

ANNALY®

Onslow Bay Financial LLC

September 2020

# Important Notices

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## **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 the Company’s 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, risks and uncertainties related to the COVID-19 pandemic, including as related to adverse economic conditions on real estate-related assets and financing conditions; changes in interest rates; changes in the yield curve; changes in prepayment rates; the availability of mortgage-backed securities (“MBS”) and other securities for purchase; the availability of financing and, if available, the terms of any financing; changes in the market value of the Company’s assets; changes in business conditions and the general economy; the Company’s ability to grow our commercial real estate business; the Company’s ability to grow its residential credit business; the Company’s ability to grow its middle market lending business; credit risks related to the Company’s investments in credit risk transfer securities, residential mortgage-backed securities and related residential mortgage credit assets, commercial real estate assets and corporate debt; risks related to investments in mortgage servicing rights; the Company’s ability to consummate any contemplated investment opportunities; changes in government regulations or policy affecting the Company’s business; the Company’s ability to maintain its qualification as a REIT for U.S. federal income tax purposes; the Company’s ability to maintain its exemption from registration under the Investment Company Act of 1940, as amended; and the risk that the expected benefits, including long-term cost savings, of the Internalization are not achieved. For a discussion of the risks and uncertainties which could cause actual results to differ from those contained in the forward-looking statements, see “Risk Factors” in our most recent Annual Report on Form 10-K and any subsequent Quarterly Reports on Form 10-Q. The Company does not undertake, and specifically disclaims any obligation, to publicly release the result of any revisions which may be made to any forward-looking statements to reflect the occurrence of anticipated or unanticipated events or circumstances after the date of such statements, except as required by law.

We routinely post important information for investors on our website, [www.annaly.com](http://www.annaly.com). We intend to use this webpage as a means of disclosing material information, for complying with our disclosure obligations under Regulation FD and to post and update investor presentations and similar materials on a regular basis. Annaly encourages investors, analysts, the media and others interested in Annaly to monitor the Investors section of our website, in addition to following our press releases, SEC filings, public conference calls, presentations, webcasts and other information we post from time to time on our website. To sign-up for email-notifications, please visit the “Email Alerts” section of our website, [www.annaly.com](http://www.annaly.com), under the “Investors” section and enter the required information to enable notifications. The information contained on, or that may be accessed through, our webpage is not incorporated by reference into, and is not a part of, this document.

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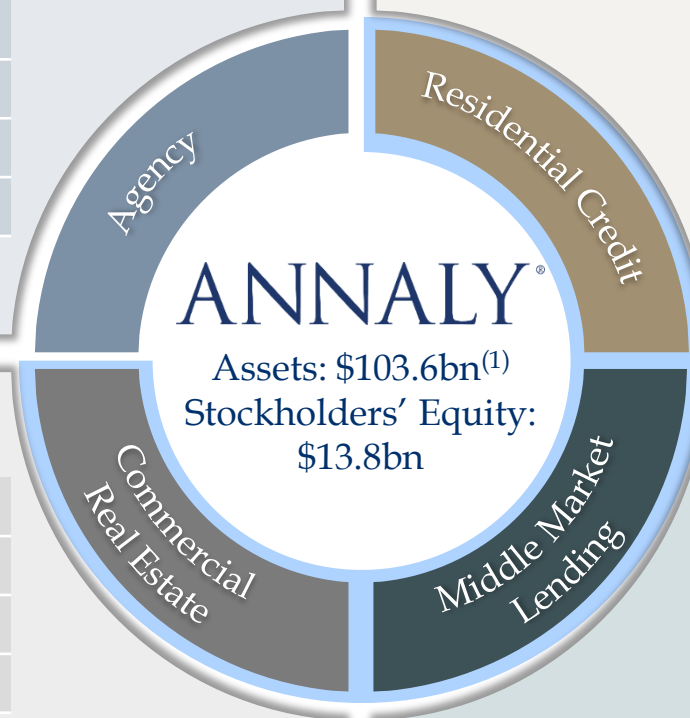
# Annaly Investment Strategies

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

|                            |                            |
|----------------------------|----------------------------|
| Assets <sup>(1)</sup>      | \$96.3bn                   |
| Capital <sup>(2)</sup>     | \$10.2bn                   |
| Sector Rank <sup>(3)</sup> | #1/8                       |
| Strategy                   | Countercyclical/ Defensive |

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

|                            |                  |
|----------------------------|------------------|
| Assets <sup>(1)</sup>      | \$2.6bn          |
| Capital <sup>(2)</sup>     | \$1.2bn          |
| Sector Rank <sup>(3)</sup> | #7/14            |
| Strategy                   | Cyclical/ Growth |



|                            |                  |
|----------------------------|------------------|
| Assets <sup>(1)</sup>      | \$2.5bn          |
| Capital <sup>(2)</sup>     | \$0.8bn          |
| Sector Rank <sup>(3)</sup> | #10/17           |
| Strategy                   | Cyclical/ Growth |

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

|                            |                         |
|----------------------------|-------------------------|
| Assets                     | \$2.2bn                 |
| Capital <sup>(2)</sup>     | \$1.3bn                 |
| Sector Rank <sup>(3)</sup> | #7/39                   |
| Strategy                   | Non-Cyclical/ Defensive |

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

Source: Bloomberg and Company filings. Financial data as of June 30, 2020. Market data as of September 4, 2020.

- Assets represent Annaly's investments that are on balance sheet, net of securitized debt of consolidated VIEs, as well as investments that are off-balance sheet in which the Company has economic exposure. Agency assets include TBA purchase contracts (market value) of \$19.1bn and are shown net of securitized debt of consolidated VIEs of \$1.7bn. Residential Credit assets are shown net of securitized debt of consolidated VIEs of \$2.4bn. Commercial Real Estate assets include CMBX derivatives (market value) of \$460.3mm and are shown net of securitized debt of consolidated VIEs of \$2.4bn.
- 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.

- Sector rank compares Annaly dedicated capital in each of Agency, Commercial Real Estate, Residential Credit and Middle Market Lending as of June 30, 2020 (adjusted for P/B as of September 4, 2020) to the market capitalization of the companies that comprise Agency Peers, Commercial Peers, Hybrid Peers and Middle Market Lending Peers, respectively, as of September 4, 2020.

