



First Quarter 2016 Supplemental Information May 4, 2016

Safe Harbor Notice



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; our ability to consummate any contemplated investment opportunities; changes in government regulations affecting our business; our ability to maintain our qualification as a REIT for federal income tax purposes; our ability to maintain our exemption from registration under the Investment Company Act of 1940, as amended; and our ability to consummate the proposed Hatteras Acquisition on a timely basis or at all, and potential business disruption following the Hatteras Acquisition. 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.

Non-GAAP Financial Measures

This presentation includes certain non-GAAP financial measures. Please see the section entitled "Non-GAAP Reconciliations" in the attached Appendix for a reconciliation to the most directly comparable GAAP financial measures.

1Q 2016 Financial Overview

Unaudited



Income Statement

- GAAP net loss of (\$868.1) million, or (\$0.96) per average common share, resulting in an annualized GAAP loss on average equity of (29.47%)
- Normalized core earnings⁽¹⁾ of \$291.8 million, or \$0.30 per average common share, generating an annualized normalized core return on average equity of 9.91%
- Declared a \$0.30 dividend per common share

Balance Sheet

- Common stock book value per share of \$11.61
- End of period total debt to equity of $5.3x^{(2)}$; economic leverage ratio of $6.2x^{(3)}$
- End of period capital ratio of 13.2% (4)
- Weighted average days to maturity on repurchase agreements of 136 days

Portfolio

- Normalized average yield on interest earning assets⁽⁵⁾ of 3.00% and normalized net interest spread of 1.27% during the quarter; normalized net interest margin⁽⁶⁾ of 1.54%
- End of period Residential Investment Securities⁽⁷⁾ of \$67.3 billion
- Total credit portfolio⁽⁸⁾ represents 25% of stockholders' equity

Strategy Overview

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Portfolio Positioning

- Continue to actively diversify to achieve more durable earnings and book value in various interest
 rate environments; Hatteras acquisition allows for broader investment portfolio opportunity set
 including agency and non-agency MBS, residential whole loans, commercial real estate debt and
 equity, corporate debt, and mortgage-servicing rights
- Commercial and residential credit assets grew \$201 million over the quarter to now represent 25% of stockholders' equity at the end of Q1⁽¹⁾
- Total share repurchases under the current program of \$217 million⁽²⁾, including \$103 million during Q1

Market Opportunities

- Specified pools exhibited strong performance year-to-date in the rate rally, while increased prepayment speeds and servicer speed differentials are beginning to create relative value opportunities. Expected levered return on equity of 9% to 12% on purchase of agency MBS in current market environment
- The widening in residential credit asset spreads in January and February had partially reversed at the end of Q1 and has retraced fully in Q2, as risk sentiment firmed. Expected levered return on equity of 11% to 13% in new residential credit investments
- CMBS market experienced spread volatility across the capital stack; the subsequent spread tightening underperformed down the credit curve. Fundamentals underlying real estate credit remain solid and should create further opportunities for levered returns in commercial credit investments in excess of 10%

Liability and Interest Rate Management

- Relatively conservative portfolio leverage allowed us to acquire Hatteras portfolio to enhance our capital base and further scale our operating model
- Focus on longer term and product-specific funding arrangements to manage short term interest rate uncertainty and overall firm liquidity; our availability of financing continues to be among the strongest in the mortgage REIT sector with 30+ counterparties and excess capacity
- Selectively utilize derivatives to hedge against higher interest rates and spikes in volatility

Includes loans held for sale.

⁽²⁾ As of April 28, 2016.

Annaly Sum-of-the-Parts Capital Diversification

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Balancing the liquidity of the Agency strategies with the durability of multiple credit strategies

	Agency	Commercial Real Estate	Residential Credit	Middle Market Lending
Dedicated Capital	\$8.7bn	\$1.6bn	\$0.7bn	\$0.6bn
% of Total Capital	75%	14% ⁽¹⁾	6%	5%
Financing	\$70.7bn ⁽²⁾	\$0.9bn ⁽³⁾	\$1.0bn	
Benefits & Considerations	 Very scalable Deep, liquid market FHLB as supplemental funding Repo costs Financing capacity with RCap 	 Stable EPS & BV profile Better market valuation Longer lead time 	 Low correlation profile to Agency book Helps better manage interest rate cycles Positive housing fundamentals 	 Unique economic view Stable profile Idiosyncratic risk High carry, floating rate assets

⁽¹⁾ Includes loans held for sale.

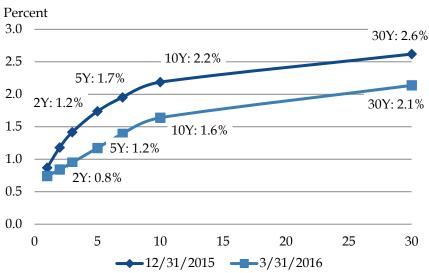
Includes financing of TBAs.

⁽³⁾ Excludes securitized debt.

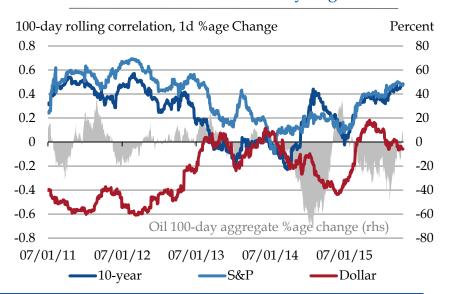
Agency MBS: Interest Rate Market Performance

- Yield curve flattened in volatile first quarter, with 2-year and 10-year swap rates declining 34 and 55 bps, respectively
 - Rate rally reflective of change in monetary policy expectations, as three major developed market central banks signaled more accommodative monetary policy for longer
 - Central bank accommodation continues to buoy asset prices in low economic growth environment
 - Asset price correlations with oil remain high
- Market continues to price less than the two interest rate hikes currently forecasted by the Federal Reserve
 - Potential Fed hike in 1H 2016 could be impacted by weaker economic data and upcoming geopolitical risk events such as the potential UK EU exit





Market Correlations with the Oil Price Have Been Historically High

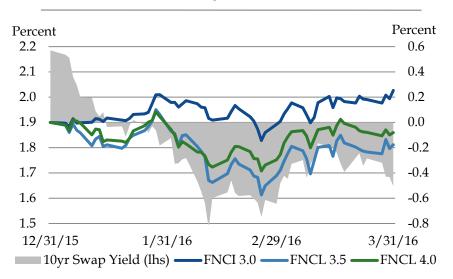


Source: Bloomberg

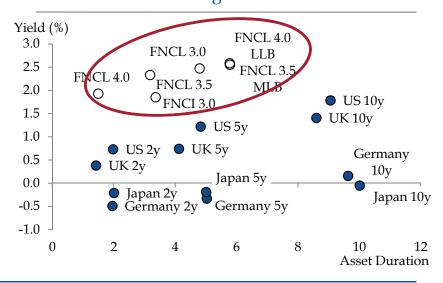
Agency MBS: Market Backdrop

- MBS spreads and performance slightly weaker in challenging Q1 amid significantly lower rates
 - Collateral with stable cash flow profiles, such as specified pools and 15-year securities, outperformed
 - Speeds saw a meaningful increase amid higher refinancing/purchase activity, with further increases expected in months to come
 - More dovish central banks suggest even longer official sector support, which will be helpful to dollar roll
 valuations as Fed takes out large portion of cheapest-to-deliver TBA MBS with worst prepayment characteristics
- Agency MBS currently show mixed technical and fundamental factors
 - Agency MBS continue to offer attractive yields in global low yield landscape; foreign demand has improved in recent months
 - High prepayment speeds, increased issuance, and declining carry have weighed on the sector
 - Relative sector liquidity remains strong despite lower trading volumes and greater dealer concentration





