



ANNALY®

Onslow Bay Financial LLC

September 2019

Safe Harbor Notice

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,” “should,” “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 (“MBS”) and other securities for purchase; the availability of financing and, if available, the terms of any financing; changes in the market value of our assets; changes in business conditions and the general economy; our ability to grow our commercial real estate business; our ability to grow our residential credit business; our ability to grow our middle market lending business; credit risks related to our investments in credit risk transfer securities, residential mortgage-backed securities and related residential mortgage credit assets, commercial real estate assets and corporate debt; risks related to investments in mortgage servicing rights (“MSRs”); our ability to consummate any contemplated investment opportunities; changes in government regulations or policy affecting our business; our ability to maintain our qualification as a REIT for U.S. 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 filed with the Securities and Exchange Commission. We do not undertake, and specifically disclaim any obligation, to publicly release the result of any revisions which may be made to any forward-looking statements to reflect the occurrence of anticipated or unanticipated events or circumstances after the date of such statements, except as required by law.

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Non-GAAP Financial Measures

This presentation includes certain non-GAAP financial measures, including core earnings metrics, which are presented both inclusive and exclusive of the premium amortization adjustment (“PAA”). We believe the non-GAAP financial measures are useful for management, investors, analysts, and other interested parties in evaluating our performance but should not be viewed in isolation and are not a substitute for financial measures computed in accordance with U.S. generally accepted accounting principles (“GAAP”). In addition, we may calculate non-GAAP metrics, which include core earnings, and the PAA, differently than our peers making comparative analysis difficult. Please see the section entitled “Non-GAAP Reconciliations” in the attached Appendix for a reconciliation to the most directly comparable GAAP financial measures.

Corporate Overview

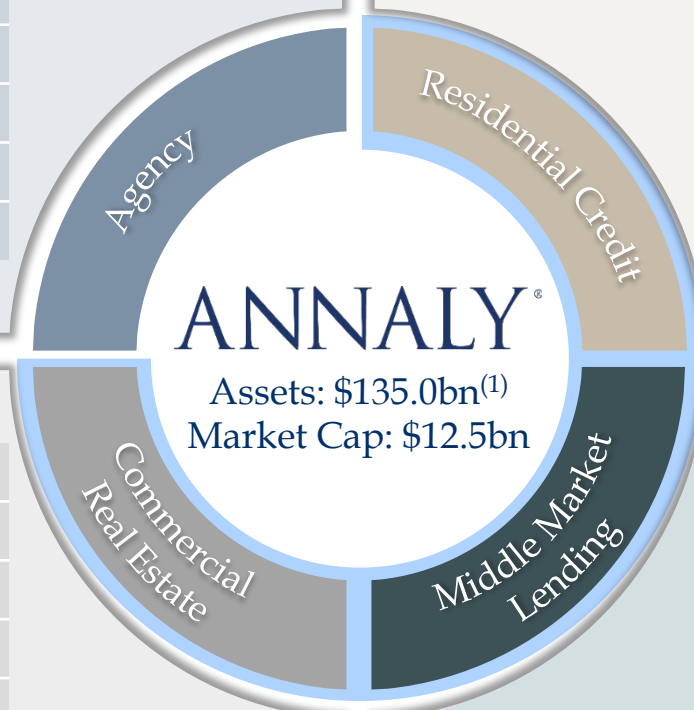
Annaly Is a Leading Diversified Capital Manager

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

Assets ⁽¹⁾	\$128.3bn
Capital ⁽²⁾	\$11.8bn
Sector Rank ⁽³⁾	#1/7
Strategy	Countercyclical / Defensive
Levered Returns ⁽⁴⁾	10% - 12%

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

Assets ⁽¹⁾	\$3.1bn
Capital ⁽²⁾	\$1.2bn
Sector Rank ⁽³⁾	#9/14
Strategy	Cyclical / Growth
Levered Returns ⁽⁴⁾	10% - 12%



Assets ⁽¹⁾	\$1.8bn
Capital ⁽²⁾	\$0.8bn
Sector Rank ⁽³⁾	#9/15
Strategy	Cyclical / Growth
Levered Returns ⁽⁴⁾	8% - 10%

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

Assets	\$1.8bn
Capital ⁽²⁾	\$1.3bn
Sector Rank ⁽³⁾	#7/42
Strategy	Non-Cyclical / Defensive
Levered Returns ⁽⁴⁾	9% - 11%

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

Second Quarter 2019 Financial Highlights

Earnings & Book Value

Earnings (Loss) per Share

GAAP Core
(\$1.24) | \$0.25
(ex. PAA)*

Book Value per Share

\$9.33

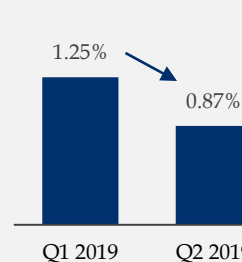
Dividend per Share

\$0.25

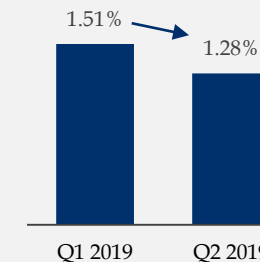
Dividend Yield⁽¹⁾

10.95%

Net Interest Margin



Net Interest Margin (ex. PAA)*



Investment Portfolio

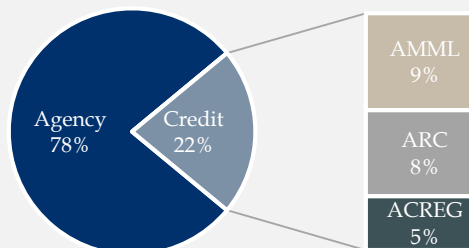
Total Portfolio⁽²⁾

\$135.0bn

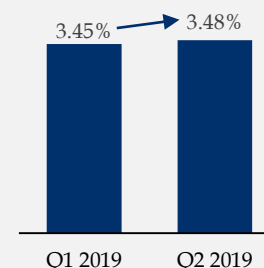
Total Stockholders' Equity

\$15.7bn

Capital Allocation⁽³⁾



Average Yield on Interest Earning Assets (ex. PAA)*



Financing, Liquidity & Hedging

Financing & Liquidity

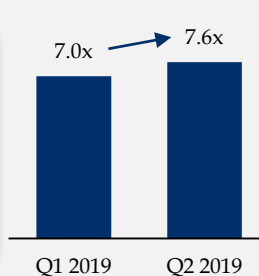
\$2.5bn
of residential whole
loan and commercial
securitizations YTD '19⁽⁴⁾

\$7.8bn
of unencumbered
assets

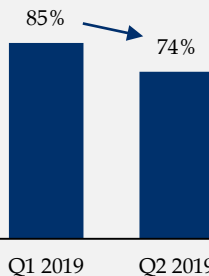
Total Hedge Portfolio

\$88bn
Hedge portfolio
includes \$67bn of
swaps, \$3bn of
swaptions and \$18bn
of futures contracts

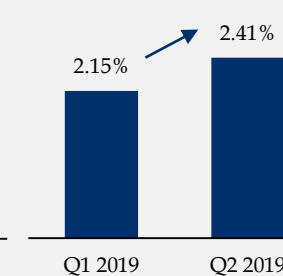
Economic Leverage



Hedge Ratio⁽⁵⁾



Average Cost of Funds⁽⁶⁾

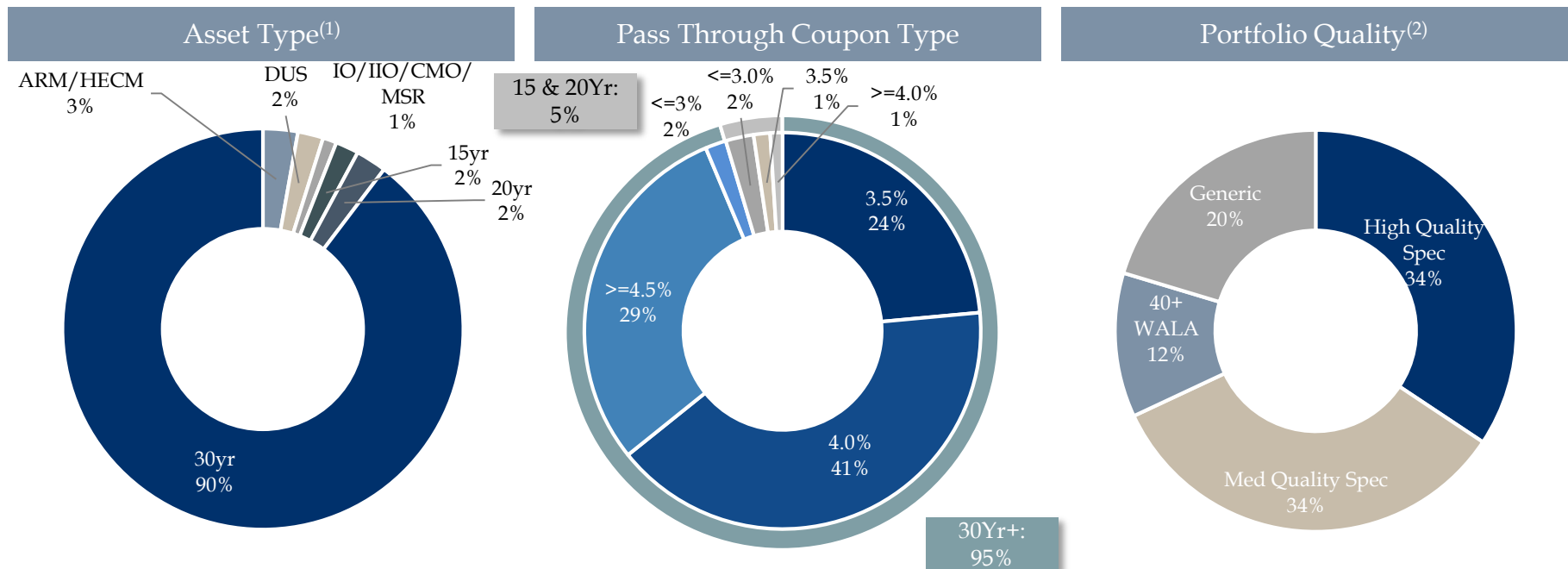


Source: Company filings. Financial data as of June 30, 2019, unless otherwise noted. * Represents a non-GAAP financial measure; see Appendix. Detailed endnotes and a glossary of defined terms are included at the end of this presentation.

