



ANNALY<sup>®</sup>  
Second Quarter 2018  
Financial Summary

August 1, 2018

# Safe Harbor Notice

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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,” “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 mortgage 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; our ability to consummate any contemplated investment opportunities; changes in government regulations and 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 and our ability to consummate the proposed MTGE Acquisition on a timely basis or at all, and potential business disruption following the MTGE Acquisition. 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, except as required by law.

Past performance is no guarantee of future results. There is no guarantee that any investment strategy referenced herein will work under all market conditions. Prior to making any investment decision, you should evaluate your ability to invest for the long-term, especially during periods of downturns in the market. You alone assume the responsibility of evaluating the merits and risks associated with any potential investment or investment strategy referenced herein. To the extent that this material contains reference to any past specific investment recommendations or strategies which were or would have been profitable to any person, it should not be assumed that recommendations made in the future will be profitable or will equal the performance of such past investment recommendations or strategies.

## **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.

# Q2 2018 Financial Snapshot

Unaudited, dollars in thousands except per share amounts

	For the quarters ended		
	6/30/2018	3/31/2018	
<b>Income Statement</b>	GAAP net income per average common share <sup>(1)</sup>	\$0.49	\$1.12
	Core earnings (excluding PAA) per average common share <sup>*(1)(2)</sup>	\$0.30	\$0.30
	Core earnings per average common share <sup>*(1)(2)</sup>	\$0.30	\$0.41
	PAA cost (benefit) per average common share	\$—	\$(0.11)
	Annualized GAAP return (loss) on average equity	17.20%	36.86%
	Annualized core return on average equity (excluding PAA)*	11.05%	10.70%
<b>Balance Sheet</b>	Book value per common share	\$10.35	\$10.53
	Leverage at period-end <sup>(3)</sup>	6.0x	6.1x
	Economic leverage at period-end <sup>(4)</sup>	6.4x	6.5x
	Capital ratio at period-end <sup>(5)</sup>	13.2%	13.1%
<b>Portfolio</b>	Agency mortgage-backed securities	\$86,593,058	\$88,579,097
	Mortgage servicing rights	599,014	596,378
	Residential credit portfolio <sup>(6)</sup>	3,236,738	3,230,970
	Commercial real estate investments <sup>(7)</sup>	4,628,946	4,521,681
	Corporate debt	1,256,276	1,152,745
	Total residential and commercial investments	\$96,314,032	\$98,080,871
<b>Key Statistics</b>	Net interest margin <sup>(8)</sup>	1.53%	1.94%
	Net interest margin (excluding PAA) <sup>*(8)</sup>	1.56%	1.52%
	Average yield on interest earning assets <sup>(9)</sup>	3.04%	3.45%
	Average yield on interest earning assets (excluding PAA) <sup>*(9)</sup>	3.07%	2.99%
	Average cost of interest bearing liabilities <sup>(10)</sup>	1.89%	1.90%
	Net interest spread	1.15%	1.55%
Net interest spread (excluding PAA) *	1.18%	1.09%	
<b>Efficiency</b>	Operating expenses to core earnings (excluding PAA) <sup>*(11)</sup>	16.66%	15.83%
	Annualized operating expenses as a % of average assets <sup>(11)</sup>	0.26%	0.24%
	Annualized operating expenses as a % of average equity <sup>(11)</sup>	1.84%	1.69%

Note: The endnotes for this page appear in the section entitled "Endnotes for Page 2" in the Appendix.

# Portfolio Data

Unaudited, dollars in thousands

	For the quarters ended					
	6/30/2018	3/31/2018	12/31/2017	9/30/2017	6/30/2017	
<b>Portfolio-Related Data</b>	Agency mortgage-backed securities	\$86,593,058	\$88,579,097	\$90,551,763	\$85,889,131	\$73,963,998
	Mortgage servicing rights	599,014	596,378	580,860	570,218	605,653
	Residential credit portfolio <sup>(1)</sup>	3,236,738	3,230,970	3,187,380	2,706,092	2,619,564
	Commercial real estate investments <sup>(1)</sup>	4,628,946	4,521,681	4,604,388	5,321,786	5,375,251
	Corporate debt	1,256,276	1,152,745	1,011,275	856,110	773,957
	Total residential and commercial investments	\$96,314,032	\$98,080,871	\$99,935,666	\$95,343,337	\$83,338,423
	Total assets	\$98,832,997	\$100,382,233	\$101,760,050	\$97,574,181	\$84,976,578
	Average TBA position	\$9,407,819	\$12,050,341	\$17,509,691	\$19,291,834	\$14,206,869
<b>Summary Portfolio Statistics</b>	Residential Investment Securities:					
	% Fixed-rate	91%	91%	90%	89%	86%
	% Adjustable-rate	9%	9%	10%	11%	14%
	Weighted average experienced CPR for the period	10.1%	8.9%	9.8%	10.3%	10.9%
	Weighted average projected long-term CPR at period-end	9.1%	9.2%	10.4%	10.4%	10.6%
	Net premium and discount balance in Residential Investment Securities	\$5,896,755	\$6,063,609	\$6,024,347	\$5,745,022	\$5,164,105
	Net premium and discount balance as % of stockholders' equity	42.83%	43.51%	40.53%	40.60%	40.98%

(1) Includes consolidated VIEs.