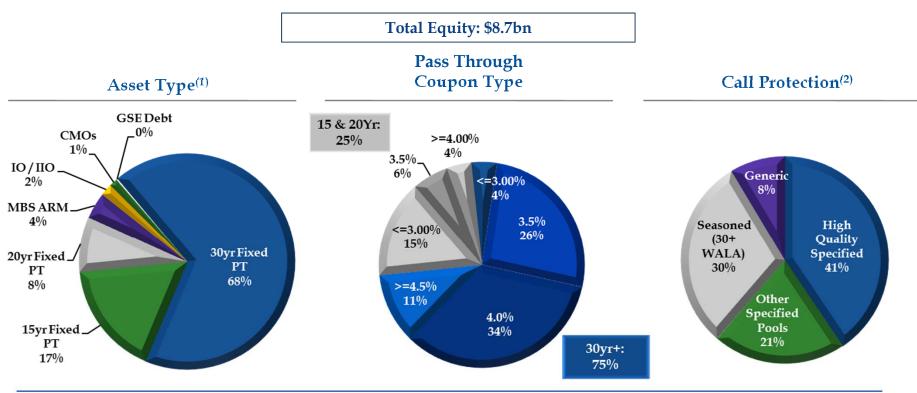
Agency MBS Remain Attractive Relative to Low Sovereign Yields⁽²⁾



Agency MBS: Portfolio



- The market value of Agency portfolio stood at approximately \$80bn at end of Q1, inclusive of the TBA position
- Approximately 85% of the portfolio is positioned in high quality securities with prepayment protection
- MBS spread widening has led to more attractive valuations, however, elevated volatility persists in the market
- Strategy has focused on continued rotation into bonds with durable and stable cash flows



Data as of March 31, 2016. Note: Percentages based on fair market value.

 ¹⁵yr and 20yr Fixed %'s are inclusive of TBA contracts.

^{(2) &}quot;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: Market Backdrop



Strong residential credit performance YTD reflective of improved market sentiment and continued strong fundamental performance, despite market driven volatility

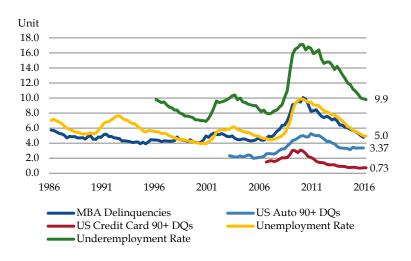
Market Performance

- Impacts from China, Emerging Markets, Oil and other Commodities permeated throughout the high yield market and risk assets to start the year, which translated to elevated spread volatility across credit products
- More dovish sentiment out of the Fed led to a rally in securitized credit towards the end of Q1 that continues to persist
- Legacy RMBS widened in line with other risk assets throughout Q1, but marginally lagged the tightening experienced by other structured credit in the latter part of the quarter
- GSE Credit Risk Transfer securities (CRT) have traded directionally with other credit markets and the broader macro outlook
 - After up to ~200bps of widening from the end of 2015 through mid-February, CRT spreads reversed sharply in March and April
 - Strong sector performance YTD reflective of improved risk sentiment and continued strong fundamental performance
- NPL/RPL sector has exhibited very low spread volatility, with senior bonds pricing in the low/mid 4% yields
- Despite rates rally over the quarter, "AAA" RMBS 2.0 has held in, currently trading at 3-00 points back to respective TBA
 - Expect 2016 volumes to be constrained by a multitude of factors

Fundamental Performance

- Sound housing and consumer fundamentals continue to serve as a positive catalyst for residential credit products
 - Home prices continue to appreciate; remain below pre-crisis peak
 - Residential investments as percentage of GDP roughly half of pre-crisis levels
 - Mortgage credit availability remains tight
 - Declining consumer debt delinquencies

Consumer Balance Sheet Remains Healthy



Source: Bloomberg

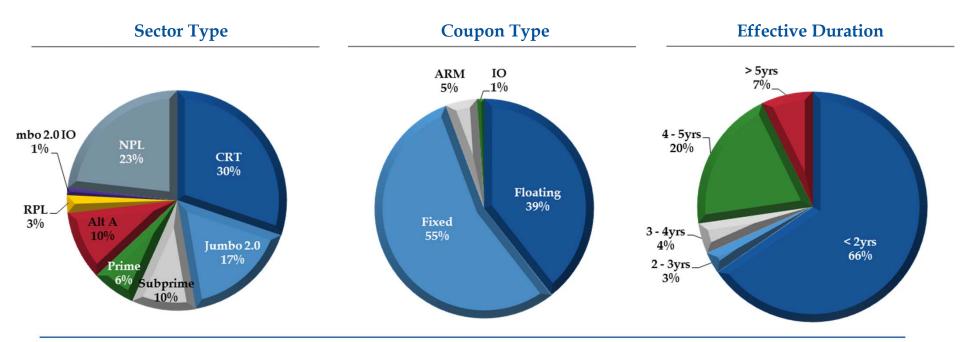
Residential Credit: Portfolio



Through YTD 2016, the portfolio grew to approximately \$1.7 billion, comprised of the following sectors:

- Credit Risk Transfer (CRT): floating rate assets originated by the GSEs in a high quality underwriting environment
- Jumbo "AAA" Securities: cheap supplement to the Agency portfolio; advantageous FHLB financing
- NPL/RPL Securities: conservatively structured, short duration assets with extension protection
- Legacy: high carrying assets; sector has negative net issuance and positive fundamentals

Total Dedicated Equity: \$0.7bn



Annaly Commercial Real Estate Group Portfolio



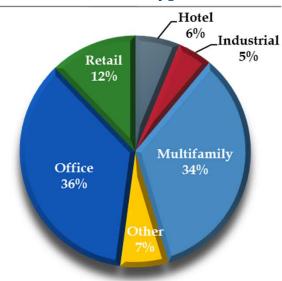
- Providing capital for acquisitions and refinancings at higher leverage points in the capital structure on real estate with growth potential
- Focus on top tier sponsors, operating in attractive markets with rational business plans, and loan structures that mitigate risk
- Maximize returns through conservative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

Total Equity: \$1.6bn

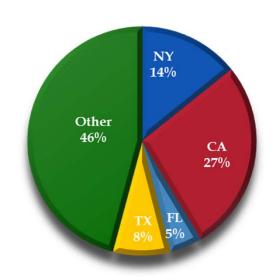
Asset Type

Preferred AAA CMBS Equity 4% 1% Mezzanine 29% B-Piece CMBS 26% First Mortgage 25% Equity 15%

Sector Type



Geographic Concentration⁽¹⁾



Data as of March 31, 2016.

Note: Percentages based on economic interest

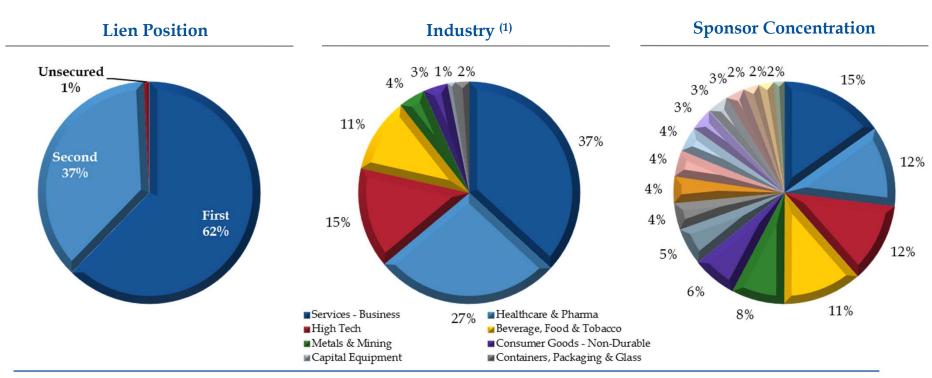
(1) Other is a seed off economic interest

