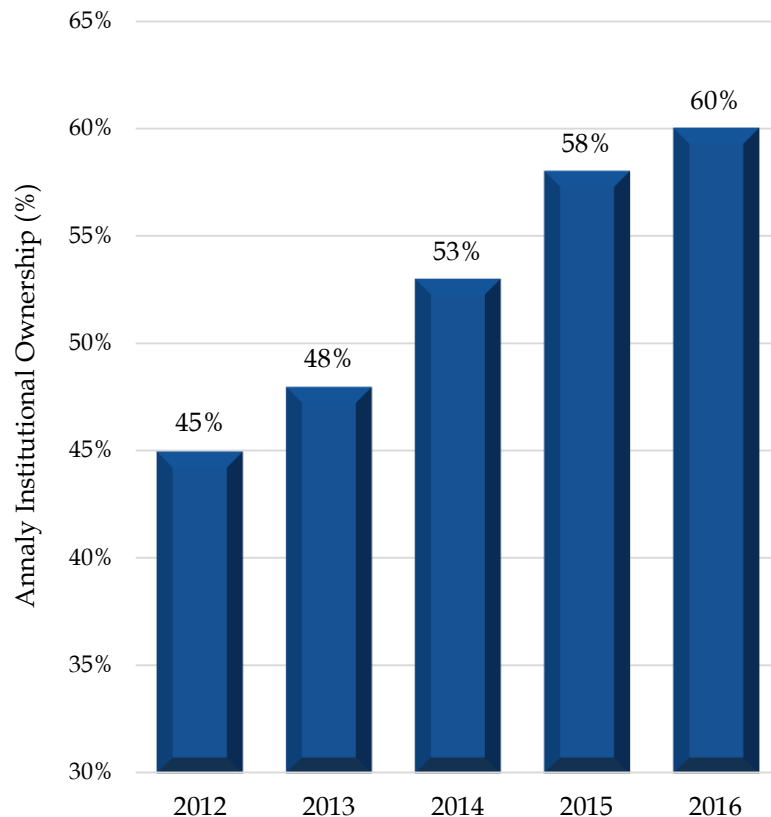
DoubleLine®



BLACKROCK



Vanguard®



"I like mortgage REITS...We are talking about Annaly...They buy government guaranteed mortgage paper, they finance it at 1%, and they earn 3%, they lever 6x and that is why you can get an 11% or 12% dividend."

- Bill Gross, Janus (CNBC Interview, June 2016)

"In May, Annaly Capital Management, one of the original high-yielding anchors of the Kiplinger Income 25, issues its 10<sup>th</sup> straight 30-cent quarterly dividend...[reinforcing] our conviction that the world's largest mortgage real estate investment trust is a keeper."

- "Investing for Income" (Kiplinger's, June 2016)

"Another example of letting others borrow for you is Annaly Capital Management...It yields about 11% because of leverage, not risky assets. The concept, again, is letting corporations borrow for you to produce a return higher than the 1% to 2% return the bond market gives you today."

- Bill Gross, Janus (Barron's, April 2016)

"Annaly primarily owns government-guaranteed mortgages...If the Fed doesn't raise interest rates much, the stock should go higher. It is highly liquid. I have even been able to buy some shares in our institutional business. Also, I know the company and have talked to management several times."

- Jeffrey Gundlach, DoubleLine (Barron's, January 2016)

"I actually bought Annaly a couple of weeks ago ... there's some safety built into that share price and the yield is 12%, even more than 12% now and the dividend probably has more earnings power because rates are higher with borrowing costs unchanged."