Agency | Portfolio Summary

- Annaly Agency Portfolio: \$128.3 billion in assets at the end of Q2 2019, an increase of 7% from Q1 2019
- The portfolio mix continues to be predominately concentrated in 30-year fixed rate securities
- Agency MBS risk-adjusted returns should remain attractive as current headwinds from high financing costs and elevated refinancing activity are expected to fade
- ~80% of the portfolio was positioned in securities with attractive convexity profiles at the end of Q2 2019
 - Specified pool collateral performed materially better than To-Be-Announced (“TBA”) securities during the quarter, as market participants grew concerned about increased refinancing activity in TBA securities

Total Dedicated Capital: \$11.8 billion⁽¹⁾



Note: Data as of June 30, 2019. Percentages based on fair market value and may not sum to 100% due to rounding.
Detailed endnotes and a glossary of defined terms are included at the end of this presentation.

Residential Credit | Portfolio Summary

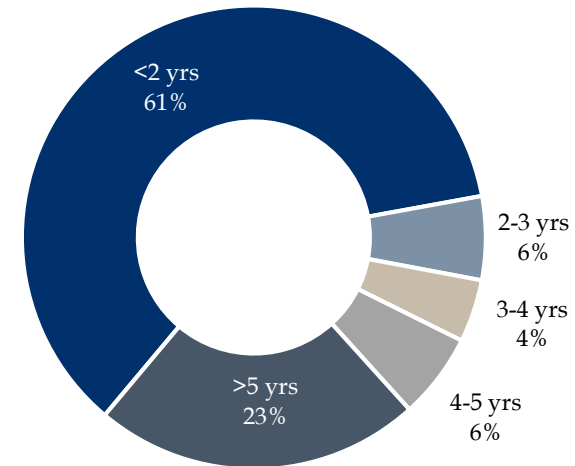
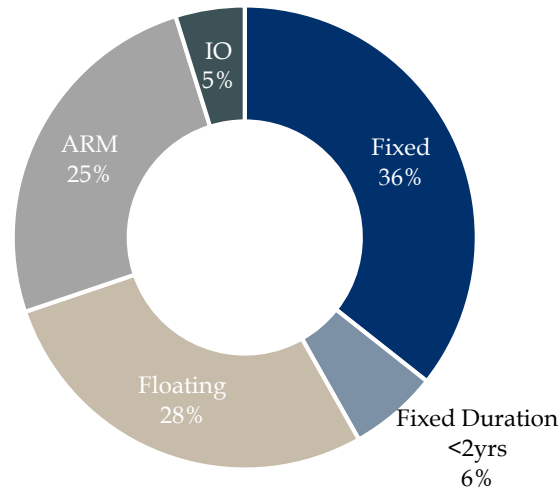
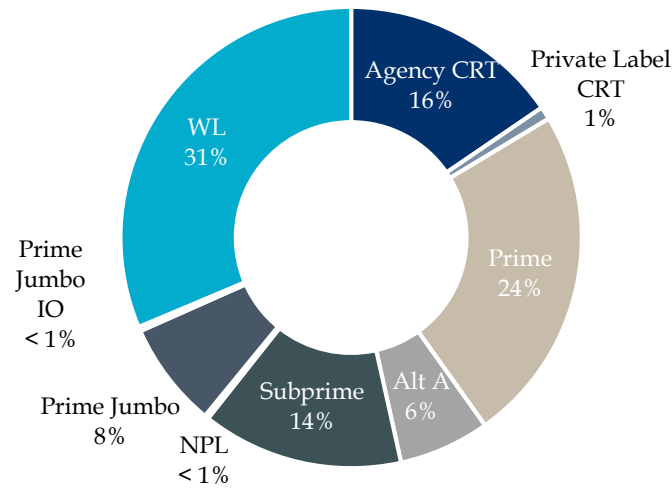
- Annaly Residential Credit Portfolio: \$3.1 billion at the end of Q2 2019, a decrease of 9% from Q1 2019 due to two securitizations closed during the quarter, but credit exposure continued to increase as we retained all subordinate tranches
- Two securitizations closed during the quarter totaled \$772 million, demonstrating Annaly's ability to optimize funding and building on our reputation as a programmatic MBS issuer
 - Subsequent to quarter end, priced an additional \$463 million securitization backed by expanded prime collateral; represents Annaly's seventh non-Agency securitization since the beginning of 2018
- Whole loans continue to be the largest area of growth, with Q2 2019 acquisitions increasing more than 190% compared to Q2 2018
 - Purchased \$600 million of residential whole loans in Q2 2019 through unique partnership channels
 - Total acquisitions of \$1.9 billion over the last twelve months

Total Dedicated Capital: \$1.2 billion

Sector Type⁽¹⁾⁽²⁾

Coupon Type⁽¹⁾

Effective Duration⁽¹⁾



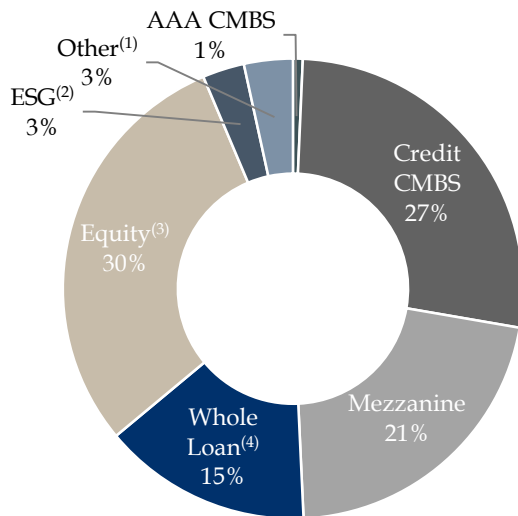
Note: Data as of June 30, 2019, unless otherwise noted. Portfolio statistics and percentages are based on fair market value and reflect economic interest in securitizations. Prime Jumbo and Prime classifications include the economic interest of certain positions that are classified as Residential Mortgage Loans within our Consolidated Financial Statements. Percentages may not sum to 100% due to rounding. Detailed endnotes and a glossary of defined terms are included at the end of this presentation.

Commercial Real Estate | Portfolio Summary

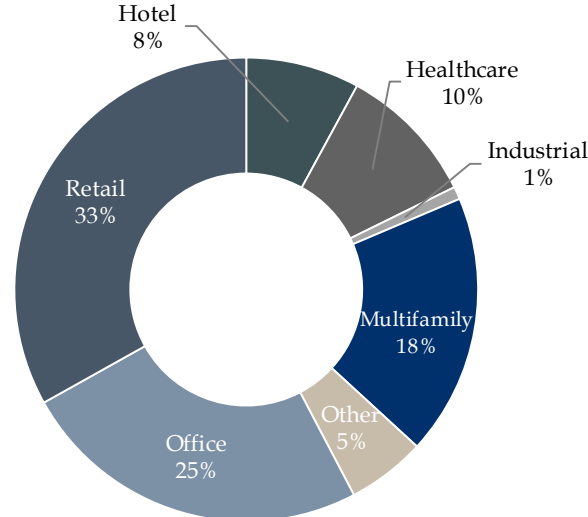
- Annaly Commercial Real Estate Portfolio: \$1.8 billion in assets at the end of Q2 2019, reflecting a decrease of 12% from Q1 2019 due to CMBS and other loan paydowns
- 85% of the ramp proceeds from the \$857 million actively managed CRE CLO issued in Q1 2019 were successfully utilized by the end of Q2 2019
- Improved levered return across the commercial real estate portfolio by ~50bps from Q1 2019
- New investment activity outpaced paydowns for the first half of 2019
 - \$369 million of new investment activity
 - \$216 million of payoffs / sales received with levered return of 12.8%
- Selectively adding to commercial real estate portfolio despite sustained competitive credit markets

Total Dedicated Capital: \$0.8 billion

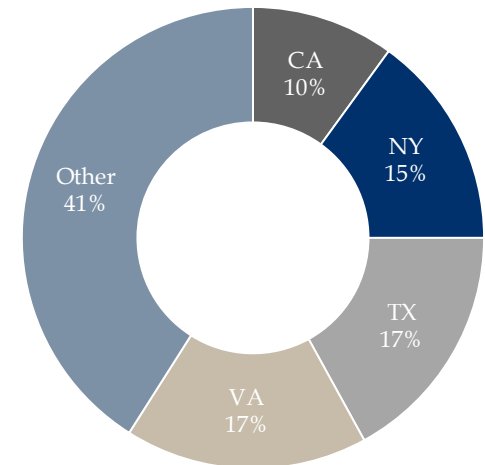
Asset Type



Sector Type



Geographic Concentration⁽⁵⁾



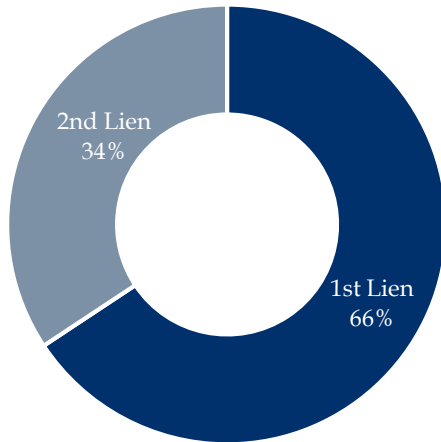
Note: Data as of June 30, 2019. Portfolio statistics and percentages are based on fair market value and reflect economic interest in securitizations. Percentages may not sum to 100% due to rounding. Detailed endnotes and a glossary of defined terms are included at the end of this presentation.

Middle Market Lending | Portfolio Summary

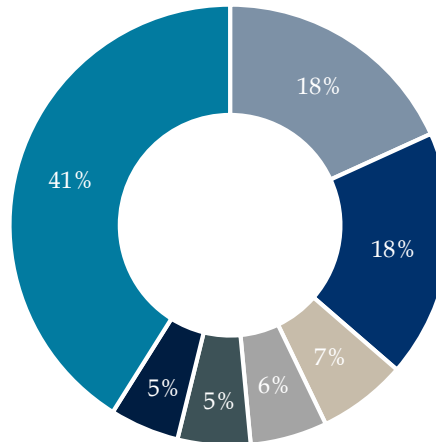
- Annaly Middle Market Lending Portfolio: \$1.8 billion in assets at the end of Q2 2019, an increase of 1% from Q1 2019
- AMML remains disciplined in our credit intensive approach, focusing on top private equity sponsor relationships in defensive, non-discretionary, niche industries
- Given evolving market conditions, the portfolio is more heavily geared towards first lien investments with attractive returns
- Significant activity this quarter with over \$370 million of approved commitments⁽¹⁾
- Expanded financing capacity with additional counterparties participating in one existing credit facility and expansion of another existing facility

Total Dedicated Capital: \$1.3 billion

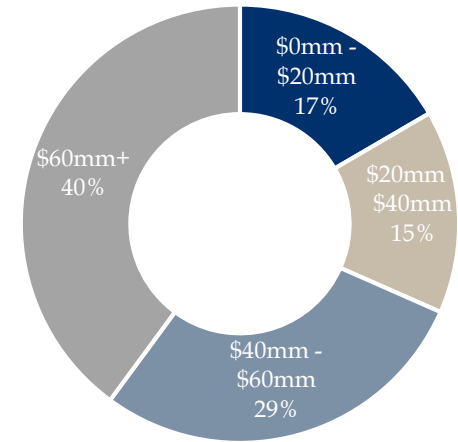
Lien Position



Industry⁽²⁾



Loan Size⁽³⁾



- Computer Programming & Data Processing
- Management & Public Relations Services
- Metal Cans & Shipping Containers
- Offices & Clinics of Doctors
- Surgical, Medical and Dental Instruments & Supplies
- Engineering, Architectural, and Surveying
- Other

Note: Data as of June 30, 2019. Percentages based on amortized cost and may not sum to 100% due to rounding.
Detailed endnotes and a glossary of defined terms are included at the end of this presentation.

