ANNALY®

# 4Q 2014 Stockholder Supplement

February 24, 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 commercial real estate assets and corporate debt; 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; our ability to maintain our exemption from registration under the Investment Company Act of 1940, as amended; risks associated with the businesses of our subsidiaries, including the investment advisory business of a wholly-owned subsidiary and the broker-dealer business of a wholly-owned subsidiary. 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.

# 4Q14 Financial Overview

Unaudited

**Income Statement**

- GAAP net loss of $658.3 million, or $0.71 loss per average common share, resulting in an annualized GAAP loss on average equity of (19.91%)
- Core earnings[(1)] of $298.9 million, or $0.30 per average common share, generating an annualized core return on average equity of 9.04%
- Declared a $0.30 dividend per common share

**Balance Sheet**

- Common stock book value per share of $13.10
- End of period total debt to equity of 5.4x[(2)]
- End of period capital ratio of 15.1%[(3)]
- Weighted average days to maturity on repurchase agreements of 141 days

**Portfolio**

- Average yield on interest earning assets[(4)] of 2.98% and net interest spread of 1.29% during the quarter; net interest margin[(5)] of 1.56%
- End of period Investment Securities[(6)] of $82.9 billion
- End of period commercial real estate debt and preferred equity of $1.5 billion with a weighted-average yield of 9.00% at quarter end and commercial real estate held for investment of $210.0 million with a net equity yield of 13.95%[(7)]

(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.
(2) Includes repurchase agreements, Convertible Senior Notes, securitized debt, loan participation and mortgages payable. Securitized debt, loan participation and mortgages payable are non-recourse to the Company.
(3) Total stockholders' equity divided by total assets.
(4) Consists of Investment Securities, U.S. Treasury Securities, securities borrowed, commercial real estate debt and preferred equity, corporate debt, reverse repurchase agreements and cash and cash equivalents. Interest earning assets reflects the average amortized cost of our investments during the period.
(5) Represents the Company's annualized economic net interest income, inclusive of interest expense on interest rate swaps, divided by its average interest-earning assets.
(6) Investment Securities consist of Agency mortgage-backed securities and Agency debentures.
(7) Represents annualized cash-on-cash return based on current in-place rents and forecasted annual operating expenses.

# Strategy Overview

Unaudited

**Portfolio Positioning**

- QE3 officially ended in the fourth quarter, but the Federal Reserve remains supportive of the MBS market through reinvestment of portfolio runoff, which is expected to persist at least until lift-off of the Federal Funds target rate
- During the fourth quarter of 2014, leverage remained relatively unchanged as we purchased $8.8 billion of Investment Securities and disposed of $7.3 billion of Investment Securities resulting in a realized gain of $3.2 million
- Commercial investments (net of financing) are relatively stable and represent 11% of stockholders' equity

**Market Opportunities**

- Expected levered return on equity of 8% to 10% on purchase of Agency mortgage-backed securities ("Agency MBS") in current market environment
- Pay-ups on specified pools have increased meaningfully in light of lower interest rates and elevated volatility. While the specified sector still offers fair value at current pricing, recent outperformance has marginally increased the relative attractiveness of TBAs, in spite of diminished dollar roll specialness.
- Expected unlevered return of 3.5% to 5.0% for commercial first mortgages pre-securitization with opportunity to hold subordinated tranches yielding 8% to 10% post-securitization, and 7% to 9% unlevered return on equity through commercial mezzanine investments
- Expected unlevered stabilized return on commercial real estate property investments of 6% to 7% with opportunity to attractively finance with debt that increases cash-on-cash return to 9%+, not including the potential for asset price appreciation

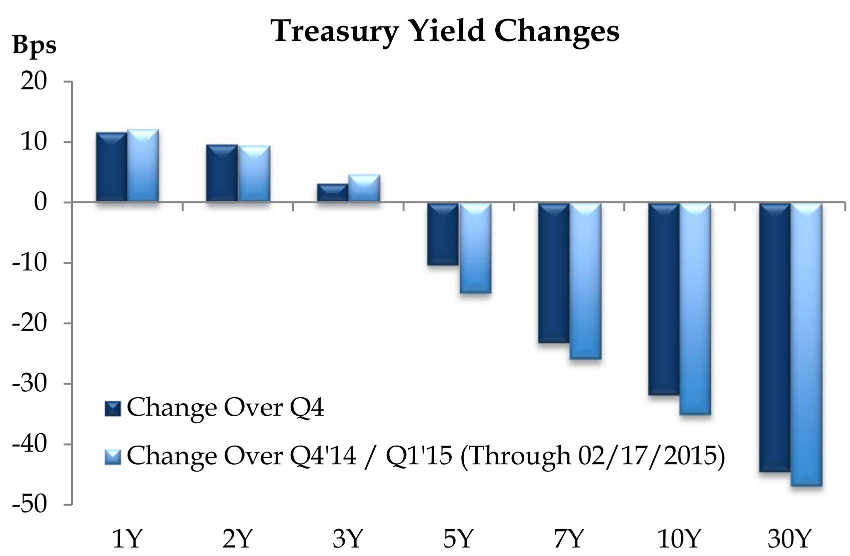
**Liability and Interest Rate Management**

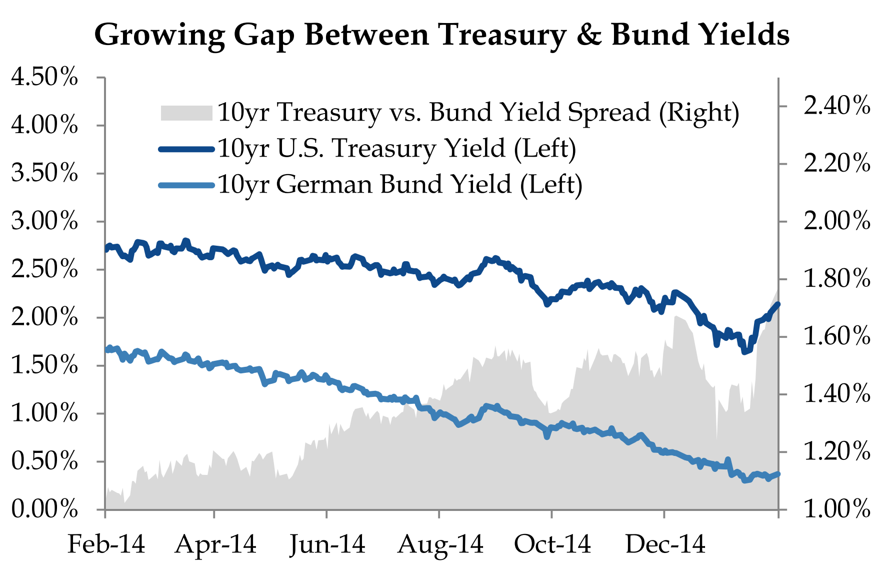
- Selectively add to portfolio as opportunities are presented, taking advantage of the flexibility provided by our current leverage profile
- Continue to maintain focus on longer term funding agreements to manage short term interest rate uncertainty
- Selectively utilize derivatives and futures contracts to hedge against higher interest rates and spikes in volatility

# Interest Rate Market Performance

- Longer-dated rates declined over the course of Q4 2014 and Q1 2015 to-date
  - Declines driven by a combination of continued concerns over global growth and inflation outlook, foreign central bank policy developments and elevated geopolitical risks
  - Rapid declines in the price of oil led to declining medium and longer-term inflation expectations, contributing to the decline in nominal yields
  - Despite significant decline in longer-rates, rates in the U.S. look attractive relative to global counterparts, in large part owing to the QE initiative announced by the ECB and ongoing QE in Japan

- Market anticipates the Fed's initial rates increase to occur in late-2015 and the path of subsequent increases to be substantially more gradual compared to Fed's December 2014 consensus



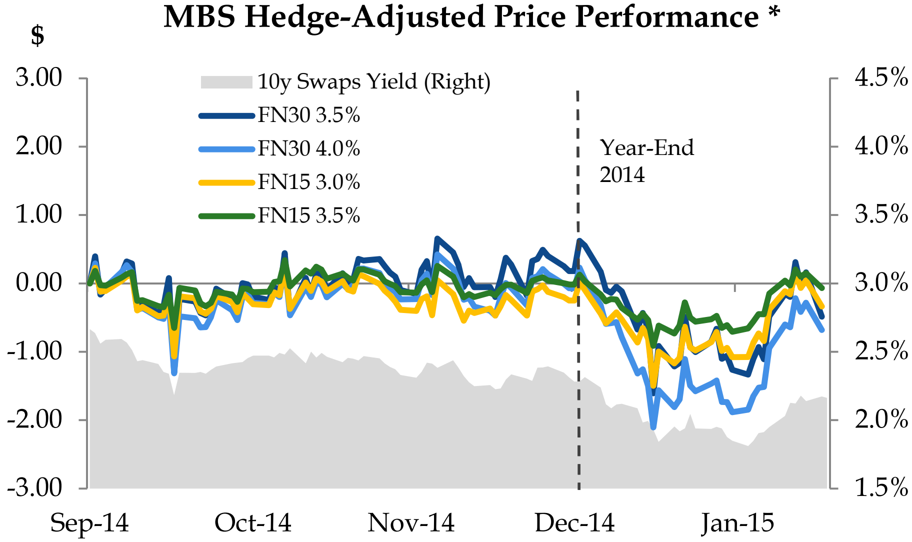




Source: Bloomberg. Data as of February 17, 2015.

