



ANNALY®

Third Quarter 2015 Supplemental Information
November 4, 2015

Safe Harbor Notice



This news release 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 the commercial mortgage business; credit risks related to our investments in Agency CRT securities, residential mortgage-backed securities and related residential mortgage credit assets, commercial real estate assets and corporate debt; our ability to grow our residential mortgage credit business; 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; and our ability to maintain our exemption from registration under the Investment Company Act of 1940, as amended. For a discussion of the risks and uncertainties which could cause actual results to differ from those contained in the forward-looking statements, see "Risk Factors" in our most recent Annual Report on Form 10-K and any subsequent Quarterly Reports on Form 10-Q. We do not undertake, and specifically disclaim any obligation, to publicly release the result of any revisions which may be made to any forward-looking statements to reflect the occurrence of anticipated or unanticipated events or circumstances after the date of such statements.

3Q15 Financial Overview



Unaudited

Income Statement

- GAAP net loss of (\$627.5) million, or (\$0.68) loss per average common share, resulting in an annualized GAAP loss on average equity of (20.18%)
- Core earnings⁽¹⁾ of \$217.6 million, or \$0.21 per average common share, generating an annualized core return on average equity of 7.00%
- Normalized⁽²⁾ core earnings of \$300.7 million, or \$0.30 per average common share, generating an annualized normalized core return on average equity of 9.67%
- Declared a \$0.30 dividend per common share

Balance Sheet

- Common stock book value per share of \$11.99
- End of period total debt to equity of 4.8x⁽³⁾; economic leverage ratio of 5.8x⁽⁴⁾
- End of period capital ratio of 13.7%⁽⁵⁾
- Weighted average days to maturity on repurchase agreements of 147 days

Portfolio

- Average yield on interest earning assets⁽⁶⁾ of 2.41% and net interest spread of 0.76% during the quarter; net interest margin⁽⁷⁾ of 1.24%
- Normalized average yield on interest earning assets of 2.86% and normalized net interest spread of 1.21% during the quarter; normalized net interest margin of 1.62%
- End of period Investment Securities⁽⁸⁾ of \$67.0 billion
- Total credit portfolio⁽⁹⁾ represents 18% of stockholders' equity

- (1) "Core earnings" represents a non-GAAP measure and is defined as net income (loss) excluding 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) Excludes the estimated premium amortization adjustment due to changes in long-term CPR estimates.
- (3) 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.
- (4) Computed as the sum of recourse debt, TBA derivative notional outstanding and net forward purchases of Investment Securities divided by total equity. Recourse debt consists of repurchase agreements, other secured financing and Convertible Senior Notes.
- (5) The ratio of stockholders' equity to total assets (inclusive of total market value of TBA derivatives).
- (6) Interest earning assets reflects the average amortized cost of our investments during the period.
- (7) Represents the sum of the Company's 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.
- (8) Investment Securities consist of Agency mortgage-backed securities, Agency debentures, credit risk transfer securities and non-Agency mortgage-backed securities.
- (9) Represents credit risk transfer securities, non-Agency mortgage-backed securities, commercial real estate debt investments and preferred equity investments, investments in commercial real estate, corporate debt and loans held for investment, net of financing; excludes loans held for sale.

Strategy Overview



Unaudited

Portfolio Positioning

- During the third quarter of 2015, leverage remained relatively unchanged as we reinvested existing portfolio paydowns into Agency mortgage-backed securities ("Agency MBS") and diversified into an additional \$600 million in residential mortgage credit investments
- Agency MBS and residential credit spreads widened during the third quarter, suggesting low leverage investment approach was prudent. Passage of macroeconomic risk events, such as the initial Federal Reserve rate hike, may provide opportunity to add assets
- 18% of stockholders' equity invested in commercial and residential credit assets at the end of Q3⁽¹⁾

Market Opportunities

- Expected levered return on equity of 9% to 12% on purchase of Agency MBS in current market environment
- Dollar roll financing rates continued to moderate during the quarter as banks were less willing to finance rolls ahead of a potential Federal Reserve interest rate hike. Despite declines in roll specialness, TBAs remain attractive due to low absolute levels of financing
- We see opportunities across a broad spectrum of residential credit assets, which continue to look fundamentally sound, offer attractive returns, and help us better manage interest rate cycles. Expected levered return on equity of 10% to 12% in new residential credit investments
- Volatility in CMBS markets is creating some attractive opportunities in commercial credit. Expected levered return on equity of 8% to 10% in new commercial debt investments

Liability and Interest Rate Management

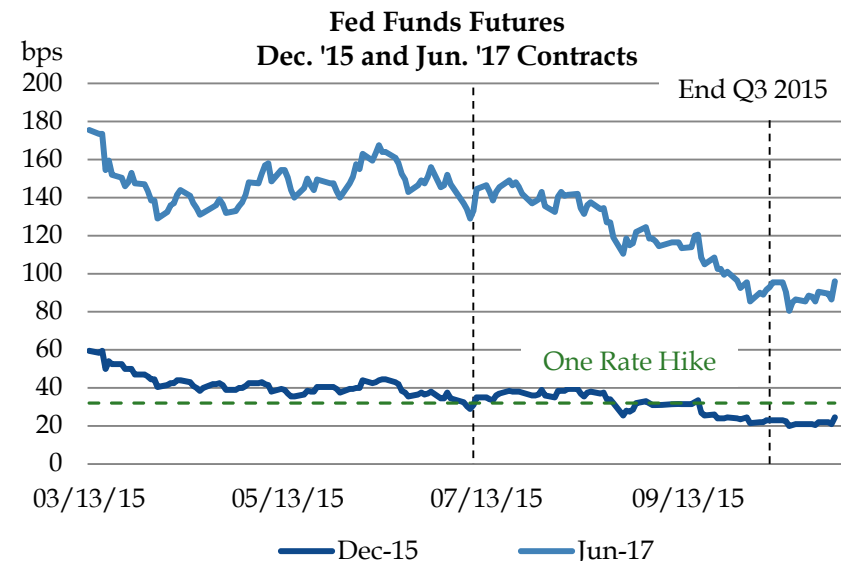
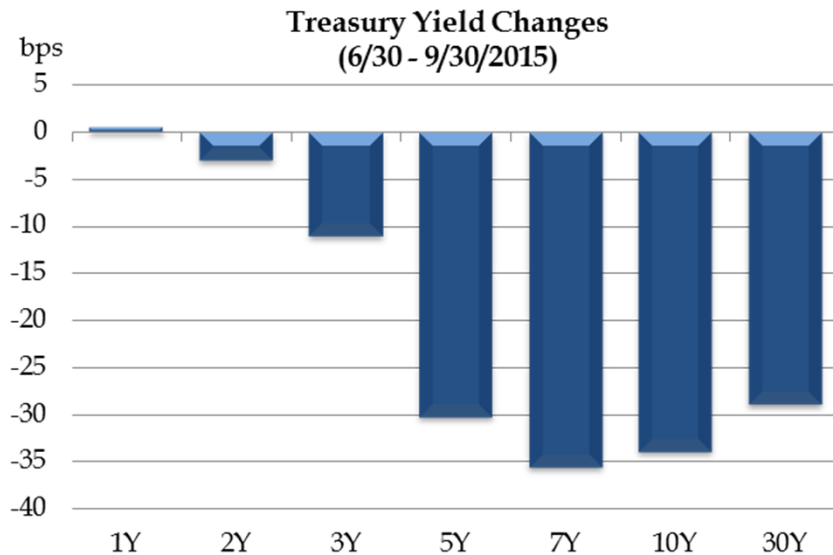
- Maintain current relatively conservative portfolio leverage in anticipation of taking advantage of future market opportunities that may arise
- Focus on longer term and product-specific funding agreements to manage short term interest rate uncertainty and overall firm liquidity
- Selectively utilize derivatives to hedge against higher interest rates and spikes in volatility

(1) Excludes loans held for sale.



Interest Rate Market Performance

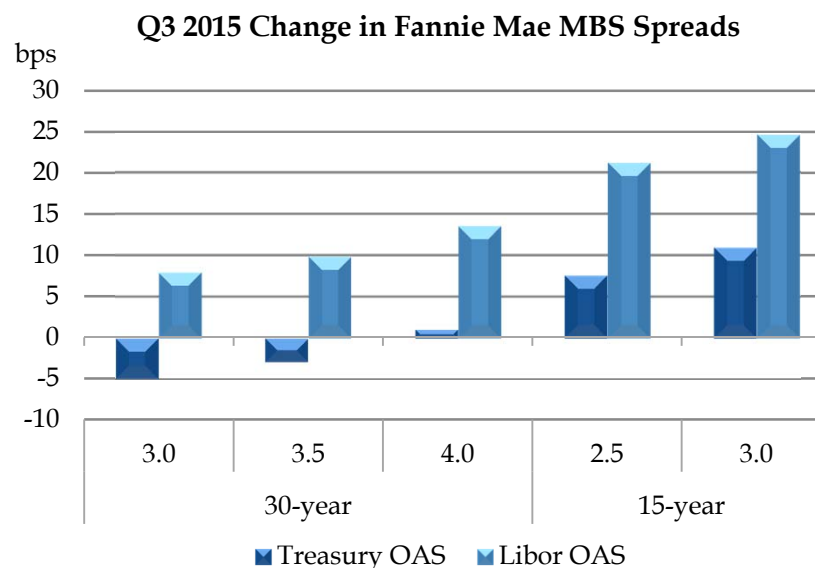
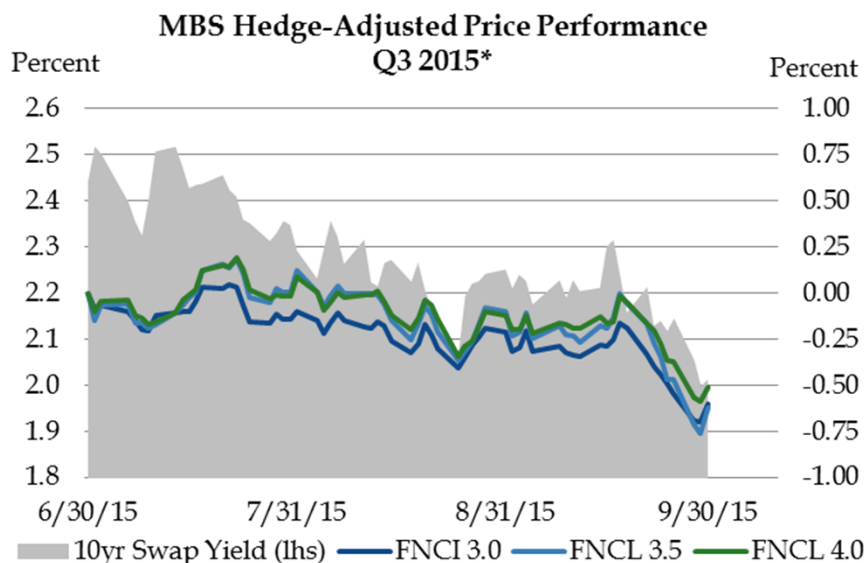
- Medium and long-dated Treasury yields declined during the quarter as global economic uncertainty led to a risk-off trading tone
 - Global risk assets underperformed sharply following rising doubts over strength of Chinese and related emerging market economies
 - Inflation data in developed market economies continued to disappoint, suggesting additional central bank easing is possible
 - Swap spreads declined sharply across tenors to post crisis lows driven by foreign central banks' Treasury sales, strong corporate bond issuance, and increased regulation
- September FOMC meeting decision to not raise rates surprised many market participants
 - Fed continues to signal intent to hike in 2015, despite weaker U.S. economic data and central bank easing globally, leaving market with uncertainty over near-term monetary policy outlook