Onslow Bay Financial LLC

Onslow Bay Overview

Annaly purchases residential whole loans through Onslow Bay Financial LLC

Corporate Background

- Onslow Bay Financial LLC (“Onslow Bay”) (previously Onslow Bay Servicing LLC) was formed on July 17, 2013
- Onslow Bay was a wholly owned subsidiary of Hatteras Financial Corp. (“Hatteras”). In July of 2016, Hatteras was acquired by Annaly Capital Management
- 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

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 eight residential whole loan securitizations for an aggregate \$3.0 billion: OBX 2015-1, OBX 2018-1, OBX 2018-EXP1, OBX 2018-EXP2, OBX 2019-INV1, OBX 2019-EXP1, OBX 2019-INV2 and OBX 2019-EXP2
- In addition to utilizing the rated securitization market, Annaly has the ability to finance its residential whole loans through its affiliate’s membership in the FHLB (Des Moines)

Loan Due Diligence & Servicer Oversight

100% Full Securitization Diligence

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



- Onslow Bay performs 100% full securitization diligence⁽¹⁾ across Credit, Compliance (RMBS 3.0 TRID Compliance Review) and Valuation

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”) 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 and SLS are both highly rated sub-servicers by the respective rating agencies⁽²⁾:
 - SPS is rated “SQ2+” by Moody’s, “RPS1-” by Fitch and “Strong” from S&P. As of July 2019, SPS serviced or subserviced approximately 892k mortgage loans with a UPB of \$156bn
 - SLS is rated “SQ2-” by Moody’s, “RPS2” by Fitch and “Above Average” from S&P. As of July 2019, SLS serviced or subserviced approximately 677k mortgage loans with a UPB of \$106bn

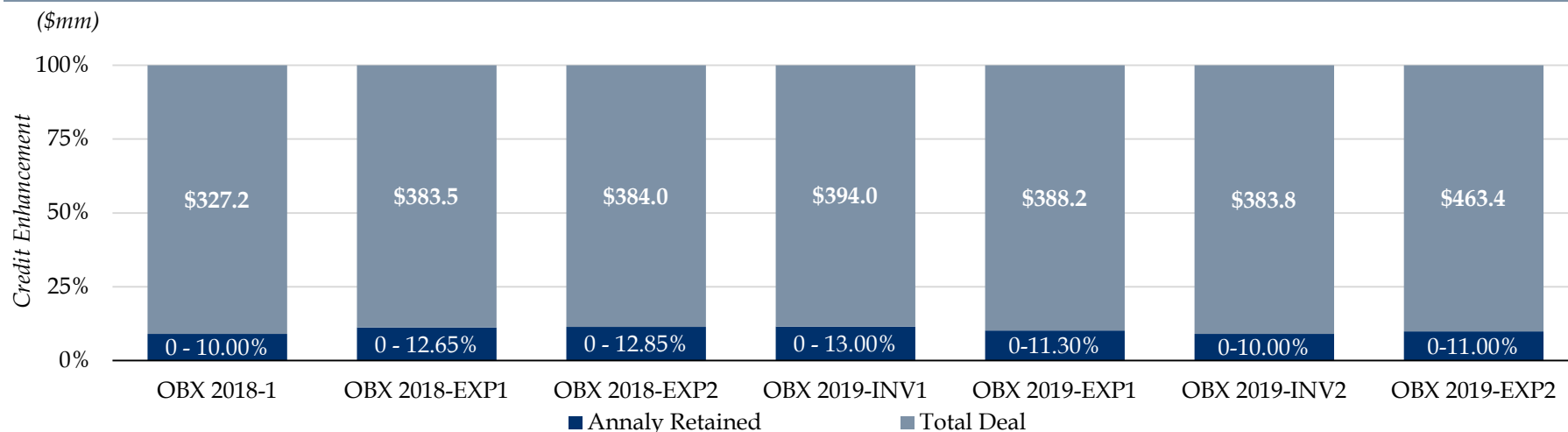
Retained Interest in OBX Shelf

Annaly has retained significantly more assets than mandated by risk retention⁽¹⁾ to date

- 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 100% of subordinate bonds)

	Deal Size	Percentage of Subordinate and IO/ AIOs Bonds Retained
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%
Total	\$2,724.1mm	100%

Annaly has held the subordinate bonds B1-B6 in addition to the IO/ AIOs off previous securitizations



Note: Annaly has also retained some OBX senior bonds not reflected in this analysis.

Detailed endnotes and a glossary of defined terms are included at the end of this presentation.

Onslow Bay Expanded Prime (“EXP”) Securitization Program

Onslow Bay Expanded Prime Target Acquisitions

- Onslow Bay seeks to purchase closed, funded, performing residential whole loans made to mortgagors with stable incomes and employment histories
- 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 (Wage Earner)	Full Doc (Self-Employed)	Bank Statement	Asset Utilization
Income Qualification	2 Years W2, YTD Paystub, 4506-T Transcripts	2 Years Personal / Business Tax Returns, K1s / Schedules, 4506-T 1040 transcripts	12 or 24 Months Consecutive Personal or Business Bank Statements	Borrowers Must Have A Minimum Amount of Qualified Assets
Borrower Qualification	Wage Earners	Self-Employed Borrowers	Self-Employed Borrowers Only, Minimum of 2 Years Experience	Utilization Draw Schedule, Net Documented Assets
Employment 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 (FC, SS, Deed in Lieu, BK, Mod)	48 Months	48 Months	48 Months	48 Months
Recent Housing History⁽¹⁾	0x30x12	0x30x12	0x30x12	0x30x12
Min FICO/ Max LTV (Lowest FICO), Purchase/ Rate Refi⁽²⁾	661/80	661/80	680/65	680/75
Min FICO/ Max LTV (Highest LTV), Purchase/ Rate Refi⁽²⁾	700/90	700/90	740/85	680/75
Max DTI⁽²⁾	50%	50%	50%	50%

Detailed endnotes and a glossary of defined terms are included at the end of this presentation.

Onslow Bay Expanded Prime Target Acquisitions (*cont'd*)

- Onslow Bay also purchases 12 Month PnL and DSCR Investor loans
- The summary below is representative of the Expanded Prime guidelines Onslow Bay utilizes to purchase whole loans from our originator / aggregator network
- Onslow Bay targets high quality borrowers with significant down payments and reserves

	“Expanded Prime” Acquisition Programs			
	1 Year Tax Return	12 Month PnL	Written VOE	DSCR Investor
Income Qualification	1 Year Personal and Business Tax Returns	12 Month Prepared Profit and Loss Statement	Written VOE (FNMA Form 1005)	Appraisal Market Rents / Subject Lease
Borrower Qualification	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
Employment Verification	Business License, CPA Letter, etc.	Business License, Letter from Tax Preparer, CPA Letter	Verbal VOE	Employment Letter / CPA, Min 2 Years SE
Asset Seasoning	2 Months	2 Months	2 Months	1 Month Seasoning / Explanation of Asset Savings
Housing Event Seasoning (FC, SS, Deed in Lieu, BK, Mod)	48 Months	48 Months	48 Months	0x30x24 ⁽¹⁾
Recent Housing History	0x30x12	0x30x12 ⁽²⁾	0x30x12 ⁽²⁾	0x30x24 ⁽¹⁾
Min FICO / Max LTV (Lowest FICO), Purchase / Rate Refi⁽³⁾	680/65	700/75	700/75	680/60
Min FICO / Max LTV (Highest LTV), Purchase / Rate Refi⁽³⁾	740/85	700/75	700/75	680/60
Max DTI⁽³⁾	50%	50%	50%	N/A

Detailed endnotes and a glossary of defined terms are included at the end of this presentation.

Onslow Bay Expanded Prime Securitizations (OBX EXP)

	OBX 2019-EXP2	OBX 2019-EXP1	OBX 2018-EXP2	OBX 2018-EXP1
Issue Date	Jul-19	Apr-19	Oct-18	Aug-18
Collateral Type	Expanded Prime	Expanded Prime	Expanded Prime	Expanded Prime
Source of Collateral	Whole Loan Purchases	Whole Loan Purchases	Whole Loan Purchases	Whole Loan Purchases
Rating Agencies	Fitch / KBRA	Fitch / KBRA	Fitch / DBRS	Fitch / KBRA
Sponsor	Onslow Bay Financial LLC	Onslow Bay Financial LLC	Onslow Bay Financial LLC	Onslow Bay Financial LLC
R&W Framework	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
Risk Retention	Horizontal	Horizontal	Horizontal	Horizontal
Original Attachment to "AAA"	11.00%	11.30%	12.85%	12.65%
Deal Balance	\$463,404,935	\$388,155,948	\$384,027,255	\$383,451,233
Pool Factor (8/25 Remittance)	0.96	0.86	0.79	0.78
Average Loan Size	\$628,772	\$648,007	\$636,861	\$664,560
Number of Loans	737	599	603	577
WA Gross Coupon	5.30%	5.40%	5.07%	4.87%
WA Orig CLTV	65%	66%	67%	67%
WA Original FICO	752	753	753	751
WA DTI	35%	36%	36%	35%
ARM	51%	50%	48%	50%
IO	12%	14%	12%	6%
Investor	23%	12%	31%	26%
WA Margin	3.35%	3.05%	3.19%	3.12%
WALA	20	13	12	17
Top State	CA 53%	CA 60%	CA 62%	CA 64%
QM	7%	7%	15%	29%
Non-QM/ ATR Exempt	93%	93%	85%	71%
Full Doc ⁽¹⁾	47%	40%	29%	68%
Alt-Doc	53%	60%	71%	32%
3M VPR	24.91% ⁽²⁾	32.86%	27.06%	27.35%
6M VPR	N/A	36.09%	25.05%	23.58%
12M VPR	N/A	N/A	N/A	20.34%
60+ Delinquencies	N/A	0.05%	0.20%	0.12%
Cumulative Losses	0.00%	0.00%	0.00%	0.00%