Middle Market Lending: Portfolio



- Flexible capital provider to established control equity partners
- · Well-tenured relationships with private equity community fosters recurring deal flow
- Credit-first approach requiring first-level due diligence in targeted industries enables optimized relative risk / return decisions
- Active credit monitoring and portfolio management

Total Equity: \$0.6bn

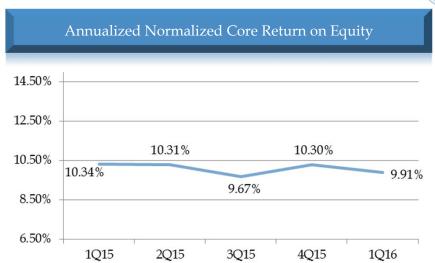


Last Five Quarters Financial Performance

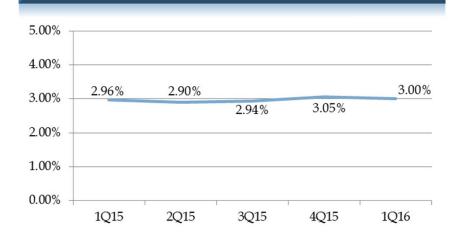


Unaudited











Summary Balance Sheet and Applicable Information



Unaudited, numbers in thousands except per share amounts

	For	the quarters end	led
	March 31,	December 31,	March 31,
	2016	2015	2015
Residential Investment Securities	\$67,255,533	\$67,233,494	\$70,491,746
Commercial real estate investments ⁽¹⁾	6,385,579	5,075,191	3,221,518
Corporate debt	639,481	488,508	227,830
Total Residential Investment Securities and commercial investment portfolio ⁽²⁾	\$74,280,593	\$72,797,193	\$73,941,094
Total assets	\$77,443,965	\$75,190,893	\$78,675,677
Average TBA position	\$15,110,947	\$14,366,749	\$8,319,920
Repurchase agreements	\$54,448,141	\$56,230,860	\$60,477,378
Other secured financing	3,588,326	1,845,048	90,000
Convertible Senior Notes	-	-	749,512
Securitized debt of consolidated VIEs	3,802,682	2,540,711	1,491,829
Participation sold	13,182	13,286	13,589
Mortgages payable	334,765	334,707	146,470
Total debt	\$62,187,096	\$60,964,612	\$62,968,778
Total liabilities	\$65,785,958	\$63,284,971	\$65,551,087
Cumulative redeemable preferred stock	\$913,059	\$913,059	\$913,059
Common equity ⁽³⁾	10,735,393	10,982,915	12,206,446
Total stockholders' equity	\$11,648,452	\$11,895,974	\$13,119,505
Non-controlling interest	9,555	9,948	5,085
Total equity	\$11,658,007	\$11,905,922	\$13,124,590
Total debt to total equity	5.3x	5.1x	4.8x
Economic leverage ratio	6.2x	6.0x	5.7x
Capital ratio	13.2%	13.7%	14.3%
Common stock book value per share	\$11.61	\$11.73	\$12.88
Total common shares outstanding	924,853	935,930	947,698

⁽¹⁾ Includes loans held for sale, commercial real estate debt and preferred equity and investments in commercial real estate.

⁽²⁾ Commercial investment portfolio consists of commercial real estate investments and corporate debt.

⁽³⁾ Consists of common stock, additional paid-in capital, accumulated other comprehensive income (loss) and accumulated deficit.

Summary of Select GAAP and Non-GAAP Information



Unaudited, dollars in thousands except per share amounts

	_ Fo	For the quarters ended		
	March 31,	December 31,	March 31,	
	2016	2015	2015	
Total interest income	\$388,143	\$576,580	\$519,114	
Total economic interest expense ⁽¹⁾	270,571	254,074	286,752	
Economic net interest income ⁽¹⁾	\$117,572	\$322,506	\$232,362	
GAAP net income (loss)	(\$868,080)	\$669,666	(\$476,499)	
GAAP net income (loss) available (related) to common shareholders	(885,910)	652,047	(494,401)	
GAAP earnings per common share	(\$0.96)	\$0.69	(\$0.52)	
Normalized core earnings (loss)	\$291,757	\$311,133	\$341,965	
Normalized core earnings (loss) available (related) to common shareholders	273,765	293,141	323,973	
Normalized core earnings per common share	\$0.30	\$0.31	\$0.34	
Dividends declared per common share	\$0.30	\$0.30	\$0.30	
Annualized GAAP return on average equity	(29.47%)	22.15%	(14.41%)	
Annualized normalized core return on average equity	9.91%	10.30%	10.34%	
Annualized normalized core return on average equity per unit of economic leverage	1.60%	1.72%	1.82%	
Net interest margin	0.79%	1.80%	1.29%	
Normalized net interest margin	1.54%	1.71%	1.68%	
Average yield on interest earning assets	2.09%	3.15%	2.54%	
Normalized yield on interest earning assets	3.00%	3.05%	2.96%	
Average cost of interest bearing liabilities	1.73%	1.68%	1.64%	
Net interest spread	0.36%	1.47%	0.90%	
Normalized net interest spread	1.27%	1.37%	1.32%	
Weighted average experienced CPR, for the period	8.8%	9.7%	9.0%	
Weighted average projected long-term CPR, as of period end	11.8%	8.8%	9.2%	
Book value per common share rollforward:				
Book value per common share, beginning of period	\$11.73	\$11.99	\$13.10	
Net income (loss) attributable to common stockholders	(\$0.96)	\$0.69	(\$0.52)	
Other comprehensive income (loss) attributable to common stockholders	\$1.11	(\$0.68)	\$0.60	
Buyback of common stock	\$0.03	\$0.03	\$0.00	
Common dividends declared	(\$0.30)	(\$0.30)	(\$0.30)	
Book value per common share, end of period	\$11.61	\$11.73	\$12.88	
book value per common share, end of period	\$11.61	\$11./3	\$12.88	

⁽¹⁾ Includes interest expense on interest rate swaps used to hedge cost of funds. Excludes interest expense on interest rate swaps used to hedge TBA dollar roll.

Components of Economic Net Interest Income



Unaudited, dollars in thousands

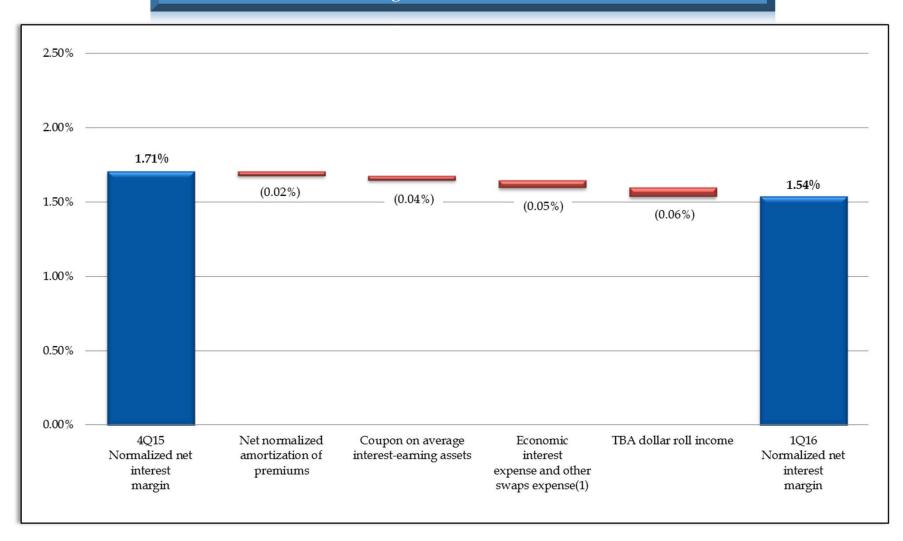
	For the quarters ended				
	March 31,	December 31,	March 31,		
	2016	2015	2015		
Interest income:					
Residential Investment Securities	\$315,717	\$515,195	\$478,239		
Commercial investment portfolio	70,187	60,835	40,336		
Reverse repurchase agreements	2,239	550	539		
Total interest income	\$388,143	\$576,580	\$519,114		
Economic interest expense:					
Repurchase agreements	\$132,891	\$112,529	\$102,748		
Interest expense on swaps used to hedge cost of funds ⁽¹⁾	123,124	135,267	157,332		
Convertible Senior Notes	-	-	23,627		
Securitized debt of consolidated VIEs	9,033	5,597	2,882		
Participation sold	158	160	159		
Other	5,365	521	4		
Total economic interest expense	\$270,571	\$254,074	\$286,752		
Economic net interest income	\$117,572	\$322,506	\$232,362		
Premium amortization adjustment	168,408	(18,072)	87,883		
Normalized economic net interest income	\$285,980	\$304,434	\$320,245		