# Financing and Capital Data

Unaudited, dollars in thousands except per share amounts

	For the quarters ended				
	6/30/2018	3/31/2018	12/31/2017	9/30/2017	6/30/2017
Repurchase agreements	\$75,760,655	\$78,015,431	\$77,696,343	\$69,430,268	\$62,497,400
Other secured financing	3,760,487	3,830,075	3,837,528	3,713,256	3,785,543
Securitized debt of consolidated VIEs	2,728,692	2,904,873	2,971,771	3,357,929	3,438,675
Mortgages payable	309,878	309,794	309,686	311,886	311,810
<b>Total debt</b>	<b>\$82,559,712</b>	<b>\$85,060,173</b>	<b>\$84,815,328</b>	<b>\$76,813,339</b>	<b>\$70,033,428</b>
<b>Total liabilities</b>	<b>\$85,059,141</b>	<b>\$86,439,298</b>	<b>\$86,888,477</b>	<b>\$83,418,963</b>	<b>\$72,367,153</b>
Cumulative redeemable preferred stock	\$1,723,168	\$1,723,168	\$1,720,381	\$1,720,381	\$1,200,559
Common equity <sup>(1)</sup>	12,045,422	12,214,096	13,145,092	12,428,377	11,401,955
<b>Total Annaly stockholders' equity</b>	<b>13,768,590</b>	<b>13,937,264</b>	<b>14,865,473</b>	<b>14,148,758</b>	<b>12,602,514</b>
Non-controlling interests	5,266	5,671	6,100	6,460	6,911
<b>Total equity</b>	<b>\$13,773,856</b>	<b>\$13,942,935</b>	<b>\$14,871,573</b>	<b>\$14,155,218</b>	<b>\$12,609,425</b>

Weighted average days to maturity of repurchase agreements	71	72	58	65	88
Weighted average rate on repurchase agreements, at period-end	2.17%	1.83%	1.61%	1.38%	1.38%
Weighted average rate on repurchase agreements, for the quarter	1.99%	1.64%	1.41%	1.34%	1.25%
Leverage at period-end	6.0x	6.1x	5.7x	5.4x	5.6x
Economic leverage at period-end	6.4x	6.5x	6.6x	6.9x	6.4x
Capital ratio at period-end	13.2%	13.1%	12.9%	12.3%	13.2%
Book value per common share	\$10.35	\$10.53	\$11.34	\$11.42	\$11.19
Total common shares outstanding	1,164,334	1,159,657	1,159,585	1,088,084	1,019,028
Hedge ratio <sup>(2)</sup>	95%	94%	70%	67%	67%
Weighted average pay rate on interest rate swaps, at period-end <sup>(3)</sup>	2.08%	2.00%	2.22%	2.27%	2.26%
Weighted average receive rate on interest rate swaps, at period-end <sup>(3)</sup>	2.31%	2.13%	1.58%	1.35%	1.28%
Weighted average net rate on interest rate swaps, at period-end <sup>(3)</sup>	(0.23%)	(0.13%)	0.64%	0.92%	0.98%

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

(2) Measures total notional balances of interest rate swaps, interest rate swaptions and futures relative to repurchase agreements, other secured financing and to be announced ("TBA") notional outstanding; excludes MSR 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.

(3) Excludes forward starting swaps. Forward starting swaps represented \$8.1 billion of the notional balance as of December 31, 2017; there were no forward starting swaps for any other period.

# Income Statement Data

Unaudited, dollars in thousands except per share amounts

	For the quarters ended				
	6/30/2018	3/31/2018	12/31/2017	9/30/2017	6/30/2017
Total interest income	\$776,806	\$879,487	\$745,423	\$622,550	\$537,426
Total interest expense	442,692	367,421	318,711	268,937	222,281
Net interest income	\$334,114	\$512,066	\$426,712	\$353,613	\$315,145
Total economic interest expense <sup>*(1)</sup>	\$411,217	\$415,581	\$392,668	\$347,501	\$306,533
Economic net interest income <sup>*(1)</sup>	\$365,589	\$463,906	\$352,755	\$275,049	\$230,893
Total interest income (excluding PAA) *	\$784,322	\$761,092	\$756,790	\$662,449	\$610,126
Economic net interest income (excluding PAA) <sup>*(1)</sup>	\$373,105	\$345,511	\$364,122	\$314,948	\$303,593
GAAP net income (loss)	\$595,887	\$1,327,704	\$746,771	\$367,315	\$14,522
GAAP net income (loss) available (related) to common shareholders <sup>(2)</sup>	\$564,542	\$1,294,034	\$714,588	\$337,192	\$(8,849)
GAAP net income (loss) per average common share <sup>(2)</sup>	\$0.49	\$1.12	\$0.62	\$0.31	\$(0.01)
Core earnings (excluding PAA) *	\$382,813	\$385,272	\$386,951	\$353,546	\$332,601
Core earnings (excluding PAA) available to common shareholders <sup>*(2)</sup>	\$351,436	\$351,506	\$354,617	\$323,191	\$309,128
Core earnings (excluding PAA) per average common share <sup>*(2)</sup>	\$0.30	\$0.30	\$0.31	\$0.30	\$0.30
Core earnings *	\$375,297	\$503,667	\$375,584	\$313,647	\$259,901
Core earnings available to common shareholders <sup>*(2)</sup>	\$343,920	\$469,901	\$343,250	\$283,292	\$236,428
Core earnings per average common share <sup>*(2)</sup>	\$0.30	\$0.41	\$0.30	\$0.26	\$0.23
PAA cost (benefit)	\$7,516	(\$118,395)	\$11,367	\$39,899	\$72,700
PAA cost (benefit) per average common share	\$—	(\$0.11)	\$0.01	\$0.04	\$0.07

## Summary Income Statement

\* Represents a non-GAAP financial measure.

- (1) Includes GAAP interest expense and the net interest component of interest rate swaps. Prior to the quarter ended March 31, 2018, this metric included the net interest component of interest rate swaps used to hedge cost of funds. Beginning with the quarter ended March 31, 2018, as a result of changes to the Company's hedging portfolio, this metric reflects the net interest component of all interest rate swaps.
- (2) Net of dividends on preferred stock. The quarter ended December 31, 2017 excludes, and the quarter ended September 30, 2017 includes, cumulative and undeclared dividends of \$8.3 million on the Company's Series F Preferred Stock as of September 30, 2017.