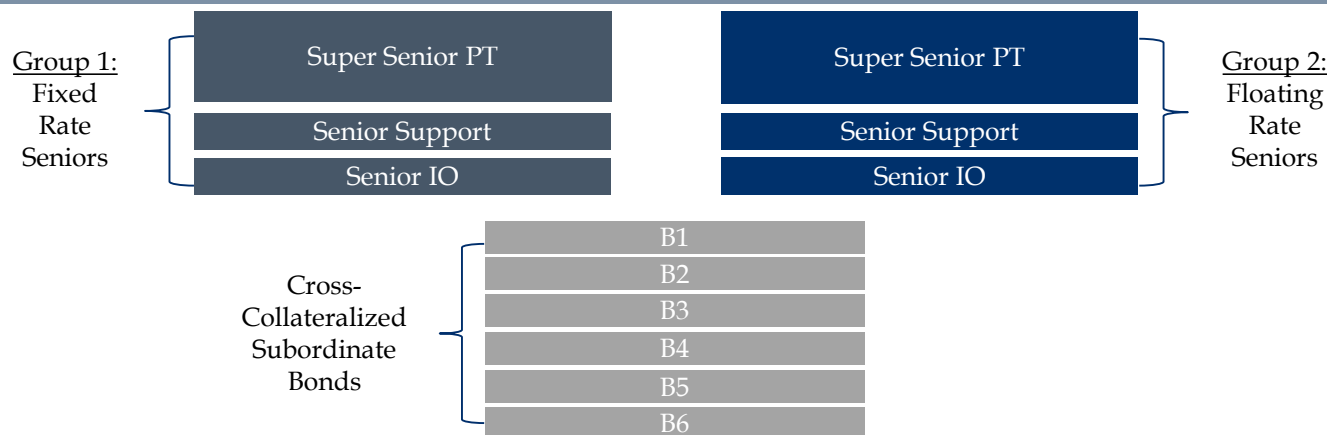
Note: Voluntary Prepayment Rates (VPRs), 60+ delinquencies and cumulative losses as of the August 25, 2019 remittance period.

Detailed endnotes and a glossary of defined terms are included at the end of this presentation.

Representative OBX “EXP” Structure | OBX 2019-EXP2

Group 1 (Fixed) and Group 2 (ARM): “Y-Structure” With Subordinate Bonds Cross-Collateralized

Same structure used across all OBX “EXP” transactions



Group 2 prepay speeds have limited impact on the average life of Group 1 bonds (and vice versa)

Group 1 Super Senior Pass-through Average Life

Prepay Speed, Group 1	20 CPR	20 CPR	20 CPR	20 CPR	20 CPR
Prepay Speed, Group 2	10 CPR	15 CPR	20 CPR	25 CPR	30 CPR
Grp1 SSNR PT WAL	3.2	3.2	3.3	3.3	3.2

Group 2 Super Senior Pass-through Average Life

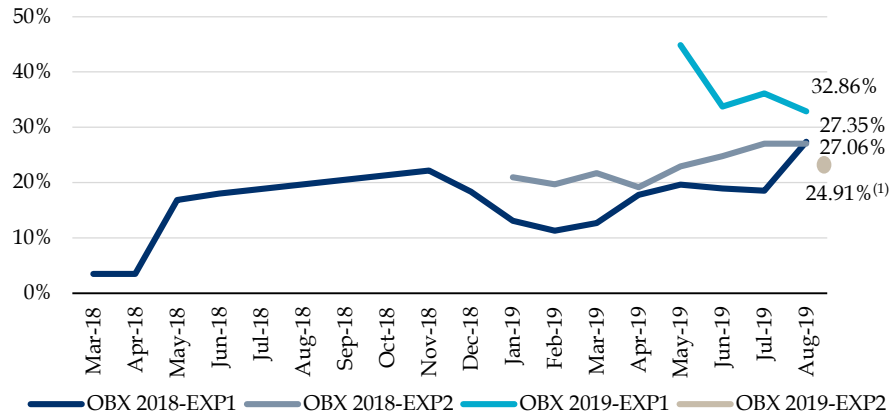
Prepay Speed, Group 1	10 CPR	15 CPR	20 CPR	25 CPR	30 CPR
Prepay Speed, Group 2	20 CPR	20 CPR	20 CPR	20 CPR	20 CPR
Grp2 SSNR PT WAL	3.3	3.3	3.4	3.4	3.3

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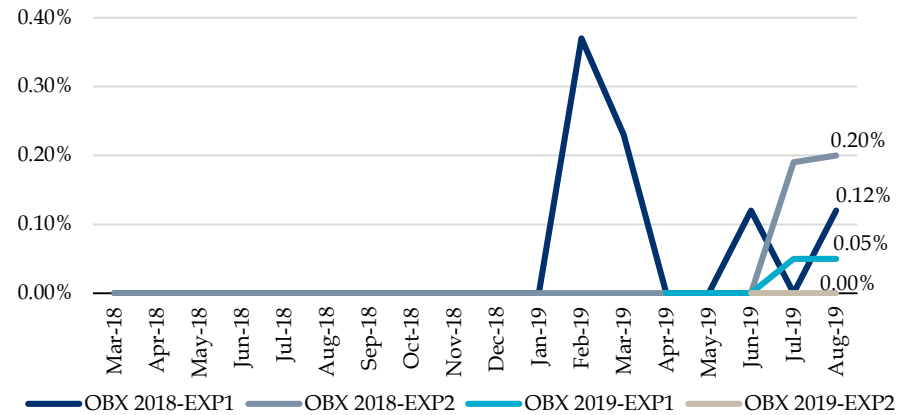
Onslow Bay Securitization Performance | Expanded Prime

OBX securitizations have performed in line with expectations

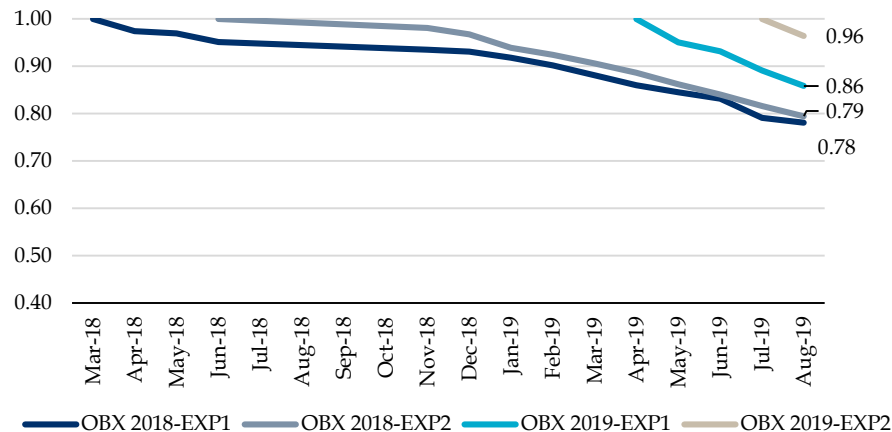
3M VPR



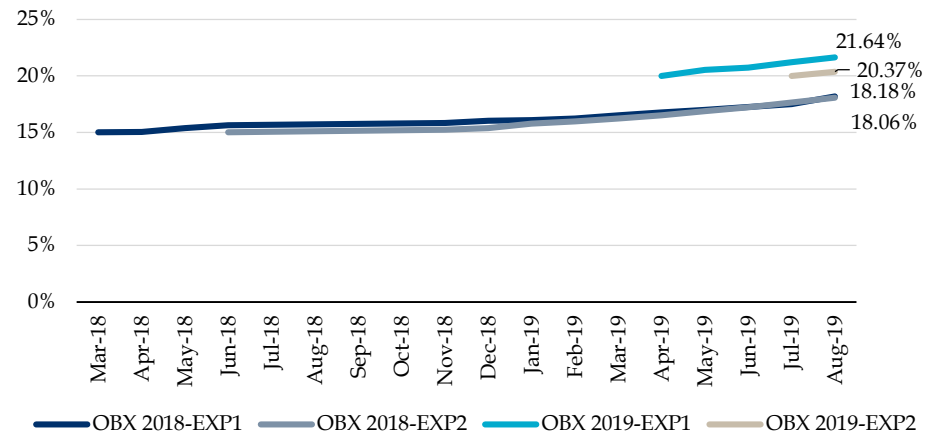
D60+



Collateral Factor



'AAA' Credit Support



Note: As of August 25, 2019 remittance period. Past performance is not indicative of future results.
Detailed endnotes and a glossary of defined terms are included at the end of this presentation.

Onslow Bay Agency Investor (“INV”) Securitization Program

OBX INV Collateral | GSE Single Family (1 – 4 Unit) Investor Loans

Loans are underwritten to individual borrower, not property

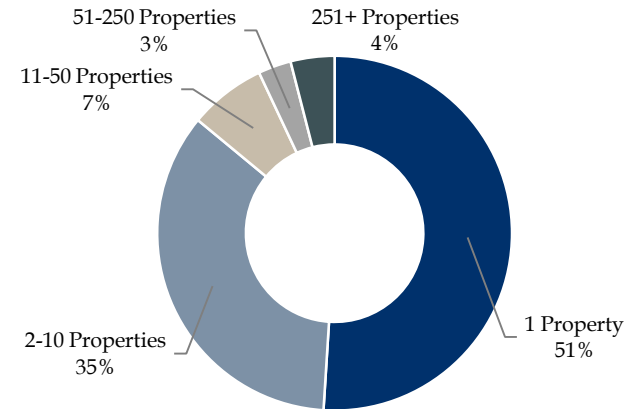
GSE's Provide Financing for Investment Properties

- GSE Investor loans are originated using the borrower's entire financial profile (FICO, debt to income (DTI), reserves, etc.) and property LTV
- 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 both limit the number of financed properties to 10 (including principal residence). Both have additional restrictions on greater than six properties

Fannie Mae Investment Property Qualifying Rental Income (or Loss)

- Federal Income Tax Returns
 - Using Schedule E, add back depreciation, interest, HOA dues, taxes, or insurance expenses to borrower's cash flow
- Lease Agreements or Form 1007 or Form 1025
 - Lender must calculate rental income by multiplying gross monthly rent by 75%; Remaining 25% of gross rent absorbed by vacancy losses and ongoing maintenance expenses