MBS Market Performance

- MBS spreads widened during the quarter, particularly in the month of September
 - Current level of spreads make MBS look attractive, but spreads are at widest level of the past year given uncertainties about refinancing activity, supply/demand outlook, attractiveness of carry going forward
 - Delay in Fed hike is a marginal positive for MBS basis, as Fed now expected to continue reinvestments well into 2017, in turn cleansing an increasingly heterogeneous TBA collateral
 - Given tightening in swap spreads, Libor spread measures underperformed Treasury spreads, which could reverse should swap spreads begin to widen
- We remain cautious, yet not overly pessimistic
 - Continue to trade the market opportunistically, gravitating into sectors where we see relative value
 - Passage of near-term risk events may provide a good entry point to add MBS



Source: Barclays, Annaly calculations

* MBS relative performance vs. swaps reflects cumulative price performance of a MBS position hedged with a combination of 2-yr, 5-yr and 10-yr interest rate swaps on June 30, 2015. Calculations are based on Credit Suisse model MBS partial duration profile. Cumulative performance does not include net coupon earnings and assumes no rebalancing of swap hedges.

Enhanced Financial Disclosures



Normalized Core EPS Excludes Estimated Premium Amortization Adjustment (“PAA”)

Amortization

- Disclosing normalized Core EPS and the estimated long-term CPR offers greater transparency and visibility in forecasting earnings power

	Core EPS	PAA	Normalized Core EPS	Portfolio 3M CPR	LT CPR	10yr Tsy
Q3 2015	\$0.21	\$0.09	\$0.30	12%	9.2%	2.04%
Q2 2015	\$0.41	(\$0.08)	\$0.33	12%	7.7%	2.35%
Q3 2014	\$0.31	\$0.02	\$0.33	9%	6.9%	2.49%

Credit Businesses

- Enhanced disclosure to include detail on the sector composition of the residential credit portfolio
- New disclosure around the geographic concentration of the commercial real estate (debt and equity) portfolios

Residential Credit Portfolio Overview



Diversification

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

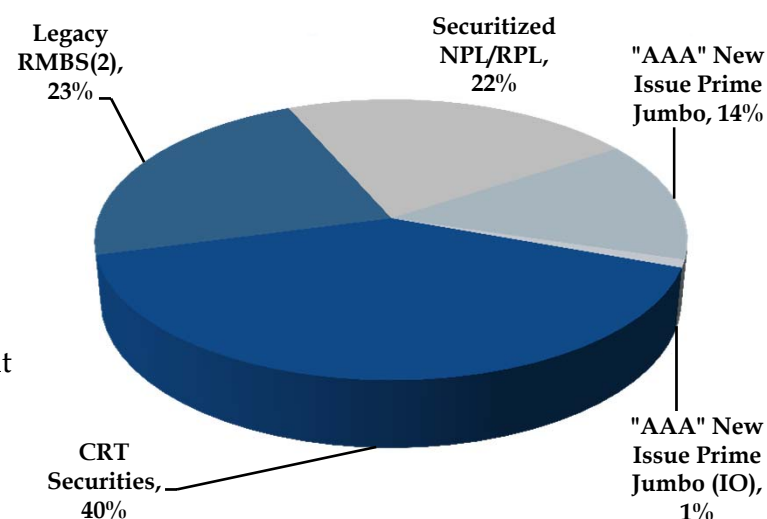
Positive Technicals / Fundamentals

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

Attractive Returns

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

Portfolio Composition (Market Value) ⁽¹⁾



- Throughout the third quarter, the resi credit portfolio has grown to ~\$821M
- We have focused on our target sectors (CRT, NPL/RPL, RMBS 2.0, and Legacy) within the securitization market

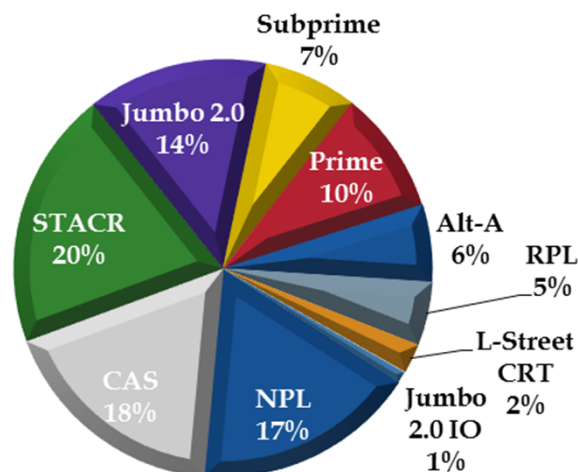
(1) Data as of September 30, 2015.
(2) Legacy RMBS defined as pre-2009 origination.



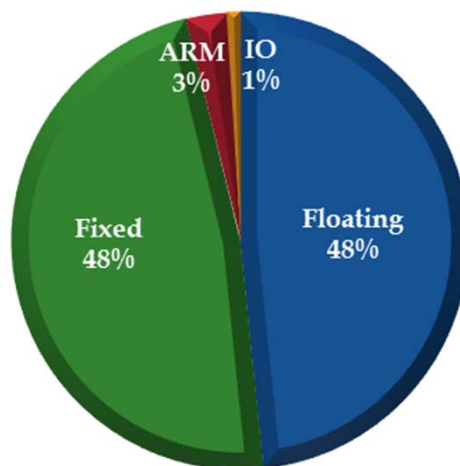
Residential Credit Portfolio Composition

- Residential credit portfolio is diversified across product and issuer types
- Natural hedge to the fixed Agency MBS portfolio – WA duration of the portfolio is 1.7yrs
- Approximately 12% of the portfolio is AAA; 25% is above investment grade rated
- Unlevered portfolio yield of 4.50%
- The group utilizes street repo leverage (Legacy, NPL/RPL and CRT) and FHLB financing on the Jumbo 2.0 sector to generate low to mid teens double digit levered returns
- As of September 30, 2015, the residential credit portfolio value was \$821M

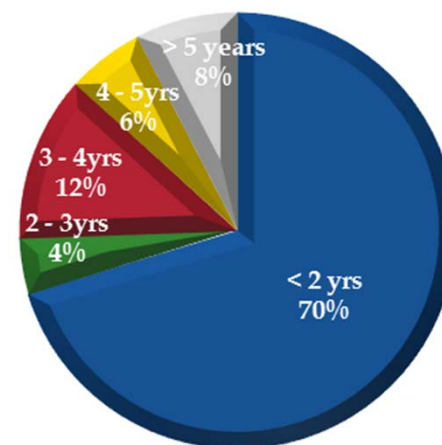
Sector Type



Coupon Type



Duration



(1) Data as of September 30, 2015.