# Key Earnings Metrics

Unaudited, dollars in thousands except per share amounts

	For the quarters ended				
	6/30/2018	3/31/2018	12/31/2017	9/30/2017	6/30/2017
Dividends declared per common share	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30
Total common and preferred dividends declared <sup>(1)</sup>	\$380,677	\$381,663	\$388,511	\$348,479	\$329,182
Annualized GAAP return (loss) on average equity	17.20%	36.86%	20.58%	10.98%	0.46%
Annualized GAAP return (loss) on average equity per unit of economic leverage	2.69%	5.67%	3.12%	1.59%	0.07%
Annualized core return on average equity (excluding PAA) *	11.05%	10.70%	10.67%	10.57%	10.54%
Annualized core return on average equity per unit of economic leverage (excluding PAA) *	1.73%	1.65%	1.62%	1.53%	1.65%
Net interest margin	1.53%	1.94%	1.47%	1.33%	1.23%
Net interest margin (excluding PAA) *	1.56%	1.52%	1.51%	1.47%	1.53%
Average yield on interest earning assets	3.04%	3.45%	2.97%	2.79%	2.58%
Average yield on interest earning assets (excluding PAA) *	3.07%	2.99%	3.02%	2.97%	2.93%
Average cost of interest bearing liabilities <sup>(2)</sup>	1.89%	1.90%	1.83%	1.82%	1.74%
Net interest spread	1.15%	1.55%	1.14%	0.97%	0.84%
Net interest spread (excluding PAA) *	1.18%	1.09%	1.19%	1.15%	1.19%

## Key Earnings Metrics

\* Represents a non-GAAP financial measure.

(1) The quarter ended December 31, 2017 includes, and the quarter ended September 30, 2017 excludes, \$8.3 million of dividends on the Company's Series F Preferred Stock, which were cumulative and undeclared as of September 30, 2017.

(2) Includes GAAP interest expense and the net interest component of interest rate swaps. Prior to the quarter ended March 31, 2018, this metric included the net interest component of interest rate swaps used to hedge cost of funds. Beginning with the quarter ended March 31, 2018, as a result of changes to the Company's hedging portfolio, this metric reflects the net interest component of all interest rate swaps.

# Components of Economic Net Interest Income

Unaudited, dollars in thousands

	For the quarters ended				
	6/30/2018	3/31/2018	12/31/2017	9/30/2017	6/30/2017
Interest income:					
Residential Investment Securities	\$662,750	\$779,588	\$654,387	\$540,436	\$459,308
Residential mortgage loans	18,868	15,505	10,750	8,509	7,417
Commercial investment portfolio	79,343	72,457	73,596	67,790	68,153
Reverse repurchase agreements	15,845	11,937	6,690	5,815	2,548
<b>Total interest income</b>	<b>\$776,806</b>	<b>\$879,487</b>	<b>\$745,423</b>	<b>\$622,550</b>	<b>\$537,426</b>
Economic interest expense:					
Repurchase agreements	\$400,475	\$331,374	\$283,909	\$237,669	\$197,151
Net interest component of interest rate swaps <sup>(1)</sup>	(31,475)	48,160	73,957	78,564	84,252
Securitized debt of consolidated VIEs	18,201	15,652	17,405	16,072	11,977
Participation sold	—	—	—	—	42
Other	24,016	20,395	17,397	15,196	13,111
<b>Total economic interest expense *</b>	<b>\$411,217</b>	<b>\$415,581</b>	<b>\$392,668</b>	<b>\$347,501</b>	<b>\$306,533</b>
<b>Economic net interest income *</b>	<b>\$365,589</b>	<b>\$463,906</b>	<b>\$352,755</b>	<b>\$275,049</b>	<b>\$230,893</b>
PAA cost (benefit)	7,516	(118,395)	11,367	39,899	72,700
<b>Economic net interest income (excluding PAA) *</b>	<b>\$373,105</b>	<b>\$345,511</b>	<b>\$364,122</b>	<b>\$314,948</b>	<b>\$303,593</b>

\* Represents a non-GAAP financial measure.

(1) Prior to the quarter ended March 31, 2018, this metric included the net interest component of interest rate swaps used to hedge cost of funds. Beginning with the quarter ended March 31, 2018, as a result of changes to the Company's hedging portfolio, this metric reflects the net interest component of all interest rate swaps.



# GAAP Net Income to Core Earnings Reconciliation

Unaudited, dollars in thousands

	For the quarters ended				
	6/30/2018	3/31/2018	12/31/2017	9/30/2017	6/30/2017
GAAP net income (loss)	\$595,887	\$1,327,704	\$746,771	\$367,315	\$14,522
Less:					
Realized (gains) losses on termination or maturity of interest rate swaps	—	(834)	160,075	—	58
Unrealized (gains) losses on interest rate swaps	(343,475)	(977,285)	(484,447)	(56,854)	177,567
Net (gains) losses on disposal of investments	66,117	(13,468)	(7,895)	11,552	5,516
Net (gains) losses on other derivatives	(34,189)	47,145	(121,334)	(154,208)	14,423
Net unrealized (gains) losses on instruments measured at fair value through earnings	48,376	51,593	12,115	67,492	(16,240)
Transaction expenses <sup>(1)</sup>	—	1,519	—	—	—
Net (income) loss attributable to noncontrolling interest	32	96	151	232	102
Plus:					
TBA dollar roll income <sup>(2)</sup>	62,491	88,353	89,479	94,326	81,051
MSR amortization <sup>(3)</sup>	(19,942)	(21,156)	(19,331)	(16,208)	(17,098)
Core earnings *	375,297	503,667	375,584	313,647	259,901
Less:					
PAA cost (benefit)	7,516	(118,395)	11,367	39,899	72,700
Core earnings (excluding PAA) *	\$382,813	\$385,272	\$386,951	\$353,546	\$332,601

\* Represents a non-GAAP financial measure.

(1) Represents costs incurred in connection with a securitization of residential whole loans.

(2) Represents a component of Net gains (losses) on other derivatives.

(3) Represents the portion of changes in fair value that is attributable to the realization of estimated cash flows on the Company's mortgage servicing rights ("MSR") portfolio and is reported as a component of Net unrealized gains (losses) on instruments measured at fair value through earnings.