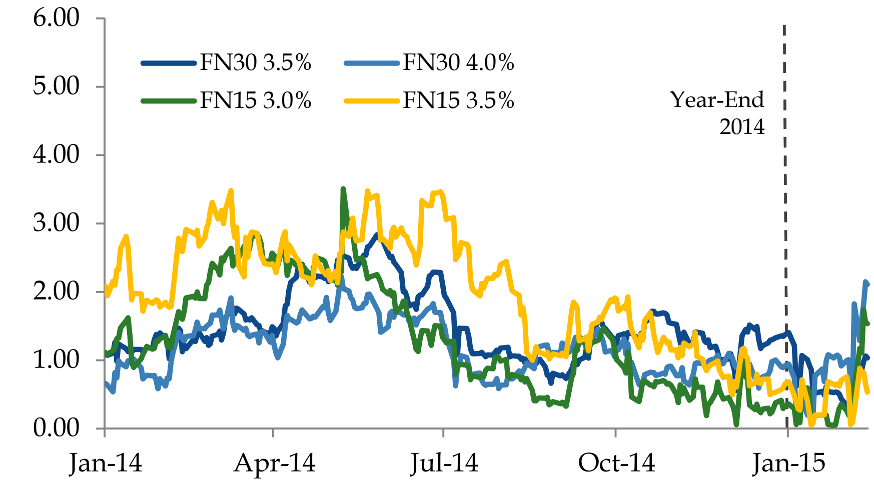
# MBS Market Performance

- MBS performed generally in line with interest rates in Q4 2014
- As longer-dated rates declined significantly over the course of January 2015, mortgages underperformed rates, though most of the underperformance has been retraced through mid-February as rates backed-up from lows
  - Lower coupons (30y 3% & 3.5%) modestly outperformed higher coupons (30y 4% & 4.5%) as prepayment expectations for higher coupons increased
  - 15yr MBS outperformed 30yr owing to their more stable cash flow profile
- Specified pool pay-ups increased significantly in Q4 2014 / early-2015
  - As rates declined and interest rate volatility spiked, investor demand for prepayment protection increased
  - Increase in pay-ups in some sectors exceeded expectations after adjusting for longer durations of specified pools vs. TBAs
- After moderating for most of 2014, dollar roll specialness exhibited an uptick in recent weeks

**MBS Hedge-Adjusted Price Performance ***



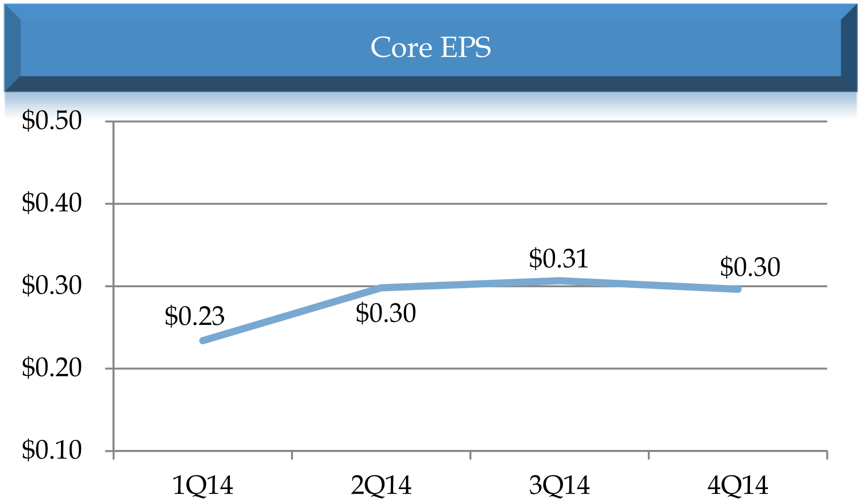

**Monthly Dollar Roll Specialness**

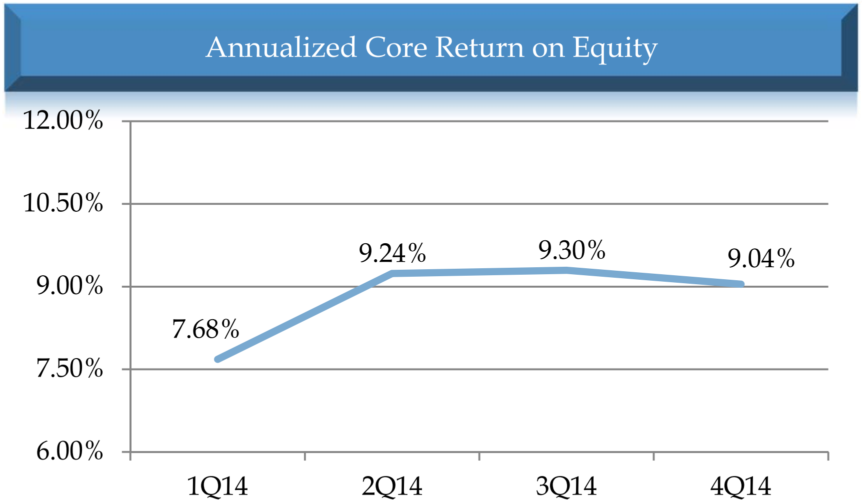


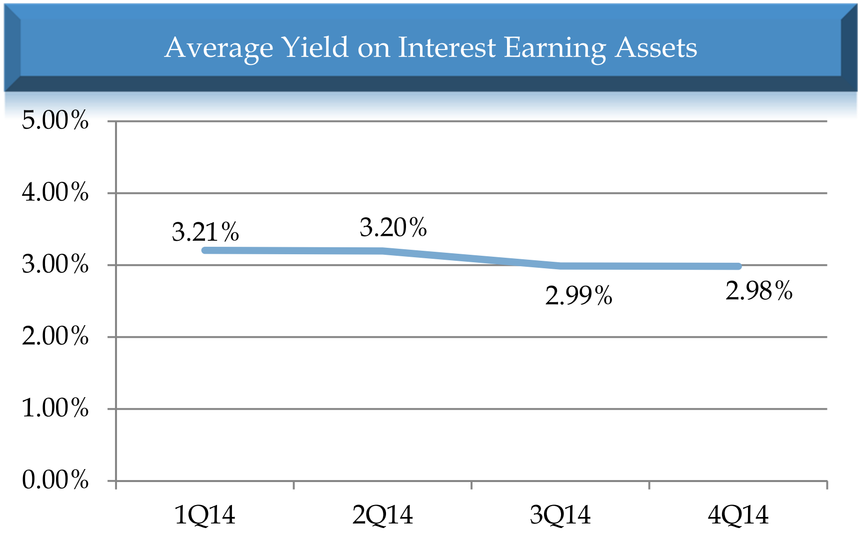

Source: Barclays, JPMorgan, Annaly calculations
* MBS relative performance vs. swaps reflects cumulative price performance of a $100 MBS position hedged with a combination of 2y, 5y and 10y interest rate swaps on September 30, 2014. Calculations are based on Barclays' model partial duration profile. Cumulative performance does not include net coupon earnings. Q1 2015 cumulative performance is through February 17, 2015.