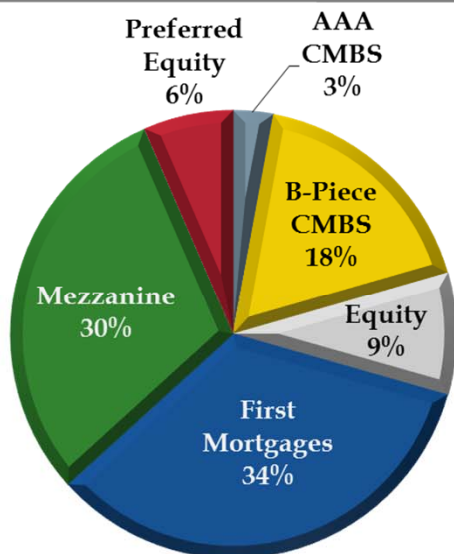


Annaly Commercial Real Estate Group Portfolio

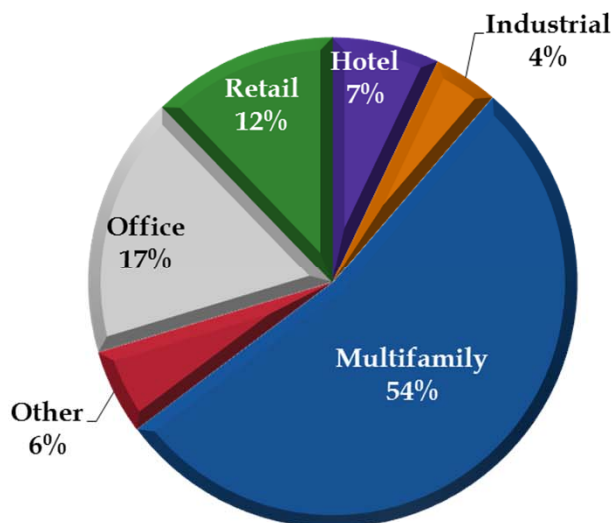
- Providing debt capital at higher leverage points in the capital structure on real estate with growth potential. Selectively acquire stabilized property with durable income characteristics
- Maximize returns through creative financing strategies utilizing syndication relationships, credit facilities and structural leverage
- Focus on top tier sponsors, operating in good markets with rational business plans and loan structures that mitigate risk

Total Economic Interest: \$1.87 Billion
Levered Return 7.6%⁽¹⁾

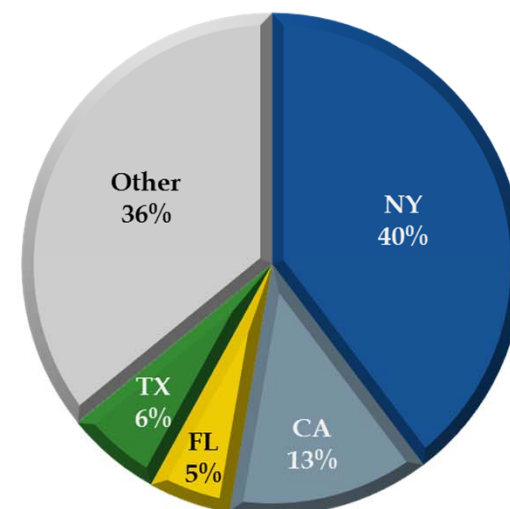
Asset Type



Sector Type



Geographic Concentration⁽²⁾



Data as of September 30, 2015.

Note: Percentages based on economic interest

(1) Includes loans held for sale. Economic interest of \$1.4 Billion with a levered return of 9.4% excluding loans held for sale at September 30, 2015.

(2) Other includes 38 states, none of which represent more than 5% of total portfolio value.

Last Five Quarters Financial Performance

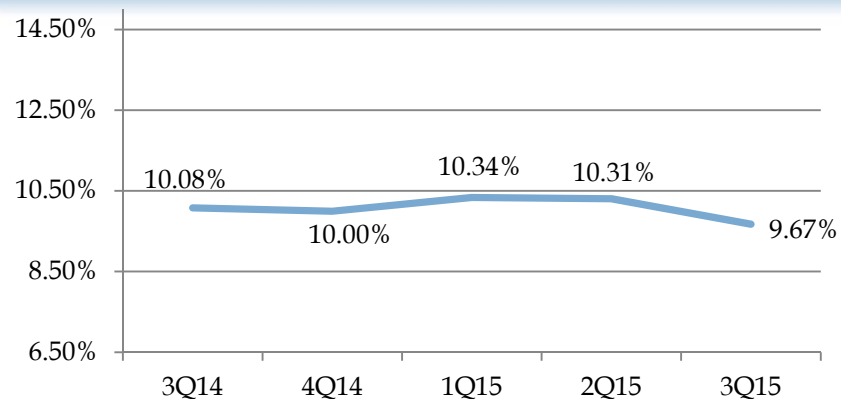


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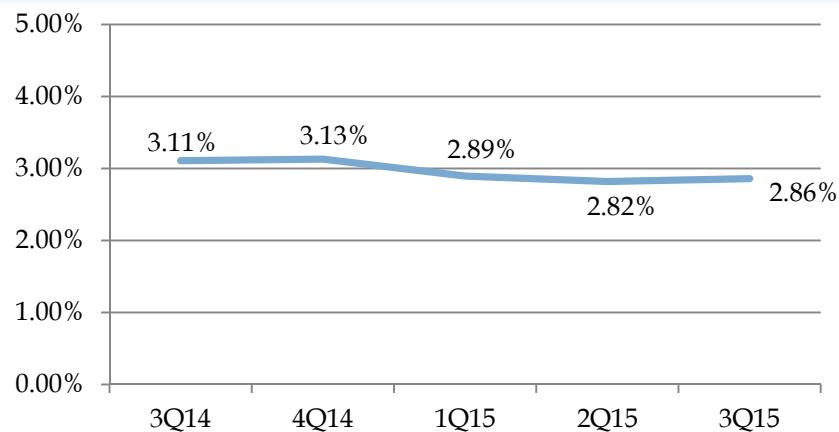
Normalized Core EPS



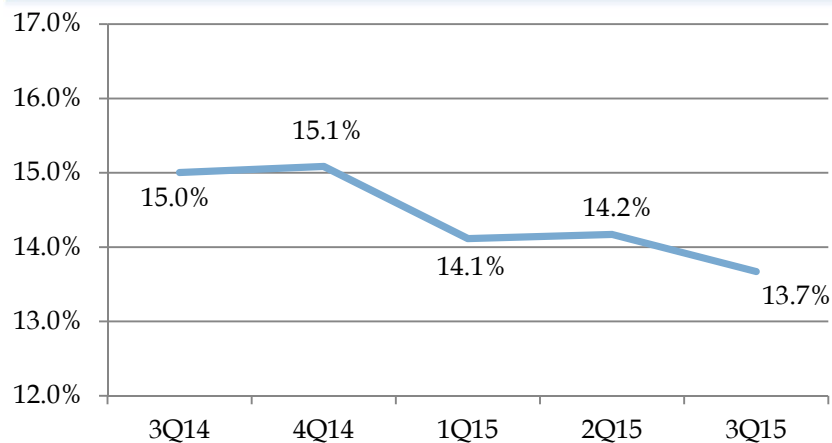
Annualized Normalized Core Return on Equity



Normalized Average Yield on Interest Earning Assets



Capital Ratio





Summary Balance Sheet and Applicable Information

Unaudited, numbers in thousands except per share amounts

	For the quarters ended		
	September 30, 2015	June 30, 2015	September 30, 2014
Investment Securities	\$67,040,519	\$68,249,262	\$82,796,568
Commercial real estate investments ⁽¹⁾	4,976,251	4,362,579	1,628,785
Corporate debt, held for investment	424,974	311,640	144,451
Total Investment Securities and commercial investment portfolio⁽²⁾	\$72,441,744	\$72,923,481	\$84,569,804
Total assets	\$75,338,687	\$75,545,680	\$87,387,986
Average TBA position	\$14,210,373	\$14,624,862	-
Repurchase agreements	\$56,449,364	\$57,459,552	\$69,610,722
Other secured financing	359,970	203,200	-
Convertible Senior Notes	-	-	836,625
Securitized debt of consolidated VIEs	2,553,398	2,610,974	260,700
Mortgages payable	166,697	146,359	42,635
Participation sold	13,389	13,490	13,768
Total debt	\$59,542,818	\$60,433,575	\$70,764,450
Total liabilities	\$63,054,354	\$62,950,875	\$74,277,038
Cumulative redeemable preferred stock	\$913,059	\$913,059	\$913,059
Common equity ⁽³⁾	11,365,769	11,676,940	12,197,889
Total stockholders' equity	\$12,278,828	\$12,589,999	\$13,110,948
Non-controlling interest	5,505	4,806	-
Total equity	\$12,284,333	\$12,594,805	\$13,110,948
Total debt to total equity	4.8x	4.8x	5.4x
Economic leverage ratio	5.8x	5.6x	5.4x
Capital ratio	13.7%	14.2%	15.0%
Common stock book value per share	\$11.99	\$12.32	\$12.87
Total common shares outstanding	947,826	947,768	947,592

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

(2) Commercial investment portfolio consists of loans held for sale, commercial real estate debt and preferred equity, investments in commercial real estate and corporate debt.

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



Summary Income Statement and Applicable Information

Unaudited, dollars in thousands except per share amounts

	For the quarters ended		
	September 30, 2015	June 30, 2015	September 30, 2014
Total interest income	\$450,792	\$624,346	\$644,640
Total economic interest expense ⁽¹⁾	248,041	252,845	296,152
<u>Economic net interest income⁽¹⁾</u>	<u>\$202,751</u>	<u>\$371,501</u>	<u>\$348,488</u>
GAAP Net income (loss)	(\$627,491)	\$900,071	\$354,856
GAAP Net income (loss) available (related) to common shareholders	(645,286)	882,228	336,864
<u>GAAP Earnings per common share</u>	<u>(\$0.68)</u>	<u>\$0.93</u>	<u>\$0.36</u>
Core earnings (loss)	\$217,601	\$411,055	\$308,621
Core earnings (loss) available (related) to common shareholders	199,609	393,063	290,629
<u>Core earnings per common share</u>	<u>\$0.21</u>	<u>\$0.41</u>	<u>\$0.31</u>
Normalized core earnings (loss)	\$300,737	\$331,473	\$334,613
Normalized core earnings (loss) available (related) to common shareholders	282,745	313,481	316,621
<u>Normalized core earnings per common share</u>	<u>\$0.30</u>	<u>\$0.33</u>	<u>\$0.33</u>
Dividends declared per common share	\$0.30	\$0.30	\$0.30
Annualized GAAP return on average equity	(20.18%)	28.00%	10.69%
Annualized core return on average equity	7.00%	12.79%	9.30%
Annualized core return on average equity per unit of economic leverage	1.21%	2.28%	1.72%
Annualized normalized core return on average equity	9.67%	10.31%	10.08%
Annualized normalized core return on average equity per unit of economic leverage	1.67%	1.84%	1.87%
Net interest margin	1.24%	2.01%	1.61%
Normalized net interest margin	1.62%	1.67%	1.74%
Average yield on interest earning assets	2.41%	3.23%	2.99%
Normalized yield on interest earning assets	2.86%	2.82%	3.11%
Average cost of interest bearing liabilities	1.65%	1.59%	1.64%
Net interest spread	0.76%	1.64%	1.35%
<u>Normalized net interest spread</u>	<u>1.21%</u>	<u>1.23%</u>	<u>1.47%</u>
<u>Weighted average experienced CPR, for the period</u>	<u>12%</u>	<u>12%</u>	<u>9%</u>
<u>Weighted average projected long-term CPR, as of period end</u>	<u>9.2%</u>	<u>7.7%</u>	<u>6.9%</u>
Book value per common share rollforward:			
Book value per common share, beginning of period	\$12.32	\$12.88	\$13.23
Net income (loss) attributable to common stockholders	(\$0.68)	\$0.93	\$0.36
Other comprehensive income (loss) attributable to common stockholders	\$0.65	(\$1.19)	(\$0.42)
Common dividends declared	(\$0.30)	(\$0.30)	(\$0.30)
<u>Book value per common share, end of period</u>	<u>\$11.99</u>	<u>\$12.32</u>	<u>\$12.87</u>

