



ANNALY<sup>®</sup>  
CAPITAL MANAGEMENT, INC.

# 4Q 2012 Stockholder Supplement

FEBRUARY 6, 2013

# Safe Harbor Notice

This presentation, other written or oral communications and our public documents to which we refer contain or incorporate by reference certain forward-looking statements which are based on various assumptions (some of which are beyond our control) 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 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 integrate the commercial mortgage business; our ability to consummate any contemplated investment opportunities; risks associated with the businesses of our subsidiaries, including the investment advisory business of our wholly-owned subsidiaries, including: the removal by clients of assets managed, their regulatory requirements, and competition in the investment advisory business; risks associated with the broker-dealer business of our wholly-owned subsidiary; 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.

# Summary Performance

Unaudited, dollars in thousands except per share amounts

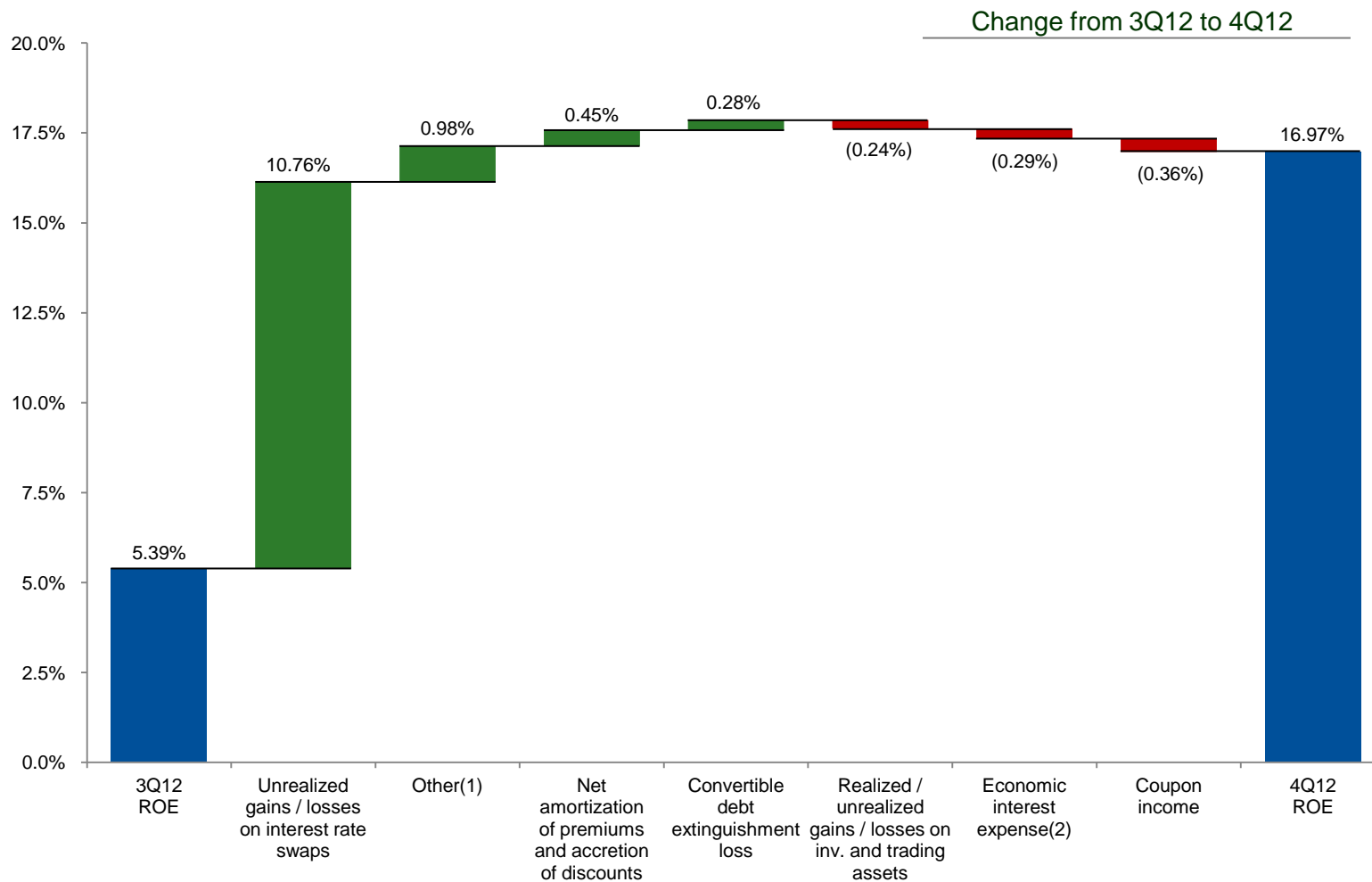
	For the quarters ended		
	December 31, 2012	December 31, 2011	September 30, 2012
Total interest income	\$756,661	\$847,700	\$761,265
Total economic interest expense <sup>(1)</sup>	413,646	357,771	406,165
Economic net interest income <sup>(1)</sup>	\$343,015	\$489,929	\$355,100
Net income (loss)	\$700,495	\$445,562	\$224,758
Net income (loss) available (related) to common shareholders	680,778	441,414	215,391
Earnings per common share	\$0.70	\$0.46	\$0.22
Adjusted net income (loss) <sup>(2)</sup>	\$465,101	\$525,313	\$449,846
Adj. Net income (loss) available (related) to common shareholders <sup>(2)</sup>	445,384	521,165	440,479
Adjusted earnings per common share <sup>(2)</sup>	\$0.46	\$0.54	\$0.45
Dividends declared per common share	\$0.45	\$0.57	\$0.50
Annualized return on average equity	16.97%	11.23%	5.39%
Annualized adjusted return on average equity <sup>(2)</sup>	11.27%	13.24%	10.78%
Common stock book value per share	\$15.85	\$16.06	\$16.60
Leverage	6.5x	5.4x	6.0x
Total Agency mortgage-backed securities and debentures	\$126,972,775	\$105,140,635	\$132,533,252
Annualized yield on average interest-earning assets	2.45%	3.31%	2.54%
Annualized cost of funds on average interest-bearing liabilities	1.50%	1.60%	1.52%
Annualized Interest rate spread	0.95%	1.71%	1.02%
Weighted average three-month constant prepayment rate (CPR)	19%	22%	20%