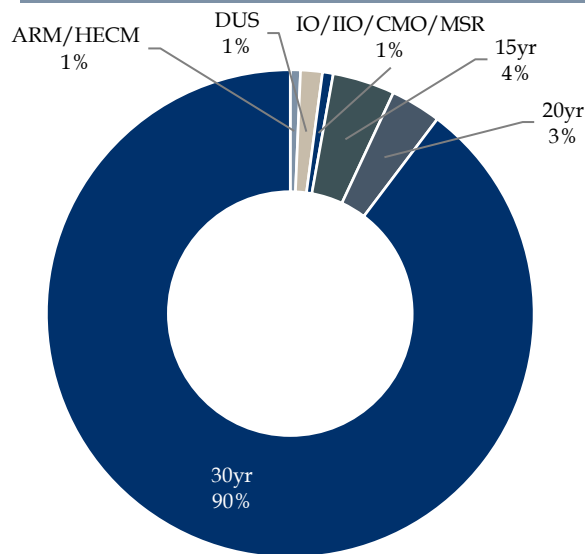
*Represents credit business*

# Agency | Portfolio Summary

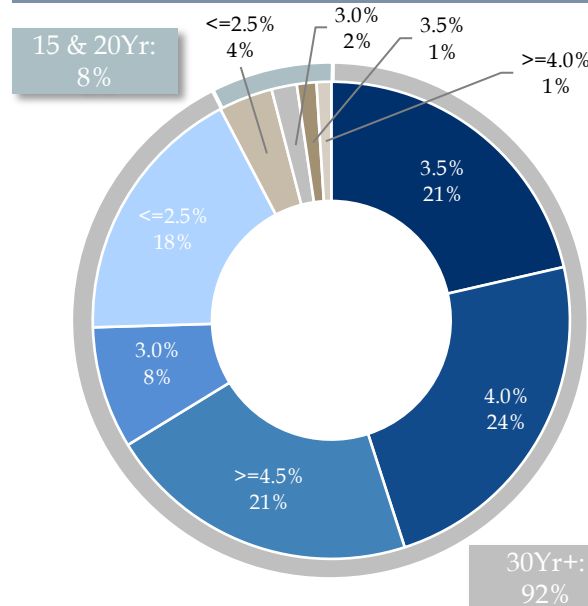
- Annaly Agency Portfolio: \$96.3 billion in assets at the end of Q2 2020, a modest increase of ~5% from Q1 2020
- The portfolio mix continues to be predominantly concentrated in 30-year fixed rate securities
- Continuation of portfolio shift down in coupon over the course of the quarter, with a reduction in 30-year 3% through 4.5% and additions of 30-year 2.5% and 2.0%
- Asset reduction in Q2 2020 was primarily in pools, while additions were made in the TBA sector
  - Sold across higher coupon stories, given the outperformance of specified pools with interest rates at historic lows
  - Lower coupon TBA additions have compelling financing characteristics, augmenting carry
- ARM position reduction came primarily through paydowns

Total Dedicated Capital: \$10.2 billion<sup>(1)</sup>

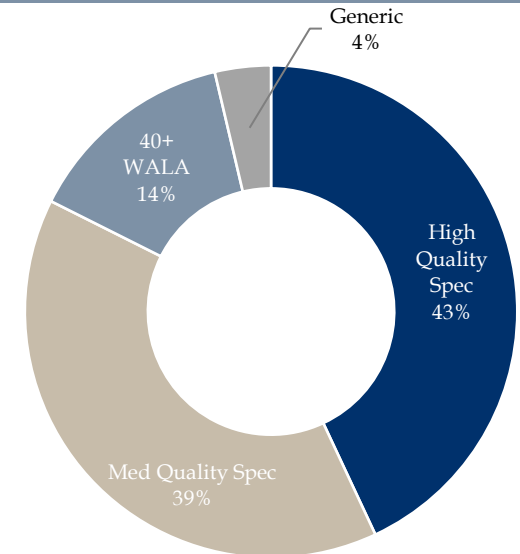
Asset Type<sup>(1)</sup>



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



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



Note: Data as of June 30, 2020. Percentages based on fair market value and may not sum to 100% due to rounding.

1. Includes TBA purchase contracts and MSRs.

2. Includes TBA purchase contracts and fixed-rate pass-through certificates.

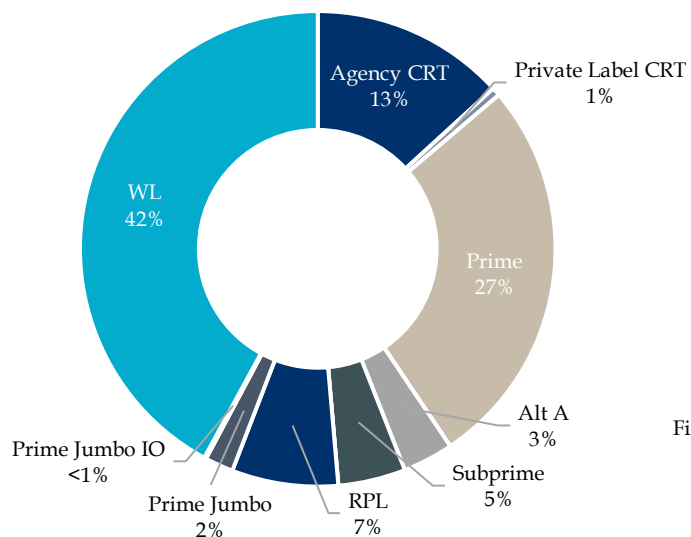
3. Includes fixed-rate pass-through certificates only. "High Quality Spec" protection is defined as pools backed by original loan balances of up to \$125k, highest LTV pools (CR>125% LTV), geographic concentrations (NY/PR). "Med Quality Spec" includes \$200k loan balance, \$175k loan balance, \$150k loan balance, high LTV (CQ 105-125% LTV), and 40-year pools. "40+ WALA" is defined as weighted average loan age greater than 40 months and treated as seasoned collateral.

# Residential Credit | Portfolio Summary

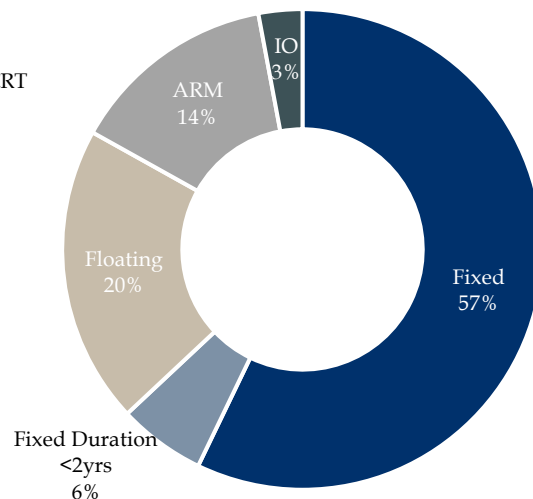
- Annaly Residential Credit Portfolio: \$2.6 billion in assets at the end of Q2 2020, relatively flat from Q1 2020 and comprised of a \$1.5 billion securities portfolio and a \$1.2 billion whole loan portfolio
- OBX 2020-EXP2 priced post quarter-end, a \$489 million Expanded Prime transaction, representing the eleventh securitization since the beginning of 2018
- The loan portfolio is conservatively positioned as it consists of 100% 1<sup>st</sup> lien, new origination collateral with strong credit characteristics<sup>(1)</sup>
  - Original 762 FICO, 67% LTV, 37% DTI