Single Family Investor Ownership Concentration



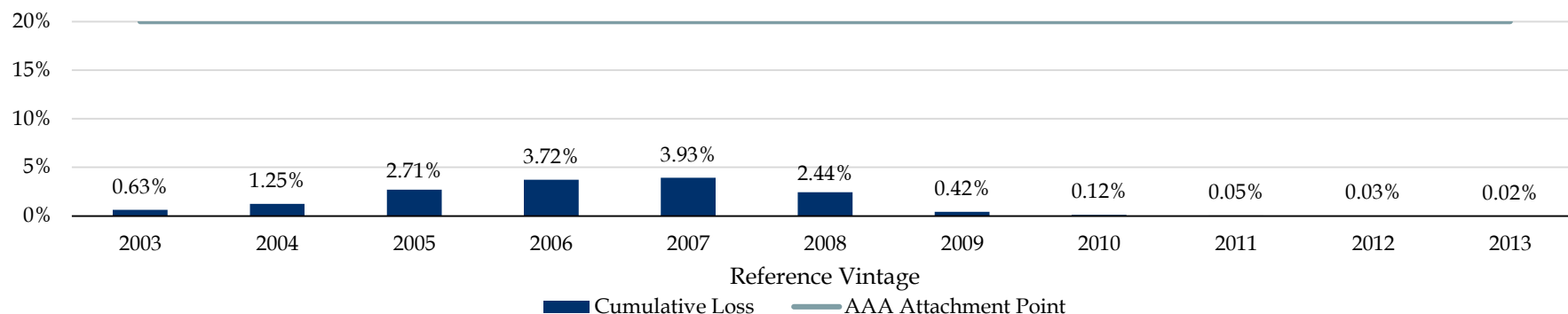
Fannie Mae Treatment of Rental Income (or Loss)

- If the monthly qualifying rental income minus the full PITIA is positive, it will be added to the borrower's monthly income
- If the monthly qualifying rental income minus PITIA is negative, the monthly net rental loss must be added to the borrower's monthly obligations

Agency Eligible Investor Credit Performance

Initial Super Senior (SSNR) Credit Enhancement (20%) was set at >5.4x the life to date cumulative loss experienced by the '07 vintage (3.68%), re-weighted by OBX 2019-INV2

Historical Loss Performance Re-weighted to OBX 2019-INV2 Transaction



Reference Vintage 2007

FICO Bucket ⁽¹⁾	LTV ⁽¹⁾	UPB	Factor	Default Rate	Loss Rate	Severity	Delinquency Rate	Mod Rate
< 700	< 50	2,458,190	13.79	4.00	1.57	39.23	0.38	0.28
700 to 740	< 50	10,941,024	7.20	2.87	0.99	34.38	0.44	0.20
740 to 780	< 50	18,544,247	6.57	0.94	0.28	30.37	0.14	0.12
> 780	< 50	19,762,986	4.16	0.60	0.16	27.10	0.02	0.00
< 700	50 to 60	2,597,816	12.35	11.66	4.59	39.33	0.63	1.01
700 to 740	50 to 60	11,681,458	7.62	6.93	2.75	39.67	0.33	0.14
740 to 780	50 to 60	21,910,610	6.41	3.64	1.02	28.13	0.26	0.04
> 780	50 to 60	24,583,141	3.99	1.73	0.53	30.33	0.03	0.06
< 700	60 to 70	5,083,377	13.55	21.13	10.10	47.81	0.68	1.20
700 to 740	60 to 70	23,549,891	8.83	12.98	5.79	44.62	0.41	0.86
740 to 780	60 to 70	20,978,637	6.01	9.33	3.81	40.85	0.17	0.51
> 780	60 to 70	26,851,932	4.54	5.20	2.08	40.05	0.14	0.16
< 700	70 to 80	4,702,146	10.60	23.90	11.62	48.61	0.53	0.93
700 to 740	70 to 80	19,175,367	6.94	18.23	7.99	43.86	0.22	0.54
740 to 780	70 to 80	70,647,341	5.13	12.14	5.17	42.59	0.12	0.22
> 780	70 to 80	73,351,137	4.41	6.04	2.67	44.26	0.03	0.18
740 to 780	> 80	14,043,074	7.13	20.22	9.65	47.71	0.30	0.27
> 780	> 80	12,897,453	6.15	13.64	6.46	47.35	0.15	0.17
Total		\$383,759,828	5.86%	8.53%	3.68%	39.93%	0.17%	0.27%

Reference Vintage 2013

FICO Bucket ⁽¹⁾	LTV ⁽¹⁾	UPB	Factor	Default Rate	Loss Rate	Severity	Delinquency Rate	Mod Rate
< 700	< 50	2,458,190	50.23	0.03	0.01	34.72	0.17	0.00
700 to 740	< 50	10,941,024	50.84	0.00	0.00	0.00	0.01	0.00
740 to 780	< 50	18,544,247	56.03	0.00	0.00	0.00	0.00	0.00
> 780	< 50	19,762,986	57.31	0.00	0.00	0.00	0.03	0.00
< 700	50 to 60	2,597,816	50.78	0.13	0.02	16.87	0.46	0.00
700 to 740	50 to 60	11,681,458	50.27	0.00	0.00	0.00	0.18	0.00
740 to 780	50 to 60	21,910,610	54.63	0.01	0.01	114.59	0.00	0.00
> 780	50 to 60	24,583,141	54.51	0.00	0.00	20.47	0.01	0.00
< 700	60 to 70	5,083,377	46.64	0.15	0.08	53.28	0.22	0.00
700 to 740	60 to 70	23,549,891	48.53	0.10	0.02	23.19	0.06	0.00
740 to 780	60 to 70	20,978,637	51.64	0.01	0.00	-9.56	0.02	0.00
> 780	60 to 70	26,851,932	53.34	0.01	0.00	32.26	0.01	0.00
< 700	70 to 80	4,702,146	46.70	0.23	0.11	48.18	0.46	0.01
700 to 740	70 to 80	19,175,367	47.97	0.08	0.03	45.39	0.10	0.00
740 to 780	70 to 80	70,647,341	49.79	0.02	0.01	42.84	0.03	0.00
> 780	70 to 80	73,351,137	51.25	0.02	0.01	42.75	0.02	0.00
740 to 780	> 80	14,043,074	39.03	0.75	0.20	26.38	0.00	0.00
> 780	> 80	12,897,453	35.60	0.00	0.00	0.00	0.00	0.00
Total		\$383,759,828	50.63%	0.05%	0.02%	31.87%	0.04%	0.00%

Source: Fannie Mae.

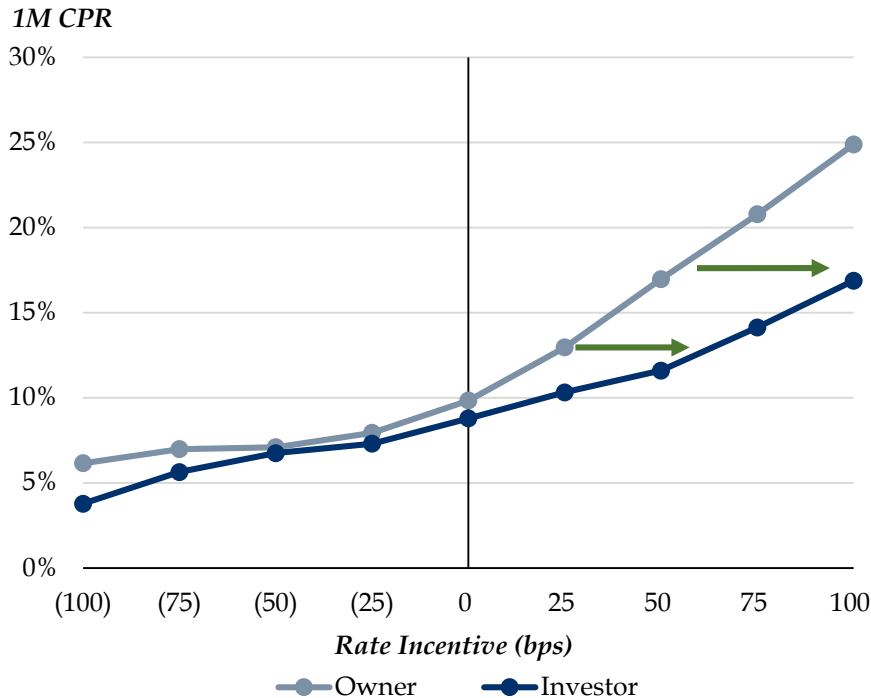
Note: Curves reflect historical cumulative loss on FNMA investor loans by origination vintage re-weighted to the FICO / LTV distribution of OBX 2019-INV2. Cumulative Losses assume interest advancing capped at four months advancing and rep & warrant recoveries.

Detailed endnotes and a glossary of defined terms are included at the end of this presentation.

Agency Eligible Investor Convexity

Agency Eligible Investor loans appear to show beneficial convexity characteristics

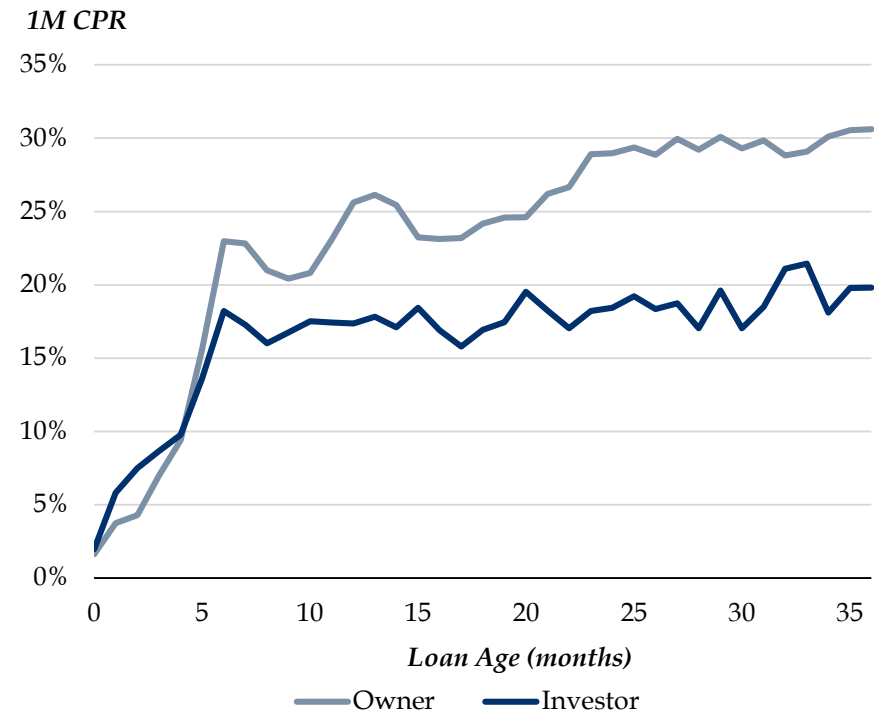
S-curve by Occupancy⁽¹⁾



- After controlling for loan size, the S-curve for investor properties mirrors the ~40bps elbow shift implied by the LLPAs
- Investor loans in this cohort demonstrated superior convexity versus owner occupied loans