(1) Includes realized gains / losses on interest rate swaps.

(2) Adjusted net income excludes unrealized gains or losses on interest rate swaps and Agency interest-only mortgage-backed securities and net loss on extinguishment of the 4% Convertible Notes.

# Annualized Return on Average Equity

Unaudited



Note: Graph shows relative changes in contribution from 3Q12 to 4Q12. For example, net amortization of premiums and accretion of discounts decreased annualized ROE by 0.45% less in 4Q12 than it did in 3Q12.

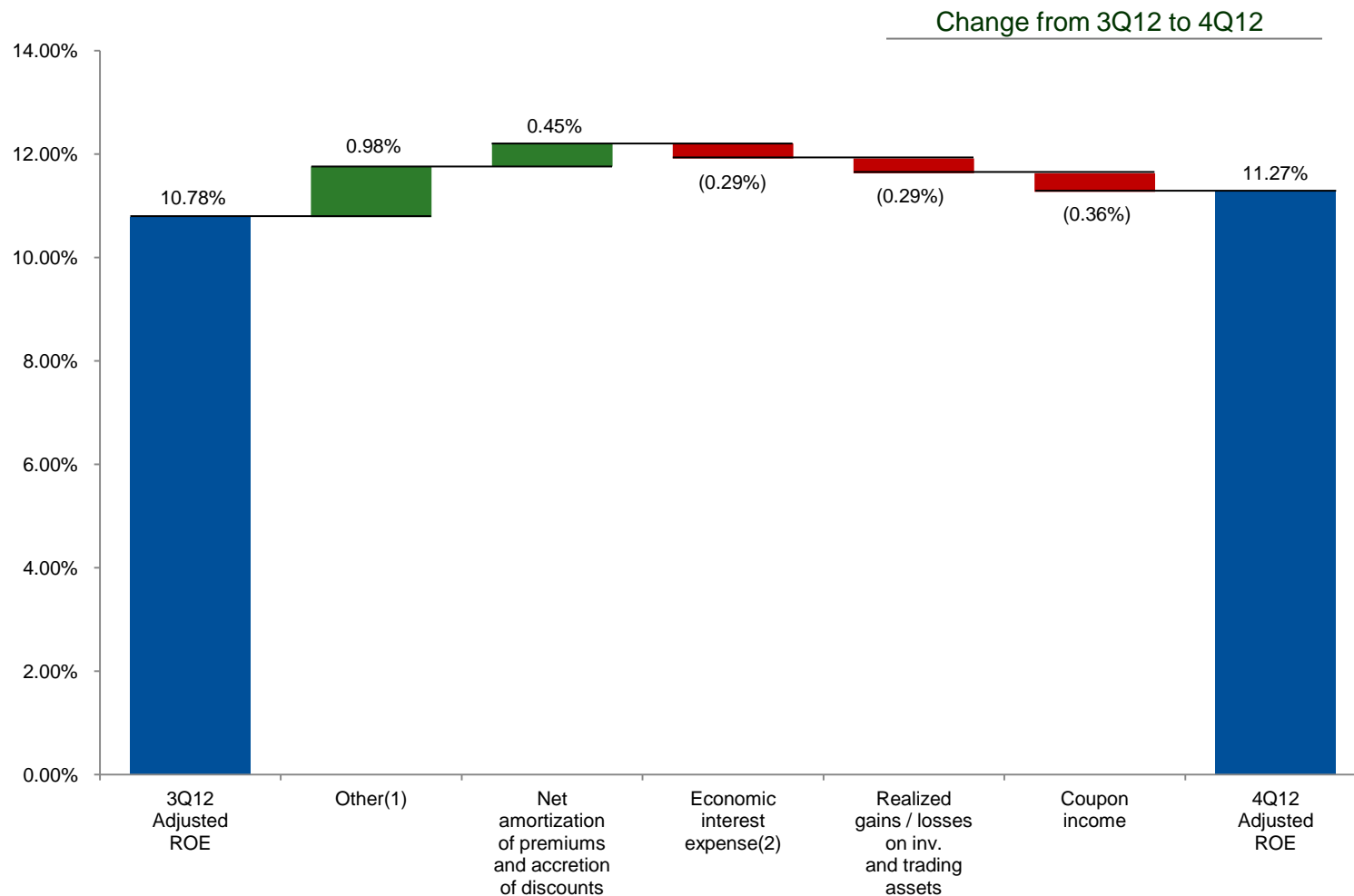
(1) All other items includes investment advisory and fee income, dividend income from affiliates, income from underwriting, general and administrative expenses and income taxes.