(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		
	September 30, 2015	June 30, 2015	September 30, 2014
Interest income:			
Investment Securities	\$399,702	\$570,493	\$606,331
Commercial investment portfolio	50,204	52,429	38,113
Reverse repurchase agreements	820	1,355	135
Other	66	69	61
<u>Total interest income</u>	<u>\$450,792</u>	<u>\$624,346</u>	<u>\$644,640</u>
Economic interest expense:			
Repurchase agreements	\$103,823	\$101,225	\$102,750
Interest expense on swaps used to hedge cost of funds ⁽¹⁾	137,744	139,773	169,083
Convertible Senior Notes	-	6,113	22,376
Securitized debt of consolidated VIEs	6,111	5,475	1,780
Participation sold	161	159	163
Other	202	100	-
<u>Total economic interest expense</u>	<u>\$248,041</u>	<u>\$252,845</u>	<u>\$296,152</u>
<u>Economic net interest income</u>	<u>\$202,751</u>	<u>\$371,501</u>	<u>\$348,488</u>
Premium amortization adjustment	83,136	(79,582)	25,992
<u>Normalized economic net interest income</u>	<u>\$285,887</u>	<u>\$291,919</u>	<u>\$374,480</u>

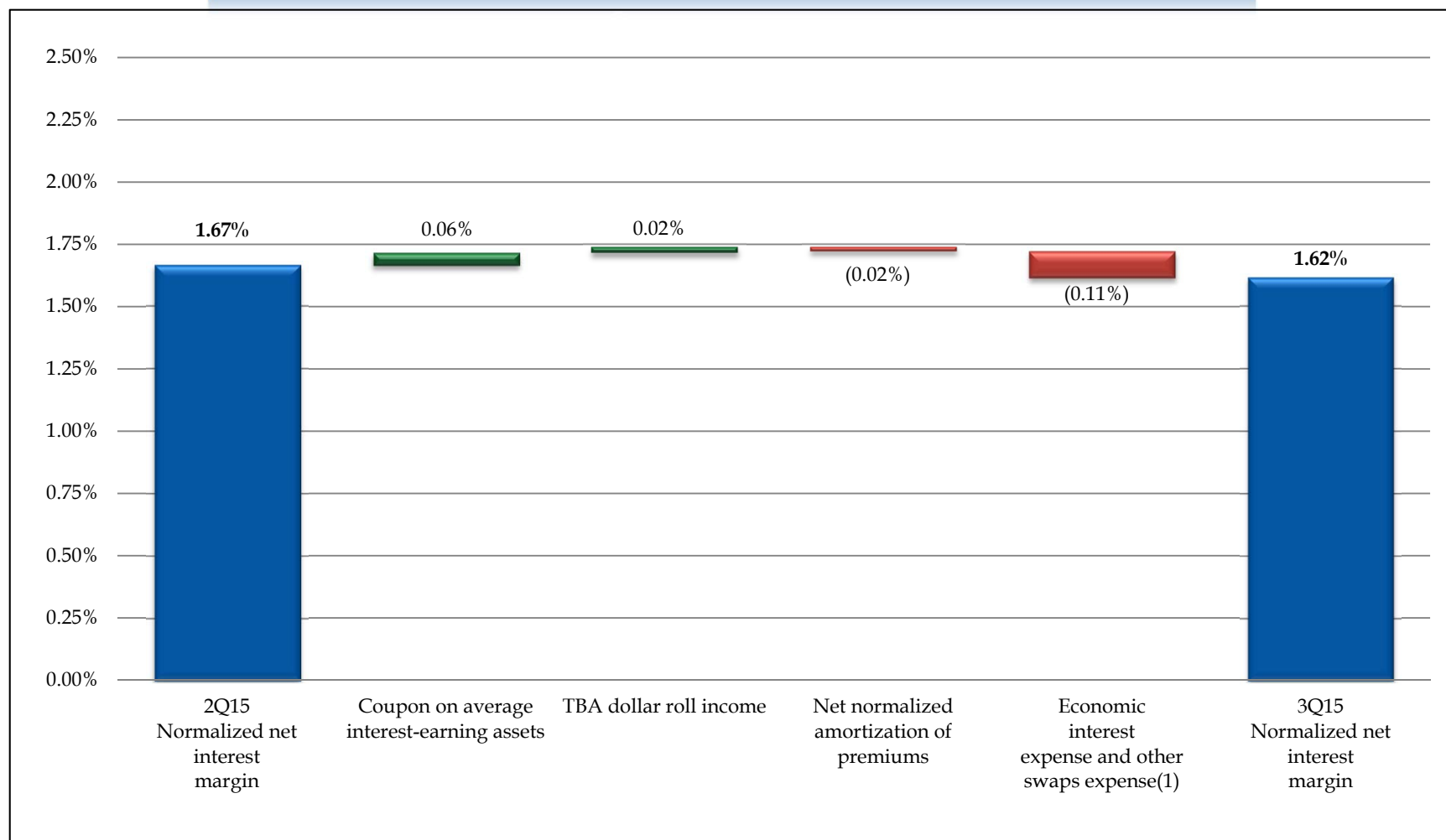
(1) Included within realized losses on interest rate swaps. Excludes interest expense on interest rate swaps used to hedge TBA dollar roll.

Change in Normalized Net Interest Margin



Unaudited

Change from 2Q15 to 3Q15



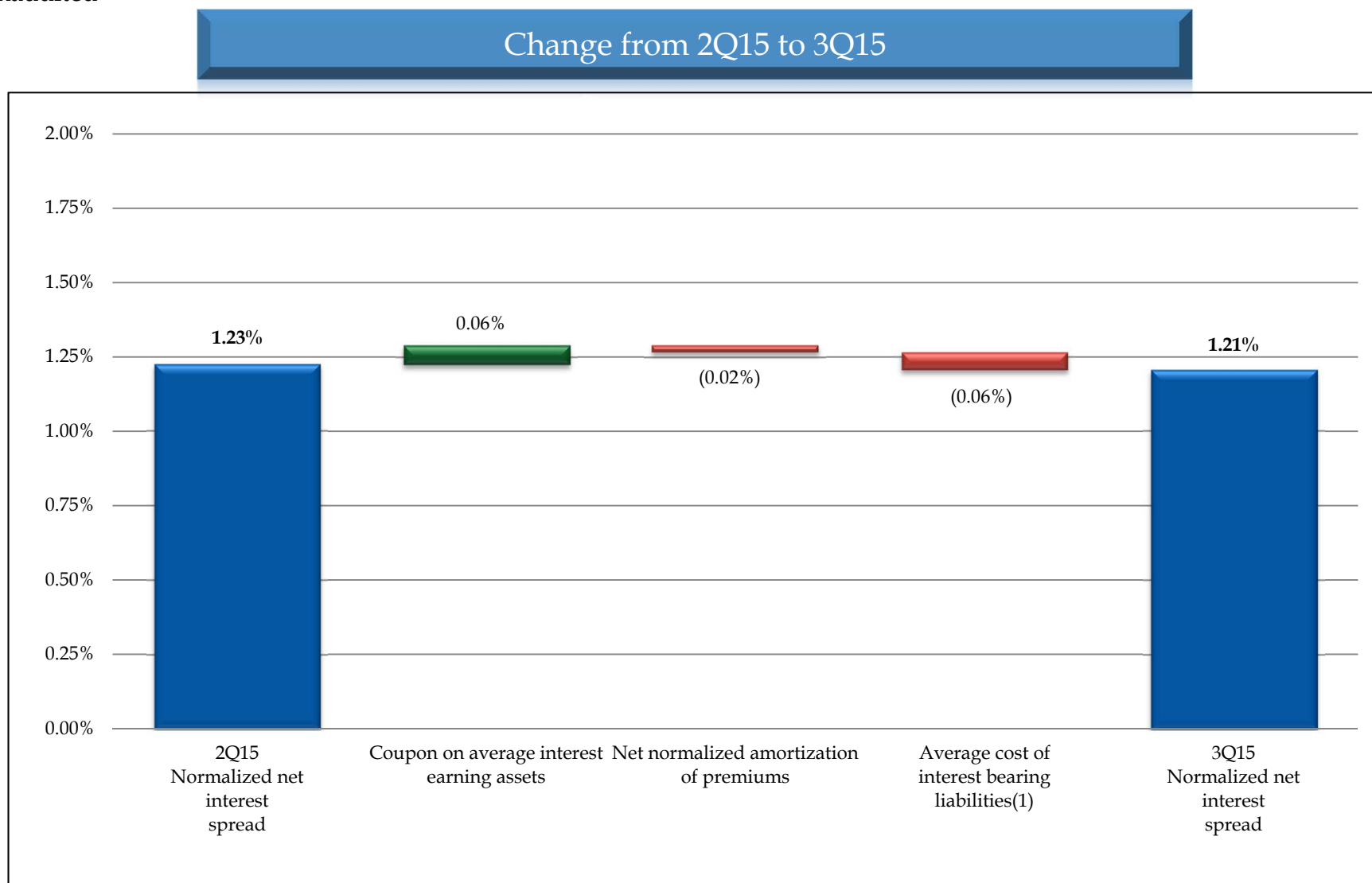
Note: Graph shows relative changes in contribution from 2Q15 to 3Q15. For example, TBA dollar roll income increased normalized net interest margin by 0.02% more in 3Q15 versus 2Q15.