Speed Ramp by Occupancy⁽²⁾

- Prepayment speeds for Investor properties ramp up more quickly than comparable owner occupied loans
 - Terminal speed for investor speeds appear lower versus owner occupied



Agency Investor versus Prime Jumbo

OBX 2019-INV2 contained ~70% spec pool or TBA collateral

- 100% of the loans in OBX 2019-INV2 were eligible to be delivered to the GSEs (DU / LP certificate)
 - ~70% of the loans would trade at a pay-up to TBA or would be delivered into TBA (Non Owner Occupied, “NOO”)
- Prime Jumbo securitizations contain high percentages of Agency CK or Non-Agency Jumbo collateral. JPMMT 2019-2 can be used as a proxy for the Prime Jumbo market, trading ~1-00 point back of FNCL 4.0's. ~90% of the collateral comprising JPMMT 2019-2 is either Agency CK or Non-Agency Jumbo
- Sum-of-the-parts analysis would have OBX 2019-INV2 being valued closer to TBA than Prime Jumbo

		OBX 2019-INV2 <i>(Agency Investor)</i>			JPMMT 2019-2 <i>(Prime Jumbo)</i>		
Collateral Type	Pay-up to FNCL 4.0	UPB (\$mm)	UPB (%)	Pay-up Allocation	UPB (\$mm)	UPB (%)	Pay-up Allocation
Spec Pool Stories							
150k Max	1.72	\$1.9	0.48%	0.01	-	-	-
175k Max	1.38	\$11.5	2.90%	0.04	-	-	-
200k Max	1.03	\$23.0	5.80%	0.06	-	-	-
100% NY	1.78	\$1.9	0.47%	0.01	\$2.1	0.47%	0.01
TBA/NOO	0	\$237.6	59.83%	0	\$36.5	8.33%	0
Agency CK/Jumbo	(0.94)	\$121.1	30.52%	(0.29)	\$399.0	91.19%	(0.85)
Sum-of-the-parts Analysis		\$397.1	100.00%	(0.17)	\$437.5	100.00%	(0.85)

Note: Specified Pool pay-ups from JP Morgan Markets (May 9, 2019). Collateral pool not finalized and subject to change. Totals may not sum to 100% due to rounding. Detailed endnotes and a glossary of defined terms are included at the end of this presentation.

Onslow Bay Investor Securitizations (OBX INV)

	OBX 2019-INV2	OBX 2019-INV1
Issue Date	Jun-19	Jan-19
Collateral Type	Agency Investor	Agency Investor
Source of Collateral	Whole Loan Purchases	Whole Loan Purchases
Rating Agencies	Moody's / DBRS	Moody's / KBRA
Sponsor	Onslow Bay Financial LLC	Onslow Bay Financial LLC
R&W Framework	Material and Adverse	Material and Adverse
R&W Review	Delinquency/ Realized Loss Trigger Review	Delinquency/ Realized Loss Trigger Review
Risk Retention	Horizontal	Horizontal
Original Attachment to "AAA"	10.00%	13.00%
Deal Balance	\$383,759,828	\$393,961,409
Pool Factor (8/25 Remittance)	0.95	0.87
Average Loan Size	\$353,045	\$336,145
Number of Loans	1,087	1,172
WA Gross Coupon	5.15%	5.09%
WA Orig CLTV	65%	67%
WA Original FICO	765	758
WA DTI	37%	38%
ARM	0%	0%
IO	0%	0%
Investor	100%	100%
WA Margin	N/A	N/A
WALA	6	7
Top State	CA 59%	CA 56%
QM	0%	0%
Non-QM/ ATR Exempt	100%	100%
Full Doc ⁽¹⁾	100%	100%
Alt-Doc	0%	0%
3M VPR	28.01% ⁽²⁾	21.61%
6M VPR	N/A	22.99%
12M VPR	N/A	N/A
60+ Delinquencies	N/A	0.36%
Cumulative Losses	0.00%	0.00%

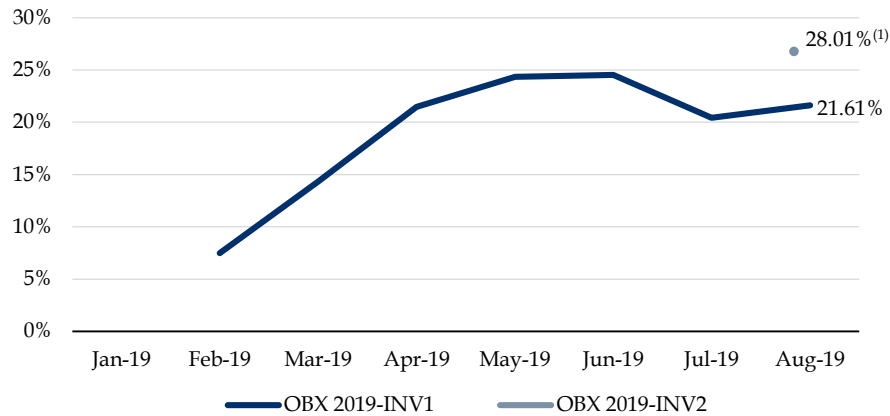
Note: Voluntary Prepayment Rates (VPRs), 60+ delinquencies and cumulative losses as of the August 25, 2019 remittance period.

Detailed endnotes and a glossary of defined terms are included at the end of this presentation.

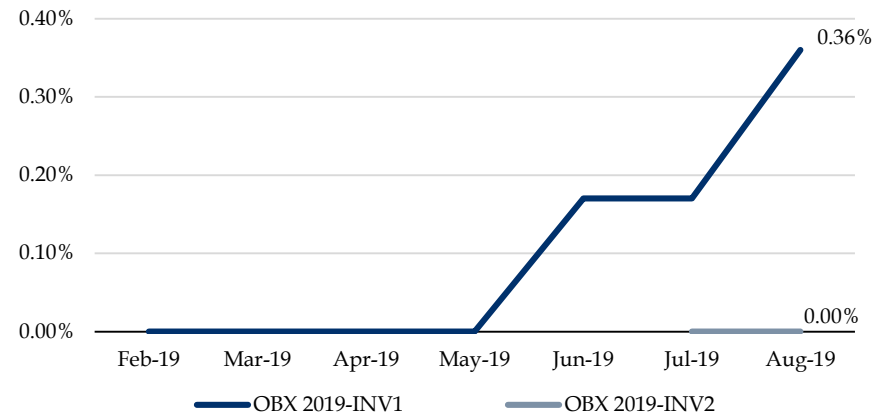
Onslow Bay Securitization Performance | Agency Investor

OBX securitizations have performed in line with expectations

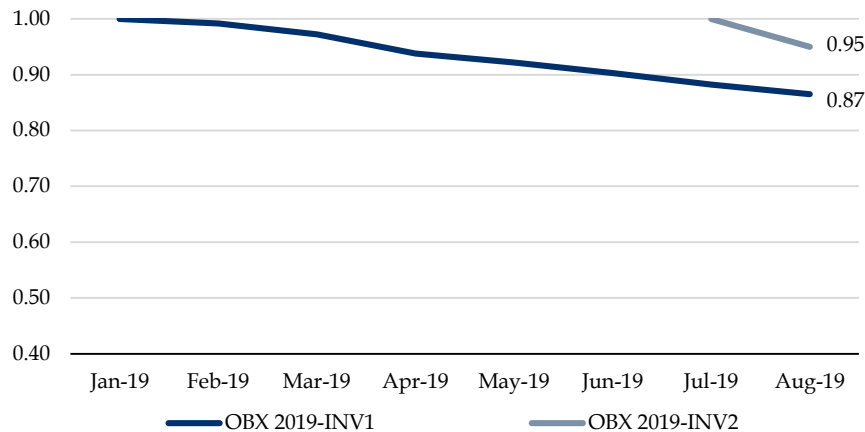
3M VPR



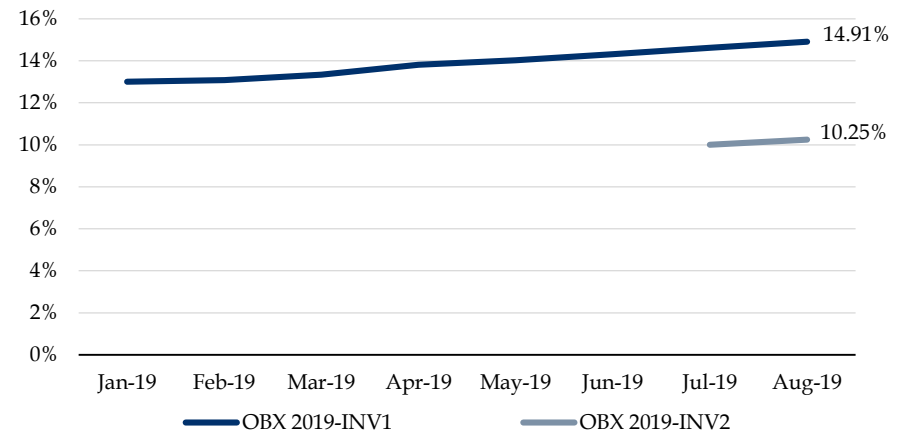
D60+



Collateral Factor



'AAA' Credit Support



Note: As of August 25, 2019 remittance period.

Detailed endnotes and a glossary of defined terms are included at the end of this presentation.