Change in Normalized Net Interest Margin



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Change from 4Q15 to 1Q16

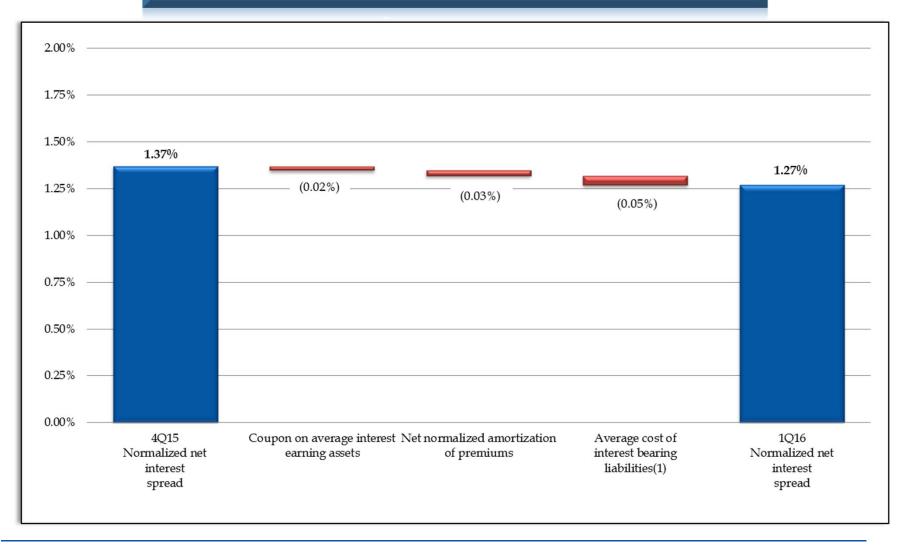


Change in Normalized Net Interest Spread



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Change from 4Q15 to 1Q16

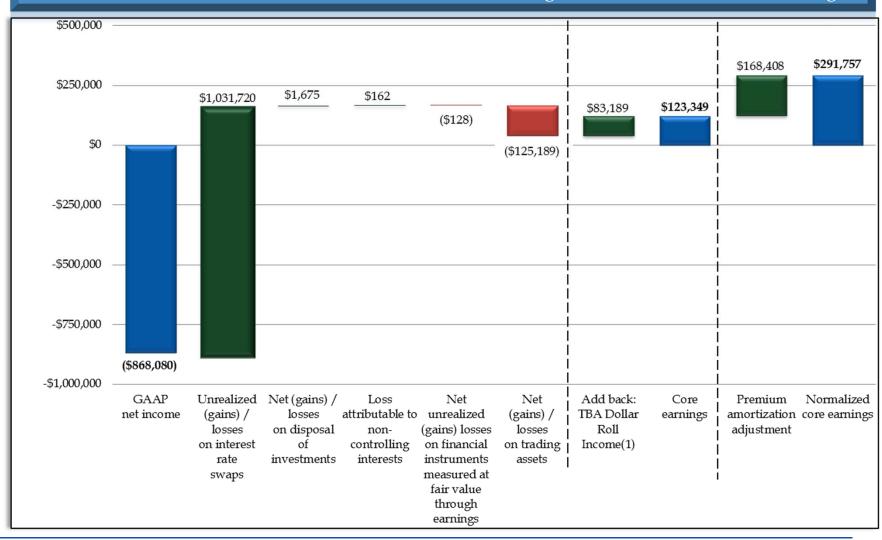


Reconciliation to Core Earnings and Normalized Core Earnings



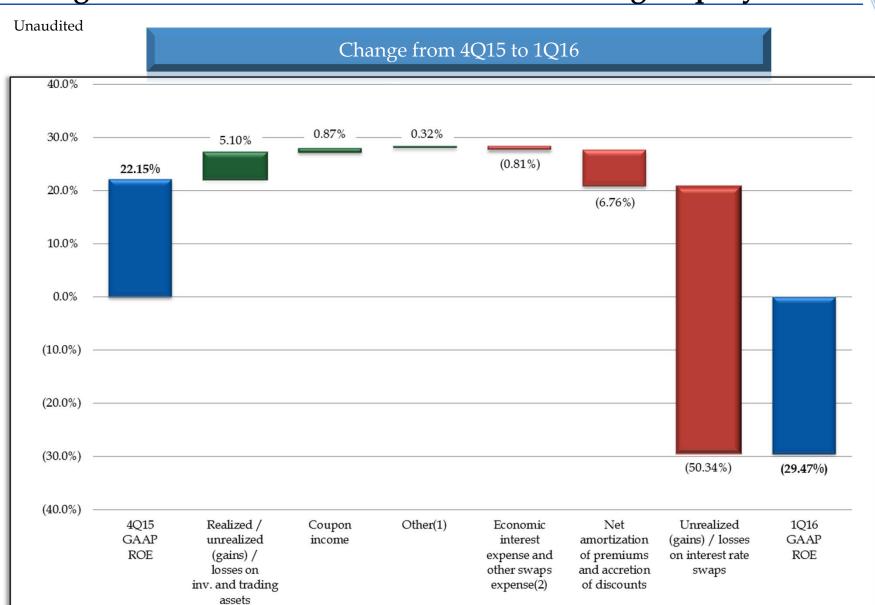
Unaudited, dollars in thousands

Reconciliation of 1Q16 GAAP Net Income to Core Earnings and Normalized Core Earnings



Change in Annualized GAAP Return on Average Equity





Note: Graph shows relative changes in contribution from 4Q15 to 1Q16. For example, coupon income increased annualized ROE by 0.87% more in 1Q16 versus 4Q15.

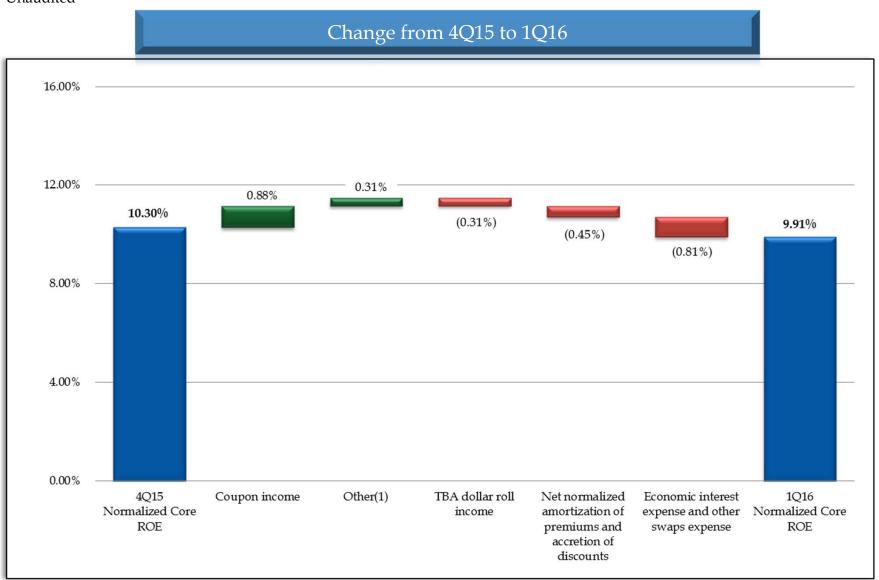
⁽¹⁾ Other includes other income (loss), general and administrative expenses, and income taxes.