- Jeffrey Gundlach, DoubleLine (CNBC Interview, July 2015)



# Top Management Stock Purchases – “Ownership Culture”



## Annaly Management Purchases Since 2011

Filing Date	Holder	Shares Purchased <sup>(1)</sup>	Purchase Price Per Share <sup>(1)</sup>	Purchase Value
8/7/2015	Kevin G. Keyes - CEO and President; Director	300,000	\$10.08	\$3,024,000
8/21/2013	Wellington J. Denahan - Executive Chairman; Chairman of Board	181,818	\$10.96	\$1,993,631
5/13/2015	Wellington J. Denahan - Executive Chairman; Chairman of Board	198,216	\$10.04	\$1,991,017
5/9/2016	R. Nicholas Singh - Chief Legal Officer	135,600	\$10.85	\$1,471,260
8/11/2014	R. Nicholas Singh - Chief Legal Officer	122,784	\$11.46	\$1,407,105
11/15/2012	Kevin G. Keyes - CEO and President; Director	100,000	\$13.90	\$1,390,000
11/12/2013	Kevin G. Keyes - CEO and President; Director	100,000	\$10.43	\$1,043,000
8/24/2015	Wellington J. Denahan - Executive Chairman; Chairman of Board	100,000	\$10.33	\$1,033,000
8/14/2014	Wellington J. Denahan - Executive Chairman; Chairman of Board	86,837	\$11.52	\$1,000,362
11/12/2013	Wellington J. Denahan - Executive Chairman; Chairman of Board	93,000	\$10.68	\$993,240
8/9/2011	Kevin G. Keyes - CEO and President; Director	50,000	\$17.13	\$856,500
3/20/2015	Glenn A. Votek - Chief Financial Officer	25,000	\$10.65	\$266,250
8/18/2015	Glenn A. Votek - Chief Financial Officer	25,000	\$10.36	\$259,000

## Employee Stock Ownership Guidelines

- In the First Quarter of 2016, Annaly Initiated its Employee Stock Ownership Program, Encouraging Senior Employees to Purchase Annaly Shares on the Open Market
- Employees Have 5 Years to Meet Stock Ownership Guidelines
- Targeted Employee Group Represents >40% of Total Firm
- Program Promotes Long-Term Value Creation and Ownership Culture

Source: SNL Financial and company filings as of September 23, 2016.

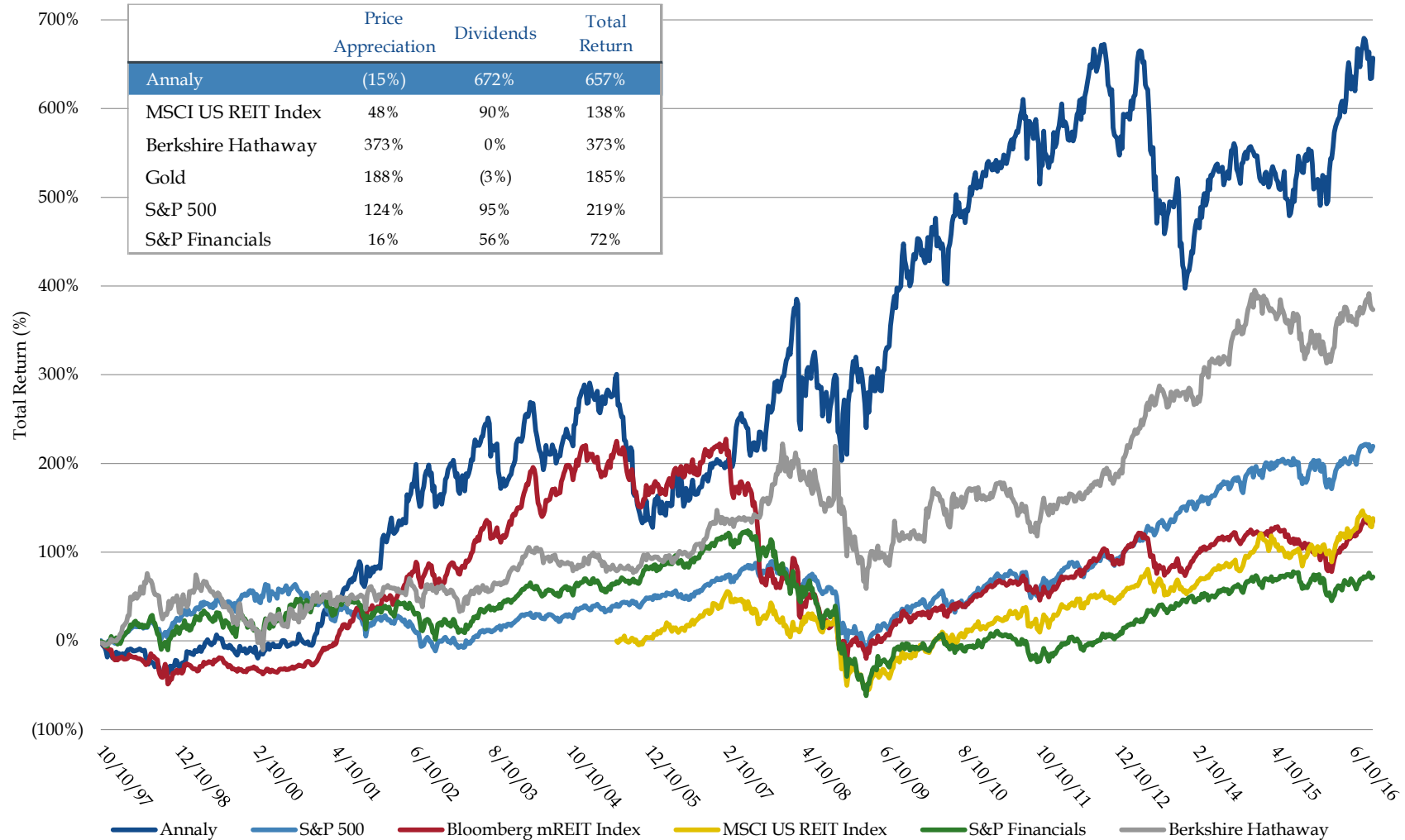
Note: Includes open market purchases of securities only. Not inclusive of purchases tied to options or awards granted.