Appendix

Onslow Bay Securitizations

	OBX 2019-EXP2	OBX 2019-INV2	OBX 2019-EXP1	OBX 2019-INV1	OBX 2018-EXP2	OBX 2018-EXP1	OBX 2018-1	OBX 2015-1
Issue Date	Jul-19	Jun-19	Apr-19	Jan-19	Oct-18	Aug-18	Mar-18	Dec-15
Collateral Type	Expanded Prime	Agency Investor	Expanded Prime	Agency Investor	Expanded Prime	Expanded Prime	Seasoned Prime ARMs	Prime Jumbo
Source of Collateral	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/KBRA	Moody's / DBRS	Fitch/KBRA	Moody's / KBRA	Fitch / DBRS	Fitch / KBRA	Fitch / DBRS	S&P / DBRS
Sponsor	Onslow Bay Financial LLC	Onslow Bay Financial LLC	Onslow Bay Financial LLC	Onslow Bay Financial LLC	Onslow Bay Financial LLC	Onslow Bay Financial LLC	Onslow Bay Financial LLC	Onslow Bay Financial LLC
R&W Framework	Material and Adverse	Delinquency Trigger Review	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 Trigger
Risk Retention	Horizontal	Horizontal	Horizontal	Horizontal	Horizontal	Horizontal	Vertical	Pre Risk Retention
Original Attachment to "AAA"	11.00%	10.00%	11.30%	13.00%	12.85%	12.65%	8.80%	8.55%
Deal Balance	\$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 Remittance)	0.96	0.95	0.86	0.87	0.79	0.78	0.59	0.38
Average Loan Size	\$628,772	\$353,045	\$648,007	\$336,145	\$636,861	\$664,560	\$354,949	\$767,014
Number of Loans	737	1,087	599	1,172	603	577	920	307
WA Gross Coupon	5.30%	5.15%	5.40%	5.09%	5.07%	4.87%	4.00%	3.39%
WA Orig CLTV	65%	65%	66%	67%	67%	67%	42% ⁽¹⁾	69%
WA Original FICO	752	765	753	758	753	751	749	768
WA DTI	35%	37%	36%	38%	36%	35%	N/A	33%
ARM	51%	0%	50%	0%	48%	50%	98%	100%
IO	12%	0%	14%	0%	12%	6%	4%	0%
Investor	23%	100%	12%	100%	31%	26%	13%	4%
WA Margin	3.35%	N/A	3.05%	N/A	3.19%	3.12%	2.88%	2.25%
WALA	20	6	13	7	12	17	124	8
Top State	CA 53%	CA 59%	CA 60%	CA 56%	CA 62%	CA 64%	CA 43%	CA 49%
QM	7%	0%	7%	0%	15%	29%	4%	97%
Non-QM/ATR Exempt	93%	100%	93%	100%	85%	71%	96%	3%
Full Doc ⁽¹⁾	47%	100%	40%	100%	29%	68%	N/A	100%
Alt-Doc	53%	0%	60%	0%	71%	32%	N/A	0%
3M VPR	24.91% ⁽²⁾	28.01% ⁽²⁾	32.86%	21.61%	27.06%	27.35%	27.99%	36.91%
6M VPR	N/A	N/A	36.09%	22.99%	25.05%	23.58%	30.05%	28.48%
12M VPR	N/A	N/A	N/A	N/A	N/A	20.34%	30.20%	28.89%
60+ Delinquencies	N/A	N/A	0.05%	0.36%	0.20%	0.12%	2.38% ⁽³⁾	0.00%
Cumulative Losses	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Note: Voluntary Prepayment Rates (VPRs), 60+ delinquencies and cumulative losses as of the August 25, 2019 remittance period.

Detailed endnotes and a glossary of defined terms are included at the end of this presentation.

Non-GAAP Reconciliations

Non-GAAP Reconciliations

Beginning with the quarter ended September 30, 2018, Annaly updated its calculation of core earnings and related metrics to reflect changes to its portfolio composition and operations, including the acquisition of MTGE in September 2018. Compared to prior periods, the revised definition of core earnings includes coupon income (expense) on CMBX positions (reported in Net gains (losses) on other derivatives) and excludes depreciation and amortization expense on real estate and related intangibles (reported in Other income (loss)), non-core income (loss) allocated to equity method investments (reported in Other income (loss)) and the income tax effect of non-core income (loss) (reported in Income taxes). Prior period results have not been adjusted to conform to the revised calculation as the impact in each of those periods is not material.

The Company calculates “core earnings”, a non-GAAP measure, as the sum of (a) economic net interest income, (b) TBA dollar roll income and CMBX coupon income, (c) realized amortization of MSRs, (d) other income (loss) (excluding depreciation and amortization expense on real estate and related intangibles, non-core income allocated to equity method investments and other non-core components of other income (loss)), (e) general and administrative expenses (excluding transaction expenses and non-recurring items) and (f) income taxes (excluding the income tax effect of non-core income (loss) items), and core earnings (excluding PAA), which is defined as core earnings excluding the premium amortization adjustment representing the cumulative impact on prior periods, but not the current period, of quarter-over-quarter changes in estimated long-term prepayment speeds related to the Company’s Agency mortgage-backed securities.

Non-GAAP Reconciliations (cont'd)

Unaudited, dollars in thousands except per share amounts

To supplement its consolidated financial statements, which are prepared and presented in accordance with GAAP, the Company provides non-GAAP financial measures. These measures should not be considered a substitute for, or superior to, financial measures computed in accordance with GAAP. These non-GAAP measures provide additional detail to enhance investor understanding of the Company's period-over-period operating performance and business trends, as well as for assessing the Company's performance versus that of industry peers. Reconciliations of these non-GAAP financial measures to their most directly comparable GAAP results are provided below and on the next page.

	For the quarters ended				
	6/30/2019	3/31/2019	12/31/2018	9/30/2018	6/30/2018
<u>GAAP to Core Reconciliation</u>					
GAAP net income (loss)	(\$1,776,413)	(\$849,251)	(\$2,254,872)	\$385,429	\$595,887
Net income (loss) attributable to non-controlling interests	(83)	(101)	17	(149)	(32)
Net income (loss) attributable to Annaly	(\$1,776,330)	(\$849,150)	(\$2,254,889)	\$385,578	\$595,919
Adjustments to exclude reported realized and unrealized (gains) losses:					
Realized (gains) losses on termination of interest rate swaps	167,491	588,256	-	(575)	-
Unrealized (gains) losses on interest rate swaps	1,276,019	390,556	1,313,882	(417,203)	(343,475)
Net (gains) losses on disposal of investments	38,333	93,916	747,505	324,294	66,117
Net (gains) losses on other derivatives	506,411	115,159	484,872	(94,827)	(34,189)
Net unrealized (gains) losses on instruments measured at fair value through earnings	4,881	(47,629)	18,169	39,944	48,376
Loan loss provision	-	5,703	3,496	-	-
Adjustments to exclude components of other (income) loss:					
Depreciation and amortization expense related to commercial real estate ⁽¹⁾	10,147	10,114	11,000	9,278	-
Non-core (income) loss allocated to equity method investments ⁽²⁾	11,327	9,496	(10,307)	(2,358)	-
Non-core other (income) loss ⁽³⁾	-	-	-	44,525	-
Adjustments to exclude components of general and administrative expenses and income taxes:					
Transaction expenses and non-recurring items ⁽⁴⁾	3,046	9,982	3,816	60,081	-
Income tax effect on non-core income (loss) items	(3,507)	726	3,334	886	-
Adjustments to add back components of realized and unrealized (gains) losses:					
TBA dollar roll income and CMBX coupon income ⁽⁵⁾	33,229	38,134	69,572	56,570	62,491
MSR amortization ⁽⁶⁾	(19,657)	(13,979)	(18,753)	(19,913)	(19,942)
Core earnings*	251,390	351,284	371,697	386,280	375,297
Less:					
Premium amortization adjustment (PAA) cost (benefit)	139,763	81,871	45,472	3,386	7,516
Core Earnings (excluding PAA)*	\$391,153	\$433,155	\$417,169	\$389,666	\$382,813
Dividends on preferred stock	32,422	32,494	32,494	31,675	31,377
Core Earnings attributable to common shareholders *	\$218,968	\$318,790	\$339,203	\$354,605	\$343,920
Core Earnings (excluding PAA) attributable to common shareholders *	\$358,731	\$400,661	\$384,675	\$357,991	\$351,436
GAAP net income (loss) per average common share ⁽⁷⁾	(\$1.24)	(\$0.63)	(\$1.74)	\$0.29	\$0.49
Core earnings per average common share ^{(7)*}	\$0.15	\$0.23	\$0.26	\$0.29	\$0.30
Core earnings (excluding PAA) per average common share ^{(7)*}	\$0.25	\$0.29	\$0.29	\$0.30	\$0.30
Annualized GAAP return (loss) on average equity	(45.13%)	(22.72%)	(62.05%)	10.73%	17.20%
Annualized core return on average equity (excluding PAA)*	9.94%	11.59%	11.48%	10.85%	11.05%

* Represents a non-GAAP financial measure.

Detailed endnotes and a glossary of defined terms are included at the end of this presentation.

Non-GAAP Reconciliations (cont'd)

Unaudited, dollars in thousands

	For the quarters ended				
	6/30/2019	3/31/2019	12/31/2018	9/30/2018	6/30/2018
<u>Premium Amortization Reconciliation</u>					
Premium amortization expense	\$318,587	\$247,446	\$220,131	\$187,537	\$202,426
Less:					
PAA cost (benefit)	\$139,763	\$81,871	\$45,472	\$3,386	\$7,516
Premium amortization expense (excluding PAA)	\$178,824	\$165,575	\$174,659	\$184,151	\$194,910
<u>Interest Income (excluding PAA) Reconciliation</u>					
GAAP interest income	\$927,598	\$866,186	\$859,674	\$816,596	\$776,806
PAA cost (benefit)	\$139,763	\$81,871	\$45,472	\$3,386	\$7,516
Interest income (excluding PAA)*	\$1,067,361	\$948,057	\$905,146	\$819,982	\$784,322
<u>Economic Interest Expense Reconciliation</u>					
GAAP interest expense	\$750,217	\$647,695	\$586,774	\$500,973	\$442,692
Add:					
Net interest component of interest rate swaps ⁽¹⁾	(83,653)	(134,035)	(65,889)	(51,349)	(31,475)
Economic interest expense* ⁽¹⁾	\$666,564	\$513,660	\$520,885	\$449,624	\$411,217
<u>Economic Net Interest Income (excluding PAA) Reconciliation</u>					
Interest income (excluding PAA)	\$1,067,361	\$948,057	\$905,146	\$819,982	\$784,322
Less:					
Economic interest expense* ⁽¹⁾	666,564	513,660	520,885	449,624	411,217
Economic net interest income (excluding PAA)* ⁽¹⁾	\$400,797	\$434,397	\$384,261	\$370,358	\$373,105
<u>Economic Metrics (excluding PAA)</u>					
Average interest earning assets	\$122,601,881	\$109,946,527	\$107,232,861	\$101,704,957	\$102,193,435
Interest income (excluding PAA)*	\$1,067,361	\$948,057	\$905,146	\$819,982	\$784,322
Average yield on interest earning assets (excluding PAA)*	3.48%	3.45%	3.38%	3.22%	3.07%
Average interest bearing liabilities	\$109,628,007	\$95,529,819	\$91,746,160	\$86,638,082	\$87,103,807
Economic interest expense* ⁽¹⁾	\$666,564	\$513,660	\$520,885	\$449,624	\$411,217
Average cost of interest bearing liabilities ⁽¹⁾	2.41%	2.15%	2.22%	2.08%	1.89%
Economic net interest income (excluding PAA)* ⁽¹⁾	\$400,797	\$434,397	\$384,261	\$370,358	\$373,105
Net interest spread (excluding PAA)*	1.07%	1.30%	1.16%	1.14%	1.18%
Interest income (excluding PAA)*	\$1,067,361	\$948,057	\$905,146	\$819,982	\$784,322
TBA dollar roll income and CMBX coupon income ⁽²⁾	33,229	38,134	69,572	56,570	62,491
Interest expense	(750,217)	(647,695)	(586,774)	(500,973)	(442,692)
Net interest component of interest rate swaps	83,653	134,035	65,889	51,349	31,475
Subtotal	\$434,026	\$472,531	\$453,833	\$426,928	\$435,596
Average interest earning assets	\$122,601,881	\$109,946,527	\$107,232,861	\$101,704,957	\$102,193,435
Average TBA contract and CMBX balances ⁽²⁾	12,757,975	14,927,490	14,788,453	12,216,863	9,407,819
Subtotal	\$135,359,856	\$124,874,017	\$122,021,314	\$113,921,820	\$111,601,254
Net interest margin (excluding PAA)*	1.28%	1.51%	1.49%	1.50%	1.56%

* Represents a non-GAAP financial measure.