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

Change in Normalized Net Interest Spread



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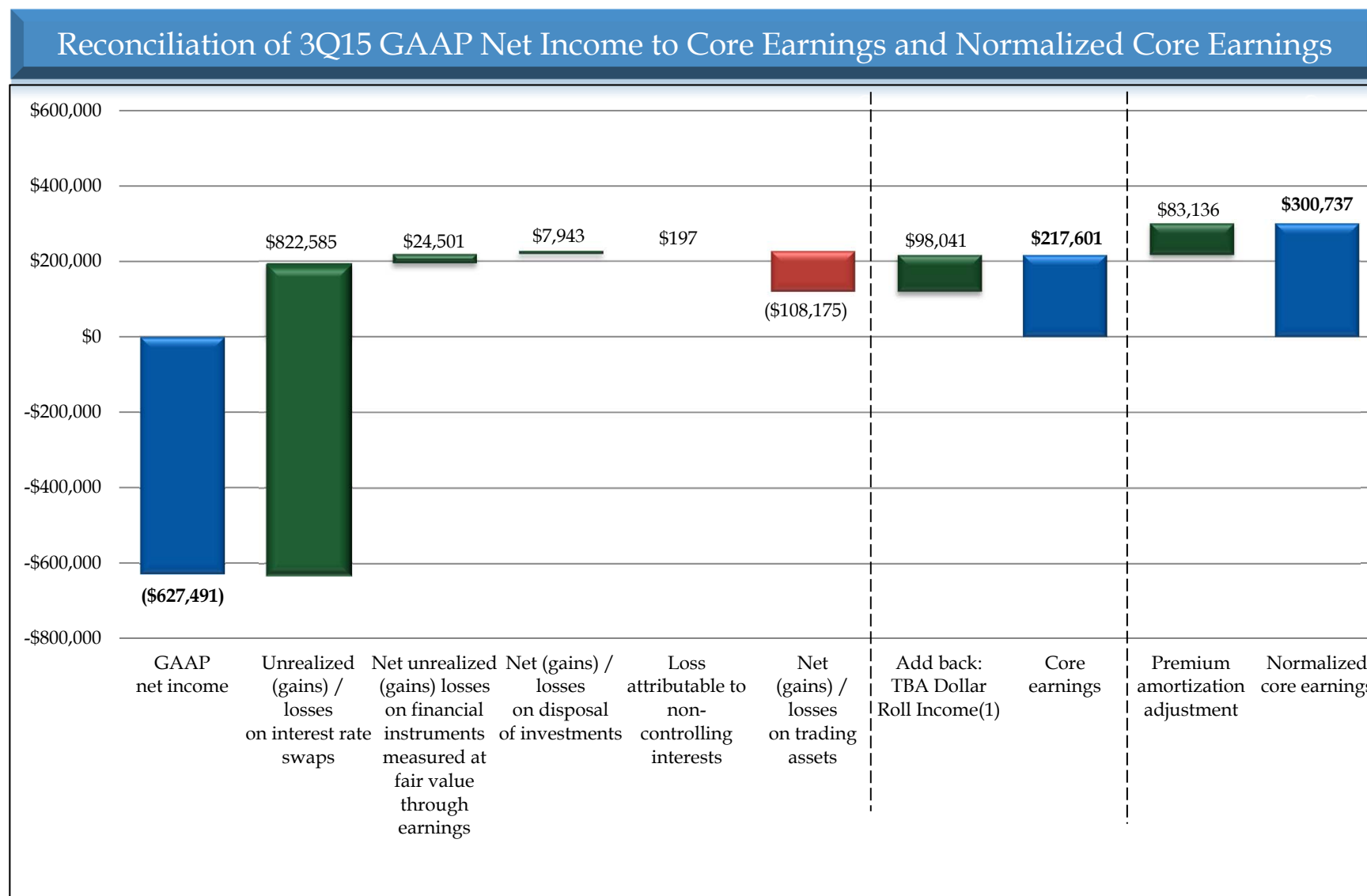
Note: Graph shows relative changes in contribution from 2Q15 to 3Q15. For example, coupon on average interest-earning assets increased normalized net interest spread by 0.06% more in 3Q15 versus 2Q15.

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

Reconciliation to Core Earnings and Normalized Core Earnings



Unaudited, dollars in thousands

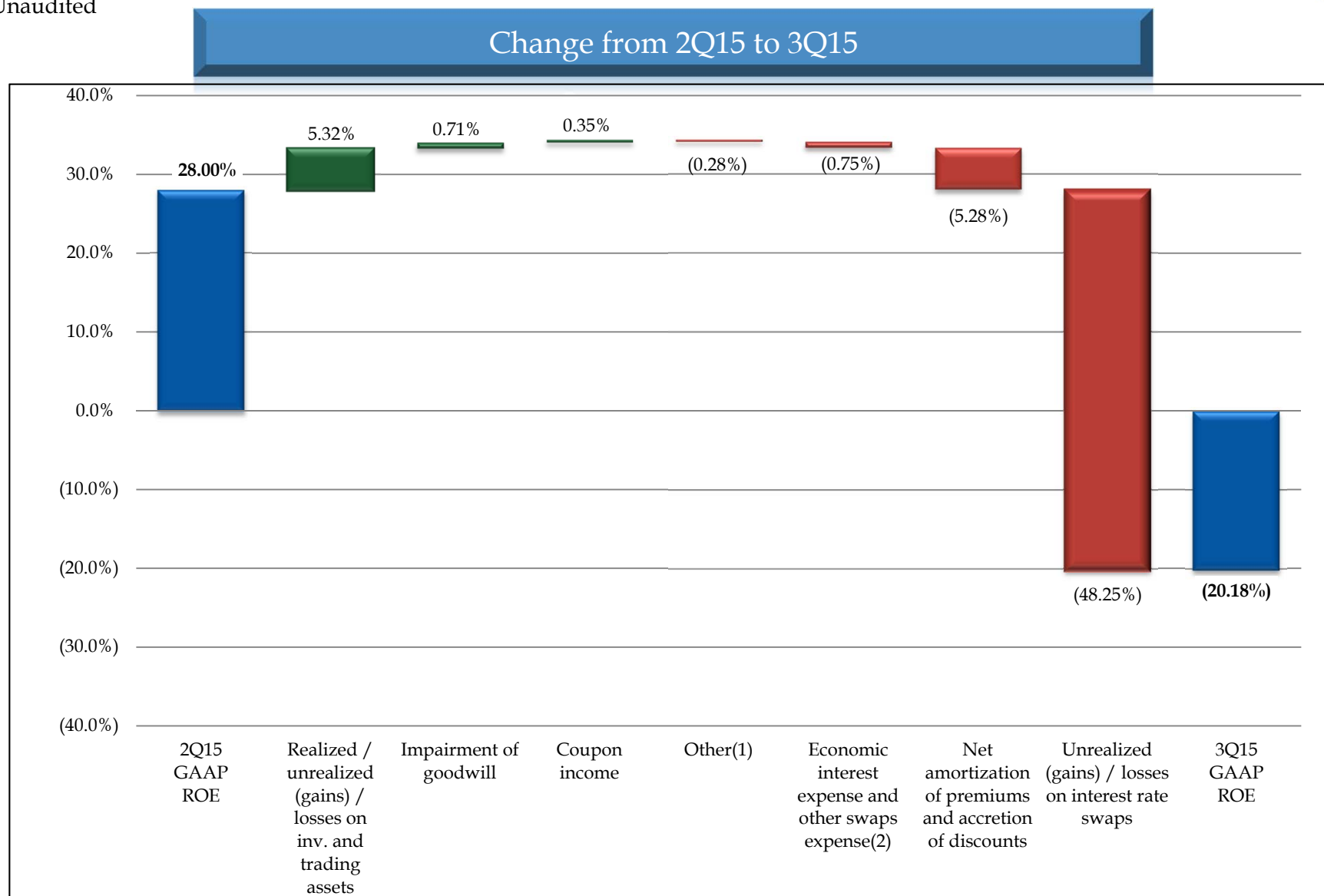


(1) Represents a component of Net gains (losses) on trading assets.

Change in Annualized GAAP Return on Average Equity



Unaudited



Note: Graph shows relative changes in contribution from 2Q15 to 3Q15. For example, coupon income increased annualized ROE by 0.35% more in 3Q15 versus 2Q15.