Total Dedicated Capital: \$1.2 billion

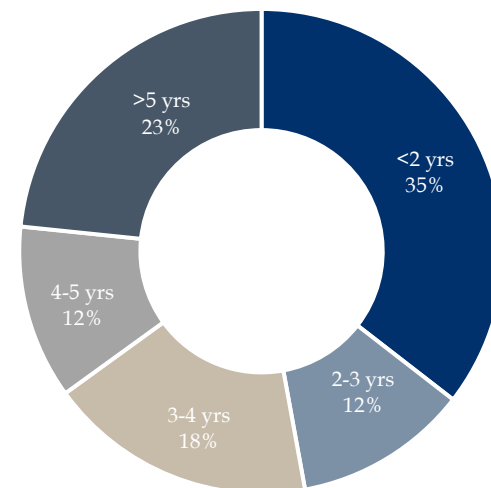
Sector Type<sup>(2)(3)</sup>



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



Effective Duration<sup>(2)</sup>



Note: Data as of June 30, 2020, unless otherwise noted. Portfolio statistics and percentages are based on fair market value and reflect economic interest in securitizations. Prime Jumbo and Prime classifications include the economic interest of certain positions that are classified as Residential Mortgage Loans within our Consolidated Financial Statements. Percentages may not sum to 100% due to rounding.

1. Aggregate loan statistics excludes loans acquired from the execution of call rights on legacy securitizations.

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

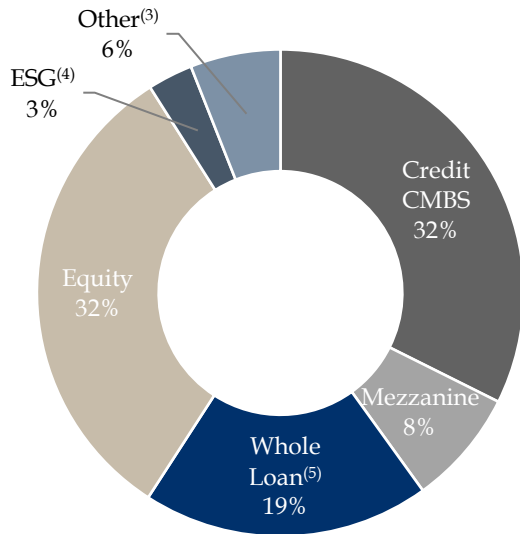
3. Prime classification includes \$68.2mm of Prime IO.

# Commercial Real Estate | Portfolio Summary

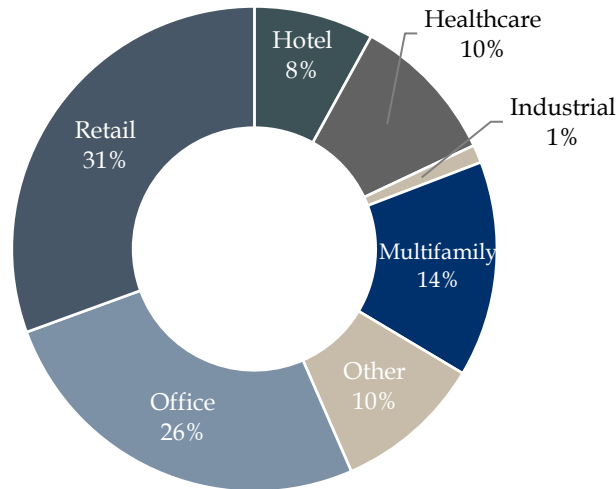
- Annaly Commercial Real Estate Portfolio: \$2.5 billion<sup>(1)</sup> in assets at the end of Q2 2020, reflecting a decrease of 5% from Q1 2020
  - Inclusive of loans contributed to the managed CRE CLO, assets under management at the end of Q2 2020 totaled \$3.1 billion, relatively flat from Q1 2020
- Navigated the market environment through prudent new investment screening and capital preservation through asset sales and borrower payoffs
  - \$53 million of payoffs/sales
- Evaluating new opportunities very selectively given market disruption

Total Dedicated Capital: \$0.8 billion

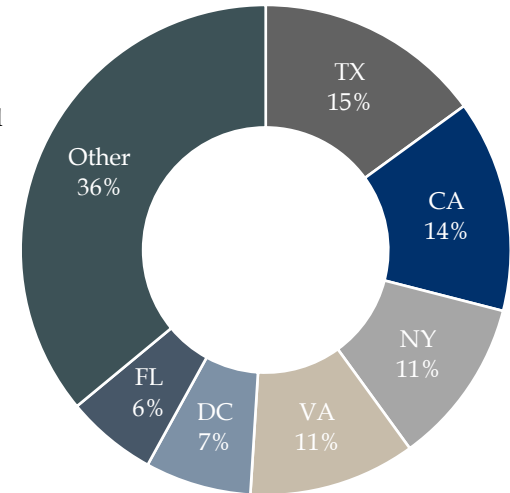
Asset Type<sup>(2)</sup>



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



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



Note: Data as of June 30, 2020. Portfolio statistics and percentages are based on fair market value and reflect economic interest in securitizations. Percentages may not sum to 100% due to rounding.

- Includes \$70.1mm of CECL reserves upon adoption of the new accounting standard during the quarter ended June 30, 2020.
- Pie charts exclude CMBX derivatives.
- Reflects limited and general partnership interests in a commercial loan investment fund that is accounted for under the

equity method for GAAP.

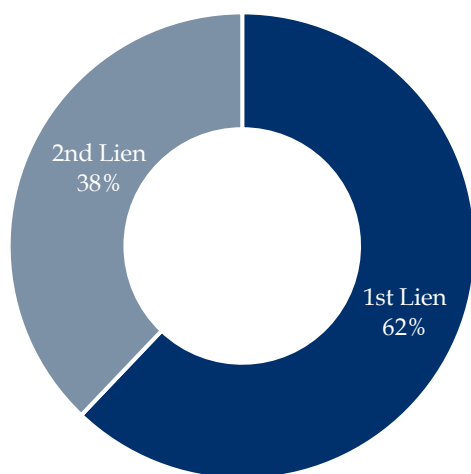
- Reflects joint venture interests in social impact loan investment funds that are accounted for under the equity method for GAAP.
- Includes mezzanine loans for which Annaly Commercial Real Estate is also the corresponding first mortgage lender.
- Other includes 45 states, none of which represents more than 5% of total portfolio economic interest. The Company looked through to the collateral characteristics of securitizations and equity method investments.