(2) Includes realized gains / losses on interest rate swaps.



# Annualized Adjusted Return on Average Equity

Unaudited



Note: Graph shows relative changes in contribution from 3Q12 to 4Q12. For example, net amortization of premiums and accretion of discounts decreased annualized adjusted ROE by 0.45% less in 4Q12 than it did in 3Q12.

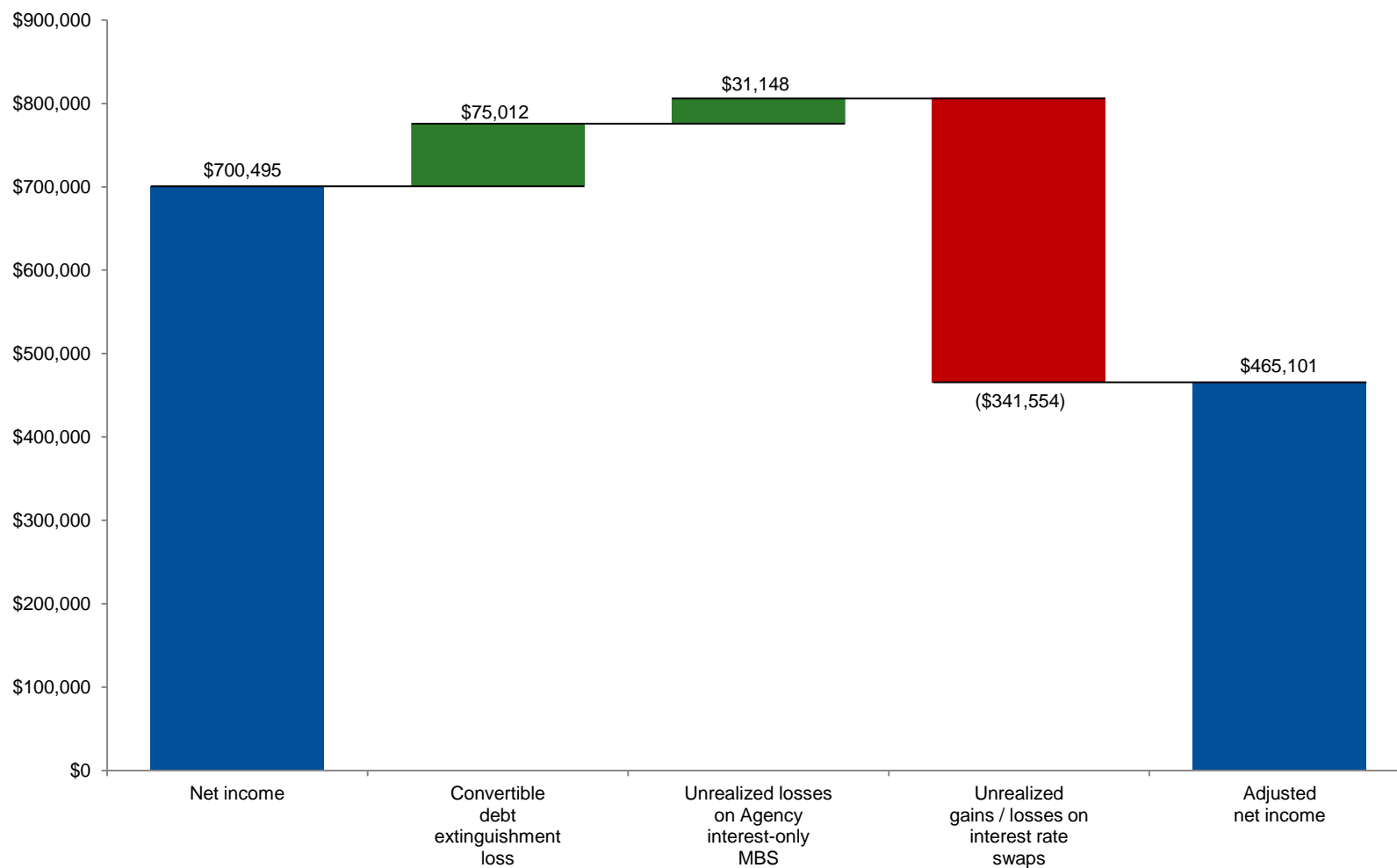
(1) All other items includes investment advisory and fee income, dividend income from affiliates, income from underwriting, general and administrative expenses and income taxes.

(2) Includes realized gains / losses on interest rate swaps.