⁽²⁾ Represents economic interest expense and interest expense on swaps used to hedge dollar roll transactions.

Change in Annualized Normalized Core Return on Average Equity



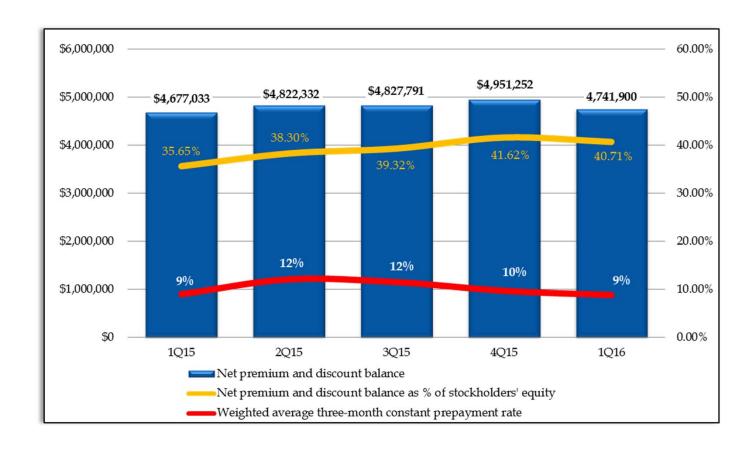
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Residential Investment Securities Portfolio Net Premium and Discount Balance and Constant Prepayment Rate



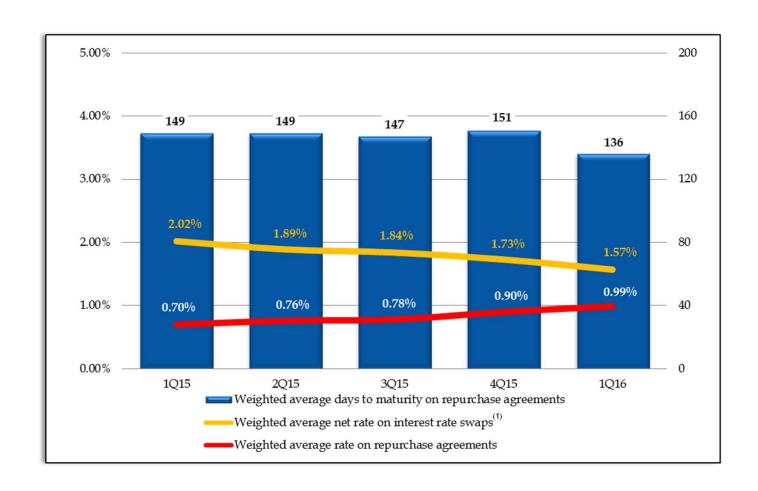
Unaudited, dollars in thousands



Interest Rate and Liability Management



Unaudited



Hedging and Liabilities as of March 31, 2016



Unaudited, dollars in thousands

Interest Rate Swaps										
Current Weighted Avg. Weighted Avg. Weighted Avg.										
Maturity	Notional ⁽¹⁾	Pay Rate	Receive Rate	Years to Maturity						
0 to <3 years	\$4,290,419	1.79%	0.47%	1.87						
>=3 to <6 years	11,925,000	1.87%	0.73%	4.22						
>= 6 to <10 years	10,227,550	2.49%	0.76%	7.88						
Greater than 10 years	3,434,400	3.54%	0.59%	18.64						
Total/Weighted Avg.	\$29,877,369	2.26%	0.69%	6.76						

Futures Positions							
	Notional	Notional					
	Long	Short	Weighted Avg.				
Type	Positions	Positions	Years to Maturity ⁽²⁾				
2-year Swap Equivalent Eurodollar Contracts	-	(4,375,000)	2.00				
U.S. Treasury Futures - 5 year	-	(1,847,200)	4.42				
U.S. Treasury Futures - 10 year & Greater	-	(655,600)	6.75				
Total	-	(\$6,877,800)	3.10				

Repurchase Agreements & FHLB Advances						
	Principal	Weighted Avg.				
Maturity	Balance	Rate				
Within 30 days	\$20,891,928	0.70%				
30 to 59 days	4,878,678	0.82%				
60 to 89 days	9,264,997	0.96%				
90 to 119 days	4,270,155	0.95%				
Over 120 days ⁽³⁾	18,730,709	1.29%				
Total/Weighted Avg.	\$58,036,467	0.96%				

	Principal	Weigh	nted Average
	Balance	Rate	Days to Maturity(4)
Repurchase agreements	\$54,448,141	0.99%	136
Other secured financing	3,588,326	0.59%	1,735
Securitized debt of consolidated VIEs	3,821,252	0.85%	2,801
Participation sold	13,061	5.58%	396
Mortgages payable	338,346	4.16%	3,064
Total indebtedness	\$62,209,126		

⁽¹⁾ There were no forward starting pay fixed swaps as of March 31, 2016

⁽²⁾ Weighted average years to maturity for futures positions are based off of the Treasury contracts cheapest to deliver.

⁽³⁾ Approximately 17% of the total repurchase agreements and FHLB advances have a remaining maturity over one year.

⁽⁴⁾ Determined based on estimated weighted-average lives of the underlying debt instruments.

Residential Investment Securities and TBA Derivative Overview as of March 31, 2016



Unaudited, dollars in thousands

Agency Fixed-Rate Securities (Pools)							
Weighted Avg.	Current		Weighted Avg.	Weighted Avg.	Weighted Avg.	Weighted Avg.	Estimated
Years to Maturity	Face Value	%	Coupon	Amortized Cost	Fair Value	3-Month CPR	Fair Value
<=15 years	\$8,141,382	14.4%	3.14%	103.8%	105.1%	7.1%	\$8,557,230
20 years	6,233,697	11.1%	3.50%	104.5%	106.1%	8.6%	6,613,072
>=30 years	41,745,350	74.2%	3.87%	106.0%	106.8%	8.8%	44,601,754
Callables	158,803	0.3%	3.16%	99.6%	98.9%	0.0%	157,035
Total/Weighted Avg.	\$56,279,232	100.0%	3.73%	105.5%	106.5%	8.5%	\$59,929,091

TBA Purchase Contracts						
			Weighted Avg.	Implied Cost	Implied Market	
Type	Notional Value	%	Coupon	Basis	Value	
15-year	\$5,293,000	37.1%	2.81%	\$5,463,613	\$5,492,572	
30-year	8,980,000	62.9%	3.55%	9,384,179	9,431,952	
Total/Weighted Avg.	\$14,273,000	100.0%	3.27%	\$14,847,792	\$14,924,524	

Agency Adjustable-Rate Securities								
Weighted Avg.	Current		Weighted Avg.	Weighted Avg.	Weighted Avg.	Weighted Avg.	Estimated	
Months to Reset	Face Value	%	Coupon	Amortized Cost	Fair Value	3-Month CPR	Fair Value	
0 - 24 months	\$1,166,108	38.0%	2.79%	100.6%	104.8%	15.1%	\$1,222,251	
25 - 40 months	5,848	0.2%	5.01%	100.0%	105.5%	22.2%	6,170	
41 - 60 months	142,774	4.7%	3.85%	102.8%	106.7%	19.8%	152,375	
61 - 90 months	656,927	21.4%	2.89%	103.2%	103.9%	12.2%	682,327	
>90 months	1,092,684	35.7%	3.04%	102.7%	103.7%	7.3%	1,132,750	
Step-Ups	-	0.0%	0.00%	0.0%	0.0%	0.0%	-	
Total/Weighted Avg.	\$3,064,341	100.0%	2.95%	102.0%	104.3%	11.9%	\$3,195,873	