# Quarter-Over-Quarter Changes in Key Metrics

Unaudited

		For the quarters ended				
		6/30/2018	3/31/2018	12/31/2017	9/30/2017	6/30/2017
<b>Book Value Rollforward</b>	Book value per common share, beginning of period	\$10.53	\$11.34	\$11.42	\$11.19	\$11.23
	Net income (loss) available (related) to common stockholders <sup>(1)</sup>	0.49	1.12	0.62	0.32	(0.01)
	Other comprehensive income (loss) attributable to common stockholders	(0.37)	(1.63)	(0.42)	0.19	0.27
	Common dividends declared	(0.30)	(0.30)	(0.30)	(0.30)	(0.30)
	Issuance of common stock / redemption of preferred stock	0.00	0.00	0.02	0.02	0.00
	Book value per common share, end of period	\$10.35	\$10.53	\$11.34	\$11.42	\$11.19
<b>Net Interest Margin</b>	Prior quarter net interest margin	1.94%	1.47%	1.33%	1.23%	1.47%
	<i>Quarter-over-quarter changes in contribution:</i>					
	Coupon on average interest-earning assets (including average TBA dollar roll balances)	0.08%	0.19%	0.13%	(0.12%)	(0.05%)
	Net amortization of premiums	(0.38%)	0.37%	0.10%	0.22%	(0.18%)
	TBA dollar roll income	(0.09%)	0.01%	(0.04%)	0.01%	0.04%
	Interest expense and net interest component of interest rate swaps	(0.02%)	(0.10%)	(0.05%)	(0.01%)	(0.05%)
	Current quarter net interest margin	1.53%	1.94%	1.47%	1.33%	1.23%
<b>Net Interest Margin (excluding PAA)*</b>	Prior quarter net interest margin (excluding PAA) *	1.52%	1.51%	1.47%	1.53%	1.55%
	<i>Quarter-over-quarter changes in contribution:</i>					
	Coupon on average interest-earning assets (including average TBA dollar roll balances)	0.08%	0.19%	0.13%	(0.12%)	(0.05%)
	Net amortization of premiums, excluding PAA	0.07%	(0.09%)	0.00%	0.06%	0.04%
	TBA dollar roll income	(0.09%)	0.01%	(0.04%)	0.01%	0.04%
	Interest expense and net interest component of interest rate swaps	(0.02%)	(0.10%)	(0.05%)	(0.01%)	(0.05%)
	Current quarter net interest margin (excluding PAA) *	1.56%	1.52%	1.51%	1.47%	1.53%

\* Represents a non-GAAP financial measure.

(1) For book value purposes, the quarter ended December 31, 2017 includes, and the quarter ended September 30, 2017 excludes, \$8.3 million of dividends on the Company's Series F Preferred stock, which were cumulative and undeclared as of September 30, 2017.

# Quarter-Over-Quarter Changes in Key Metrics (cont'd)

Unaudited

		For the quarters ended				
		6/30/2018	3/31/2018	12/31/2017	9/30/2017	6/30/2017
<b>Net Interest Spread</b>	Prior quarter net interest spread	1.55%	1.14%	0.97%	0.84%	1.15%
	<i>Quarter-over-quarter changes in contribution:</i>					
	Coupon on average interest earning assets	0.00%	0.03%	0.02%	0.00%	0.09%
	Net amortization of premiums	(0.41%)	0.45%	0.16%	0.21%	(0.25%)
	Average cost of interest bearing liabilities <sup>(1)</sup>	0.01%	(0.07%)	(0.01%)	(0.08%)	(0.15%)
<b>Current quarter net interest spread</b>		<b>1.15%</b>	<b>1.55%</b>	<b>1.14%</b>	<b>0.97%</b>	<b>0.84%</b>
<b>Net Interest Spread (excluding PAA)*</b>	Prior quarter net interest spread (excluding PAA) *	1.09%	1.19%	1.15%	1.19%	1.24%
	<i>Quarter-over-quarter changes in contribution:</i>					
	Coupon on average interest earning assets	0.00%	0.03%	0.02%	0.00%	0.09%
	Net amortization of premiums, excluding PAA	0.08%	(0.06%)	0.03%	0.04%	0.01%
	Average cost of interest bearing liabilities <sup>(1)</sup>	0.01%	(0.07%)	(0.01%)	(0.08%)	(0.15%)
<b>Current quarter net interest spread (excluding PAA) *</b>		<b>1.18%</b>	<b>1.09%</b>	<b>1.19%</b>	<b>1.15%</b>	<b>1.19%</b>

\* Represents a non-GAAP financial measure.

(1) Includes GAAP interest expense and the net interest component of interest rate swaps. Prior to the quarter ended March 31, 2018, this metric included the net interest component of interest rate swaps used to hedge cost of funds. Beginning with the quarter ended March 31, 2018, as a result of changes to the Company's hedging portfolio, this metric reflects the net interest component of all interest rate swaps.