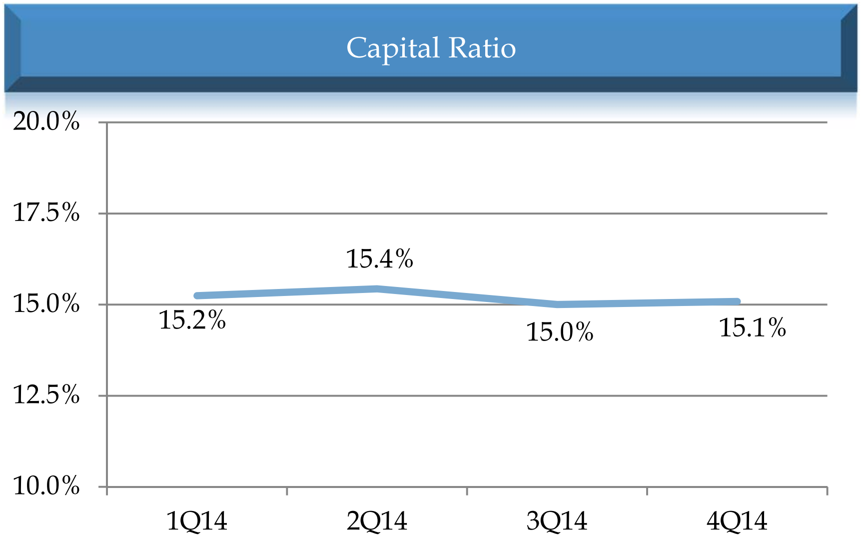
# Last Four Quarters Financial Performance

Unaudited



# Summary Balance Sheet and Applicable Information

Unaudited, numbers in thousands except per share amounts

| | For the quarters ended | | |
|---|---|---|---|
| | December 31, 2014 | September 30, 2014 | December 31, 2013 |
| Investment Securities | $82,933,606 | $82,796,568 | $73,358,834 |
| Commercial real estate investments | 1,728,197 | 1,628,785 | 1,644,101 |
| Corporate debt, held for investment | 166,464 | 144,451 | 117,687 |
| Total Investment Securities and commercial investment portfolio(1) | $84,828,267 | $84,569,804 | $75,120,622 |
| Total assets | $88,355,367 | $87,387,986 | $81,922,460 |
| Repurchase agreements | $71,361,926 | $69,610,722 | $61,781,001 |
| Convertible Senior Notes | 845,295 | 836,625 | 825,262 |
| Securitized debt of consolidated VIE | 260,700 | 260,700 | - |
| Mortgages payable | 146,553 | 42,635 | 19,332 |
| Participation sold | 13,693 | 13,768 | 14,065 |
| Total debt | $72,628,167 | $70,764,450 | $62,639,660 |
| Total liabilities | $75,021,586 | $74,277,038 | $69,517,405 |
| Cumulative redeemable preferred stock | $913,059 | $913,059 | $913,059 |
| Common equity(2) | 12,415,432 | 12,197,889 | 11,491,996 |
| Total stockholders' equity | $13,328,491 | $13,110,948 | $12,405,055 |
| Non-controlling interest | 5,290 | - | - |
| Total equity | $13,333,781 | $13,110,948 | $12,405,055 |
| Total debt to total equity | 5.4x | 5.4x | 5.0x |
| Capital ratio | 15.1% | 15.0% | 15.1% |
| Net capital ratio(3) | 15.1% | 15.0% | 15.9% |
| Common stock book value per share | $13.10 | $12.87 | $12.13 |
| Total common stock shares outstanding | 947,643 | 947,592 | 947,433 |

(1) Consists of commercial real estate debt and preferred equity and corporate debt.
(2) Consists of common stock, additional paid-in capital, accumulated other comprehensive income (loss) and accumulated deficit.
(3) Total stockholders' equity divided by total assets less the net balances of U.S. Treasury securities and U.S. Treasury securities sold, not yet purchased, reverse repurchase agreements and repurchase agreements, and securities borrowed and securities loaned.

# Summary Income Statement and Applicable Information

Unaudited, dollars in thousands except per share amounts

| | For the quarters ended | | |
|---|---|---|---|
| | December 31, 2014 | September 30, 2014 | December 31, 2013 |
| Total interest income | $648,144 | $644,640 | $771,249 |
| Total economic interest expense(1) | 309,420 | 296,152 | 379,575 |
| Economic net interest income(1) | $338,724 | $348,488 | $391,674 |
| GAAP Net income (loss) | ($658,272) | $354,856 | $1,028,749 |
| GAAP Net income (loss) available (related) to common shareholders | (676,068) | 336,864 | 1,010,757 |
| GAAP Earnings per common share | ($0.71) | $0.36 | $1.07 |
| Core earnings (loss) | $298,946 | $308,621 | $350,106 |
| Core earnings (loss) available (related) to common shareholders | 280,954 | 290,629 | 332,114 |
| Core earnings per common share | $0.30 | $0.31 | $0.35 |
| Dividends declared per common share | $0.30 | $0.30 | $0.30 |
| Annualized GAAP return on average equity | (19.91%) | 10.69% | 32.46% |
| Annualized core return on average equity | 9.04% | 9.30% | 11.05% |
| Annualized core return on average equity per unit of leverage | 1.66% | 1.72% | 2.19% |
| Net interest margin | 1.56% | 1.61% | 1.78% |
| Average yield on interest earning assets | 2.98% | 2.99% | 3.50% |
| Average cost of interest bearing liabilities | 1.69% | 1.64% | 2.07% |
| Net interest spread | 1.29% | 1.35% | 1.43% |
| Weighted average three-month constant prepayment rate (CPR) | 8% | 9% | 7% |