Residential Investment Securities and TBA Derivative Overview as of March 31, 2016 (cont'd)



Unaudited, dollars in thousands

Agency Fixed-Rate and Floating-Rate Collateralized Mortgage-Backed Obligations							
	Current		Weighted Avg.	Weighted Avg.	Weighted Avg.	Weighted Avg.	Estimated
Type	Face Value	0/0	Coupon	Amortized Cost	Fair Value	3-Month CPR	Fair Value
Fixed-Rate	\$912,427	98.9%	3.28%	102.7%	104.0%	12.0%	\$949,287
Floating-Rate	9,769	1.1%	2.91%	99.2%	102.5%	17.2%	10,010
Total/Weighted Avg.	\$922,196	100.0%	3.28%	102.7%	104.0%	12.1%	\$959,297

Agency Interest-Only Collateralized Mortgage-Backed Obligations									
	Current Notional		Weighted Avg.	Weighted Avg.	Weighted Avg.	Weighted Avg.	Estimated		
Type	Value	0/0	Coupon	Amortized Cost	Fair Value	3-Month CPR	Fair Value		
Interest-Only	\$5,624,398	60.1%	3.31%	13.5%	11.6%	9.9%	\$654,216		
Inverse Interest-Only	3,738,198	39.9%	5.71%	22.8%	23.0%	9.0%	858,382		
Total/Weighted Avg.	\$9,362,596	100.0%	4.27%	17.2%	16.2%	9.5%	\$1,512,598		

Residential Credit Portfolio									
	Current Face/		Weighted Avg.	Weighted Avg.	Weighted Avg.	Estimated			
Sector	Notional Value	0/0 (1)	Coupon	Amortized Cost	Fair Value	Fair Value			
Credit Risk Transfer Securities	\$517,207	30.2%	4.41%	97.5%	96.9%	\$501,167			
Legacy	484,784	26.0%	3.73%	89.4%	88.8%	430,426			
NPL/RPL	428,656	25.7%	3.96%	99.6%	99.5%	426,339			
Prime Jumbo (>=2010 Vintage)	280,060	17.1%	3.49%	99.9%	101.2%	283,560			
Prime Jumbo (>=2010 Vintage) IO	1,114,234	1.0%	0.38%	1.6%	1.5%	17,182			
Total/Weighted Avg	\$2,824,941	100.0%	2.55%	58.8%	58.7%	\$1,658,674			

(1) Weighted by fair value.

Residential Credit Investments Detail as of March 31, 2016



Unaudited, dollars in thousands

By Sector Product								
Product	Market Value	Coupon	Credit Enhancement	60+ Delinquencies	3M VPR			
Alt-A	\$167,967	4.16	6.84	11.10	4.70			
Prime	106,142	4.63	1.48	3.87	3.57			
Subprime	156,317	2.46	25.25	21.06	3.35			
Prime Jumbo (>=2010 Vintage)	283,560	3.50	14.76	-	9.40			
Prime Jumbo (>=2010 Vintage) Interest Only	17,182	0.42	-	-	6.15			
Re-Performing Loan Securitizations	42,565	3.63	51.25	14.39	3.83			
Credit Risk Transfer	501,167	4.44	1.05	0.11	10.44			
Non-Performing Loan Securitizations	383,774	4.00	51.55	65.32	0.31			
Total	\$1,658,674	3.91	19.25	18.87	6.02			

Market Value By Sector and Payment Structure								
Product	Senior	Subordinate	Total					
Alt-A	\$96,298	\$71,669	\$167,967					
Prime	33,990	72,152	106,142					
Subprime	123,232	33,085	156,317					
Prime Jumbo (>=2010 Vintage)	277,105	6,455	283,560					
Prime Jumbo (>=2010 Vintage) Interest Only	17,182	-	17,182					
Re-Performing Loan Securitizations	42,565	-	42,565					
Credit Risk Transfer	-	501,167	501,167					
Non-Performing Loan Securitizations	383,774	-	383,774					
Total	\$974,146	\$684,528	\$1,658,674					

Market Value By Sector and Bond Coupon									
Product	ARM	Fixed	Floater	Interest Only	Total				
Alt-A	\$19,207	\$94,820	\$53,940	\$0	\$167,967				
Prime	43,281	62,861	-	-	106,142				
Subprime	-	41,041	115,276	-	156,317				
Prime Jumbo (>=2010 Vintage)	-	277,105	6,455	-	283,560				
Prime Jumbo (>=2010 Vintage) Interest Only	-	-	-	17,182	17,182				
Re-Performing Loan Securitizations	-	42,565	-	-	42,565				
Credit Risk Transfer	-	-	501,167	-	501,167				
Non-Performing Loan Securitizations	-	383,774	-	-	383,774				
Total	\$62,488	\$902,166	\$676,838	\$17,182	\$1,658,674				

Quarter-Over-Quarter Interest Rate and MBS Spread Sensitivity



Unaudited

Assumptions:

- The interest rate sensitivity and spread sensitivity are based on the portfolios as of March 31, 2016 and December 31, 2015
- The interest rate sensitivities reflect instantaneous parallel shifts in rates
- The spread sensitivity shifts MBS spreads instantaneously and reflects exposure to MBS basis risk
- All tables assume no active management of the portfolio in response to rate or spread changes

Interest Rate Sensitivity

interest Rate Sensitiv		ch 31, 2 016	ıber 31, 2015	
Interest Rate Change (bps)	Estimated Percentage Change in Portfolio Value ⁽¹⁾		Estimated Percentage Change in Portfolio Value ⁽¹⁾	Estimated Change as a % of NAV ⁽¹⁾⁽²⁾
(75)	-	0.2%	0.4%	2.7%
(50)	0.1%	0.8%	0.5%	2.8%
(25)	0.1%	0.7%	0.3%	1.9%
25	(0.2%)	(1.4%)	(0.4%)	(2.7%)
50	(0.6%)	(3.5%)	(1.0%)	(6.1%)
75	(1.1%)	(6.5%)	(1.7%)	(10.2%)

MBS Spread Sensitivity

·	As of March	31, 2016	As of December 31, 2015				
MBS Spread Shock (bps)	Estimated Change in Portfolio Market Value		Estimated Change in Portfolio Market Value				
(25)	1.4%	8.1%	1.5%	8.7%			
(15)	0.8%	4.9%	0.9%	5.2%			
(5)	0.3%	1.6%	0.3%	1.7%			
5	(0.3%)	(1.6%)	(0.3%)	(1.7%)			
15	(0.8%)	(4.8%)	(0.9%)	(5.1%)			
25	(1.3%)	(7.9%)	(1.4%)	(8.5%)			

⁽¹⁾ Scenarios include Residential Investment Securities and derivative instruments.

⁽²⁾ NAV represents book value of common equity.