# Middle Market Lending | Portfolio Summary

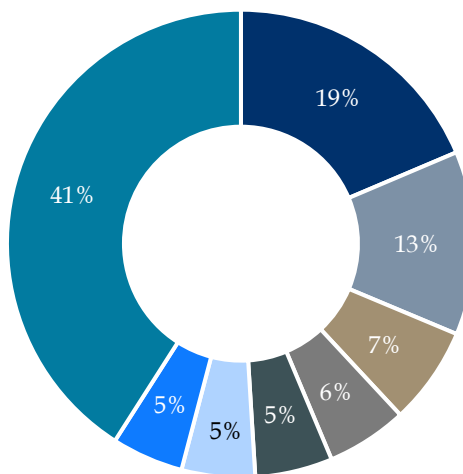
- Annaly Middle Market Lending Portfolio: \$2.2 billion<sup>(1)</sup> in assets at the end of Q2 2020, relatively flat compared to Q1 2020
- AMML's long-standing relationships and legacy portfolio have provided access to continued deal flow through the pandemic
- The current portfolio consists of 87% new financings alongside average sponsor cash equity contributions of 38% at close, with the remaining portfolio comprised of 8% recapitalizations and 5% refinancings<sup>(2)</sup>
- AMML's concentrated, non-discretionary, and defensive industry specific approach has differentiated our performance in comparison to peers with broader AUM gathering investment strategies
- Internal risk ratings remain steady amidst COVID with 91% of the portfolio performing, 8% substandard and 1% doubtful<sup>(3)</sup>

Total Dedicated Capital: \$1.3 billion

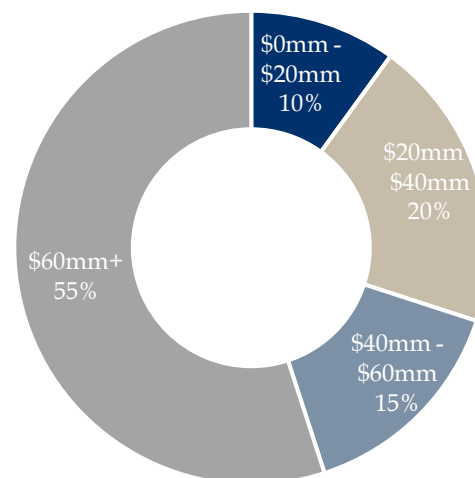
Lien Position<sup>(4)</sup>



Industry<sup>(5)</sup>



Loan Size<sup>(6)</sup>



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

Note: Data as of June 30, 2020. Portfolio statistics and percentages are based on fair market value and reflect economic interest in securitizations. Percentages may not sum to 100% due to rounding.

1. Includes \$51.4mm of general reserves under CECL at June 30, 2020.

2. New financing is inclusive of change of control transactions, or add-ons with an existing borrower. A refinancing transaction represents amended terms under an existing or new credit agreement with a borrower, whereby our initial involvement is part of a facility exchanging the newly issued debt from that facility for a like amount of debt being refunded. Recapitalizations involve no new change in ownership or new cash equity, constituting a change of control as defined in a credit agreement, with proceeds from any debt facility in which we originate involving use of debt proceeds that return money to ownership of the borrower.

3. Internal risk ratings are based on AMML's Credit Rating Policy, which assigns ratings of 1-9 based on leverage and fixed charge coverage ratios. Performing indicates a rating of 1-6. Substandard indicates a rating of 7. Doubtful indicates a rating of 8.

4. Does not include minority equity, which represented 0.2% of the portfolio as of June 30, 2020.

5. Based on Standard Industrial Classification industry categories. Other represents industries with less than 5% exposure in the current portfolio.

6. Breakdown based on aggregate dollar amount of individual investments made within the respective loan size categories. Multiple investment positions with a single obligor shown as one individual investment.

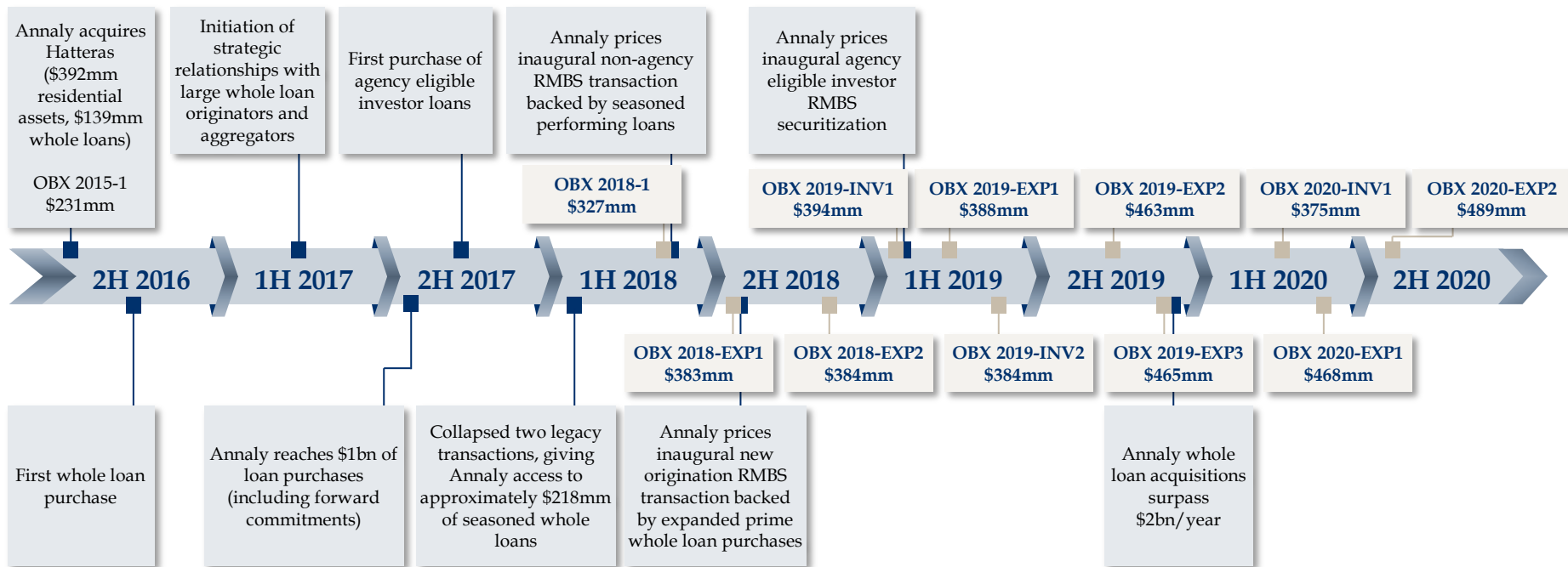
**Onslow Bay Financial**

# Onslow Bay Financial

## Annaly purchases residential whole loans through Onslow Bay Financial LLC

- Onslow Bay Financial LLC (“Onslow Bay”) was a wholly owned subsidiary of Hatteras Financial Corp. (“Hatteras”). In July of 2016, Hatteras was acquired by Annaly Capital Management, Inc. In addition to being a HUD approved Investing Mortgagee, Onslow Bay currently holds the requisite state mortgage finance licenses, registrations, or exemptions (collectively, the “mortgage finance approvals”) to purchase residential whole loans in all 50 states and the District of Columbia
- Onslow Bay purchases closed, funded, performing residential whole loans made to mortgagors with stable incomes and employment histories
- Annaly utilizes securitization as an asset generation strategy and as a mechanism to diversify funding for the whole loan business