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

# The Annaly Track Record



Annaly Has Paid Out Over \$14.0 Billion in Dividends since IPO



Source: Company filings and Bloomberg. Weekly data from October 10, 1997 through September 23, 2016. MSCI US REIT Index performance data begins June 17, 2005. Percentages rounded to the nearest whole number.



## **Business Line Overview and Non-GAAP Reconciliation**

# Agency MBS Portfolio Update



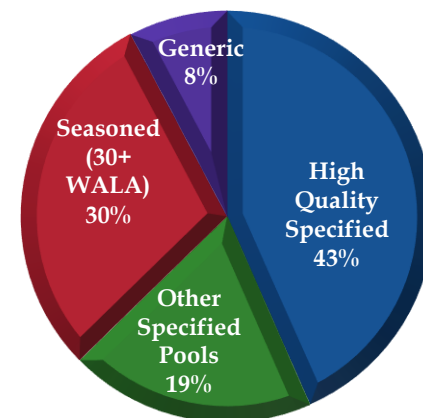
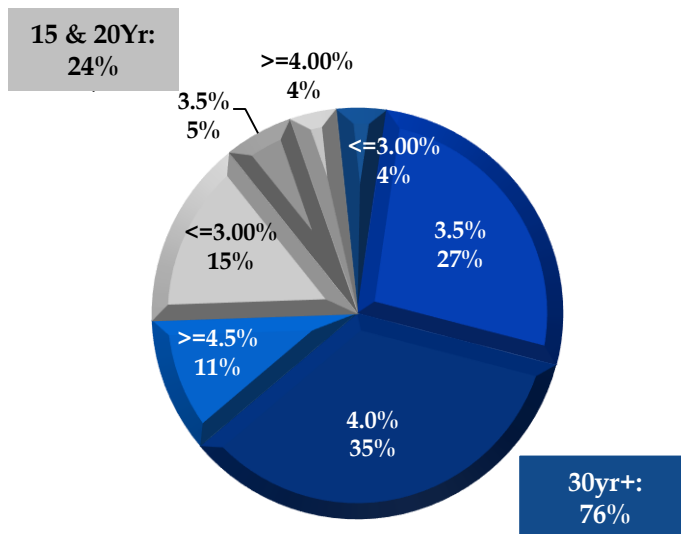
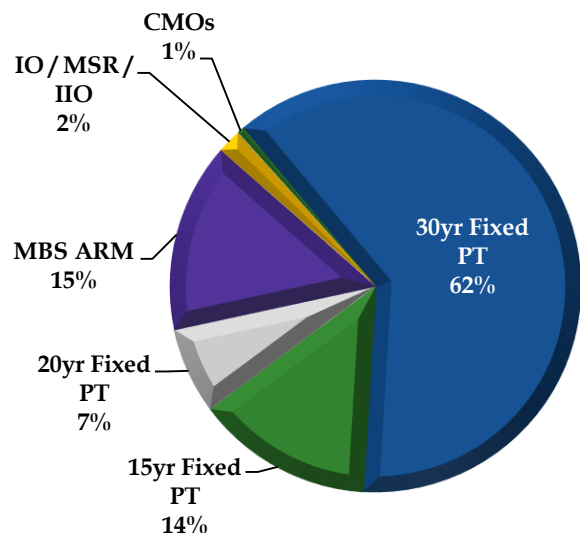
- As of Q2 2016, the market value of Agency portfolio was approximately \$93.9 billion in assets, inclusive of the TBA position
- Approximately 92% of the portfolio is positioned in securities with prepayment protection
- MBS performed well over the course of Q2 2016 in light of elevated volatility; however, low absolute yield levels have increased prepayment expectations
- Strategy has focused on continued rotation into bonds with durable and stable cash flows