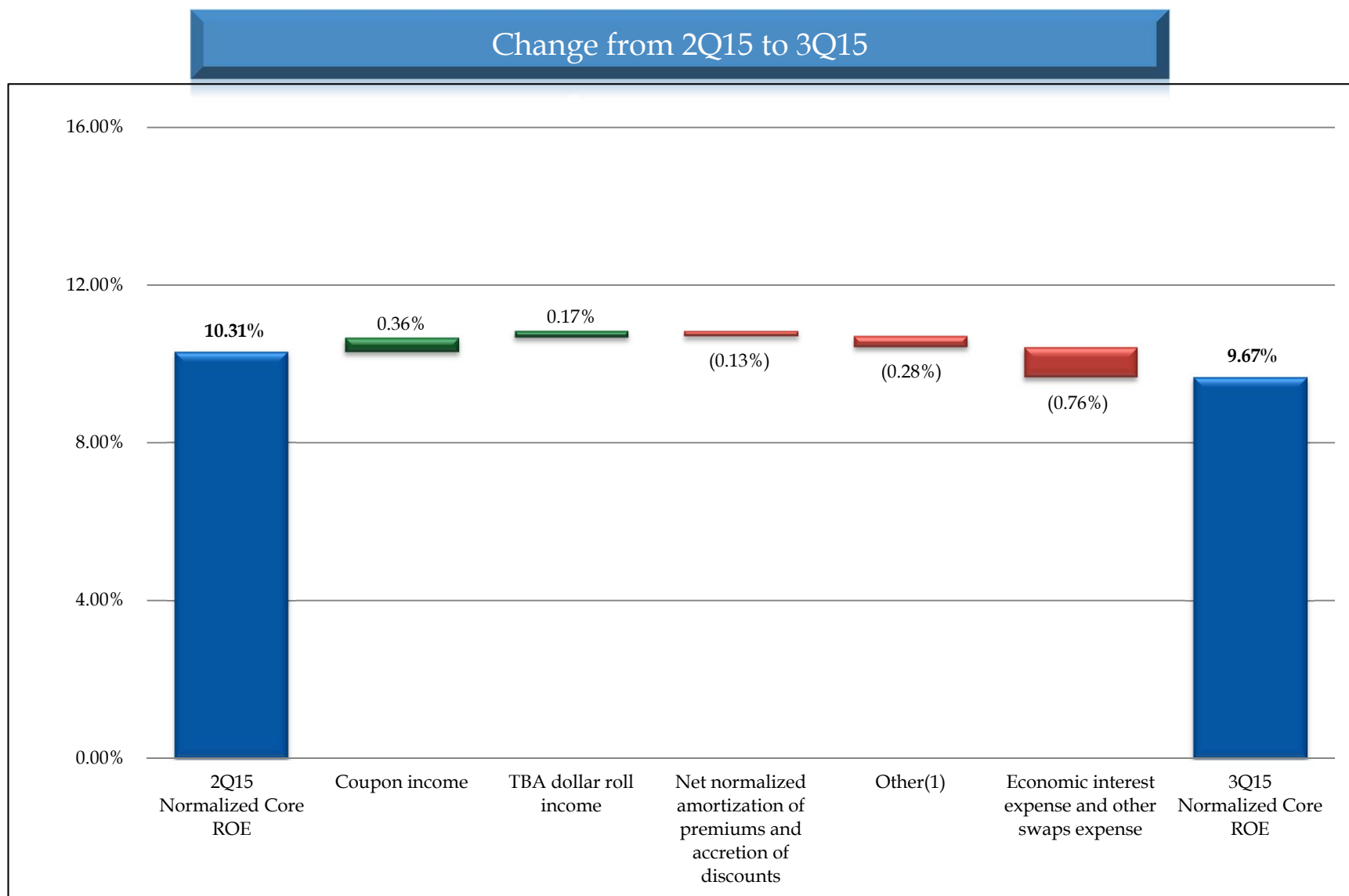
(1) Other includes investment advisory income, dividend income from affiliates, other income (loss), general and administrative expenses, and income taxes.

(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



Unaudited



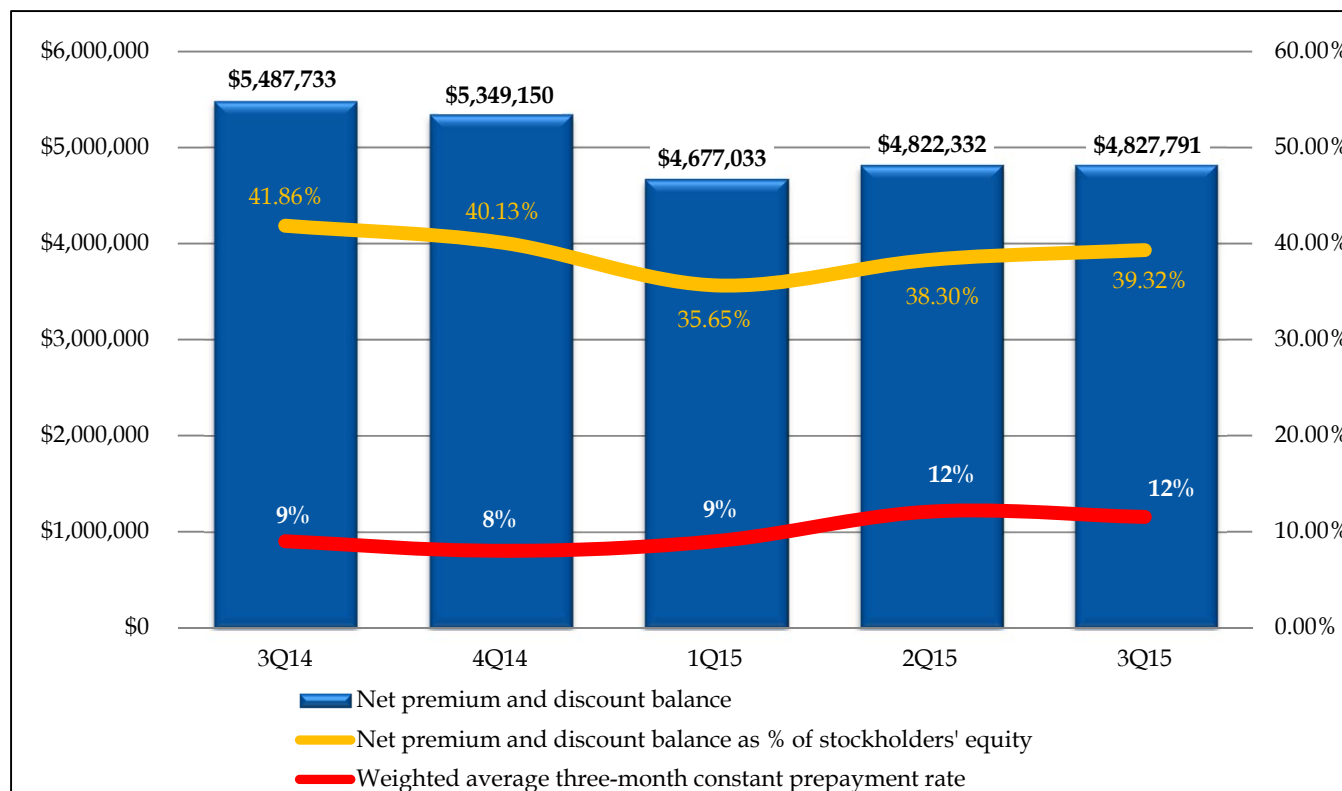
Note: Graph shows relative changes in contribution from 2Q15 to 3Q15. For example, TBA dollar roll income increased annualized core ROE by 0.17% more in 3Q15 versus 2Q15.

(1) Other includes investment advisory income, dividend income from affiliates, other income (loss) excluding non-recurring gains or losses, general and administrative expenses, and income taxes.



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

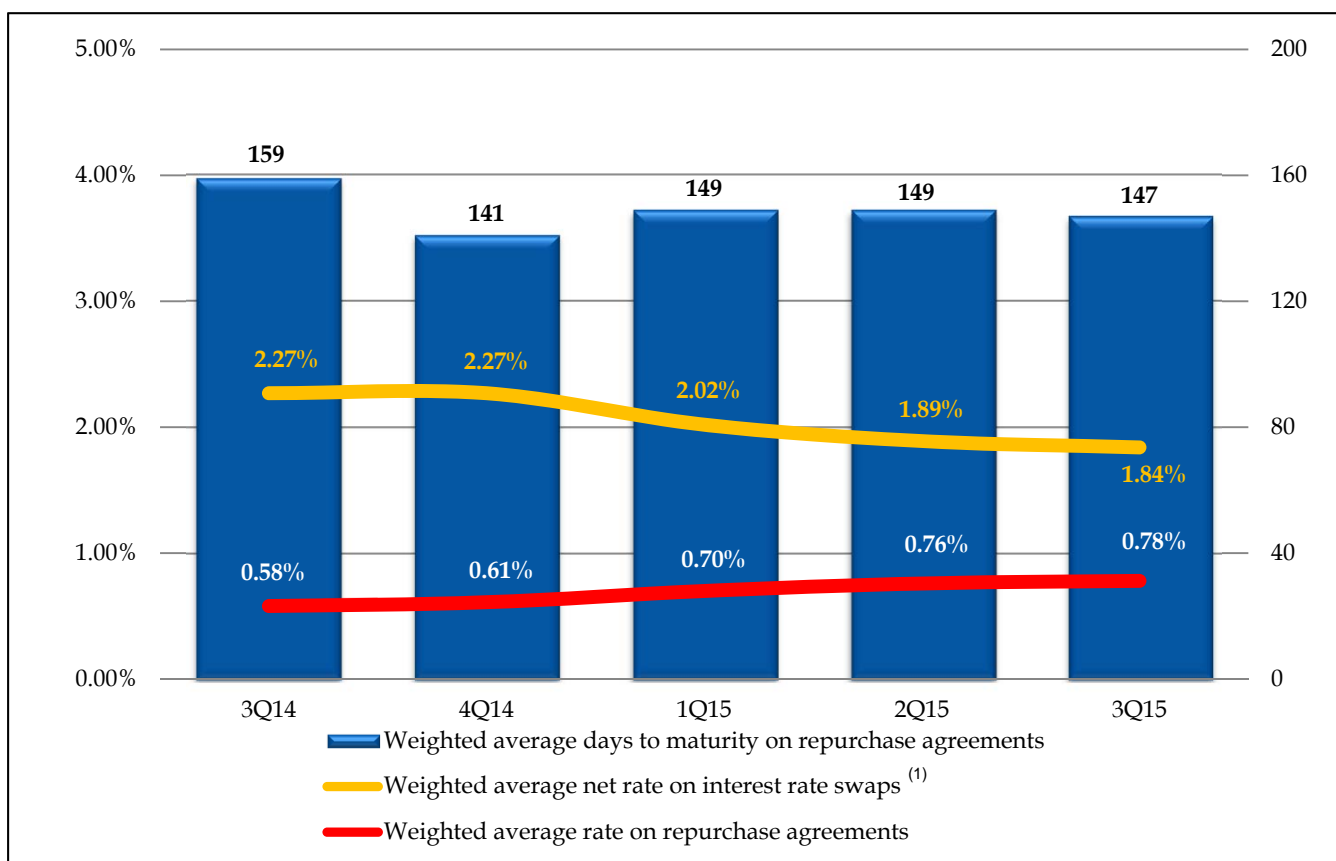
Unaudited, dollars in thousands



Interest Rate and Liability Management



Unaudited



(1) Excludes forward starting swaps.