### Evolution of the whole loan and securitization strategy



# Onslow Bay Financial (*cont'd*)

## Annaly purchases residential whole loans through Onslow Bay Financial LLC

### Sourcing and Underwriting

- Onslow Bay seeks to purchase closed, funded, performing residential whole loans made to mortgagors with stable incomes and employment histories
- Onslow Bay is not an originator and does not directly service residential whole loans or seek to sell other products / services to borrowers. Onslow Bay purchases loans from select originators / aggregators based on agreed-upon underwriting guidelines or carve-outs of the seller's underwriting guidelines that fit desired documentation requirements or credit characteristics
- Onslow Bay utilizes accredited third party vendors to diligence assets before acquisition, including 100% data, credit, compliance and valuation diligence for new origination loans. Also, a custodian reviews the collateral on every asset before funding

### Financing

- Onslow Bay has issued twelve residential whole loan securitizations for an aggregate \$4.8 billion: OBX 2015-1, OBX 2018-1, OBX 2018-EXP1, OBX 2018-EXP2, OBX 2019-INV1, OBX 2019-EXP1, OBX 2019-INV2, OBX 2019-EXP2, OBX 2019-EXP3, OBX 2020-INV1, OBX 2020-EXP1, and OBX 2020-EXP2
- In addition to utilizing the rated securitization market, Annaly has the ability to finance its residential whole loans through street warehouse facilities

# Loan Due Diligence & Servicer Oversight

## 100% Full Securitization Diligence<sup>(1)</sup>

- Onslow Bay uses American Mortgage Consultants (“AMC”), Clayton Holdings LLC (“Clayton”), Opus CMC (“Opus”) and IngletBlair, LLC (“IngletBlair”) to perform independent third party diligence services



- Onslow Bay performs 100% full securitization diligence across Credit, Compliance (RMBS 3.0 TRID Compliance Review) and Valuation ) for new origination whole loan purchases. For seasoned whole loan purchases, Onslow Bay may diligence Title/Tax/Lien, servicing comments, pay history and updated FICOs/valuations

### Credit

Adherence to guideline requirements and “Ability to Repay”, confirming income, employment, assets, LTV, credit score, etc.

### Compliance

Onslow Bay utilizes RMBS 3.0 TRID Compliance Review. Review of preliminary and final disclosures, federal and state guidelines

### Valuation

Onslow Bay orders a secondary valuation to confirm appraisal value

## Sub-Servicer Oversight

- Onslow Bay contracts Select Portfolio Servicing (“SPS”), Shellpoint Mortgage Servicing (“SMS”), and Specialized Loan Servicing (“SLS”) to sub-service the whole loans which are purchased “servicing released”. Onslow Bay also buys assets servicing retained



- Onslow Bay engages in continuous dialogue with our sub-servicers regarding servicing transfers, delinquencies / loss mitigation in addition to a monthly sub-servicing oversight meeting
- SPS, SMS, and SLS are each highly rated sub-servicers by the respective rating agencies<sup>(2)</sup>:
  - SPS is rated “SQ2+” by Moody’s, “RPS1-” by Fitch and “Strong” from S&P. As of December 2019, SPS serviced or subserviced approximately 965k mortgage loans with a UPB of \$170bn
  - SLS is rated “SQ2-” by Moody’s, “RPS2+” by Fitch and “Above Average” from S&P. As of December 2019, SLS serviced or subserviced approximately 724k mortgage loans with a UPB of \$114bn
  - SMS is rated “RPS2-” & “RSS2-” by Fitch and “Above Average” (for primary & special servicing) by S&P. As of June 30, 2020, SMS serviced or subserviced approximately 273K mortgage loans with a UPB of \$1.5bn

1. Onslow Bay utilizes full securitization diligence (Credit, Compliance, Valuation) for new origination whole loan purchases. For seasoned whole loan purchases, Onslow Bay may diligence Title/Tax/Lien, servicing comments, pay history and updated FICOs/valuations.

2. Moody’s ratings are of Primary Servicers of Subprime Residential Loans. Fitch ratings are of Primary Servicers. S&P ratings are of overall rankings of Residential Primary Servicers.