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

# Components of Economic Net Interest Income

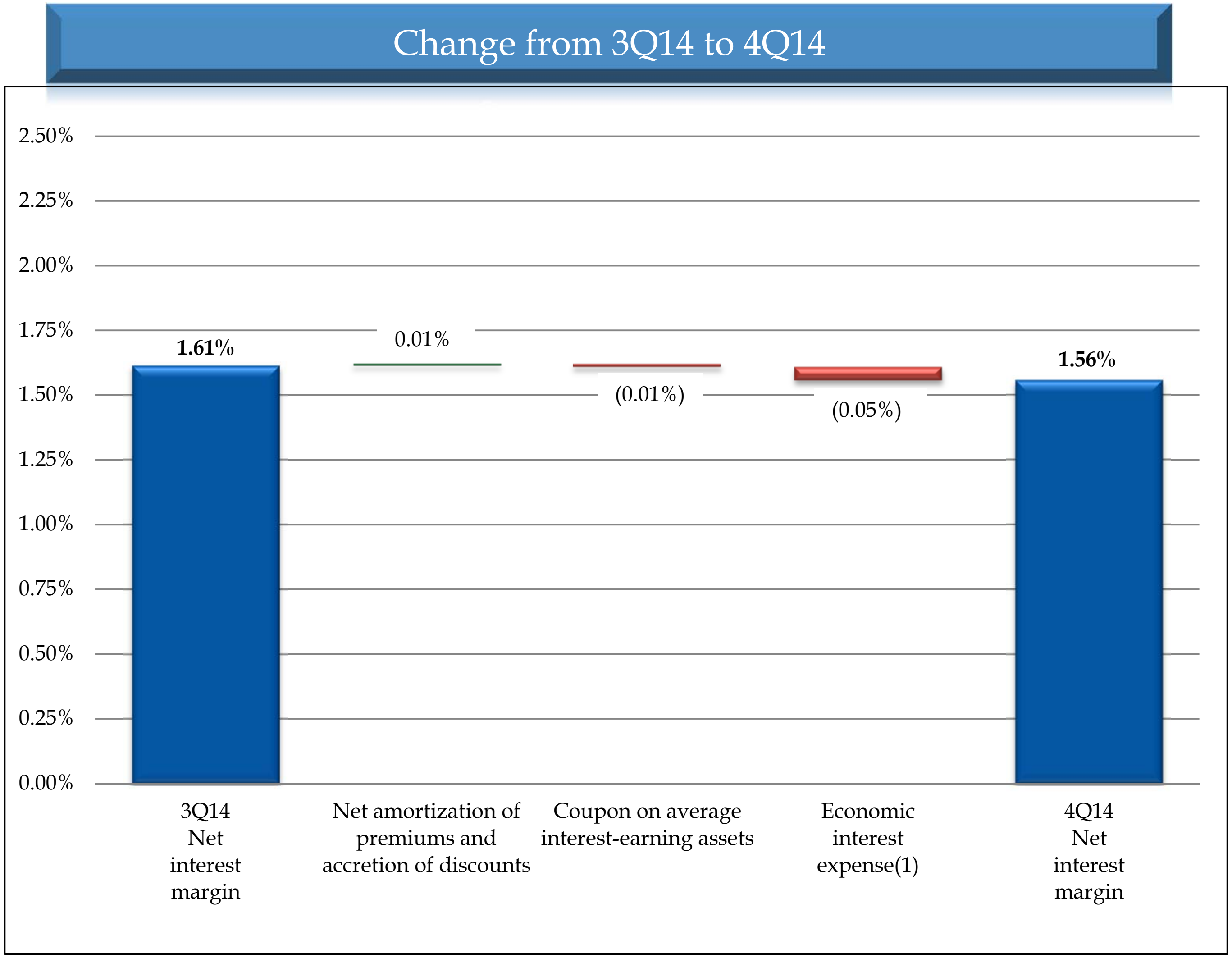
Unaudited, dollars in thousands

| | For the quarters ended | | |
|---|---|---|---|
| | December 31, 2014 | September 30, 2014 | December 31, 2013 |
| Interest income: | | | |
| Investment Securities | $606,746 | $606,331 | $721,670 |
| Commercial investment portfolio | 40,913 | 38,113 | 37,702 |
| U.S. Treasury securities | - | - | 8,125 |
| Securities loaned | - | - | 2,087 |
| Reverse repurchase agreements | 429 | 135 | 1,587 |
| Other | 56 | 61 | 78 |
| Total interest income | $648,144 | $644,640 | $771,249 |
| Economic interest expense: | | | |
| Repurchase agreements | $107,540 | $102,750 | $111,038 |
| Realized losses on interest rate swaps[1] | 174,908 | 169,083 | 242,182 |
| Convertible Senior Notes | 25,701 | 22,376 | 17,788 |
| U.S. Treasury Securities sold, not yet purchased | - | - | 6,684 |
| Securities borrowed | - | - | 1,718 |
| Securitized debt of consolidated VIE | 1,106 | 1,780 | - |
| Participation sold | 165 | 163 | 165 |
| Total economic interest expense | $309,420 | $296,152 | $379,575 |
| Economic net interest income | $338,724 | $348,488 | $391,674 |

(1) Interest expense related to the Company's interest rate swaps is recorded in Realized gains (losses) on interest rate swaps on the Consolidated Statements of Comprehensive Income (Loss).

# Change in Net Interest Margin

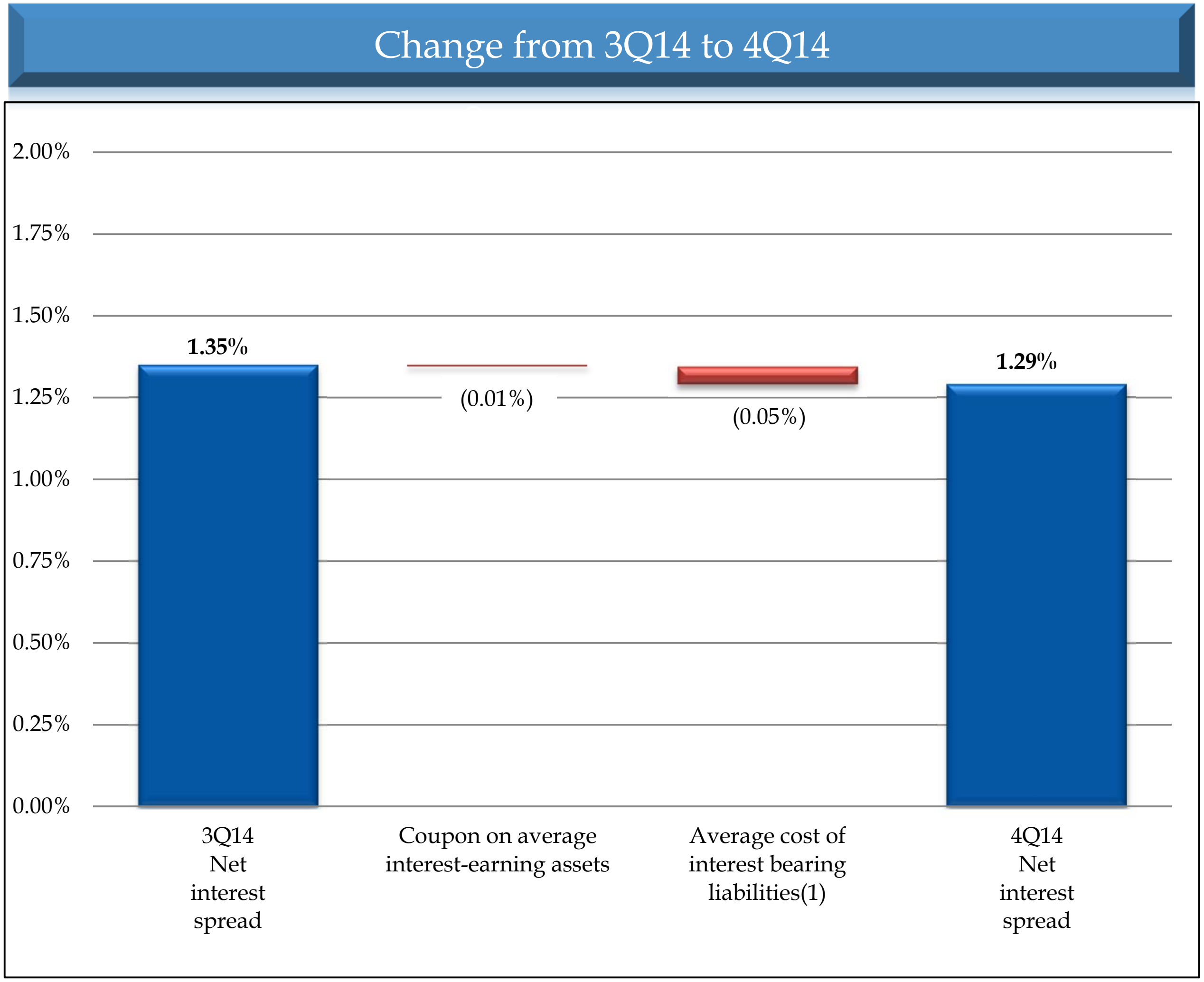
Unaudited




Note: Graph shows relative changes in contribution from 3Q14 to 4Q14. For example, economic interest expense decreased net interest margin by 0.05% more in 4Q14 versus 3Q14.
(1) Includes realized gains (losses) on interest rate swaps.