# Quarter-Over-Quarter Changes in Return on Average Equity

Unaudited

	For the quarters ended				
	6/30/2018	3/31/2018	12/31/2017	9/30/2017	6/30/2017
<b>GAAP Return (Loss) on Average Equity</b>					
Prior quarter GAAP return (loss) on average equity	36.86%	20.58%	10.98%	0.46%	13.97%
<i>Quarter-over-quarter changes in contribution:</i>					
Coupon income	1.10%	0.83%	1.04%	0.24%	(0.14%)
Net amortization of premiums and accretion of discounts	(3.10%)	3.05%	0.90%	1.35%	(1.48%)
Interest expense and net interest component of interest rate swaps	(0.33%)	(0.49%)	(0.38%)	(0.58%)	(0.50%)
Realized (gains) losses on termination or maturity of interest rate swaps	(0.02%)	4.43%	(4.41%)	0.00%	0.00%
Unrealized (gains) / losses on interest rate swaps	(17.22%)	13.78%	11.65%	7.32%	(10.36%)
Realized and unrealized (gains) / losses on investments and other derivatives	0.05%	(5.59%)	0.98%	2.36%	(1.04%)
Other <sup>(1)</sup>	(0.14%)	0.27%	(0.18%)	(0.17%)	0.01%
Current quarter GAAP return (loss) on average equity	17.20%	36.86%	20.58%	10.98%	0.46%
<b>Core Return on Average Equity (excluding PAA)*</b>					
Prior quarter core return on average equity (excluding PAA) *	10.70%	10.67%	10.57%	10.54%	10.66%
<i>Quarter-over-quarter changes in contribution:</i>					
Coupon income	1.10%	0.83%	1.04%	0.24%	(0.14%)
Net amortization of premiums (excluding PAA)	0.41%	(0.56%)	0.02%	0.24%	0.26%
Interest expense and net interest component of interest rate swaps	(0.33%)	(0.49%)	(0.38%)	(0.58%)	(0.50%)
TBA dollar roll income	(0.65%)	(0.01%)	(0.35%)	0.25%	0.35%
Other <sup>(2)</sup>	(0.18%)	0.26%	(0.23%)	(0.12%)	(0.09%)
Current quarter core return on average equity (excluding PAA) *	11.05%	10.70%	10.67%	10.57%	10.54%

\* Represents a non-GAAP financial measure.

(1) Includes other income (loss), general and administrative expenses and income taxes.

(2) Includes other income (loss), MSR amortization (a component of Net unrealized gains (losses) on instruments measured at fair value through earnings), general and administrative expenses (excluding transaction related expenses) and income taxes.

# Residential Investments and TBA Derivative Overview as of June 30, 2018

Unaudited, dollars in thousands

## Agency Fixed-Rate Securities (Pools)

Weighted Avg. Years to Maturity	Current Face Value	% <sup>(2)</sup>	Weighted Avg. Coupon	Weighted Avg. Amortized Cost	Weighted Avg. Fair Value	Weighted Avg. 3-Month CPR	Estimated Fair Value
<=15 years <sup>(1)</sup>	\$4,316,730	5.5%	3.16%	102.8%	99.8%	9.3%	\$4,305,940
20 years	4,166,716	5.3%	3.48%	104.6%	101.1%	10.3%	4,211,585
>=30 years	69,980,293	89.2%	3.83%	105.9%	101.6%	8.9%	71,098,852
<b>Total/Weighted Avg.</b>	<b>\$78,463,739</b>	<b>100.0%</b>	<b>3.77%</b>	<b>105.7%</b>	<b>101.5%</b>	<b>9.0%</b>	<b>\$79,616,377</b>

## TBA Purchase Contracts

Type	Notional Value	% <sup>(3)</sup>	Weighted Avg. Coupon	Implied Cost Basis	Implied Market Value
15-year	\$2,191,000	27.4%	3.00%	\$2,167,567	\$2,177,991
30-year	5,809,000	72.6%	4.30%	5,976,796	6,002,703
<b>Total/Weighted Avg.</b>	<b>\$8,000,000</b>	<b>100.0%</b>	<b>3.95%</b>	<b>\$8,144,363</b>	<b>\$8,180,694</b>

## Agency Adjustable-Rate Securities

Weighted Avg. Months to Reset	Current Face Value	% <sup>(2)</sup>	Weighted Avg. Coupon	Weighted Avg. Amortized Cost	Weighted Avg. Fair Value	Weighted Avg. 3-Month CPR	Estimated Fair Value
0 - 24 months	\$4,597,506	78.1%	3.04%	105.1%	102.9%	26.9%	\$4,729,693
25 - 40 months	413,613	7.0%	2.81%	104.0%	100.7%	19.0%	416,641
41 - 60 months	146,775	2.5%	2.88%	104.1%	100.4%	10.9%	147,332
61 - 90 months	673,718	11.5%	3.01%	103.5%	99.7%	14.1%	671,763
>90 months	51,117	0.9%	3.04%	103.1%	99.6%	13.2%	50,899
<b>Total/Weighted Avg.</b>	<b>\$5,882,729</b>	<b>100.0%</b>	<b>3.02%</b>	<b>104.8%</b>	<b>102.3%</b>	<b>24.4%</b>	<b>\$6,016,328</b>

(1) Includes Agency-backed multifamily securities with an estimated fair value of \$794.4 million.

(2) Weighted by current face value.

(3) Weighted by notional value.

# Residential Investments & TBA Derivative Overview as of June 30, 2018 (cont'd)

Unaudited, dollars in thousands

Agency Interest-Only Collateralized Mortgage-Backed Obligations							
Type	Current Notional Value	% (1)	Weighted Avg. Coupon	Weighted Avg. Amortized Cost	Weighted Avg. Fair Value	Weighted Avg. 3-Month CPR	Estimated Fair Value
Interest-only	\$2,604,168	39.8%	3.33%	14.0%	12.1%	8.2%	\$316,211
Inverse Interest-only	3,932,883	60.2%	4.03%	23.1%	16.4%	10.9%	644,142
<b>Total/Weighted Avg.</b>	<b>\$6,537,051</b>	<b>100.0%</b>	<b>3.75%</b>	<b>19.5%</b>	<b>14.7%</b>	<b>9.8%</b>	<b>\$960,353</b>

Mortgage Servicing Rights					
Type	Unpaid Principal Balance	Weighted Avg. Coupon	Excess Servicing Spread	Weighted Avg. Loan Age (months)	Estimated Fair Value
<b>Total/Weighted Avg.</b>	<b>\$46,120,485</b>	<b>3.82%</b>	<b>0.24%</b>	<b>27.2</b>	<b>\$599,014</b>

Residential Credit Portfolio						
Sector	Current Face / Notional Value	% (2)	Weighted Avg. Coupon	Weighted Avg. Amortized Cost	Weighted Avg. Fair Value	Estimated Fair Value
Credit Risk Transfer	\$528,869	17.4%	5.45%	103.2%	106.6%	\$563,796
Alt-A	191,939	5.3%	4.56%	83.1%	89.0%	170,922
Prime	270,226	8.2%	4.71%	92.2%	97.9%	264,491
Subprime	449,644	13.2%	2.91%	84.5%	94.8%	426,449
NPL/RPL	3,431	0.1%	5.00%	98.7%	100.4%	3,447
Prime Jumbo	130,544	3.8%	3.61%	97.3%	95.1%	124,141
Prime Jumbo Interest-only	910,065	0.5%	0.45%	1.5%	1.9%	17,335
Residential Mortgage Loans	1,658,358	51.5%	4.53%	101.4%	100.5%	1,666,157
<b>Total/Weighted Avg.</b>	<b>\$4,143,076</b>	<b>100.0%</b>	<b>3.56%</b>			<b>\$3,236,738</b>

(1) Weighted by current notional value.