Commercial Real Estate Overview as of March 31, 2016



	GAAP							Non-GAAP		
Debt Investments	Number of Loans	Вос	ok Values ⁽¹⁾	% of Respective Portfolio	Weighted Avg LTV ^{(2) (3)}	Weighted Avg Maturity (years) ⁽⁴⁾	Economic Interest	Levered Return		
Financeable First Mortgages	13	\$	457,623	31.4%	70.0%	2.22	134,512	9.7%		
Senior Participation Sold	1		16,936	1.2%	73.0%	1.08	3,731	5.6%		
Securitized Whole Loans at Amortized Cost	6		211,855	14.6%	63.0%	0.49	- (5	-		
Mezzanine Loan Investments	26		482,101	33.1%	73.0%	2.20	470,612	9.1%		
Preferred Equity Investments	1		8,953	0.6%	88.0%	2.66	9,000	11.0%		
Subtotal	47	\$	1,177,468	80.9%	70.0%	1.89	617,855	9.3%		
Senior Whole Loans Held for Sale	1		278,600	19.1%	51.0%	1.76	280,000	2.7%		
Total Debt Investments	48	\$	1,456,068	100.0%	66.0%	1.86	897,855	7.2%		

Securitized Whole Loans at Fair Value and CMBS	Number of Loans	I	Fair Value	% of Respective Portfolio	Weighted Avg LTV	Weighted Avg Maturity (years)	Economic Interest	Levered Return
Securitized Whole Loans at Fair Value	79	\$	3,968,118	90.1%	76.7%	7.34	- (5)	-
AAA CMBS	13		433,607	9.9%	22.3%	1.59	73,787	9.1%
B Piece CMBS	-		-	-	-	-	432,487	8.3%
Total Securitized Whole Loans at Fair Value and CMBS	92	\$	4,401,725	100.0%	71.4%	6.78	506,274	8.4%
Total Debt & Securitized Whole Loans at Fair Value and CMBS	140	\$	5,857,793	100.0%	70.0%	5.55	1,404,129	7.6%

Equity Investments	Number of Properties	Book Value	% of Respective Portfolio
Real Estate Held for Investment	30	466,251	88.3%
Investment in Unconsolidated Joint Ventures	7	61,535	11.7%
Total Equity Investments	37	527,786	100.0%
Total	_	6,385,579	

Economic Interest	Levered Return
171,675	11.2%
68,170	9.0%
239,845	10.6%
1,643,975	8.1%

- (1) Book values include unamortized net origination fees.
- (2) Total weighted based on book value.
- (3) Based on most recent third party appraisal, which may be prior to loan origination/purchase date, and on an "as is" basis at the time of underwriting.
- (4) Maturity dates assume all of the borrowers' extension options are exercised.
- (5) Economic interest in securitized whole loans is reflected in B Piece CMBS.

Last Five Quarters Summary Data



Unaudited, dollars in thousands

	For the quarters ended					
	March 31, 2016	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015	
Portfolio-Related Data:						
Residential Investment Securities	\$67,255,533	\$67,233,494	\$67,040,519	\$68,249,262	\$70,491,746	
Commercial real estate investments ⁽¹⁾	\$6,385,579	\$5,075,191	\$4,976,251	\$4,362,579	\$3,221,518	
Corporate debt	\$639,481	\$488,508	\$424,974	\$311,640	\$227,830	
Total Residential Investment Securities and commercial investment portfolio	\$74,280,593	\$72,797,193	\$72,441,744	\$72,923,481	\$73,941,094	
Total assets	\$77,443,965	\$75,190,893	\$75,338,687	\$75,545,680	\$78,675,677	
Average TBA position	\$15,110,947	\$14,366,749	\$14,210,373	\$14,624,862	\$8,319,920	
Agency mortgage-backed securities and debentures:						
% Fixed-rate	93%	93%	93%	94%	94%	
% Adjustable-rate	7%	7%	7%	6%	6%	
Weighted average experienced CPR, for the period	8.8%	9.7%	11.5%	12.1%	9.0%	
Weighted average projected long-term CPR, as of period end	11.8%	8.8%	9.2%	7.7%	9.2%	
Net premium and discount balance in Residential Investment Securities	\$4,741,900	\$4,951,252	\$4,827,791	\$4,822,332	\$4,677,033	
Net premium and discount balance as % of stockholders' equity	40.71%	41.62%	39.32%	38.30%	35.65%	

(1) Includes consolidated VIEs and loans held for sale.

Last Five Quarters Summary Data (cont'd)



	For the quarters ended						
	March 31,	December 31,	September 30,	June 30,	March 31,		
	2016	2015	2015	2015	2015		
Liabilities, Capital and Hedging Data:							
Repurchase agreements	\$54,448,141	\$56,230,860	\$56,449,364	\$57,459,552	\$60,477,378		
Other secured financing	\$3,588,326	\$1,845,048	\$359,970	\$203,200	\$90,000		
Convertible Senior Notes	-	-	-	-	\$749,512		
Securitized debt of consolidated VIEs	\$3,802,682	\$2,540,711	\$2,553,398	\$2,610,974	\$1,491,829		
Participation sold	\$13,182	\$13,286	\$13,389	\$13,490	\$13,589		
Mortgages payable	\$334,765	\$334,707	\$166,697	\$146,359	\$146,470		
Total debt	\$62,187,096	\$60,964,612	\$59,542,818	\$60,433,575	\$62,968,778		
Total liabilities	\$65,785,958	\$63,284,971	\$63,054,354	\$62,950,875	\$65,551,087		
Cumulative redeemable preferred stock	\$913,059	\$913,059	\$913,059	\$913,059	\$913,059		
Common equity	\$10,735,393	\$10,982,915	\$11,365,769	\$11,676,940	\$12,206,446		
Total Annaly stockholders' equity	\$11,648,452	\$11,895,974	\$12,278,828	\$12,589,999	\$13,119,505		
Non-controlling interests	\$9,555	\$9,948	\$5,505	\$4,806	\$5,085		
Total equity	\$11,658,007	\$11,905,922	\$12,284,333	\$12,594,805	\$13,124,590		
Weighted average days to maturity of repurchase agreements	136	151	147	149	149		
Weighted average rate on repurchase agreements, at period end	0.99%	0.90%	0.78%	0.76%	0.70%		
Weighted average rate on repurchase agreements, average during period	0.95%	0.78%	0.73%	0.67%	0.60%		
Total debt to total stockholders' equity	5.3x	5.1x	4.8x	4.8x	4.8x		
Economic leverage ratio	6.2x	6.0x	5.8x	5.6x	5.7x		
Capital ratio	13.2%	13.7%	14.0%	14.6%	14.3%		
Common stock book value per share	\$11.61	\$11.73	\$11.99	\$12.32	\$12.88		
Total common stock shares outstanding	924,853	935,930	947,826	947,768	947,698		
Interest rate swaps:							
Hedge ratio ⁽¹⁾	53%	57%	58%	54%	48%		
Weighted average pay rate on interest rate swaps ⁽²⁾⁽³⁾	2.26%	2.26%	2.26%	2.29%	2.37%		
Weighted average receive rate on interest rate swaps ⁽²⁾	0.69%	0.53%	0.42%	0.40%	0.35%		
Weighted average net rate on interest rate swaps	1.57%	1.73%	1.84%	1.89%	2.02%		

⁽¹⁾ Measures total notional balances of interest rate swaps, interest rate swaptions and futures relative to repurchase agreements and TBA notional outstanding.



⁽²⁾ Excludes forward starting swaps.

⁽³⁾ Weighted average fixed rate on forward starting pay fixed swaps was 1.44%, 2.04%, 1.77% and 1.88% as of December 31, 2015, September 30, 2015, June 30, 2015 and March 31, 2015, respectively. There were no forward starting pay fixed swaps as of March 31, 2016.