# Change in Net Interest Spread

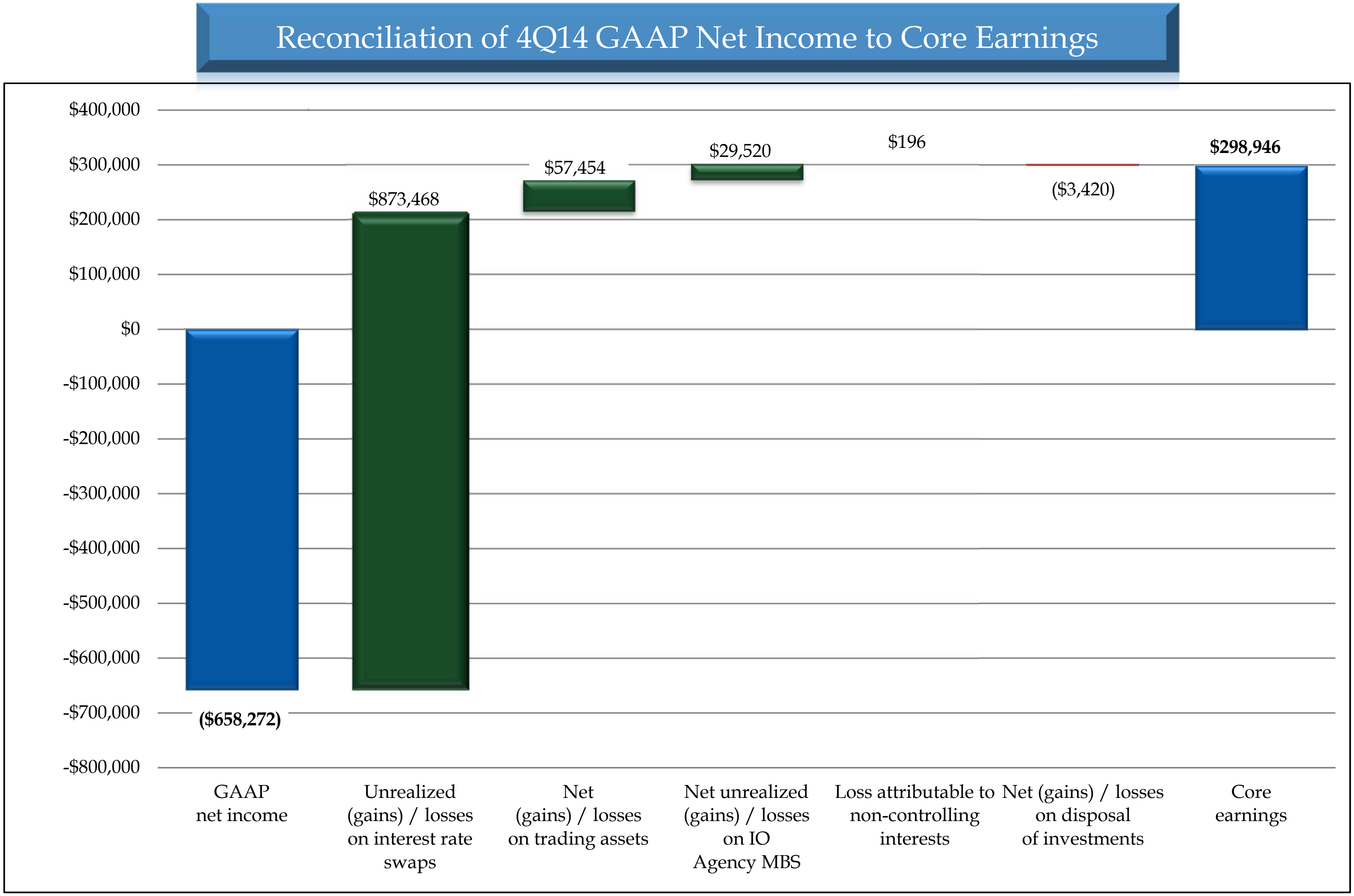
Unaudited




Note: Graph shows relative changes in contribution from 3Q14 to 4Q14. For example, average cost of interest bearing liabilities decreased net interest spread by 0.05% more in 4Q14 versus 3Q14.
(1) Includes realized gains (losses) on interest rate swaps.