# Adjusted Net Income

Unaudited, dollars in thousands

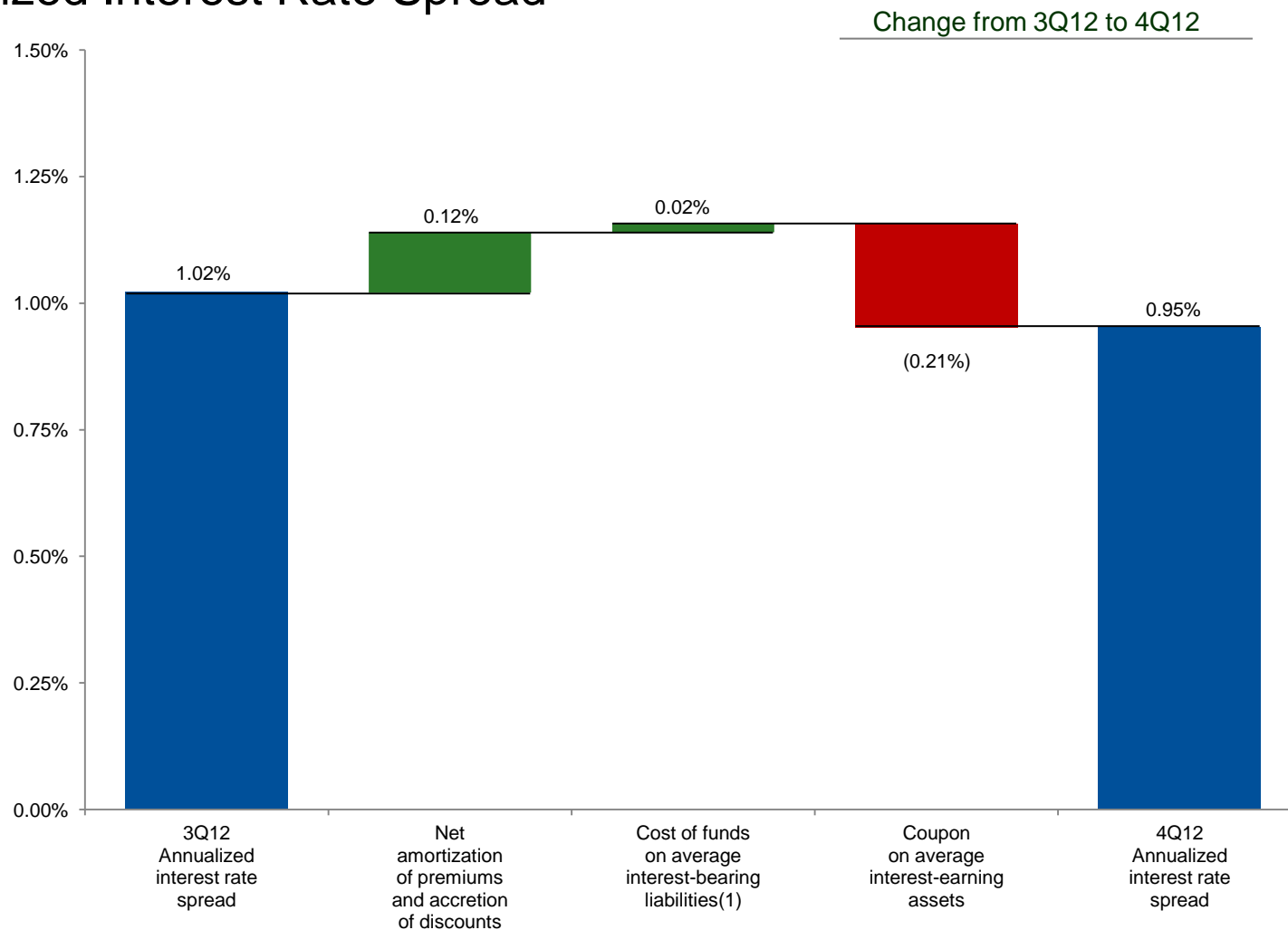
## Reconciliation of 4Q12 net income to Adjusted net income<sup>(1)</sup>



(1) Adjusted net income excludes unrealized gains or losses on interest rate swaps and Agency interest-only mortgage-backed securities and net loss on extinguishment of the 4% Convertible Notes.

# Annualized Interest Rate Spread

Unaudited



Note: Graph shows relative changes in contribution from 3Q12 to 4Q12. For example, net amortization of premiums and accretion of discounts decreased annualized interest rate spread by 0.12% less in 4Q12 than it did in 3Q12.

(1) Includes realized gains / losses on interest rate swaps.

