

**Barclays and Annaly Launch New Research Study,
Government-Sponsored Enterprise (GSE) Reform: Unfinished Business**

Joint-study discusses steps that the US Administration, as well as Congress, could take when addressing GSE reform

New York, June 26, 2019 – Barclays, in partnership with Annaly Capital Management, Inc. (NYSE: NLY) (Annaly), today released a new joint-study, entitled *GSE Reform: Unfinished Business*, which lays out steps that policymakers might take to reform the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac). The study is co-authored by Ajay Rajadhyaksha, Head of Macro Research at Barclays, V.S. Srinivasan, Managing Director in Annaly's Agency and Residential Credit Group, and Andreas Strzodka, Director of Macro Strategy at Annaly.

The authors evaluate the significant evolution of the housing finance market in recent years, including the development of the Credit Risk Transfer (CRT) market. In the commentary, the authors suggest that most policymakers, on either side of the political aisle, seem to agree on three goals related to GSE reform: 1) protecting the US taxpayer; 2) attracting private capital; and 3) creating a more competitive landscape. The first two goals are two sides of the same coin and the study considers steps that the Administration could take unilaterally to achieve them, while the third goal would require the intervention of Congress.

"GSE reform is difficult to pull off successfully," says Ajay Rajadhyaksha, Head of Macro Research at Barclays. "Do it right and you reduce the US homebuyer's dependence on the GSE duopoly, manage to get private capital back in, and protect the US taxpayer against a repeat of 2008. Do it wrong, and you risk up-ending the world's largest housing market. This study examines a possible way forward."

"This piece reinforces Annaly's continued focus on providing market insight on the future of the US mortgage market. As GSE reform continues to take shape, we believe that dedicated private capital creates competition and is an integral part of reform," said V.S. Srinivasan, Managing Director in Annaly's Agency and Residential Credit Group. "We want to maintain a healthy housing market throughout any reform, and therefore a smooth transition will be critical."

The key takeaways of the report include:

- A revolving CRT structure could enable the GSEs to shed credit risk on most future production, thereby avoiding execution risk while protecting the taxpayer.
- To attract private capital, the GSEs could shrink their footprint in areas that are not part of their core mandate, such as second homes, investor and jumbo mortgages.
- If the goal of GSE reform is to foster competition and materially decrease "too big to fail" risk, Congress would have to pass legislation that replaces the GSE duopoly with multiple smaller guarantors.
- Critically, GSE reform legislation must provide a smooth transition path from the current system to an alternative world with more private capital and less governmental involvement.

For more information or to view the full report, please click [here](#).

About Barclays

Barclays is a transatlantic consumer and wholesale bank offering products and services across personal, corporate and investment banking, credit cards and wealth management, with a strong presence in our two home markets of the UK and the US.

With over 325 years of history and expertise in banking, Barclays operates in over 40 countries and employs approximately 83,500 people. Barclays moves, lends, invests and protects money for customers and clients worldwide.

For further information about Barclays, please visit our website www.barclays.com

About Annaly

Annaly is a leading diversified capital manager that invests in and finances residential and commercial assets. Annaly's principal business objective is to generate net income for distribution to its stockholders and to preserve capital through prudent selection of investments and continuous management of its portfolio. Annaly has elected to be taxed as a real estate investment trust, or REIT, for federal income tax purposes. Annaly is externally managed by Annaly Management Company LLC. Additional information on the company can be found at www.annaly.com.

Contact:

Barclays

Brittany Berliner
+1 212 526 4894
brittany.berliner@barclays.com

Annaly Capital Management, Inc.

Investor Relations
1-888-8Annaly
investor@annaly.com