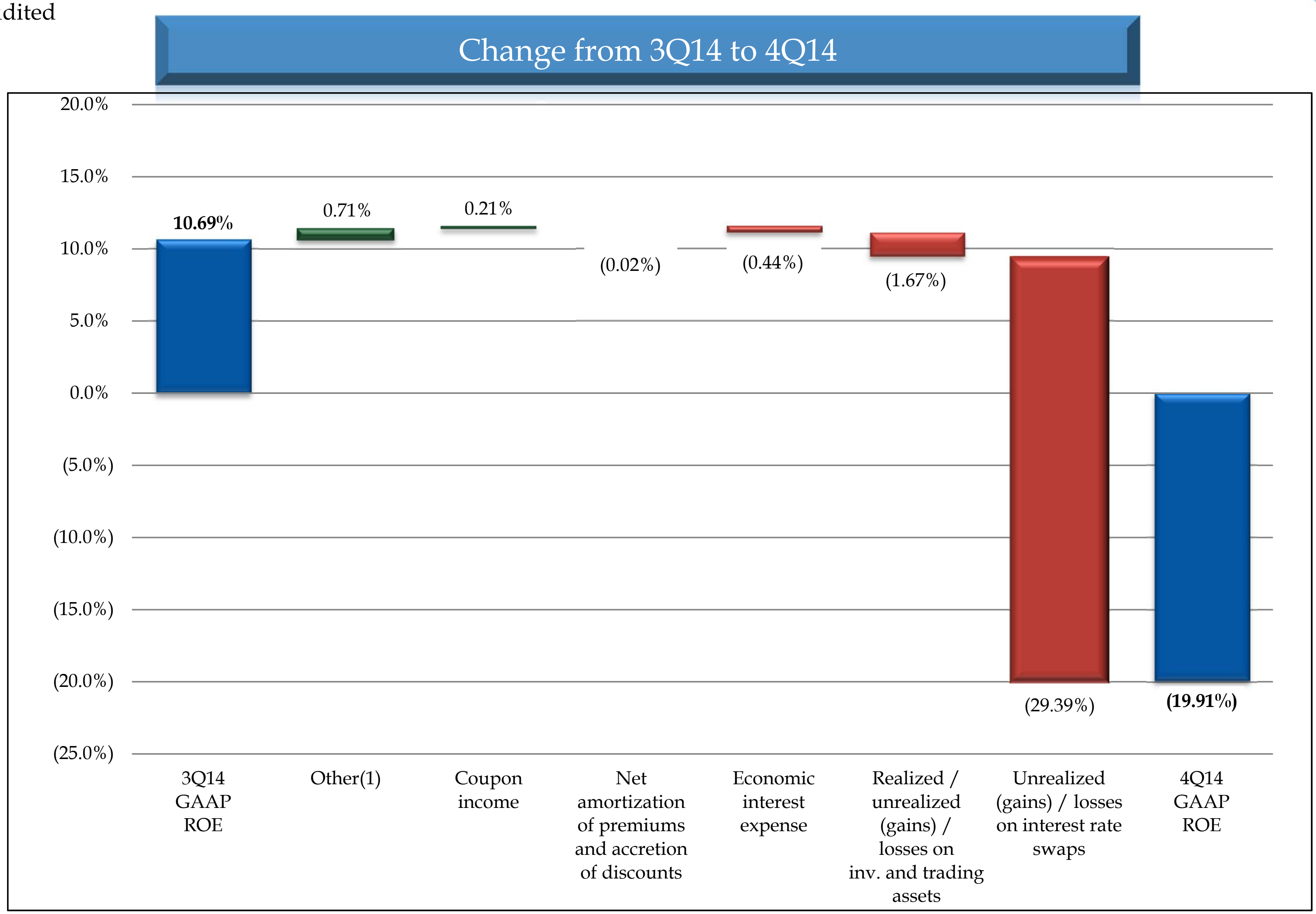
# Reconciliation to Core Earnings

Unaudited, dollars in thousands



# Change in Annualized GAAP Return on Average Equity

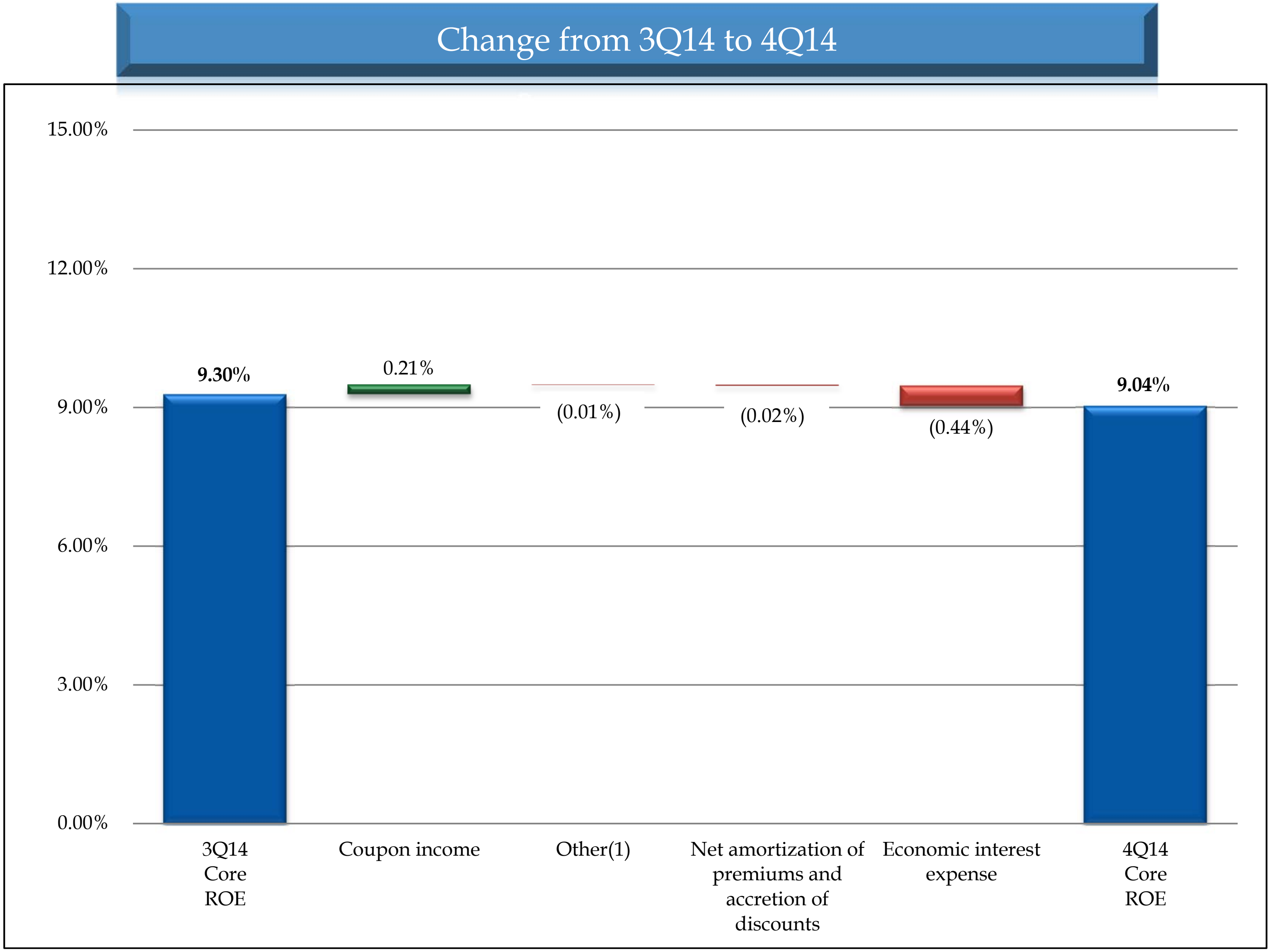
Unaudited




Note: Graph shows relative changes in contribution from 3Q14 to 4Q14. For example, unrealized (gains)/losses on interest rate swaps decreased annualized ROE by 29.39% more in 4Q14 versus 3Q14.
(1) Other includes investment advisory income, dividend income from affiliates, other income (loss), general and administrative expenses, and income taxes.

# Change in Annualized Core Return on Average Equity

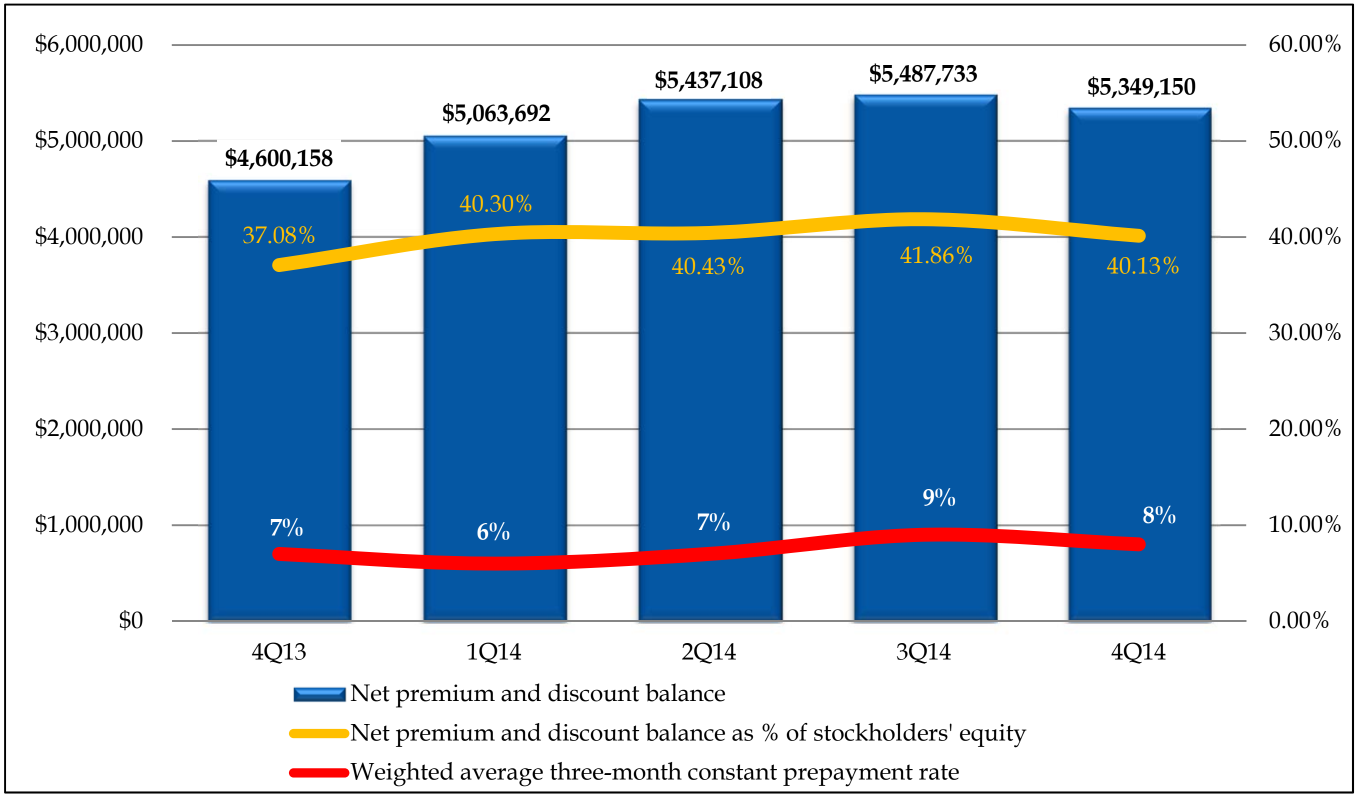
Unaudited




Note: Graph shows relative changes in contribution from 3Q14 to 4Q14. For example, economic interest expense decreased annualized core ROE by 0.44% more in 4Q14 versus 3Q14.
(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.

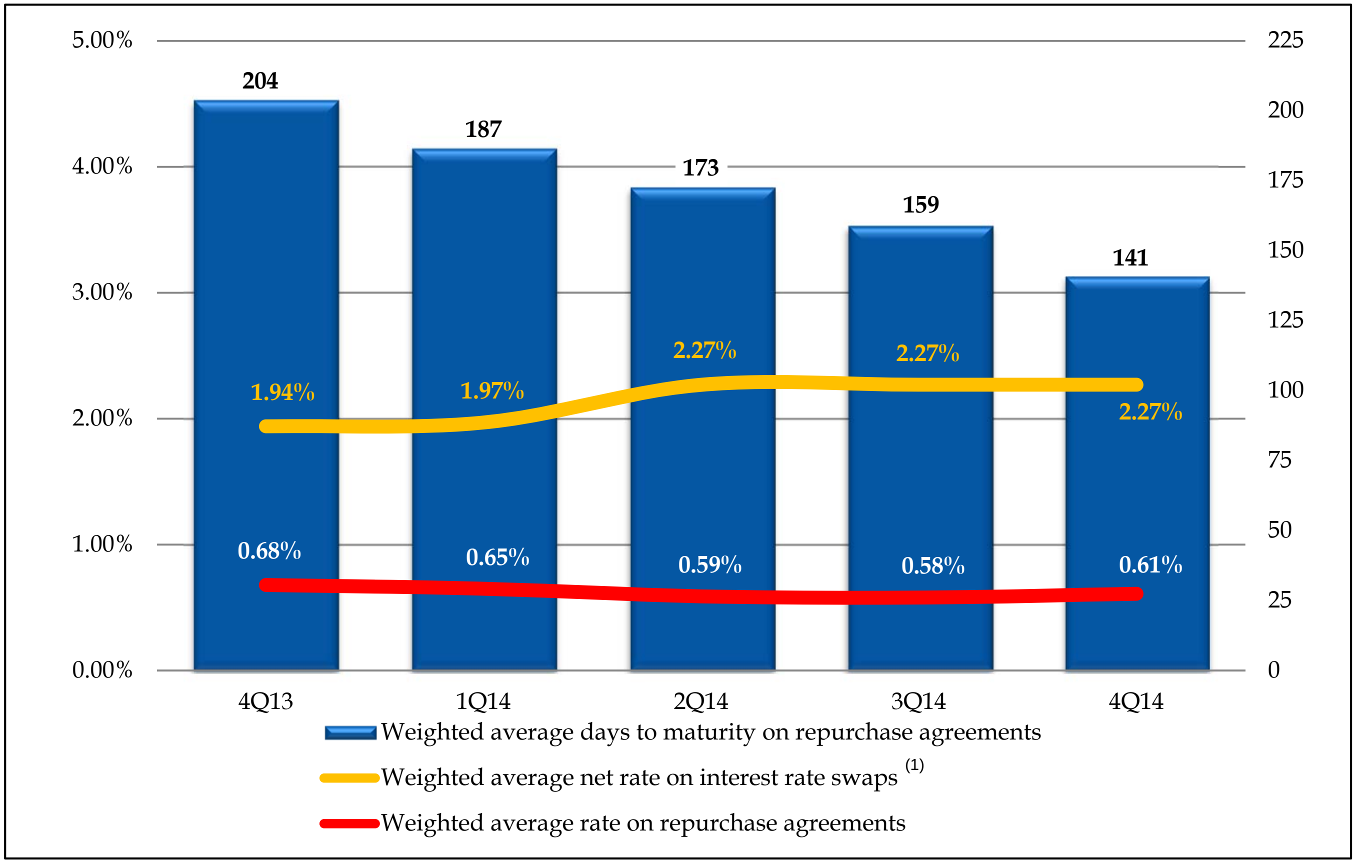
# Agency MBS and Debentures Portfolio Net Premium and Discount Balance and Constant Prepayment Rate