# Common Equity

Unaudited, numbers in thousands except per share amounts

Change from 3Q12 to 4Q12

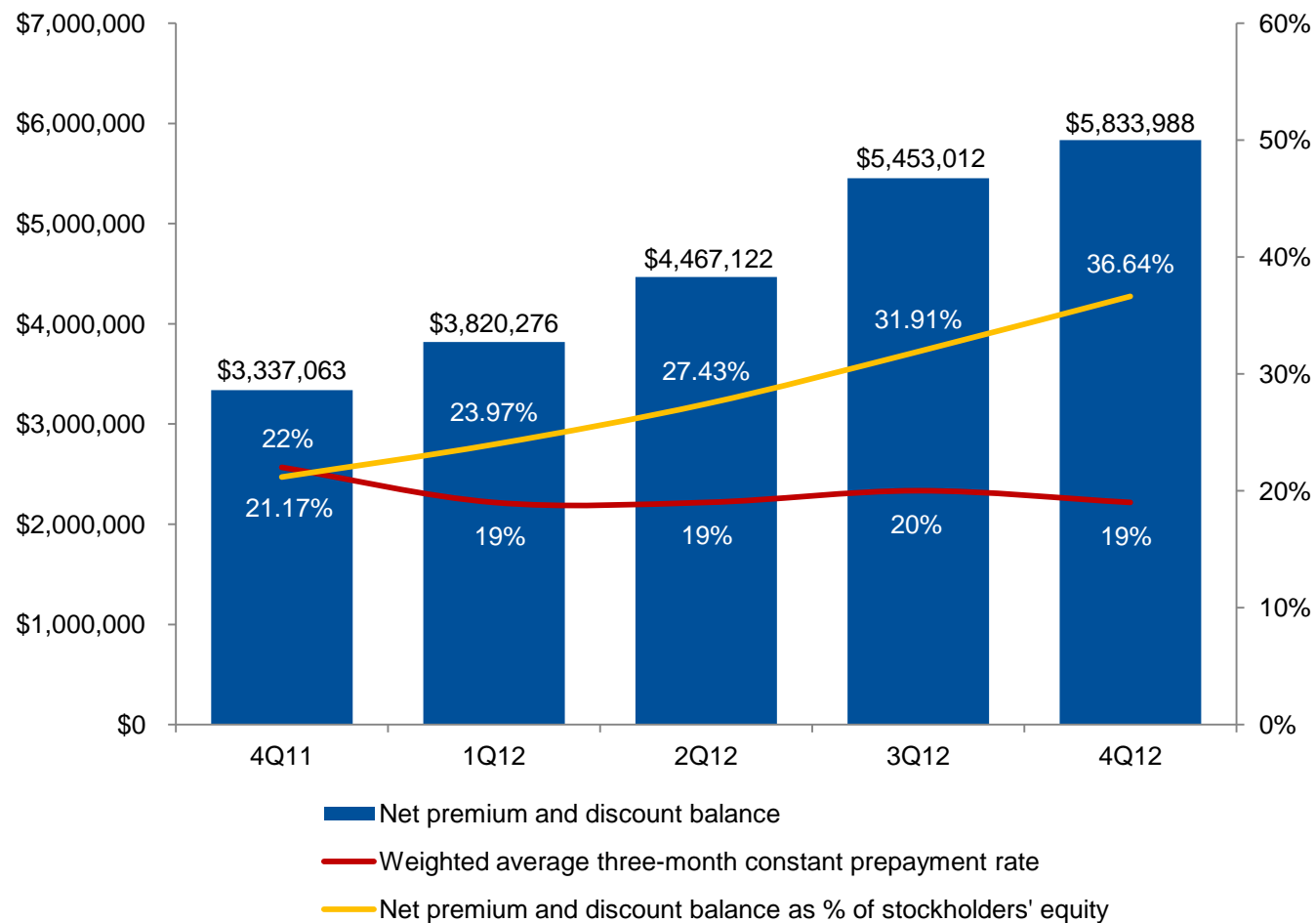
	Balance	Common Shares Outstanding	Book Value per Share
September 30, 2012 common equity	\$16,177,604	974,800	\$16.60
Net income	700,495		
Other comprehensive income (loss)	(1,016,365)		
Extinguishment of and contingent beneficial conversion feature on			
4% Convertible Senior Notes	(11,571)		
Preferred dividends declared	(19,717)		
Common dividends declared	(432,153)		
Other <sup>(1)</sup>	6,950		
Common equity balance prior to common stock transactions	\$15,405,243	974,800	\$15.80
Exercise of stock options and net proceeds from direct purchase and			
dividend reinvestment	3,192	212	
Buyback of common stock	(397,050)	(27,799)	
December 31, 2012 common equity	\$15,011,385	947,213	\$15.85

(1) Includes stock option expense and long-term compensation expense and liquidation of subsidiary.