(2) Weighted by estimated fair value.

# Residential Credit Investments Detail as of June 30, 2018 <sup>(1)</sup>

Unaudited, dollars in thousands

Product	Estimated Fair Value	Payment Structure		Investment Characteristics			
		Senior	Subordinate	Coupon	Credit Enhancement	60+ Delinquencies	3M VPR
Agency Credit Risk Transfer	\$536,768	\$—	\$536,768	5.34%	1.15%	0.30%	6.57%
Private Label Credit Risk Transfer	27,028	—	27,028	7.78%	3.51%	1.65%	6.32%
Alt-A	170,922	105,461	65,461	4.56%	10.71%	10.99%	10.53%
Prime	264,491	108,641	155,850	4.71%	11.05%	9.86%	14.24%
Subprime	426,449	159,019	267,430	2.91%	9.67%	18.93%	5.79%
Non-Performing Loan Securitizations	3,447	—	3,447	5.00%	48.95%	52.51%	2.35%
Prime Jumbo (>=2010 Vintage)	124,141	98,880	25,261	3.61%	14.45%	0.13%	8.63%
Prime Jumbo (>=2010 Vintage) Interest-only	17,335	17,335	—	0.45%	0.00%	0.18%	8.95%
<b>Total</b>	<b>\$1,570,581</b>	<b>\$489,336</b>	<b>\$1,081,245</b>	<b>4.60%</b>	<b>7.69%</b>	<b>8.79%</b>	<b>13.48%</b>

Product	Estimated Fair Value	Bond Coupon			
		ARM	Fixed	Floater	Interest Only
Agency Credit Risk Transfer	\$536,768	\$—	\$—	\$536,768	\$—
Private Label Credit Risk Transfer	27,028	—	—	27,028	—
Alt-A	170,922	48,614	96,578	25,730	—
Prime	264,491	145,837	118,654	—	—
Subprime	426,449	—	47,190	379,259	—
Non-Performing Loan Securitizations	3,447	—	3,447	—	—
Prime Jumbo (>=2010 Vintage)	124,141	—	124,141	—	—
Prime Jumbo (>=2010 Vintage) Interest-only	17,335	—	—	—	17,335
<b>Total</b>	<b>\$1,570,581</b>	<b>\$194,451</b>	<b>\$390,010</b>	<b>\$968,785</b>	<b>\$17,335</b>

(1) Excludes residential mortgage loans.

# Commercial Real Estate Overview as of June 30, 2018

Unaudited, dollars in thousands

Mortgage Debt & Preferred Equity Investments	GAAP					Non-GAAP	
	Number of Investments	Book Values <sup>(1)</sup>	% of Portfolio	Weighted Avg LTV <sup>(2) (3)</sup>	Weighted Avg Life (years) <sup>(4)</sup>	Economic Interest <sup>(5)</sup>	Levered Return <sup>(6)</sup>
Financeable First Mortgages	20	\$882,570	19.0%	67.4%	3.7	\$378,137	8.9%
Mezzanine Loan Investments	18	359,574	7.8%	75.2%	3.1	375,428	9.4%
Preferred Equity Investments	1	8,994	0.2%	94.3%	0.4	8,994	11.2%
<b>Commercial Real Estate Debt and Preferred Equity, Held for Investment</b>	<b>39</b>	<b>\$1,251,138</b>	<b>27.0%</b>	<b>69.8%</b>	<b>3.5</b>	<b>\$762,559</b>	<b>9.1%</b>
<b>Loans Held for Sale, Net</b>	<b>1</b>	<b>\$42,458</b>	<b>0.9%</b>	<b>23.8%</b>	<b>4.9</b>	<b>\$42,458</b>	<b>7.5%</b>
Securitized Whole Loans	48	\$2,542,413	54.9%	68.9%	4.4	\$52,019	28.2%
AAA CMBS	6	150,401	3.2%	29.6%	1.1	20,401	12.1%
Credit CMBS	7	164,649	3.6%	58.8%	3.9	128,507	8.9%
<b>Total Commercial Real Estate Debt Investments, at fair value</b>	<b>61</b>	<b>\$2,857,463</b>	<b>61.7%</b>	<b>66.2%</b>	<b>4.2</b>	<b>\$200,927</b>	<b>14.2%</b>
<b>Total Debt Portfolio</b>	<b>101</b>	<b>\$4,151,059</b>	<b>89.6%</b>	<b>67.6%</b>	<b>4.0</b>	<b>\$1,005,944</b>	<b>10.1%</b>

Equity Investments	Number of Properties	Book Value	% of Portfolio	Economic Interest <sup>(5)</sup>	Levered Return <sup>(7)</sup>
Real Estate Held for Investment	26	\$386,576	8.4%	\$150,831	10.3%
Investment in Unconsolidated Joint Ventures <sup>(8)</sup>	27	91,311	2.0%	125,351	10.0%
<b>Total Equity Investments</b>	<b>53</b>	<b>\$477,887</b>	<b>10.4%</b>	<b>\$276,182</b>	<b>10.2%</b>
<b>Total</b>	<b>154</b>	<b>\$4,628,946</b>	<b>100.0%</b>	<b>\$1,282,126</b>	<b>10.1%</b>