Note: Net rates do not take into consideration other secured financing, Convertible Senior Notes, securitized debt of consolidated VIEs, participation sold or mortgages payable.



Hedging and Liabilities as of September 30, 2015

Unaudited, dollars in thousands

Interest Rate Swaps				
Maturity	Current Notional ⁽¹⁾	Weighted Avg. Pay Rate ⁽²⁾⁽³⁾	Weighted Avg. Receive Rate ⁽²⁾	Weighted Avg. Years to Maturity ⁽²⁾
0 to <3 years	\$3,202,454	1.85%	0.22%	2.04
>=3 to <6 years	11,113,000	1.81%	0.46%	4.49
>= 6 to <10 years	11,743,300	2.45%	0.47%	8.20
Greater than 10 years	3,634,400	3.70%	0.26%	19.62
Total / Weighted Avg.	\$29,693,154	2.26%	0.42%	7.28

Futures Positions			
Type	Notional Long Positions	Notional Short Positions	Weighted Avg. Years to Maturity ⁽⁴⁾
2-year Swap Equivalent Eurodollar Contracts	-	(8,000,000)	2.00
U.S. Treasury Futures - 5 year	-	(2,273,000)	4.41
U.S. Treasury Futures - 10 year & Greater	-	(655,600)	6.92
Total	-	(\$10,928,600)	2.80

Repurchase Agreements		
Maturity	Principal Balance	Weighted Avg. Rate
Within 30 days	\$19,880,862	0.50%
30 to 59 days	4,846,173	0.52%
60 to 89 days	8,840,129	0.57%
90 to 119 days	3,957,380	0.52%
Over 120 days ⁽⁵⁾	18,924,820	1.29%
Total / Weighted Avg.	\$56,449,364	0.78%

- (1) Notional amount includes \$0.5 billion in forward starting pay fixed swaps, which settle in December 2015.
(2) Excludes forward starting swaps.
(3) Weighted average fixed rate on forward starting pay fixed swaps was 2.04%.
(4) Weighted average years to maturity for futures positions are based off of the Treasury contracts cheapest to deliver.
(5) Approximately 14% of the total repurchase agreements have a remaining maturity over one year.

Investment Securities and TBA Derivative Overview as September 30, 2015



Unaudited, dollars in thousands

Agency Fixed-Rate Securities (Pools)							
Weighted Avg. Years to Maturity	Current Face Value	%	Weighted Avg. Coupon	Weighted Avg. Amortized Cost	Weighted Avg. Fair Value	Weighted Avg. 3-Month CPR	Estimated Fair Value
<=15 years	\$9,079,636	16.1%	3.11%	104.0%	104.6%	9.0%	\$9,501,005
20 years	5,893,047	10.4%	3.55%	104.8%	105.7%	11.8%	6,229,680
>=30 years	41,306,988	73.2%	3.88%	106.2%	106.3%	11.7%	43,925,333
Callables	158,803	0.3%	3.16%	99.6%	97.3%	0.0%	154,514
Total/Weighted Avg.	\$56,438,474	100.0%	3.72%	105.7%	106.0%	11.3%	\$59,810,532

TBA Purchase Contracts					
Type	Notional Value	%	Weighted Avg. Coupon	Implied Cost Basis	Implied Market Value
15-year	\$5,219,000	37.1%	2.93%	\$5,394,841	\$5,417,409
30-year	8,836,000	62.9%	3.42%	9,095,379	9,160,327
Total/Weighted Avg.	\$14,055,000	100.0%	3.24%	\$14,490,220	\$14,577,736

Agency Adjustable-Rate Securities							
Weighted Avg. Months to Reset	Current Face Value	%	Weighted Avg. Coupon	Weighted Avg. Amortized Cost	Weighted Avg. Fair Value	Weighted Avg. 3-Month CPR	Estimated Fair Value
0 - 24 months	\$1,350,568	40.9%	2.68%	100.1%	106.0%	15.8%	\$1,431,223
25 - 40 months	10,301	0.3%	5.48%	98.1%	107.3%	40.9%	11,057
41 - 60 months	96,984	2.9%	4.05%	102.9%	107.1%	24.4%	103,862
61 - 90 months	544,406	16.4%	3.00%	102.9%	104.3%	16.5%	567,640
>90 months	1,047,277	31.6%	3.04%	103.0%	103.6%	6.5%	1,085,120
Step-Ups	260,000	7.9%	2.48%	99.9%	99.5%	0.0%	258,601
Total/Weighted Avg.	\$3,309,536	100.0%	2.88%	101.5%	104.5%	13.1%	\$3,457,503

Investment Securities and TBA Derivative Overview as of September 30, 2015 (cont'd)



Unaudited, dollars in thousands

Agency Fixed-Rate and Floating-Rate Collateralized Mortgage-Backed Obligations							
Type	Current Face Value	%	Weighted Avg. Coupon	Weighted Avg. Amortized Cost	Weighted Avg. Fair Value	Weighted Avg. 3-Month CPR	Estimated Fair Value
Fixed-Rate	\$1,404,368	100.0%	3.21%	102.2%	102.8%	15.4%	\$1,444,217
Floating-Rate	-	0.0%	0.00%	0.0%	0.0%	0.0%	-
Total/Weighted Avg.	\$1,404,368	100.0%	3.21%	102.2%	102.8%	15.4%	\$1,444,217

Agency Interest-Only Collateralized Mortgage-Backed Obligations							
Type	Current Notional Value	%	Weighted Avg. Coupon	Weighted Avg. Amortized Cost	Weighted Avg. Fair Value	Weighted Avg. 3-Month CPR	Estimated Fair Value
Interest-Only	\$5,928,210	64.6%	3.30%	13.5%	12.6%	12.9%	\$744,027
Inverse Interest-Only	3,253,978	35.4%	5.98%	23.0%	23.5%	11.4%	763,475
Total/Weighted Avg.	\$9,182,188	100.0%	4.25%	16.9%	16.4%	12.4%	\$1,507,502

Residential Credit Portfolio							
Non-Agency mortgage-backed securities Sector	Current Face / Notional Value	% ⁽¹⁾	Weighted Avg. Coupon	Weighted Avg. Amortized Cost	Weighted Avg. Fair Value		Estimated Fair Value
Credit Risk Transfer Securities	\$341,819	40.3%	4.18%	98.7%	96.8%		\$330,727
Legacy	202,248	22.6%	3.83%	91.8%	91.8%		185,573
NPL/RPL	184,110	22.3%	3.65%	99.4%	99.2%		182,703
New Issue	113,327	13.9%	3.50%	100.4%	100.9%		114,386
New Issue Interest-Only	481,227	0.9%	0.39%	1.5%	1.5%		7,375
Total/Weighted Avg	\$1,322,731	100.0%	2.62%	62.5%	62.1%		\$820,764

(1) Weighted by fair value.

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 September 30, 2015 and June 30, 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 Change (bps)	As of September 30, 2015		As of June 30, 2015	
	Estimated Percentage Change in Portfolio Value ⁽¹⁾	Estimated Change as a % of NAV ⁽¹⁾⁽²⁾	Estimated Percentage Change in Portfolio Value ⁽¹⁾	Estimated Change as a % of NAV ⁽¹⁾⁽²⁾
(75)	0.1%	0.5%	0.7%	4.2%
(50)	0.3%	1.5%	0.7%	3.8%
(25)	0.2%	1.3%	0.4%	2.5%
25	(0.4%)	(2.1%)	(0.5%)	(3.1%)
50	(0.9%)	(5.0%)	(1.2%)	(6.8%)
75	(1.5%)	(8.7%)	(1.9%)	(11.0%)

MBS Spread Sensitivity

MBS Spread Shock (bps)	As of September 30, 2015		As of June 30, 2015	
	Estimated Change in Portfolio Market Value	Estimated Change as a % of NAV ⁽¹⁾⁽²⁾	Estimated Change in Portfolio Market Value	Estimated Change as a % of NAV ⁽¹⁾⁽²⁾
(25)	1.5%	8.5%	1.4%	8.3%
(15)	0.9%	5.1%	0.9%	5.0%
(5)	0.3%	1.7%	0.3%	1.6%
5	(0.3%)	(1.6%)	(0.3%)	(1.6%)
15	(0.9%)	(4.9%)	(0.9%)	(4.9%)
25	(1.4%)	(8.2%)	(1.4%)	(8.1%)

(1) Scenarios include Investment Securities and derivative instruments.

(2) NAV represents book value of common equity.