# Agency MBS Portfolio Net Premium and Discount Balance and Constant Prepayment Rate

Unaudited, dollars in thousands



# Interest Rate Swaps and Repurchase Agreements as of December 31, 2012

Unaudited, dollars in thousands

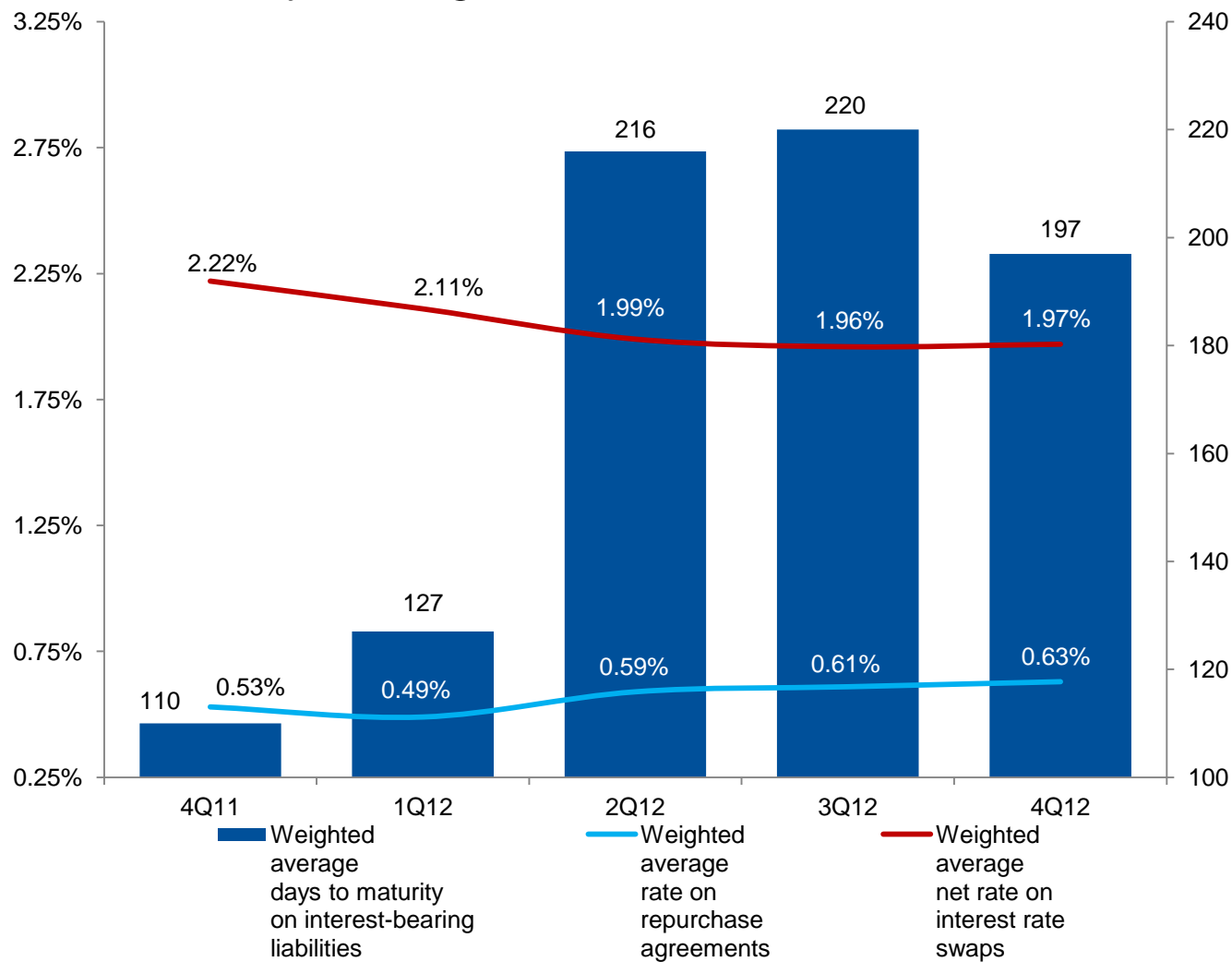
Interest Rate Swaps				
Maturity	Current Notional	Weighted Avg. Pay Rate	Weighted Avg. Receive Rate	Weighted Avg. Years to Maturity
0 - 3 years	\$18,165,800	2.23%	0.24%	1.80
3 - 6 years	19,609,500	1.84%	0.23%	3.74
6 - 10 years	5,300,000	2.66%	0.25%	7.76
Greater than 10 years	3,836,500	3.45%	0.24%	19.90
Total / Weighted Avg.	\$46,911,800	2.21%	0.24%	4.77

Repurchase Agreements		
Maturity	Principal Balance	Weighted Avg. Rate
Within 30 days	\$33,191,448	0.50%
30 to 59 days	28,383,851	0.45%
60 to 89 days	8,602,680	0.42%
90 to 119 days	4,804,671	0.57%
Over 120 days <sup>(1)</sup>	27,803,047	1.03%
Total / Weighted Avg.	\$102,785,697	0.63%

(1) Of the total repurchase agreements, approximately 11% have a remaining maturity over one year.

# Interest Rate and Liability Management

Unaudited



Note: Rates do not take into consideration outstanding Convertible Senior Notes.