Unaudited, dollars in thousands



# Interest Rate and Liability Management

Unaudited




(1) Excludes forward starting swaps.
Note: Net rates do not take into consideration outstanding Convertible Senior Notes, securitized debt of consolidated VIE , loan participation or mortgages payable.

# Hedging and Liabilities as of December 31, 2014

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** | $2,502,505 | 1.63% | 0.17% | 2.64 |
| **>=3 to <6 years** | 11,138,000 | 2.06% | 0.22% | 5.18 |
| **>= 6 to <10 years** | 13,069,200 | 2.67% | 0.23% | 8.57 |
| **Greater than 10 years** | 4,751,800 | 3.58% | 0.20% | 19.53 |
| **Total / Weighted Avg.** | **$31,461,505** | **2.49%** | **0.22%** | **8.38** |

| Interest Rate Swaptions | | | | | |
|---|---|---|---|---|---|
| Type | Current Underlying Notional | Weighted-Avg. Underlying Pay Rate | Weighted-Avg. Underlying Receive Rate | Weighted Avg. Underlying Years to Maturity | Weighted Avg. Months to Expiration |
| Long | $1,750,000 | 2.88% | 3M LIBOR | 9.17 | 3.59 |
| Short | - | - | - | - | - |

| Repurchase Agreements | | |
|---|---|---|
| Maturity | Principal Balance | Weighted Avg. Rate |
| **Within 30 days** | $28,354,167 | 0.35% |
| **30 to 59 days** | 17,336,469 | 0.43% |
| **60 to 89 days** | 4,040,677 | 0.38% |
| **90 to 119 days** | 2,945,495 | 0.50% |
| **Over 120 days[4]** | 18,685,118 | 1.24% |
| **Total / Weighted Avg.** | **$71,361,926** | **0.61%** |

(1) Notional amount includes $0.5 billion in forward starting pay fixed swaps.
(2) Excludes forward starting swaps.
(3) Weighted average fixed rate on forward starting pay fixed swaps was 3.25%.
(4) Approximately 15% of the total repurchase agreements have a remaining maturity over one year.

# Agency MBS and Debentures Overview as of December 31, 2014

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** | $9,424,283 | 13.5% | 3.15% | 103.9% | 104.5% | 2.2% | 4.8% | $9,850,085 |
| **20 years** | 7,511,729 | 10.7% | 3.63% | 105.2% | 106.1% | 0.1% | 8.1% | 7,966,640 |
| **>=30 years** | 52,971,351 | 75.6% | 3.89% | 106.1% | 106.1% | 2.2% | 8.6% | 56,228,957 |
| **Callables** | 158,805 | 0.2% | 3.16% | 99.6% | 95.4% | 0.0% | 0.0% | 151,563 |
| **Total/Weighted Avg.(1)** | $70,066,168 | 100.0% | 3.76% | 105.7% | 105.9% | 2.0% | 8.0% | $74,197,245 |

| 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** | $1,535,110 | 39.7% | 2.53% | 99.8% | 106.5% | 98.6% | 10.5% | $1,634,051 |
| **25 - 40 months** | 138,433 | 3.6% | 5.10% | 98.6% | 106.9% | 60.1% | 21.7% | 147,783 |
| **41 - 60 months** | 28,355 | 0.7% | 4.62% | 102.0% | 106.4% | 34.2% | 24.9% | 30,164 |
| **61 - 90 months** | 286,928 | 7.4% | 3.71% | 102.6% | 105.5% | 0.0% | 18.2% | 302,623 |
| **>90 months** | 631,784 | 16.3% | 3.18% | 102.9% | 103.6% | 0.0% | 10.2% | 654,302 |
| **Step-Ups** | 1,250,000 | 32.3% | 2.52% | 99.9% | 97.3% | 0.0% | 0.0% | 1,216,787 |
| **Total/Weighted Avg.(1)** | $3,870,610 | 100.0% | 2.83% | 100.5% | 103.0% | 61.3% | 12.0% | $3,985,710 |

(1) Weighted averages for percentages subject to HARP and three-month CPR exclude Callables and Step-up securities.

# Agency MBS and Debentures Overview as of December 31, 2014 (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 | Subject to HARP | Weighted Avg. 3-Month CPR | Estimated Fair Value |
| **Fixed-Rate** | $3,455,026 | 100.0% | 3.15% | 102.4% | 102.1% | 5.0% | 12.3% | $3,528,217 |
| **Floating-Rate** | - | - | - | - | - | - | - | - |
| **Total/Weighted Avg.** | $3,455,026 | 100.0% | 3.15% | 102.4% | 102.1% | 5.0% | 12.3% | $3,528,217 |

| 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** | $6,050,320 | 75.5% | 3.31% | 13.1% | 13.1% | 2.4% | 9.1% | $791,497 |
| **Inverse Interest-Only** | 1,958,218 | 24.5% | 6.12% | 22.5% | 22.0% | 0.0% | 9.6% | 430,937 |
| **Total/Weighted Avg.** | $8,008,538 | 100.0% | 4.00% | 15.4% | 15.3% | 1.9% | 9.2% | $1,222,434 |

# 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 December 31, 2014 and September 30, 2014
- 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**

| | As of December 31, 2014 | | As of September 30, 2014 | |
|---|---|---|---|---|
| Interest Rate Change (bps) | 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) | 0.2% | 1.3% | 0.8% | 5.2% |
| (50) | 0.3% | 1.8% | 0.7% | 4.5% |
| (25) | 0.2% | 1.4% | 0.4% | 2.8% |
| 25 | (0.3%) | (2.0%) | (0.5%) | (3.6%) |
| 50 | (0.7%) | (4.7%) | (1.2%) | (7.8%) |
| 75 | (1.2%) | (8.0%) | (1.8%) | (12.3%) |

**MBS Spread Sensitivity**

| | As of December 31, 2014 | | As of September 30, 2014 | |
|---|---|---|---|---|
| MBS Spread Shock (bps) | 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) | 1.2% | 7.7% | 1.3% | 8.9% |
| (15) | 0.7% | 4.6% | 0.8% | 5.3% |
| (5) | 0.2% | 1.6% | 0.3% | 1.8% |
| 5 | (0.2%) | (1.4%) | (0.3%) | (1.8%) |
| 15 | (0.7%) | (4.4%) | (0.8%) | (5.2%) |
| 25 | (1.1%) | (7.4%) | (1.3%) | (8.7%) |

(1) Scenarios include Investment Securities and derivative instruments.
(2) NAV represents book value of common equity.

# Commercial Real Estate Overview as of December 31, 2014

Unaudited, dollars in thousands

| Debt Investments | Number of Loans | Book Values (1) | % of Portfolio | Yield (2) | Weighted Avg LTV (2) (3) | Weighted Avg Maturity (years) (2) (4) |
|---|---|---|---|---|---|---|
| **Financeable Debt Investments** | 5 | $123,437 | 8% | 5.05% | 69% | 4.35 |
| **Securitized Investments** | 10 | 398,634 | 26% | 5.97% | 73% | 3.07 |
| **Balance Sheet Debt Investments:** | | | | | | |
| Senior Debt Investments | 3 | 260,458 | 17% | 9.81% | 69% | 0.54 |
| Mezzanine Loan Investments | 28 | 522,731 | 35% | 10.89% | 74% | 3.87 |
| Preferred Equity Investments | 5 | 212,905 | 14% | 11.37% | 87% | 5.55 |
| **Balance Sheet Debt Investment Subtotal:** | **36** | **$996,094** | **66%** | **10.71%** | **76%** | **3.36** |
| **Total Debt Investments** | **51** | **$1,518,165** | **100%** | **9.00%** | **75%** | **3.37** |

| Equity Investments | Number of Properties | Book Value | % of Portfolio | Yield (5)(6) |
|---|---|---|---|---|
| **Real Estate Held for Investment** | 16 | $210,032 | 100% | 13.95% |
| **Total Equity Investments** | **16** | **$210,032** | **100%** | **13.95%** |

(1) Book values include 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) Total weighted based on net equity investment value.
(6) Represents annualized cash-on-cash return based on current in-place rents and forecasted annual operating expenses.