GAAP						Non-GAAP	
Debt Investments	Number of Loans	Book Values ⁽¹⁾	% of Respective Portfolio	Weighted Avg LTV ^{(2) (3)}	Weighted Avg Maturity (years) ⁽⁴⁾	Economic Interest ⁽⁵⁾	Levered Return
First Mortgages (including loans held for sale)	12	\$ 797,900	44.5%	71.3%	2.68	\$ 634,992	3.2%
Securitized Whole Loans at Amortized Cost	8	314,921	17.6%	76.0%	2.62	- ⁽⁶⁾	-
Mezzanine Loan Investments	27	558,613	31.1%	79.0%	3.44	564,531	10.1%
Preferred Equity Investments	3	121,711	6.8%	92.0%	4.92	122,444	10.1%
Total Debt Investments	50	\$ 1,793,145	100.0%	76.0%	3.06	\$ 1,321,967	6.8%
Securitized Whole Loans at Fair Value and CMBS	Number of Loans	Fair Value	% of Respective Portfolio	Weighted Avg LTV	Weighted Avg Maturity (years)	Economic Interest ⁽⁵⁾	Levered Return
Securitized Whole Loans at Fair Value	51	\$ 2,565,909	89.0%	78.4%	7.28	\$ - ⁽⁶⁾	-
AAA CMBS	10	315,750	11.0%	32.2%	2.05	54,391	8.4%
B Piece CMBS	-	-	-	-	-	330,375	8.9%
Total Securitized Whole Loans at Fair Value and CMBS	61	\$ 2,881,659	100.0%	73.3%	6.70	\$ 384,766	8.8%
Equity Investments	Number of Properties	Book Value	% of Respective Portfolio			Economic Interest ⁽⁵⁾	Levered Return
Real Estate Held for Investment	17	\$ 231,260	76.7%			\$ 95,300	13.1%
Investment in Unconsolidated Joint Ventures	8	70,187	23.3%			69,965	9.0%
Total Equity Investments	25	\$ 301,447	100.0%			\$ 165,265	11.4%
Total		\$ 4,976,251				\$ 1,871,998	7.6%

- (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 represents the Company's levered net equity investment and does not include amounts related to participations sold or assets and liabilities of consolidated VIEs whereby the Company is not entitled to receive or obligated to make any form of payment.
- (6) 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				
	September 30, 2015	June 30, 2015	March 31, 2015	December 31, 2014	September 30, 2014
<u>Portfolio-Related Data:</u>					
Investment Securities	\$67,040,519	\$68,249,262	\$70,491,746	\$82,933,606	\$82,796,568
Commercial real estate investments ⁽¹⁾	\$4,976,251	\$4,362,579	\$3,221,518	\$1,728,197	\$1,628,785
Corporate debt	\$424,974	\$311,640	\$227,830	\$166,464	\$144,451
Total Investment Securities and commercial investment portfolio	\$72,441,744	\$72,923,481	\$73,941,094	\$84,828,267	\$84,569,804
Total assets	\$75,338,687	\$75,545,680	\$78,675,677	\$88,355,367	\$87,387,986
Average TBA position	\$14,210,373	\$14,624,862	\$8,319,920	-	-
Agency mortgage-backed securities and debentures:					
% Fixed-rate	93%	94%	94%	95%	95%
% Adjustable-rate	7%	6%	6%	5%	5%
Weighted average experienced CPR, for the period	12%	12%	9%	8%	9%
Weighted average projected long-term CPR, as of period end	9.2%	7.7%	9.2%	8.7%	6.9%
Net premium and discount balance in Investment Securities	\$4,827,791	\$4,822,332	\$4,677,033	\$5,349,150	\$5,487,733
Net premium and discount balance as % of stockholder's equity	39.32%	38.30%	35.65%	40.13%	41.86%

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



Last Five Quarters Summary Data (cont'd)

Unaudited, dollars in thousands except per share amounts

	For the quarters ended				
	September 30, 2015	June 30, 2015	March 31, 2015	December 31, 2014	September 30, 2014
<u>Liabilities, Capital and Hedging Data:</u>					
Repurchase agreements	\$56,449,364	\$57,459,552	\$60,477,378	\$71,361,926	\$69,610,722
Other secured financing	\$359,970	\$203,200	\$90,000	-	-
Convertible Senior Notes	-	-	\$749,512	\$845,295	\$836,625
Securitized debt of consolidated VIEs	\$2,553,398	\$2,610,974	\$1,491,829	\$260,700	\$260,700
Mortgages payable	\$166,697	\$146,359	\$146,470	\$146,553	\$42,635
Participation sold	\$13,389	\$13,490	\$13,589	\$13,693	\$13,768
Total debt	<u>\$59,542,818</u>	<u>\$60,433,575</u>	<u>\$62,968,778</u>	<u>\$72,628,167</u>	<u>\$70,764,450</u>
Total liabilities	<u>\$63,054,354</u>	<u>\$62,950,875</u>	<u>\$65,551,087</u>	<u>\$75,021,586</u>	<u>\$74,277,038</u>
Cumulative redeemable preferred stock	\$913,059	\$913,059	\$913,059	\$913,059	\$913,059
Common equity	\$11,365,769	\$11,676,940	\$12,206,446	\$12,415,432	\$12,197,889
Total Annaly stockholders' equity	<u>\$12,278,828</u>	<u>\$12,589,999</u>	<u>\$13,119,505</u>	<u>\$13,328,491</u>	<u>\$13,110,948</u>
Non-controlling interests	\$5,505	\$4,806	\$5,085	\$5,290	-
Total equity	<u>\$12,284,333</u>	<u>\$12,594,805</u>	<u>\$13,124,590</u>	<u>\$13,333,781</u>	<u>\$13,110,948</u>
Weighted average days to maturity of repurchase agreements	147	149	149	141	159
Weighted average rate on repurchase agreements, at period end	0.78%	0.76%	0.70%	0.61%	0.58%
Weighted average rate on repurchase agreements, average during period	0.73%	0.67%	0.60%	0.60%	0.58%
Total debt to total stockholders' equity	4.8x	4.8x	4.8x	5.4x	5.4x
Economic leverage ratio	5.8x	5.6x	5.7x	5.4x	5.4x
Capital ratio	13.7%	14.2%	14.1%	15.1%	15.0%
Common stock book value per share	\$11.99	\$12.32	\$12.88	\$13.10	\$12.87
Total common stock shares outstanding	947,826	947,768	947,698	947,643	947,592
Interest rate swaps:					
Hedge ratio ⁽¹⁾	58%	54%	48%	48%	50%
Weighted average pay rate on interest rate swaps ⁽²⁾⁽³⁾	2.26%	2.29%	2.37%	2.49%	2.48%
Weighted average receive rate on interest rate swaps ⁽²⁾	0.42%	0.40%	0.35%	0.22%	0.21%
Weighted average net rate on interest rate swaps	<u>1.84%</u>	<u>1.89%</u>	<u>2.02%</u>	<u>2.27%</u>	<u>2.27%</u>

(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 2.04%, 1.77%, 1.88%, 3.25% and 3.24% as of September 30, 2015, June 30, 2015, March 31, 2015, December 31, 2014 and September 30, 2014, respectively.



Last Five Quarters Summary Data (cont'd)

Unaudited, dollars in thousands except per share amounts

	For the quarters ended				
	September 30, 2015	June 30, 2015	March 31, 2015	December 31, 2014	September 30, 2014
<i>Performance-Related Data:</i>					
Total interest income	\$450,792	\$624,346	\$519,172	\$648,144	\$644,640
Total economic interest expense	\$248,041	\$252,845	\$287,659	\$309,420	\$296,152
Economic net interest income	\$202,751	\$371,501	\$231,513	\$338,724	\$348,488
GAAP Net income (loss)	(\$627,491)	\$900,071	(\$476,499)	(\$658,272)	\$354,856
GAAP Net income (loss) available (related) to common shareholders	(\$645,286)	\$882,228	(\$494,401)	(\$676,068)	\$336,864
GAAP Earnings per common share	(\$0.68)	\$0.93	(\$0.52)	(\$0.71)	\$0.36
Core earnings	\$217,601	\$411,055	\$254,082	\$298,946	\$308,621
Core earnings available to common shareholders	\$199,609	\$393,063	\$236,090	\$280,954	\$290,629
Core earnings per common share	\$0.21	\$0.41	\$0.25	\$0.30	\$0.31
Normalized core earnings	\$300,737	\$331,473	\$341,965	\$330,641	\$334,613
Normalized core earnings available to common shareholders	\$282,745	\$313,481	\$323,973	\$312,649	\$316,621
Normalized core earnings per common share	\$0.30	\$0.33	\$0.34	\$0.33	\$0.33
Dividends declared per common share	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30
Total common and preferred dividends declared	\$302,340	\$302,323	\$302,302	\$302,285	\$302,270
Annualized GAAP return on average equity	(20.18%)	28.00%	(14.41%)	(19.91%)	10.69%
Annualized core return on average equity	7.00%	12.79%	7.69%	9.05%	9.30%
Annualized core return on average equity per unit of economic leverage	1.21%	2.28%	1.35%	1.66%	1.72%
Annualized normalized core return on average equity	9.67%	10.31%	10.34%	10.00%	10.08%
Annualized normalized core return on average equity per unit of economic leverage	1.67%	1.84%	1.82%	1.84%	1.87%
Net interest margin	1.24%	2.01%	1.26%	1.56%	1.61%
Normalized net interest margin	1.62%	1.67%	1.64%	1.70%	1.74%
Net interest spread during the quarter:					
Average yield on interest earning assets	2.41%	3.23%	2.47%	2.98%	2.99%
Average cost of interest bearing liabilities	1.65%	1.59%	1.64%	1.69%	1.64%
Net interest spread	0.76%	1.64%	0.83%	1.29%	1.35%
Normalized net interest spread during the quarter:					
Normalized average yield on interest earning assets	2.86%	2.82%	2.89%	3.13%	3.11%
Average cost of interest bearing liabilities	1.65%	1.59%	1.64%	1.69%	1.64%
Normalized net interest spread	1.21%	1.23%	1.25%	1.44%	1.47%