# Onslow Bay Securitizations

|                              | OBX 2020-<br>EXP3 <sup>(1)</sup>         | OBX 2020-<br>EXP2                        | OBX 2020-<br>EXP1                        | OBX 2020-<br>INV1                        | OBX 2019-<br>EXP3                        | OBX 2019-<br>EXP2                        | OBX 2019-<br>INV2                        | OBX 2019-<br>EXP1                        | OBX 2019-<br>INV1                        | OBX 2018-<br>EXP2                        | OBX 2018-<br>EXP1                        | OBX 2018-1   | OBX 2015-1           |
|------------------------------|--|--|--|--|--|--|--|--|--|--|--|--|----------------------|
| Issue Date                   | Exp. Sep-20                              | Jul-20                                   | Feb-20                                   | Jan-20                                   | Oct-19                                   | Jul-19                                   | Jun-19                                   | Apr-19                                   | Jan-19                                   | Oct-18                                   | Aug-18                                   | Mar-18   | Dec-15               |
| Collateral Type              | Expanded Prime                           | Expanded Prime                           | Expanded Prime                           | Agency Investor                          | Expanded Prime                           | Expanded Prime                           | Agency Investor                          | Expanded Prime                           | Agency Investor                          | Expanded Prime                           | Expanded Prime                           | Seasoned Prime ARMs  | Prime Jumbo          |
| Sponsor                      | Onslow Bay Financial LLC                 |  |  |  |  |  |  |  |  |  |  |  |                      |
| Source of Collateral         | Whole Loan Purchase                      | Whole Loan Purchase                      | Whole Loan Purchase                      | Whole Loan Purchases                     | Whole Loan Purchases                     | Whole Loan Purchases                     | Whole Loan Purchases                     | Whole Loan Purchases                     | Whole Loan Purchases                     | Whole Loan Purchases                     | Whole Loan Purchases                     | Collapse of 2 Legacy Deals + Seasoned Whole Loan Purchases | Prime Jumbo          |
| Rating Agencies              | Fitch/DBRS                               | Fitch                                    | Fitch/KBRA                               | Moody's / KBRA                           | Fitch/KBRA                               | Fitch/KBRA                               | Moody's / DBRS                           | Fitch/KBRA                               | Moody's / KBRA                           | Fitch / DBRS                             | Fitch / KBRA                             | Fitch / DBRS   | S&P / DBRS           |
| R&W Framework                | Material and Adverse                     | Material and Adverse                     | Material and Adverse                     | Material and Adverse                     | Material and Adverse                     | Material and Adverse                     | Material and Adverse                     | Material and Adverse                     | Material and Adverse                     | Material and Adverse                     | Material and Adverse                     | Material and Adverse                                       | Material and Adverse |
| R&W Review                   | Delinquency/Realized Loss Trigger Review | Delinquency/Realized Loss Trigger Review | Delinquency/Realized Loss Trigger Review | Delinquency/Realized Loss Trigger Review | Delinquency/Realized Loss Trigger Review | Delinquency/Realized Loss Trigger Review | Delinquency/Realized Loss Trigger Review | Delinquency/Realized Loss Trigger Review | Delinquency/Realized Loss Trigger Review | Delinquency/Realized Loss Trigger Review | Delinquency/Realized Loss Trigger Review | Delinquency/Realized Loss Trigger Review                   | Delinquency Trigger  |
| Risk Retention               | Horizontal                               | Horizontal                               | Horizontal                               | Horizontal                               | Horizontal                               | Horizontal                               | Horizontal                               | Horizontal                               | Horizontal                               | Horizontal                               | Horizontal                               | Vertical   | N/A                  |
| Original Attachment to "AAA" | TBD                                      | 12.70%                                   | 11.50%                                   | 10.00%                                   | 12.60%                                   | 11.00%                                   | 10.00%                                   | 11.30%                                   | 13.00%                                   | 12.85%                                   | 12.65%                                   | 8.80%  | 8.55%                |
| Deal Balance                 | <b>\$514,609,134</b>                     | \$489,351,663                            | \$467,510,916                            | \$374,608,743                            | \$465,491,918                            | \$463,404,935                            | \$383,759,828                            | \$388,155,948                            | \$393,961,409                            | \$384,027,255                            | \$383,451,233                            | \$327,161,759  | \$231,181,631        |
| Pool Factor (8/25 Remit)     | N/A                                      | 0.97                                     | 0.83                                     | 0.79                                     | 0.76                                     | 0.65                                     | 0.58                                     | 0.57                                     | 0.58                                     | 0.58                                     | 0.53                                     | 0.40   | 0.24                 |
| Average Loan Size            | <b>\$490,104</b>                         | \$509,211                                | \$649,522                                | \$355,079                                | \$633,322                                | \$628,772                                | \$353,045                                | \$648,007                                | \$336,145                                | \$636,861                                | \$664,560                                | \$354,949  | \$767,014            |
| Number of Loans              | <b>1,050</b>                             | 961                                      | 722                                      | 1,055                                    | 735                                      | 737                                      | 1,087                                    | 599                                      | 1,172                                    | 603                                      | 577                                      | 920  | 307                  |
| WA Gross Coupon              | 4.74%                                    | 4.74%                                    | 4.86%                                    | 4.76%                                    | 5.18%                                    | 5.30%                                    | 5.15%                                    | 5.40%                                    | 5.09%                                    | 5.07%                                    | 4.87%                                    | 4.00%  | 3.39%                |
| WA Orig CLTV                 | 68%                                      | 67%                                      | 68%                                      | 67%                                      | 66%                                      | 65%                                      | 65%                                      | 66%                                      | 67%                                      | 67%                                      | 67%                                      | 42% <sup>(2)</sup>   | 69%                  |
| WA Original FICO             | 751                                      | 760                                      | 756                                      | 764                                      | 758                                      | 752                                      | 765                                      | 753                                      | 758                                      | 753                                      | 751                                      | 749  | 768                  |
| WA DTI                       | 37%                                      | 38%                                      | 38%                                      | 36%                                      | 37%                                      | 35%                                      | 37%                                      | 36%                                      | 38%                                      | 36%                                      | 35%                                      | N/A  | 33%                  |
| ARM                          | 45%                                      | 0%                                       | 48%                                      | 0%                                       | 61%                                      | 51%                                      | 0%                                       | 50%                                      | 0%                                       | 48%                                      | 50%                                      | 98%  | 100%                 |
| IO                           | 17%                                      | 12%                                      | 12%                                      | 0%                                       | 12%                                      | 12%                                      | 0%                                       | 14%                                      | 0%                                       | 12%                                      | 6%                                       | 4%   | 0%                   |
| Investor                     | 39%                                      | 42%                                      | 20%                                      | 100%                                     | 31%                                      | 23%                                      | 100%                                     | 12%                                      | 100%                                     | 31%                                      | 26%                                      | 13%  | 4%                   |
| WA Margin                    | N/A                                      | N/A                                      | 3.15%                                    | N/A                                      | 3.44%                                    | 3.35%                                    | N/A                                      | 3.05%                                    | N/A                                      | 3.19%                                    | 3.12%                                    | 2.88%  | 2.25%                |
| WALA                         | 27                                       | 7  | 7  | 5  | 13                                       | 20                                       | 6  | 13                                       | 7  | 12                                       | 17                                       | 124  | 8                    |
| Top State                    | CA 52%                                   | CA 52%                                   | CA 55%                                   | CA 52%                                   | CA 49%                                   | CA 53%                                   | CA 59%                                   | CA 60%                                   | CA 56%                                   | CA 62%                                   | CA 64%                                   | CA 43%   | CA 49%               |
| QM                           | 7%                                       | 0%                                       | 9%                                       | 0%                                       | 7%                                       | 7%                                       | 0%                                       | 7%                                       | 0%                                       | 15%                                      | 29%                                      | 4%   | 97%                  |
| Non-QM/ ATR Exempt           | 92%                                      | 100%                                     | 91%                                      | 100%                                     | 93%                                      | 93%                                      | 100%                                     | 93%                                      | 100%                                     | 85%                                      | 71%                                      | 96%  | 3%                   |
| Full Doc <sup>(3)</sup>      | 51%                                      | 69%                                      | 44%                                      | 100%                                     | 41%                                      | 47%                                      | 100%                                     | 40%                                      | 100%                                     | 29%                                      | 68%                                      | N/A  | 100%                 |
| Alt-Doc                      | 49%                                      | 31%                                      | 56%                                      | 0%                                       | 59%                                      | 53%                                      | 0%                                       | 60%                                      | 0%                                       | 71%                                      | 32%                                      | N/A  | 0%                   |
| 3M VPR                       | N/A                                      | 23% <sup>(4)</sup>                       | 28%                                      | 32%                                      | 28%                                      | 32%                                      | 39%                                      | 30%                                      | 39%                                      | 25%                                      | 37%                                      | 32%  | 31%                  |
| 6M VPR                       | N/A                                      | N/A                                      | 30%                                      | 34%                                      | 26%                                      | 32%                                      | 41%                                      | 31%                                      | 37%                                      | 29%                                      | 31%                                      | 27%  | 35%                  |
| 12M VPR                      | N/A                                      | N/A                                      | N/A                                      | N/A                                      | N/A                                      | 31%                                      | 38%                                      | 32%                                      | 32%                                      | 26%                                      | 31%                                      | 31%  | 34%                  |
| 60+ Delinquencies            | N/A                                      | 0.00%                                    | 1.62%                                    | 2.65%                                    | 3.78%                                    | 4.39%                                    | 5.49%                                    | 6.21%                                    | 4.72%                                    | 6.96%                                    | 8.48%                                    | 6.15%  | 6.99%                |
| Cumulative Losses            | N/A                                      | 0.00%                                    | 0.10%                                    | 0.04%                                    | 0.12%                                    | 0.07%                                    | 0.02%                                    | 0.10%                                    | 0.03%                                    | 0.06%                                    | 0.04%                                    | 0.02%  | 0.00%                |

Note: Voluntary Prepayment Rates (VPRs), 60+ delinquencies and cumulative losses as of the August 25, 2020 remittance period.