# Agency MBS and Debentures Overview as of December 31, 2012

Unaudited, dollars in thousands

Agency Fixed-Rate Securities								
Weighted Avg. Years to Maturity	Current Face Value	%	Weighted Avg. Coupon	Weighted Avg. Amortized Cost	Weighted Avg. Fair Value	Subject to HARP	Weighted Avg. 3-Month CPR	Estimated Fair Value
<=15 years	\$3,760,481	3.7%	4.12%	103.8%	106.8%	13.7%	24.0%	\$4,015,287
20 years	11,512,141	11.4%	3.74%	104.4%	107.0%	1.3%	14.8%	12,315,106
>=30 years	85,091,438	84.5%	4.08%	104.8%	107.3%	8.5%	19.1%	91,343,221
Callables	362,558	0.4%	2.89%	99.5%	100.3%	0.0%	0.0%	363,785
Total/Weighted Avg. <sup>(1)</sup>	\$100,726,618	100.0%	4.04%	104.7%	107.3%	7.8%	18.8%	\$108,037,399

Agency Adjustable-Rate Securities								
Weighted Avg. Months to Reset	Current Face Value	%	Weighted Avg. Coupon	Weighted Avg. Amortized Cost	Weighted Avg. Fair Value	Subject to HARP	Weighted Avg. 3-Month CPR	Estimated Fair Value
0 - 24 months	\$3,105,115	37.7%	3.32%	100.4%	105.8%	99.0%	18.3%	\$3,282,854
25 - 40 months	373,772	4.5%	3.87%	102.1%	104.6%	16.3%	31.8%	390,823
41 - 60 months	768,735	9.3%	5.26%	101.0%	107.5%	65.3%	36.1%	825,068
61 - 90 months	613,406	7.4%	4.09%	103.9%	106.5%	14.8%	34.5%	653,340
>90 months	754,305	9.1%	3.59%	103.2%	105.9%	0.0%	25.5%	798,341
Step-Ups	2,644,130	32.0%	1.97%	99.9%	100.1%	0.0%	0.0%	2,645,783
Total/Weighted Avg. <sup>(1)</sup>	\$8,259,463	100.0%	3.18%	100.9%	104.1%	66.4%	24.4%	\$8,596,209

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	Subject to HARP	Weighted Avg. 3-Month CPR	Estimated Fair Value
Fixed-Rate	\$9,201,086	99.6%	4.07%	102.5%	104.8%	18.4%	30.6%	\$9,644,380
Floating-Rate	39,525	0.4%	0.70%	99.5%	98.1%	100.0%	25.5%	38,780
Total/Weighted Avg.	\$9,240,611	100.0%	4.05%	102.5%	104.8%	18.8%	30.6%	\$9,683,160

Agency Interest-Only Collateralized Mortgage-Backed Obligations								
Type	Current Notional Value	%	Weighted Avg. Coupon	Weighted Avg. Amortized Cost	Weighted Avg. Fair Value	Subject to HARP	Weighted Avg. 3-Month CPR	Estimated Fair Value
Interest-Only	\$5,566,882	95.0%	4.02%	13.3%	10.9%	22.4%	20.1%	\$604,101
Inverse Interest-Only	296,030	5.0%	6.25%	18.6%	17.5%	0.0%	15.9%	51,906
Total/Weighted Avg.	\$5,862,912	100.0%	4.14%	13.6%	11.2%	21.3%	19.9%	\$656,007

(1) Weighted averages for % originated pre-March 2009 and three-month CPR exclude Callables and Step-Up securities.

# Agency Fixed-Rate Portfolio Not Subject to HARP

Unaudited, dollars in thousands

## <=15 Years Weighted Average Maturity

Type	Current Face Value	Weighted Avg. Coupon	Weighted Avg. Amortized Cost	Weighted Avg. Fair Value	Weighted Avg. 3-Month CPR
Generic	\$3,026,590	3.94%	103.9%	106.7%	25.0%
Loan Balance <=\$175k	82,647	3.50%	104.2%	106.4%	12.6%
Loan-to-Value >=81	108,939	3.00%	106.1%	106.3%	0.0%
100% Investor Owned	-	-	-	-	-
Jumbo Conforming	27,512	4.00%	103.3%	104.1%	40.9%
Weighted Average		3.90%	104.0%	106.7%	23.9%

## 20 Years Weighted Average Maturity

Type	Current Face Value	Weighted Avg. Coupon	Weighted Avg. Amortized Cost	Weighted Avg. Fair Value	Weighted Avg. 3-Month CPR
Generic	\$10,788,439	3.72%	104.3%	106.9%	14.8%
Loan Balance <=\$175k	416,590	3.55%	106.2%	107.8%	13.5%
Loan-to-Value >=81	163,109	3.54%	105.9%	107.6%	8.5%
100% Investor Owned	-	-	-	-	-
Jumbo Conforming	-	-	-	-	-
Weighted Average		3.71%	104.4%	107.0%	14.6%

## >=30 Years Weighted Average Maturity

Type	Current Face Value	Weighted Avg. Coupon	Weighted Avg. Amortized Cost	Weighted Avg. Fair Value	Weighted Avg. 3-Month CPR
Generic	\$37,743,342	3.93%	104.6%	107.1%	18.2%
Loan Balance <=\$175k	9,360,032	3.75%	106.1%	108.3%	9.0%
Loan-to-Value >=81	15,931,092	3.92%	106.5%	108.6%	6.9%
100% Investor Owned	5,001,592	4.05%	106.3%	108.4%	18.7%
Jumbo Conforming	10,171,059	4.02%	102.6%	104.2%	38.2%
Weighted Average		3.93%	105.0%	107.3%	17.5%

Note: Portfolio data as of December 31, 2012. Certain securities are classified under more than one category.