Total Dedicated Capital: \$10.1bn

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

Pass Through  
Coupon Type

Call Protection<sup>(2)</sup>



Data as of June 30, 2016. Data is unaudited and shown pro forma for Hatteras acquisition. Note: Percentages based on fair market value and may not sum to 100% due to rounding.

(1) Asset type is inclusive of TBA contracts.

(2) "High Quality" protection is defined as pools backed by original loan balances of up to \$150K, higher LTV pools (CR/CQ), geographic concentrations (NY/PR). "Other Specified Pools" includes \$175K loan balance, high LTV pools, FICO < 700.

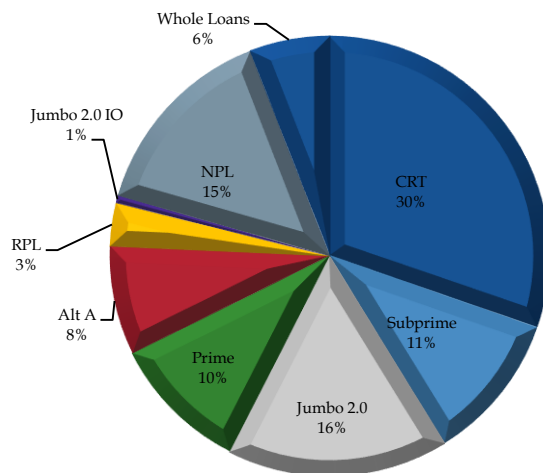
# Residential Credit Portfolio Update



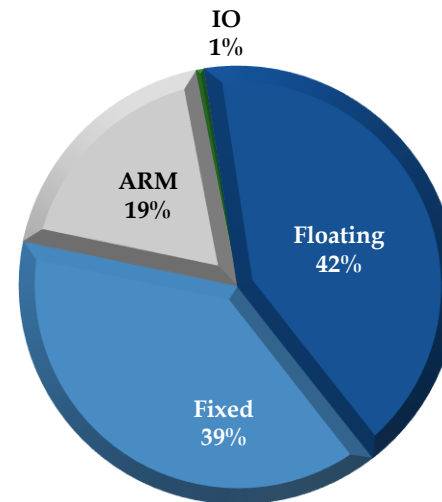
- As of Q2 2016, the portfolio grew to just over \$2.1 billion in assets and is comprised of the following sectors:
  - Credit Risk Transfer (CRT):** Expect supply to remain in line with expectations in coming months and pick up modestly in Q4/early 2017 as faster prepayment speeds translate into modest increase in gross issuance
  - Jumbo "AAA" Securities:** Limited issuance given aggregators preferred funding mechanism of whole loan sales relative to securitization
  - NPL/RPL Securities:** Yields on these products have tightened significantly year to date, as fundamentals remain strong
  - Legacy:** Market continues to be supported primarily by both short and long term positive technicals, as well as positive fundamentals