1. Collateral and structure not finalized and subject to change.
2. Represents updated CLTV.
3. Full documentation includes all GSE eligible loans.
4. Represents 1M VPR.

# **Onslow Bay Expanded Prime (“EXP”) Securitization Program**

# Onslow Bay Residential Whole Loan Target Acquisitions

- The summary below is representative of the “Expanded Prime” guidelines Onslow Bay utilizes to purchase whole loans through an originator / aggregator network
- Onslow Bay targets high quality borrowers with significant down payments and reserves

|   | “Expanded Prime” Acquisition Programs          |   |   |   |
|---|--|---|---|---|
|   | Full Doc<br>(Wage Earner)                      | Full Doc<br>(Self Employed)   | Bank<br>Statement   | Asset<br>Utilization  |
| Income<br>Qualification   | 2 Years W2, YTD Paystub, 4506-T<br>Transcripts | 2 Years Personal / Business Tax<br>Returns, K1s / Schedules, 4506-T<br>1040 transcripts | 12 or 24 Months Consecutive<br>Personal or Business Bank Statements | Borrowers Must Have A Minimum<br>Amount of Qualified Assets |
| Borrower<br>Qualification   | Wage Earners                                   | Self-Employed Borrowers   | Self Employed Borrowers Only,<br>Minimum of 2 Years Experience      | Utilization Draw Schedule, Net<br>Documented Assets         |
| Employment<br>Verification  | Verbal Verification of Employment              | Verification Through 3rd Party  | Business License, CPA Letter, etc.                                  | N/A   |
| Asset Seasoning   | 2 Months                                       | 2 Months  | 2 Months  | >6 Months Seasoning   |
| Housing Event Seasoning<br>(FC, SS, Deed in Lieu, BK, Mod)                  | 48 Months                                      | 48 Months   | 48 Months   | 48 Months   |
| Recent Housing History <sup>(1)</sup>                                       | 0x30x12  | 0x30x12   | 0x30x12   | 0x30x12   |
| Min FICO / Max LTV<br>(Lowest FICO),<br>Purchase / Rate Refi <sup>(2)</sup> | 660/80   | 660/80  | 680/65  | 680/75  |
| Min FICO / Max LTV<br>(Highest LTV),<br>Purchase / Rate Refi <sup>(2)</sup> | 700/90   | 700/90  | 740/85  | 680/75  |
| Max DTI <sup>(2)</sup>  | 50%  | 50%   | 50%   | 50%   |

1. 1 Year seasoning period for any 30 day delinquency.  
2. Represent Onslow Bay credit overlays.

# Onslow Bay Residential Whole Loan Target Acquisitions (*cont'd*)

- Onslow Bay also purchases 12 Month PnL and Debt Service Coverage Ratio (“DSCR”) Investor loans
- The summary below is representative of the guidelines Onslow Bay utilizes to purchase whole loans through an originator / aggregator network

|   | “Expanded Prime” Acquisition Programs                       |  |                              |  |   |
|---|---|--|------------------------------|--|---|
|   | 1 Year Tax Return   | 12 Month PnL   | Written VOE                  | DSCR Investor                                    | Agency/AUS Investor (DU/LP)   |
| <b>Income Qualification</b>   | 1 Year Personal and Business Tax Returns                    | 12 Month Prepared Profit and Loss Statement            | Written VOE (FNMA Form 1005) | Appraisal Market Rents / Subject Lease           | Full Documentation Per DU/LP  |
| <b>Borrower Qualification</b>   | Self Employed Borrowers Only, Minimum of 2 Years Experience | Self-Employed Borrowers (Minimum 2 Years Experience)   | Wage Earners                 | 1.20x Global DSCR, 0.75x Primary DSCR            | Wage Earners + Self-Employed Borrowers                                      |
| <b>Employment Verification</b>  | Business License, CPA Letter, etc.                          | Business License, Letter from Tax Preparer, CPA Letter | Verbal VOE                   | Employment Letter / CPA, Min 2 Years SE          | Wage Earners + Self-Employed Borrowers                                      |
| <b>Asset Seasoning</b>  | 2 Months  | 2 Months   | 2 Months                     | 1 Month Seasoning / Explanation of Asset Savings | 2 Months  |
| <b>Housing Event Seasoning (FC, SS, Deed in Lieu, BK, Mod)</b>              | 48 Months   | 48 Months  | 48 Months                    | 0x30x24 <sup>(1)</sup>                           | 7 Years Foreclosure, 4 Years (BK, Deed in Lieu, Charge Off, PreForeclosure) |
| <b>Recent Housing History</b>   | 0x30x12   | 0x30x12 <sup>(2)</sup>                                 | 0x30x12 <sup>(2)</sup>       | 0x30x24 <sup>(1)</sup>                           | Housing History Per DU/LP   |
| <b>Min FICO / Max LTV (Lowest FICO), Purchase / Rate Refi<sup>(3)</sup></b> | 680/65  | 700/75   | 700/75                       | 680/60   | 660/80  |
| <b>Min FICO / Max LTV (Highest LTV), Purchase / Rate Refi<sup>(3)</sup></b> | 740/85  | 700/75   | 700/75                       | 680/60   | 660/80  |
| <b>Max DTI<sup>(3)</sup></b>  | 50%   | 50%  | 47%                          | N/A  | 50%   |

- 2 Year seasoning period for any 30 day delinquency.
- 1 Year seasoning period for any 30 day delinquency.
- Represent Onslow Bay credit overlays.