Detailed endnotes and a glossary of defined terms are included at the end of this presentation.

Glossary and Endnotes

Glossary

ARM: Refers to adjustable rate mortgage

ACREG: Refers to Annaly Commercial Real Estate Group

Agency Peers: Represents companies comprising the Agency sector within the BBREMTG Index^{*(1)}

AIOS: Refers to servicing strip

AMML: Refers to Annaly Middle Market Lending Group

ARC: Refers to Annaly Residential Credit Group

ATR: Refers to ability to repay

BBREMTG: Represents the Bloomberg Mortgage REIT Index*

BK: Refers to bankruptcy

CLTV: Refers to cumulative loan to value ratio

Commercial Peers: Represents companies comprising the commercial sector within the BBREMTG Index^{*(2)}

CPR: Refers to cumulative prepayment rate

CRT: Refers to credit risk transfer securities

DSCR: Refers to debt coverage service ratio

DTI: Refers to debt to income ratio

DU: Refers to desktop underwriter

ESG: Refers to Environmental, Social and Governance

FC: Refers to foreclosure

FHLB: Refers to the Federal Home Loan Bank system

FICO: Represents the Fair Isaac Credit Score

FNMA: Refers to the Federal National Mortgage Association

GSE: Refers to government sponsored entity

HOA: Refers to homeowners association

HUD: Refers to the U.S. Department of Housing and Urban Development

Hybrid Peers: Represents companies comprising the hybrid sector within the BBREMTG Index^{*(3)}

IO: Refers to interest only bonds

LLC: Refers to limited liability corporation

LLPA: Refers to loan level price adjustments

LP: Refers to loan prospector

LTV: Represents the loan to value ratio (loan size / property value)

Mod: Refers to modification

PITIA: Refers to principal, interest, taxes, insurance, association dues

PnL: Refers to Profit and Losses

PT: Refers to pass-through

QM: Refers to Qualified Mortgage

R&W: Refers to representations and warrants

SS: Refers to short sale

SSNR: Refers to super senior

TBA: Refers to To-Be-Announced contracts

Unencumbered Assets: Representative of Annaly's excess liquidity and are defined as assets that have not been pledged or securitized (generally including cash and cash equivalents, Agency MBS, CRT, Non-Agency MBS, residential mortgage loans, MSRs, reverse repurchase agreements, CRE debt and preferred equity, corporate debt, other unencumbered financial assets and capital stock)

UPB: Refers to unpaid principal balance

VOE: Refers to verification of employment

VPR: Refers to voluntary prepayment rate

WA: Refers to weighted average

WALA: Refers to weighted average loan age

WAL: Refers to weighted average life

* Represents constituents as of July 15, 2019.

1. Consists of AGNC, ANH, ARR, CMO, EARN, and ORC.
2. Consists of ABR, ACRE, ARI, BXMT, GPMT, HCFT, KREF, LADR, LOAN, RC, SACH, STWD, TRTX and XAN.
3. Consists of AJX, CHMI, CIM, DX, IVR, MFA, MITT, NRZ, NYMT, PMT, RWT, TWO and WMC.

Endnotes

Page 3

1. Agency assets include to be announced ("TBA") purchase contracts (market value) of \$9.7bn and mortgage servicing rights ("MSRs") of \$425.3mm. Residential Credit assets exclude securitized debt of consolidated variable interest entities ("VIEs") of \$1.6bn. Commercial Real Estate assets exclude securitized debt of consolidated VIEs of \$1.8bn.
2. Represents the capital allocation for each of the four investment groups and is calculated as the difference between assets and related financing. Includes TBA purchase contracts, excludes non-portfolio related activity and varies from total stockholders' equity.
3. Sector rank compares Annaly dedicated capital in each of its four investment groups as of June 30, 2019 (adjusted for P/B as of July 15, 2019) to the market capitalization of the companies in each respective comparative sector as of July 15, 2019. Comparative sectors used for Agency, Commercial Real Estate and Residential Credit ranking represent Agency Peers, Commercial Peers and Hybrid Peers, respectively, within the BBREMTG Index as of July 15, 2019. Comparative sector used for Middle Market Lending ranking is the S&P BDC Index as of July 15, 2019.
4. Levered return assumptions are for illustrative purposes only and attempt to represent current market asset returns and financing terms for prospective investments of the same, or of a substantially similar, nature in each respective group.

Page 4

1. Based on annualized Q2 2019 dividend of \$0.25 and a closing price of \$9.13 on June 30, 2019.
2. Includes TBA purchase contracts and excludes securitized debt of consolidated VIEs.
3. Capital allocation includes TBA purchase contracts, excludes non-portfolio related activity and varies from total stockholders' equity.
4. Includes: (1) a \$394mm residential whole loan securitization in January 2019; (2) a \$857mm commercial securitization (managed CRE CLO) in February 2019; (3) a \$388mm residential whole loan securitization in April 2019; (4) a \$384mm residential whole loan securitization in June 2019; and (5) a \$463mm residential whole loan securitization in July 2019.
5. Measures total notional balances of interest rate swaps, interest rate swaptions and futures relative to repurchase agreements, other secured financing and TBA notional outstanding; excludes MSRs and the effects of term financing, both of which serve to reduce interest rate risk. Additionally, the hedge ratio does not take into consideration differences in duration between assets and liabilities.
6. Includes GAAP interest expense and the net interest component of interest rate swaps.

Page 5

1. Includes TBA purchase contracts and MSRs.
2. 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.

Page 6

1. Shown exclusive of securitized residential mortgage loans of a consolidated VIE and loans held by an affiliated master servicer.
2. Prime classification includes \$37.2mm of Prime IO.

Page 7

1. Reflects limited and general partnership interests in a commercial loan investment fund that is accounted for under the equity method for GAAP.
2. Reflects joint venture interests in a social impact loan investment fund that is accounted for under the equity method for GAAP.
3. Includes equity investment in health care assets.
4. Includes mezzanine loans for which Commercial Real Estate is also the corresponding first mortgage lender, B-Notes held for investment and a B-Note held for sale.
5. Other includes 45 states, none of which represents more than 5% of total portfolio value. The Company looked through to the collateral characteristics of securitizations and equity method investments.

Page 8

1. Represents approved commitments within the quarter, the majority of which funded in Q3 2019. As of July 31, 2019, \$179mm has not yet closed and funded.
2. Based on Standard Industrial Classification industry categories. Other represents industries with less than 5% exposure in the current portfolio.
3. Breakdown based on aggregate dollar amount of individual investments made within the respective loan size buckets. Multiple investment positions with a single obligor shown as one individual investment.

Page 11

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's ratings are of overall rankings of Residential Primary Servicers.

Page 12

1. 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).

Page 14

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

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1. Full documentation includes all GSE eligible loans
2. 1 month VPR

Page 18

1. 1 month VPR

Page 21

1. All the FICO and LTV buckets are inclusive of the upper point (i.e. 700 FICO included in <700 bucket etc.).

Page 22

1. Curves are restricted to 30 year, 12-36 WALA, \$250-350k loan size split by occupancy. References 1M CPR from January 2017-July 2019.
2. Curves are restricted to 30 year, \$250-350k loan size with 75-125bps of rate incentive observed over the past four years.

Page 24

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2. 1 month VPR

Page 25

1. 1 month VPR

Page 27

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Endnotes (*cont'd*)

Non-GAAP Reconciliations

Page 31

1. Includes depreciation and amortization expense related to equity method investments.
2. Beginning with the quarter ended September 30, 2018, the Company excludes non-core (income) loss allocated to equity method investments, which represents the unrealized (gains) losses allocated to equity interests in a portfolio of MSR, which is a component of Other income (loss). The quarter ended December 31, 2018 also includes a realized gain on sale within an unconsolidated joint venture, which is a component of Other income (loss).
3. The quarter ended September 30, 2018 reflects the amount of consideration paid for the acquisition of MTGE in excess of the fair value of net assets acquired. This amount is primarily attributable to a decline in portfolio valuation between the pricing and closing dates of the transaction and is consistent with changes in market values observed for similar instruments over the same period.
4. Represents costs incurred in connection with two securitizations of residential whole loans for the quarter ended June 30, 2019. Represents costs incurred in connection with a securitization of commercial loans and a securitization of residential whole loans for the quarter ended March 31, 2019. Represents costs incurred in connection with the MTGE transaction and costs incurred in connection with a securitization of residential whole loans for the quarters ended September 30, 2018 and December 31, 2018. Represents costs incurred in connection with a securitization of residential whole loans for the quarter ended June 30, 2019.
5. TBA dollar roll income and CMBX coupon income each represent a component of net gains (losses) on other derivatives. CMBX coupon income totaled \$0.8mm, \$1.1mm, \$1.2mm and \$1.2mm for the quarters ended June 30, 2019, March 31, 2019, December 31, 2018 and September 30, 2018, respectively. There were no adjustments for CMBX coupon income prior to September 30, 2018.
6. MSR amortization represents the portion of changes in fair value that is attributable to the realization of estimated cash flows on the Company's MSR portfolio and is reported as a component of Net unrealized gains (losses) on instruments measured at fair value.
7. Net of dividends on preferred stock. The quarter ended June 30, 2019 includes cumulative and undeclared dividends of \$0.3mm on the Company's Series I Preferred Stock as of June 30, 2019.

Page 32

1. Average cost of interest bearing liabilities represents annualized economic interest expense divided by average interest bearing liabilities. Average interest bearing liabilities reflects the average amortized cost during the period. Economic interest expense is comprised of GAAP interest expense and the net interest component of interest rate swaps.
2. CMBX coupon income and average CMBX balances have only been applied to the quarters ended June 30, 2019, March 31, 2019, December 31, 2018 and September 30, 2018. The impact to net interest margin (ex-PAA) in prior periods was immaterial.