Total Dedicated Capital: \$1.0bn

Sector Type



Coupon Type



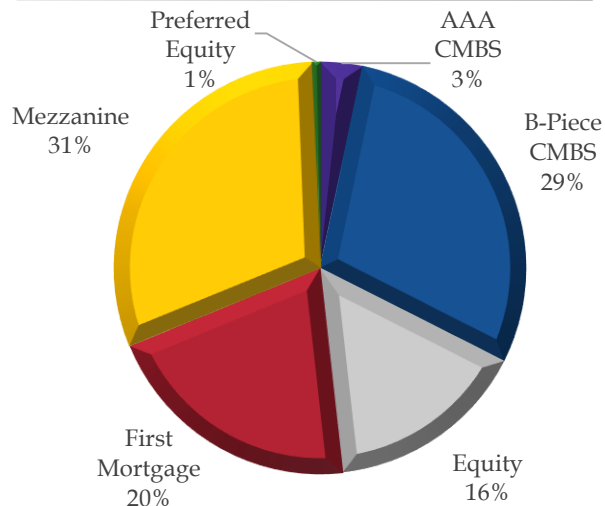
# Commercial Real Estate Portfolio Update



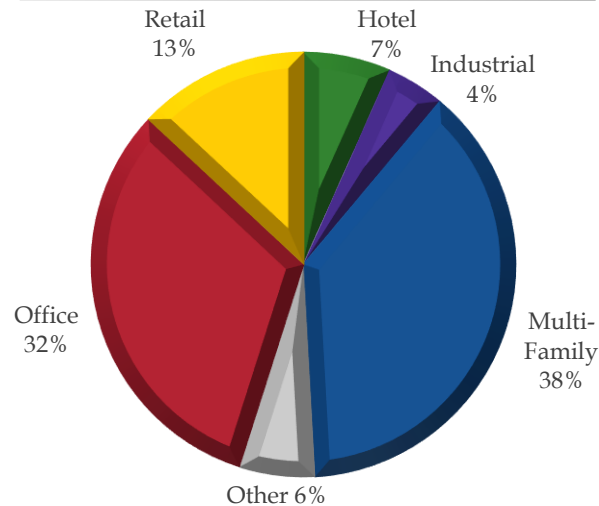
- As of Q2 2016, the commercial real estate portfolio was approximately \$2.5 billion in assets<sup>(1)</sup>
- The combination of a significant decline in new acquisition activity by sponsors, a volatile marketplace and a cautious stance on credit led us to slow originations in the first half of 2016
  - \$365 million of new originations/purchases in first half of 2016
- Increased financing capacity to \$350 million with recent \$150 million upside to existing credit facility
  - \$305 million funded under the facility in July 2016
- Active pipeline with quality opportunities, but will remain disciplined
  - Will only grow with the right risk-adjusted opportunities

**Total Dedicated Capital: \$1.4bn**

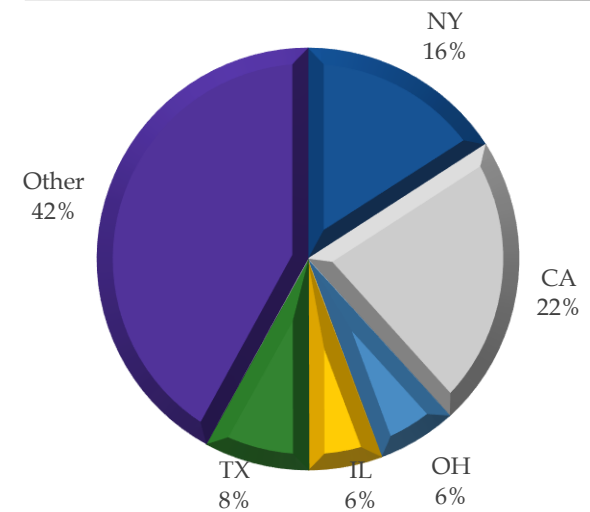
**Asset Type**



**Sector Type**



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



Data as of June 30, 2016. Data is unaudited and shown pro forma for Hatteras acquisition

Note: Percentages based on economic interest and may not sum to 100% due to rounding.