Derivatives	Net Notional	Range of Ratings	Implied Market Value	Weighted Average Coupon
CMBX <sup>(9)</sup>	297,555	AAA to BBB-	297,459	1.3%

- (1) Commercial real estate debt and preferred equity, held for investment book values are net of unamortized net origination fees.
- (2) Total weighted based on carry value.
- (3) Based on an internal valuation or the most recent third party appraisal, which may be prior to loan origination/purchase date or at the time of underwriting.
- (4) Maturity dates assume all of the borrowers' extension options are exercised for the commercial real estate debt and preferred equity, held for investment portfolio.
- (5) Economic Interest is a non-GAAP measure to include gross asset values less related financings. Equity investments is adjusted to exclude depreciation and amortization.
- (6) Levered Return represents the current coupon plus accretion and amortization of origination fees and premium/discount and funding costs over investment economic interest.
- (7) Equity levered returns are calculated based on trailing twelve months cash-on-cash returns, updated on a one month lag.
- (8) Includes investment in unconsolidated debt fund of \$21.1 million and investment in Community Investment Impact Fund of \$20.3 million.
- (9) The Company sells/buys protection on CMBX tranches referencing baskets of Conduit CMBS bonds with various ratings. Positive net notional indicates selling protection and being long the exposure to the underlying CMBS. CMBX positions are accounted for as derivatives with changes in fair value presented in Net gains (losses) on other derivatives.



# Middle Market Lending Overview as of June 30, 2018

Unaudited, dollars in thousands

Industry	Industry Dispersion		
	Fixed Rate	Floating Rate	Total
Aircraft and Parts	\$—	\$38,022	\$38,022
Coating, Engraving and Allied Services	—	60,049	60,049
Computer Programming, Data Processing & Other Computer Related Services	—	212,750	212,750
Drugs	—	38,730	38,730
Electric Work	—	39,457	39,457
Electronic Components & Accessories	—	23,995	23,995
Engineering, Architectural, and Surveying	—	10,635	10,635
Groceries and Related Products	—	14,745	14,745
Grocery Stores	—	23,486	23,486
Insurance Agents, Brokers and Services	—	49,480	49,480
Mailing, Reproduction, Commercial Art and Photography, and Stenographic	—	14,863	14,863
Management and Public Relations Services	—	210,511	210,511
Medical and Dental Laboratories	—	26,904	26,904
Miscellaneous Business Services	—	19,677	19,677
Miscellaneous Equipment Rental and Leasing	—	49,375	49,375
Miscellaneous Health and Allied Services, not elsewhere classified	—	54,196	54,196
Miscellaneous Plastic Products	—	9,937	9,937
Motor Vehicles and Motor Vehicle Equipment	—	17,138	17,138
Motor Vehicles and Motor Vehicle Parts and Supplies	—	23,546	23,546
Offices and Clinics of Doctors of Medicine	—	97,722	97,722
Offices and Clinics of Other Health Practitioners	—	20,053	20,053
Public Warehousing and Storage	—	55,057	55,057
Research, Development and Testing Services	—	33,282	33,282
Schools and Educational Services, not elsewhere classified	—	19,806	19,806
Services Allied with the Exchange of Securities	—	14,909	14,909
Surgical, Medical, and Dental Instruments and Supplies	—	16,658	16,658
Telephone Communications	—	61,293	61,293
<b>Total</b>	<b>\$—</b>	<b>\$1,256,276</b>	<b>\$1,256,276</b>

Position Size	Size Dispersion	
	Amount	Percentage
\$0 - \$20 million	\$306,958	24.4%
\$20 - \$40 million	324,080	25.8%
\$40 - \$60 million	350,708	27.9%
Greater than \$60 million	274,530	21.9%
<b>Total</b>	<b>\$1,256,276</b>	<b>100.0%</b>

Remaining Term	Tenor Dispersion	
	Amount	Percentage
One year or less	\$—	—%
One to three years	61,366	4.9%
Three to five years	293,415	23.4%
Greater than five years	901,495	71.7%
<b>Total</b>	<b>\$1,256,276</b>	<b>100.0%</b>

Lien Position	Amount	Percentage
First lien loans	753,373	60.0%
Second lien loans	502,903	40.0%
<b>Total</b>	<b>1,256,276</b>	<b>100.0%</b>

# Hedging and Liabilities as of June 30, 2018

Unaudited, dollars in thousands

Interest Rate Swaps <sup>(1)</sup>				
	Current	Weighted Avg.	Weighted Avg.	Weighted Avg.
Maturity	Notional	Pay Rate	Receive Rate	Years to Maturity
0 to 3 years	\$32,086,800	1.76%	2.34%	1.62
>3 to 6 years	15,449,650	2.27%	2.31%	4.67
> 6 to 10 years	12,476,900	2.45%	2.24%	8.59
Greater than 10 years	4,076,400	3.58%	2.21%	17.48
<b>Total / Weighted</b>	<b>\$64,089,750</b>	<b>2.08%</b>	<b>2.31%</b>	<b>4.43</b>

Futures Positions			
Type	Notional Long Positions	Notional Short Positions	Weighted Avg. Years to Maturity <sup>(2)</sup>
U.S. Treasury Futures - 2 year	—	(480,000)	2.00
U.S. Treasury Futures - 5 year	—	(4,987,400)	4.42
U.S. Treasury Futures - 10 year & Greater	—	(10,274,500)	7.13
<b>Total</b>	<b>\$—</b>	<b>\$(15,741,900)</b>	<b>6.12</b>

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	\$3,250,000	2.75%	3M LIBOR	10.28	3.16

Repurchase Agreements & Other Secured Financing		
Maturity	Principal Balance	Weighted Avg. Rate At Period End
Within 30 days	\$30,922,430	2.15%
30 to 59 days	6,328,941	2.11%
60 to 89 days	14,275,263	2.15%
90 to 119 days	9,278,603	2.08%
Over 120 days <sup>(3)</sup>	18,715,905	2.35%
<b>Total / Weighted Avg.</b>	<b>\$79,521,142</b>	<b>2.18%</b>

	Principal Balance	Weighted Average Rate		
		At Period End	For the Quarter	Days to Maturity <sup>(4)</sup>
Repurchase agreements	\$75,760,655	2.17%	1.99%	71
Other secured financing	3,760,487	2.48%	2.57%	924
Securitized debt of consolidated VIEs	2,702,497	2.70%	2.62%	3,199
Mortgages payable	312,500	4.24%	4.36%	2,407
<b>Total indebtedness</b>	<b>\$82,536,139</b>			

(1) There were no forward-starting interest rate swaps at June 30, 2018.