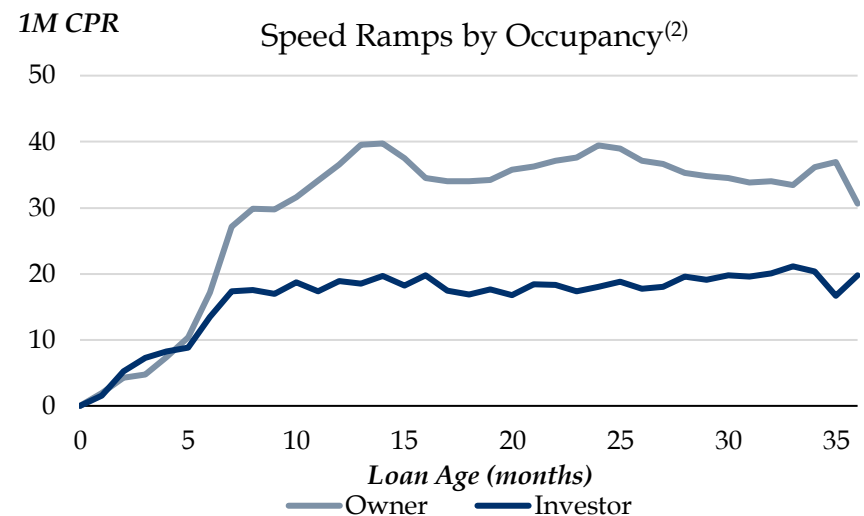
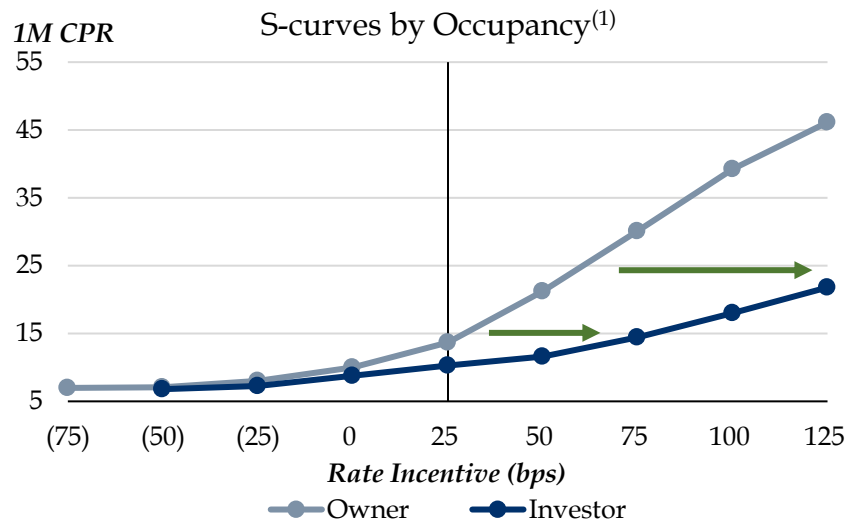
# Agency Investor Collateral

OBX 2020-EXP3 is expected to contain ~23% agency investor collateral

GSE's provide financing for investment properties

- GSE Investor loans are originated using the borrower's entire financial profile (FICO, debt to income (DTI), reserves, etc.) and property LTV. Loans are underwritten to the individual borrower, not the property
- Similar to an owner occupied or second home mortgage origination, GSE Investor loans are underwritten utilizing a borrower's DTI. The borrower's DTI cannot exceed 50% including property income / loss
- Business purpose lending concepts such as debt service coverage ratio (DSCR) and debt yield are not utilized. Most DSCR lending programs do not utilize the borrower's financials in the underwrite
- Fannie Mae and Freddie Mac limit the number of financed properties to 10 (including principal residence). Both have additional restrictions on greater than six properties

Agency Eligible Investor loans appear to show beneficial convexity characteristics



Source: J.P. Morgan Securities LLC, Fannie Mae.

1. Curves are restricted to 30 year, 12-36 WALA, \$250-350k loan size split by occupancy. References 1M CPR from January 2017-June 2020.

2. Curves are restricted to 30 year, \$250-350k loan size with 75-125bps of rate incentive observed on or about January 2017-June 2020.

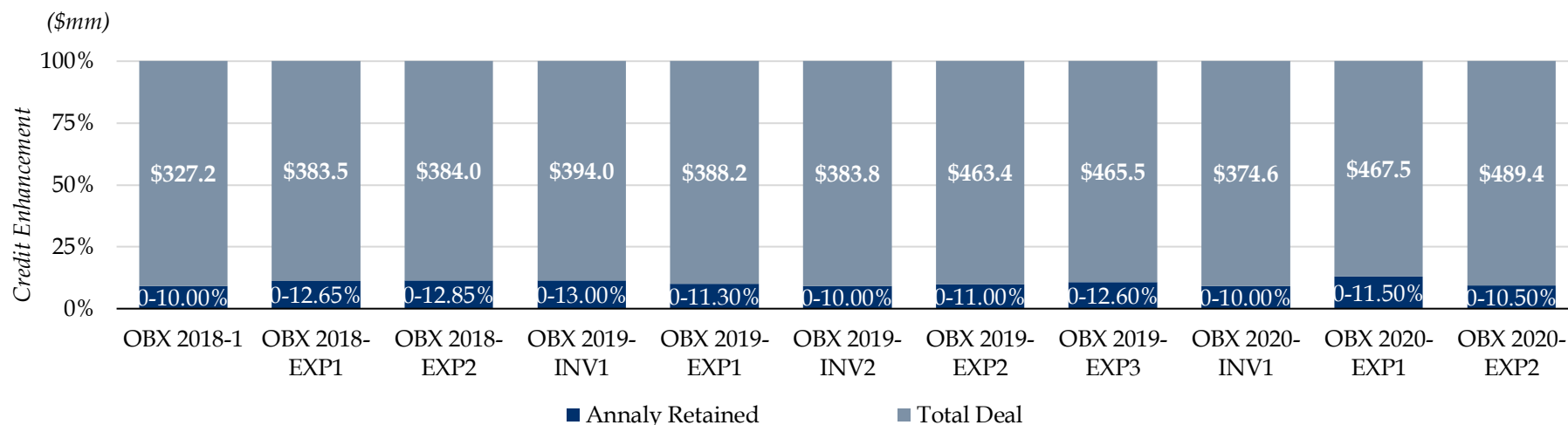
# Retained Interest in OBX Shelf

Annaly has retained significantly more assets than mandated by risk retention<sup>(1)</sup> at issuance

- Annaly utilizes securitization as a mechanism to diversify funding for the whole loan business
  - Securitization is also an asset generation strategy
  - Further aligns investor and sponsor interests
- Annaly has retained a significant interest in all securitizations to date (IO/AIOs and subordinate bonds) at issuance

|                              | Deal Size          | Percentage of Subordinate Bonds Retained at Issuance |
|------------------------------|--------------------|--|
| OBX 2018-1                   | \$327.2mm          | 100%   |
| OBX 2018-EXP1                | \$383.5mm          | 100%   |
| OBX 2018-EXP2                | \$384.0mm          | 100%   |
| OBX 2019-INV1                | \$394.0mm          | 100%   |
| OBX 2019-EXP1                | \$388.2mm          | 100%   |
| OBX 2019-INV2                | \$383.8mm          | 100%   |
| OBX 2019-EXP2                | \$463.4mm          | 100%   |
| OBX 2019-EXP3                | \$465.5mm          | 100%   |
| OBX 2020-INV1                | \$374.6mm          | 100%   |
| OBX 2020-EXP1                | \$467.5mm          | 100%   |
| OBX 2020-EXP2 <sup>(2)</sup> | \$489.4mm          | 82%  |
| <b>Total</b>                 | <b>\$4,521.1mm</b> | <b>98%</b>   |

Annaly has held some of the subordinate bonds in addition to the IO/AIOs off previous securitizations at issuance



- The Securitization Risk Retention Rule implemented under the Dodd-Frank Act requires the securitizer of asset-backed securities to retain at least 5% of the credit risk related to that securitization in either an Eligible Horizontal Residual Interest equal to 5% of the fair value of the ABS interests or an Eligible Vertical Interest equal to 5% of the securities issued (or a combination thereof).
- Sold the B1 (10.50% CE) on OBX 2020-EXP2 in addition to the seniors. Retained B2-B6 and IO/AIOs.