(1) Commercial Real Estate assets are exclusive of consolidated variable interest entities ("VIEs") associated with B Piece commercial mortgage-backed securities.

(2) Other includes 24 states, none of which represent more than 5% of total portfolio value.



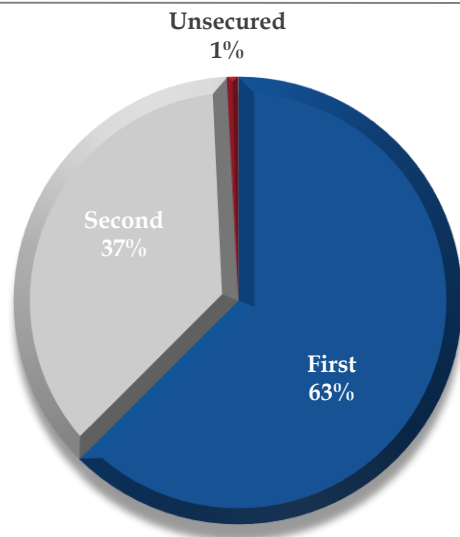
# Middle Market Lending Portfolio Update



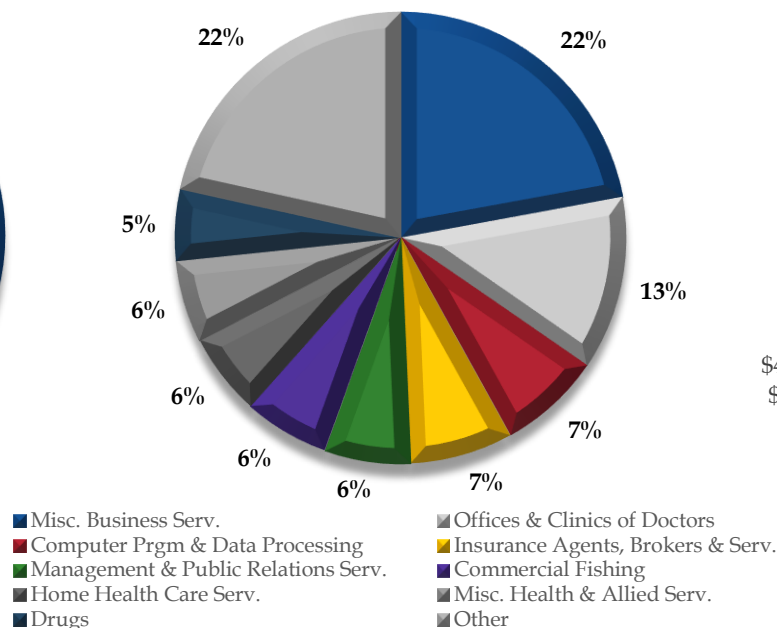
- As of Q2 2016, the middle market lending portfolio grew to approximately \$700 million in assets
- A combination of repeat sponsor business, sectors of origination focus and larger ownership positions have garnered demonstrably increased new deal flow during the latter half of Q2 2016
- Unlevered portfolio yield increased from 7.8% at the end of Q1 2016 to 8.0% at the end of Q2 2016
- Closed \$300 million credit facility in Q2 2016
  - \$228 million funded under the facility in July 2016

**Total Dedicated Capital: \$0.7bn**

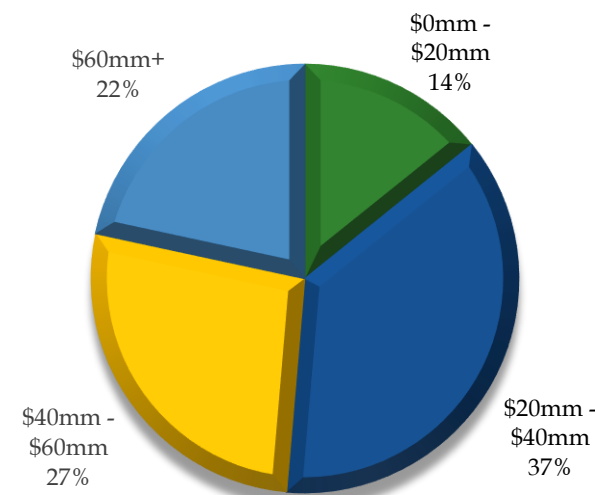
## Lien Position



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



## Loan Size <sup>(2)</sup>



Data as of June 30, 2016 unless otherwise noted. Data is unaudited and shown pro forma for Hatteras acquisition