# Agency Fixed-Rate Portfolio Subject to HARP

Unaudited, dollars in thousands

## <=15 Years Weighted Average Maturity

Type	Current Face Value	Weighted Avg. Coupon	Weighted Avg. Amortized Cost	Weighted Avg. Fair Value	Weighted Avg. 3-Month CPR
Generic	\$407,092	5.46%	102.8%	107.2%	25.5%
Loan Balance <=\$175k	107,701	5.68%	102.9%	108.1%	20.2%
Loan-to-Value >=81	-	-	-	-	-
100% Investor Owned	-	-	-	-	-
Jumbo Conforming	-	-	-	-	-
Weighted Average		5.51%	102.8%	107.4%	24.4%

## 20 Years Weighted Average Maturity

Type	Current Face Value	Weighted Avg. Coupon	Weighted Avg. Amortized Cost	Weighted Avg. Fair Value	Weighted Avg. 3-Month CPR
Generic	\$144,004	5.55%	103.2%	108.7%	29.0%
Loan Balance <=\$175k	-	-	-	-	-
Loan-to-Value >=81	-	-	-	-	-
100% Investor Owned	-	-	-	-	-
Jumbo Conforming	-	-	-	-	-
Weighted Average		5.55%	103.2%	108.7%	29.0%

## >=30 Years Weighted Average Maturity

Type	Current Face Value	Weighted Avg. Coupon	Weighted Avg. Amortized Cost	Weighted Avg. Fair Value	Weighted Avg. 3-Month CPR
Generic	\$4,342,735	5.77%	101.6%	107.8%	37.6%
Loan Balance <=\$175k	1,564,406	5.48%	104.3%	110.5%	31.8%
Loan-to-Value >=81	1,084,192	6.29%	101.7%	109.9%	38.7%
100% Investor Owned	21,724	6.05%	102.6%	109.7%	26.5%
Jumbo Conforming	389,661	5.48%	103.4%	105.7%	36.1%
Weighted Average		5.77%	102.3%	108.5%	36.4%

Note: Portfolio data as of December 31, 2012. Certain securities are classified under more than one category.

# Last Five Quarters Summary Data

Unaudited, dollars in thousands except per share amounts

	For the quarters ended				
	December 31, 2012	September 30, 2012	June 30, 2012	March 31, 2012	December 31, 2011
Net income (loss) per share:					
Net income (loss)	\$0.70	\$0.22	(\$0.10)	\$0.92	\$0.46
Adjusted net income (loss) <sup>(1)</sup>	\$0.46	\$0.45	\$0.55	\$0.54	\$0.54
Dividends declared per common share	\$0.45	\$0.50	\$0.55	\$0.55	\$0.57
Total dividends declared per common and preferred share	\$451,870	\$496,606	\$542,406	\$538,338	\$556,954
Annualized interest rate spread during the quarter:					
Annualized yield on average interest-earning assets	2.45%	2.54%	3.04%	3.23%	3.31%
Annualized cost of funds on average interest-bearing liabilities	1.50%	1.52%	1.50%	1.52%	1.60%
Annualized Interest rate spread	0.95%	1.02%	1.54%	1.71%	1.71%
Leverage	6.5x	6.0x	6.0x	5.8x	5.4x
Common stock book value per share	\$15.85	\$16.60	\$16.23	\$16.18	\$16.06
Annualized return on average equity:					
Net income (loss)	16.97%	5.39%	(2.26%)	22.73%	11.23%
Adjusted net income (loss) <sup>(1)</sup>	11.27%	10.78%	13.56%	13.34%	13.24%

(1) Adjusted net income excludes unrealized gains or losses on interest rate swaps and Agency interest-only mortgage-backed securities and net loss on extinguishment of the 4% Convertible Notes.

# Last Five Quarters Summary Data

Unaudited, dollars in thousands

	For the quarters ended				
	December 31, 2012	September 30, 2012	June 30, 2012	March 31, 2012	December 31, 2011
Total Agency mortgage-backed securities and debentures	\$126,972,775	\$132,533,252	\$119,751,155	\$111,790,839	\$105,140,635
% Fixed-rate	93%	93%	92%	91%	90%
% Adjustable-rate	7%	7%	7%	8%	9%
% Floating-rate	0%	0%	1%	1%	1%
Weighted-average three-month constant prepayment rate (CPR)	19%	20%	19%	19%	22%
Net premium and discount balance in Agency MBS portfolio	\$5,833,988	\$5,453,012	\$4,467,122	\$3,820,276	\$3,337,063
Net premium and discount balance as % of stockholder's equity	36.64%	31.91%	27.43%	23.97%	21.17%
Weighted average days to maturity of interest-bearing liabilities	197	220	216	127	110
Weighted average rate on repurchase agreements	0.63%	0.61%	0.59%	0.49%	0.53%
Interest rate swaps:					
Notional amount of interest rate swaps as a % of Inv. Securities	40%	38%	41%	40%	41%
Weighted average pay rate on interest swaps	2.21%	2.23%	2.29%	2.42%	2.55%
Weighted average receive rate on interest swaps	0.24%	0.27%	0.30%	0.31%	0.33%
Weighted average net rate on interest swaps	1.97%	1.96%	1.99%	2.11%	2.22%