# Last Five Quarters Summary Data

Unaudited, dollars in thousands

| | For the quarters ended | | | | |
|---|---|---|---|---|---|
| | December 31, 2014 | September 30, 2014 | June 30, 2014 | March 31, 2014 | December 31, 2013 |
| ***Portfolio-Related Data:*** | | | | | |
| Investment Securities | $82,933,606 | $82,796,568 | $82,404,064 | $77,758,647 | $73,358,834 |
| Commercial real estate investments | $1,728,197 | $1,628,785 | $1,660,524 | $1,680,519 | $1,644,101 |
| Corporate debt | $166,464 | $144,451 | $151,344 | $145,394 | $117,687 |
| Total Investment Securities and commercial investment portfolio | $84,828,267 | $84,569,804 | $84,215,932 | $79,584,560 | $75,120,622 |
| Total assets | $88,355,367 | $87,387,986 | $87,150,945 | $82,414,777 | $81,922,460 |
| Agency mortgage-backed securities and debentures: | | | | | |
| % Fixed-rate | 95% | 95% | 95% | 93% | 91% |
| % Adjustable-rate | 5% | 5% | 5% | 7% | 9% |
| Weighted-average three-month constant prepayment rate (CPR) | 8% | 9% | 7% | 6% | 7% |
| Net premium and discount balance in Agency MBS and debentures portfolio | $5,349,150 | $5,487,733 | $5,437,108 | $5,063,692 | $4,600,158 |
| Net premium and discount balance as % of stockholder's equity | 40.13% | 41.86% | 40.43% | 40.30% | 37.08% |

# Last Five Quarters Summary Data (cont'd)

Unaudited, dollars in thousands except per share amounts

| | For the quarters ended | | | | |
|---|---|---|---|---|---|
| | December 31, 2014 | September 30, 2014 | June 30, 2014 | March 31, 2014 | December 31, 2013 |
| ***Liabilities, Capital and Hedging Data:*** | | | | | |
| Repurchase agreements | $71,361,926 | $69,610,722 | $70,372,218 | $64,543,949 | $61,781,001 |
| Convertible Senior Notes | $845,295 | $836,625 | $831,167 | $827,486 | $825,262 |
| Securitized debt of consolidated VIE | $260,700 | $260,700 | $260,700 | $260,700 | - |
| Mortgages payable | $146,553 | $42,635 | $30,316 | $19,317 | $19,332 |
| Participation sold | $13,693 | $13,768 | $13,866 | $13,963 | $14,065 |
| Total debt | $72,628,167 | $70,764,450 | $71,508,267 | $65,665,415 | $62,639,660 |
| Total liabilities | $75,021,586 | $74,277,038 | $73,702,026 | $69,850,065 | $69,517,405 |
| Cumulative redeemable preferred stock | $913,059 | $913,059 | $913,059 | $913,059 | $913,059 |
| Common equity | $12,415,432 | $12,197,889 | $12,535,860 | $11,651,653 | $11,491,996 |
| Total Annaly stockholders' equity | $13,328,491 | $13,110,948 | $13,448,919 | $12,564,712 | $12,405,055 |
| Non-controlling interests | $5,290 | - | - | - | - |
| Total equity | $13,333,781 | $13,110,948 | $13,448,919 | $12,564,712 | $12,405,055 |
| Weighted average days to maturity of repurchase agreements | 141 | 159 | 173 | 187 | 204 |
| Weighted average rate on repurchase agreements | 0.61% | 0.58% | 0.59% | 0.65% | 0.68% |
| Total debt to total stockholders' equity | 5.4x | 5.4x | 5.3x | 5.2x | 5.0x |
| Capital ratio | 15.1% | 15.0% | 15.4% | 15.2% | 15.1% |
| Net capital ratio | 15.1% | 15.0% | 15.4% | 15.4% | 15.9% |
| Common stock book value per share | $13.10 | $12.87 | $13.23 | $12.30 | $12.13 |
| Total common stock shares outstanding | 947,643 | 947,592 | 947,541 | 947,489 | 947,433 |
| Interest rate swaps: | | | | | |
| Notional amount of interest rate swaps(1) and swaptions as a % of repurchase agreements | 47% | 48% | 48% | 94% | 92% |
| Weighted average pay rate on interest rate swaps(2)(3) | 2.49% | 2.48% | 2.48% | 2.16% | 2.14% |
| Weighted average receive rate on interest rate swaps(2)(4) | 0.22% | 0.21% | 0.21% | 0.19% | 0.20% |
| Weighted average net rate on interest rate swaps | 2.27% | 2.27% | 2.27% | 1.97% | 1.94% |

(1) Notional amount includes $0.5 billion in forward starting pay fixed swaps as of December 31, 2014, $0.8 billion in forward starting pay fixed swaps as of September 30, 2014, $1.3 billion in forward starting pay fixed swaps as of June 30, 2014 and $3.1 billion in forward starting pay fixed swaps, offset by $1.4 billion in forward starting receive fixed swaps, as of March 31, 2014.
(2) Excludes forward starting swaps.
(3) Weighted average fixed rate on forward starting pay fixed swaps was 3.25%, 3.24%, 3.10% and 3.00% as of December 31, 2014, September 30, 2014, June 30, 2014 and March 31, 2014, respectively.
(4) Weighted average fixed rate on forward starting receive fixed swaps was 1.18% as of March 31, 2014.

# Last Five Quarters Summary Data (cont'd)

Unaudited, dollars in thousands except per share amounts

| | For the quarters ended | | | | |
|---|---|---|---|---|---|
| | December 31, 2014 | September 30, 2014 | June 30, 2014 | March 31, 2014 | December 31, 2013 |
| ***Performance-Related Data:*** | | | | | |
| Total interest income | $648,144 | $644,640 | $683,962 | $655,901 | $771,249 |
| Total economic interest expense | $309,420 | $296,152 | $347,041 | $385,406 | $379,575 |
| Economic net interest income | $338,724 | $348,488 | $336,921 | $270,495 | $391,674 |
| GAAP Net income (loss) | ($658,272) | $354,856 | ($335,512) | ($203,351) | $1,028,749 |
| GAAP Net income (loss) available (related) to common shareholders | ($676,068) | $336,864 | ($353,504) | ($221,343) | $1,010,757 |
| GAAP Earnings per common share | ($0.71) | $0.36 | ($0.37) | ($0.23) | $1.07 |
| Core earnings | $298,946 | $308,621 | $300,428 | $239,744 | $350,106 |
| Core earnings available to common shareholders | $280,954 | $290,629 | $282,436 | $221,752 | $332,114 |
| Core earnings per common share | $0.30 | $0.31 | $0.30 | $0.23 | $0.35 |
| Dividends declared per common share | $0.30 | $0.30 | $0.30 | $0.30 | $0.30 |
| Total common and preferred dividends declared | $302,285 | $302,270 | $302,253 | $302,239 | $302,222 |
| Annualized GAAP return on average equity | (19.91%) | 10.69% | (10.32%) | (6.52%) | 32.46% |
| Annualized core return on average equity | 9.04% | 9.30% | 9.24% | 7.68% | 11.05% |
| Annualized core return on average equity per unit of leverage | 1.66% | 1.72% | 1.74% | 1.47% | 2.19% |
| Net interest margin | 1.56% | 1.61% | 1.57% | 1.32% | 1.78% |
| Net interest spread during the quarter: | | | | | |
| Average yield on interest earning assets | 2.98% | 2.99% | 3.20% | 3.21% | 3.50% |
| Average cost of interest bearing liabilities | 1.69% | 1.64% | 1.94% | 2.31% | 2.07% |
| Net interest spread | 1.29% | 1.35% | 1.26% | 0.90% | 1.43% |