Last Five Quarters Summary Data (cont'd)



Unaudited, dollars in thousands except per share amounts

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	March 31,	December 31,	September 30,	June 30,	March 31,		
	2016	2015	2015	2015	2015		
Performance-Related Data:							
Total interest income	\$388,143	\$576,580	\$450,726	\$624,277	\$519,114		
Total economic interest expense	\$270,571	\$254,074	\$248,041	\$252,845	\$286,752		
Economic net interest income	\$117,572	\$322,506	\$202,685	\$371,432	\$232,362		
GAAP Net income (loss)	(\$868,080)	\$669,666	(\$627,491)	\$900,071	(\$476,499)		
GAAP Net income (loss) available (related) to common shareholders	(\$885,910)	\$652,047	(\$645,286)	\$882,228	(\$494,401)		
GAAP Earnings per common share	(\$0.96)	\$0.69	(\$0.68)	\$0.93	(\$0.52)		
Core earnings	\$123,349	\$329,205	\$217,601	\$411,055	\$254,082		
Core earnings available to common shareholders	\$105,357	\$311,213	\$199,609	\$393,063	\$236,090		
Core earnings per average common share	\$0.11	\$0.33	\$0.21	\$0.41	\$0.25		
Normalized core earnings	\$291,757	\$311,133	\$300,737	\$331,473	\$341,965		
Normalized core earnings available to common shareholders	\$273,765	\$293,141	\$282,745	\$313,481	\$323,973		
Normalized core earnings per average common share	\$0.30	\$0.31	\$0.30	\$0.33	\$0.34		
Dividends declared per common share	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30		
Total common and preferred dividends declared	\$295,448	\$298,771	\$302,340	\$302,323	\$302,302		
Annualized GAAP return on average equity	(29.47%)	22.15%	(20.18%)	28.00%	(14.41%)		
Annualized core return on average equity	4.19%	10.89%	7.00%	12.79%	7.69%		
Annualized core return on average equity per unit of economic leverage	0.68%	1.82%	1.21%	2.28%	1.35%		
Annualized normalized core return on average equity	9.91%	10.30%	9.67%	10.31%	10.34%		
Annualized normalized core return on average equity per unit of economic leverage	1.60%	1.72%	1.67%	1.84%	1.82%		
Net interest margin	0.79%	1.80%	1.27%	2.06%	1.29%		
Normalized net interest margin	1.54%	1.71%	1.65%	1.70%	1.68%		
Average yield on interest earning assets	2.09%	3.15%	2.48%	3.32%	2.54%		
Normalized average yield on interest earning assets	3.00%	3.05%	2.94%	2.90%	2.96%		
Average cost of interest bearing liabilities	1.73%	1.68%	1.65%	1.59%	1.64%		
Net interest spread	0.36%	1.47%	0.83%	1.73%	0.90%		
Normalized net interest spread	1.27%	1.37%	1.29%	1.31%	1.32%		





Endnotes for Page 2



- 1. Represents a non-GAAP measure and is defined as net income (loss) excluding the estimated premium amortization adjustment due to quarter-over-quarter changes in long-term CPR estimates, gains or losses on disposals of investments and termination of interest rate swaps, unrealized gains or losses on interest rate swaps and Agency interest-only mortgage-backed securities, net gains and losses on trading assets, impairment losses, net income (loss) attributable to noncontrolling interest, and certain other non-recurring gains or losses and inclusive of dollar roll income (a component of net gains and losses on trading assets).
- 2. For purposes of calculating the Company's leverage ratio, debt consists of repurchase agreements, other secured financing, Convertible Senior Notes, securitized debt, participation sold and mortgages payable. Securitized debt, participation sold and mortgages payable are non-recourse to the Company.
- 3. Computed as the sum of recourse debt, TBA derivative notional outstanding and net forward purchases of investments divided by total equity. Recourse debt consists of repurchase agreements, other secured financing and Convertible Senior Notes.
- 4. The ratio of total equity to total assets (inclusive of total market value of TBA derivatives and exclusive of consolidated VIEs associated with B Piece commercial mortgage-backed securities).
- 5. Interest earning assets reflects the average amortized cost of our investments during the period.
- 6. Represents the sum of the Company's normalized annualized economic net interest income (inclusive of interest expense on interest rate swaps used to hedge cost of funds) plus TBA dollar roll income (less interest expense on swaps used to hedge dollar roll transactions) divided by the sum of its average interest-earning assets plus average outstanding TBA derivative balances.
- 7. Residential Investment Securities consist of Agency mortgage-backed securities, Agency debentures, credit risk transfer securities and non-Agency mortgage-backed securities.
- 8. Represents credit risk transfer securities, non-Agency mortgage-backed securities, commercial real estate debt investments and preferred equity investments, loans held for sale, investments in commercial real estate and corporate debt, net of financing. Excluding loans held for sale, the total credit portfolio represents 23% of stockholders' equity.

Non-GAAP Reconciliations



Unaudited, dollars in thousands except per share amounts

	For the quarters ended						
	March 31,	December 31,	September 30,	June 30,	March 31,		
	2016	2015	2015	2015	2015		
GAAP to Core Reconciliation							
GAAP net income (loss)	(\$868,080)	\$669,666	(\$627,491)	\$900,071	(\$476,499)		
Less:							
Realized (gains) losses on termination of interest rate swaps	-	-	-	-	226,462		
Unrealized (gains) losses on interest rate swaps	1,031,720	(463,126)	822,585	(700,792)	466,202		
Net (gains) losses on disposal of investments	1,675	7,259	7,943	(3,833)	(62,356)		
Net (gains) losses on trading assets	(125,189)	(42,584)	(108,175)	114,230	6,906		
Net unrealized (gains) losses on financial instruments measured at fair value through earnings	(128)	62,703	24,501	(17,581)	33,546		
Impairment of goodwill	-	-	-	22,966	-		
(Income) loss attributable to non-controlling interests	162	373	197	149	90		
Plus:							
TBA dollar roll income	83,189	94,914	98,041	95,845	59,731		
Core earnings	\$123,349	\$329,205	\$217,601	\$411,055	\$254,082		
Premium amortization adjustment	168,408	(18,072)	83,136	(79,582)	87,883		
Normalized core earnings	\$291,757	\$311,133	\$300,737	\$331,473	\$341,965		
GAAP net income (loss) per average common share	(\$0.96)	\$0.69	(\$0.68)	\$0.93	(\$0.52)		
Core earnings per average common share	\$0.11	\$0.33	\$0.21	\$0.41	\$0.25		
Normalized core earnings per average common share	\$0.30	\$0.31	\$0.30	\$0.33	\$0.34		
Premium Amortization Reconciliation							
Premium amortization expense	\$355,671	\$159,720	\$255,123	\$94,037	\$284,777		
Less:							
Premium amortization adjustment	168,408	(18,072)	83,136	(79,582)	87,883		
Premium amortization expense exclusive of premium amortization adjustment	\$187,263	\$177,792	\$171,987	\$173,619	\$196,894		

Non-GAAP Reconciliations (continued)



Unaudited, dollars in thousands except per share amounts

		For the quarters ended			
	March 31, 2016	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015
Normalized Interest Income Reconciliation					
Total interest income	\$388,143	\$576,580	\$450,726	\$624,277	\$519,114
Premium amortization adjustment	168,408	(18,072)	83,136	(79,582)	87,883
Normalized interest income	\$556,551	\$558,508	\$533,862	\$544,695	\$606,997
Economic Interest Expense Reconciliation					
GAAP interest expense	\$147,447	\$118,807	\$110,297	\$113,072	\$129,420
Add:					
Interest expense on interest rate swaps used to hedge cost of funds	123,124	135,267	137,744	139,773	157,332
Economic interest expense	\$270,571	\$254,074	\$248,041	\$252,845	\$286,752
Normalized Economic Net Interest Income Reconciliation					
Normalized interest income	\$556,551	\$558,508	\$533,862	\$544,695	\$606,997
Less:					
Economic interest expense	270,571	254,074	248,041	252,845	286,752
Normalized economic net interest income	\$285,980	\$304,434	\$285,821	\$291,850	\$320,245
Normalized Economic Net Interest Income					
Normalized interest income	\$556,551	\$558,508	\$533,862	\$544,695	\$606,997
Average interest earning assets	\$74,171,943	\$73,178,965	\$72,633,314	\$75,257,299	\$81,896,255
Normalized average yield on interest earning assets	3.00%	3.05%	2.94%	2.90%	2.96%
Economic interest expense	\$270,571	\$254,074	\$248,041	\$252,845	\$286,752
Average interest bearing liabilities	\$62,379,695	\$60,516,996	\$59,984,298	\$63,504,983	\$70,137,382
Average cost of interest bearing liabilities	1.73%	1.68%	1.65%	1.59%	1.64%
Normalized net interest spread	1.27%	1.37%	1.29%	1.31%	1.32%
Normalized net interest margin	1.54%	1.71%	1.65%	1.70%	1.68%