Note: Percentages based on principal outstanding and may not sum to 100% due to rounding.

(1) Based on Moody's industry categories.

(2) Breakdown based on aggregate \$ amount of individual investments made within the respective loan size buckets. Multiple investment positions with a single obligor shown as one individual investment.

# Non-GAAP Reconciliations



Unaudited, dollars in thousands except per share amounts

	June 30, 2016	March 31, 2016	Dec. 31, 2015	Sept. 30, 2015	For the quarters ended		Dec. 31, 2014	Sept. 30, 2014	June 30, 2014	March 31, 2014
					June 30, 2015	March 31, 2015				
<b><u>GAAP to Core Reconciliation</u></b>										
GAAP net income (loss)	(\$278,497)	(\$868,080)	\$669,666	(\$627,491)	\$900,071	(\$476,499)	(\$658,272)	\$354,856	(\$335,512)	(\$203,351)
Less:										
Realized (gains) losses on termination of interest rate swaps	60,064	-	-	-	-	226,462	-	-	772,491	6,842
Unrealized (gains) losses on interest rate swaps	373,220	1,031,720	(463,126)	822,585	(700,792)	466,202	873,468	(98,593)	(175,062)	348,942
Net (gains) losses on disposal of investments	(12,535)	1,675	7,259	7,943	(3,833)	(62,356)	(3,420)	(4,693)	(5,893)	(79,710)
Net (gains) losses on trading assets	(81,880)	(125,189)	(42,584)	(108,175)	114,230	6,906	57,454	(4,676)	46,489	146,228
Net unrealized (gains) losses on financial instruments measured at fair value through earnings	54,154	(128)	62,703	24,501	(17,581)	33,546	29,520	37,944	(2,085)	20,793
Impairment of goodwill	-	-	-	-	22,966	-	-	-	-	-
Corporate acquisition related expenses	2,163	-	-	-	-	-	-	23,783	-	-
Net (income) loss attributable to non-controlling interests	385	162	373	197	149	90	196	-	-	-
Premium amortization adjustment cost (benefit)	85,583	168,408	(18,072)	83,136	(79,582)	87,883	31,695	25,992	(4,279)	(27,870)
Plus:										
TBA dollar roll income	79,519	83,189	94,914	98,041	95,845	59,731	-	-	-	-
Core earnings	\$282,176	\$291,757	\$311,133	\$300,737	\$331,473	\$341,965	\$330,641	\$334,613	\$296,149	\$211,874
GAAP net income (loss) per average common share	(\$0.32)	(\$0.96)	\$0.69	(\$0.68)	\$0.93	(\$0.52)	(\$0.71)	\$0.36	(\$0.37)	(\$0.23)
Core earnings per average common share	\$0.29	\$0.30	\$0.31	\$0.30	\$0.33	\$0.34	\$0.33	\$0.33	\$0.29	\$0.20
<b><u>Premium Amortization Reconciliation</u></b>										
Premium amortization expense	\$265,475	\$355,671	\$159,720	\$255,123	\$94,037	\$284,777	\$198,041	\$197,709	\$149,641	\$118,988
Less:										
Premium amortization adjustment cost (benefit)	85,583	168,408	(18,072)	83,136	(79,582)	87,883	31,695	25,992	(4,279)	(27,870)
Premium amortization expense exclusive of premium amortization adjustment	\$179,892	\$187,263	\$177,792	\$171,987	\$173,619	\$196,894	\$166,346	\$171,717	\$153,920	\$146,858