(2) Weighted average years to maturity for futures positions are based on the U.S. Treasury contracts cheapest to deliver.

(3) Approximately 5% of the total repurchase agreements and other secured financing have a remaining maturity over one year.

(4) Determined based on estimated weighted-average lives of the underlying debt instruments.

# Quarter-Over-Quarter Interest Rate and MBS Spread Sensitivity

Unaudited

## Assumptions:

- The interest rate sensitivity and MBS spread sensitivity are based on the portfolios as of June 30, 2018 and March 31, 2018
- The interest rate sensitivity reflects instantaneous parallel shifts in rates
- The MBS 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 <sup>(1)</sup>

Interest Rate Change (bps)	As of June 30, 2018		As of March 31, 2018	
	Estimated Percentage Change in Portfolio Value <sup>(2)</sup>	Estimated Change as a % of NAV <sup>(2)(3)</sup>	Estimated Percentage Change in Portfolio Value <sup>(2)</sup>	Estimated Change as a % of NAV <sup>(2)(3)</sup>
(75)	0.2%	1.8%	0.3%	2.5%
(50)	0.3%	2.0%	0.3%	2.5%
(25)	0.2%	1.3%	0.2%	1.5%
25	(0.3%)	(1.9%)	(0.3%)	(2.0%)
50	(0.6%)	(4.2%)	(0.6%)	(4.4%)
75	(0.9%)	(7.0%)	(0.9%)	(7.2%)

## MBS Spread Sensitivity <sup>(1)</sup>

MBS Spread Shock (bps)	As of June 30, 2018		As of March 31, 2018	
	Estimated Change in Portfolio Market Value <sup>(2)</sup>	Estimated Change as a % of NAV <sup>(2)(3)</sup>	Estimated Change in Portfolio Market Value <sup>(2)</sup>	Estimated Change as a % of NAV <sup>(2)(3)</sup>
(25)	1.5%	11.5%	1.5%	11.5%
(15)	0.9%	6.8%	0.9%	6.9%
(5)	0.3%	2.3%	0.3%	2.3%
5	(0.3%)	(2.3%)	(0.3%)	(2.3%)
15	(0.9%)	(6.7%)	(0.9%)	(6.8%)
25	(1.5%)	(11.2%)	(1.5%)	(11.3%)

(1) Interest rate and MBS spread sensitivity are based on results from third party models in conjunction with internally derived inputs. Actual results could differ materially from these estimates.

(2) Scenarios include Residential Investment Securities, residential mortgage loans, MSR's and derivative instruments.

(3) Net asset value ("NAV") represents book value of common equity.

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## Endnotes for Page 2

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- \* Represents a non-GAAP financial measure. Core earnings (excluding PAA) per average share, core earnings per average common share, annualized core return on average equity (excluding PAA), net interest margin (excluding PAA), average yield on interest earning assets (excluding PAA), net interest spread (excluding PAA) and operating expenses to core earnings (excluding PAA) represent non-GAAP measures. This presentation also includes additional non-GAAP measures, including interest income (excluding PAA), economic interest expense, economic net interest income (excluding PAA), core earnings (excluding PAA), core earnings (excluding PAA) available to common shareholders, core earnings, core earnings available to common shareholders and core earnings per average common share. See the section titled "Non-GAAP Reconciliations" in the Appendix for a reconciliation of non-GAAP financial measures to the most directly comparable GAAP financial measures. A reconciliation of GAAP net income (loss) to non-GAAP core earnings and non-GAAP core earnings (excluding PAA) is provided on page 8 of this financial summary.
- (1) Net of dividends on preferred stock.
  - (2) Core earnings is defined as net income (loss) excluding gains or losses on disposals of investments and termination or maturity of interest rate swaps, unrealized gains or losses on interest rate swaps and instruments measured at fair value through earnings, net gains and losses on other derivatives, impairment losses, net income (loss) attributable to noncontrolling interest, transaction expenses and certain other non-recurring gains or losses, and inclusive of TBA dollar roll income (a component of Net gains (losses) on other derivatives) and realized amortization of MSRs (a component of net unrealized gains (losses) on instruments measured at fair value through earnings). Core earnings (excluding PAA) excludes the PAA 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.
  - (3) Computed as the sum of repurchase agreements, other secured financing, securitized debt and mortgages payable divided by total equity. Securitized debt and mortgages payable are non-recourse to the Company.
  - (4) Computed as the sum of recourse debt, TBA derivative notional outstanding and net forward purchases of investments divided by total equity. Recourse debt consists of repurchase agreements and other secured financing. Securitized debt and mortgages payable are non-recourse to the Company and are excluded from this measure.
  - (5) Computed as the ratio of total equity to total assets (inclusive of total market value of TBA derivatives and exclusive of securitized debt of consolidated VIEs).
  - (6) Comprised of non-Agency MBS, credit risk transfer securities and residential mortgage loans (includes securitized residential mortgage loans of consolidated VIEs).
  - (7) Includes consolidated VIEs.
  - (8) Net interest margin represents the sum of interest income plus TBA dollar roll income less interest expense and the net interest component of interest rate swaps divided by the sum of average interest earning assets plus average TBA contract balances. Net interest margin (excluding PAA) is calculated using the sum of interest income (excluding PAA) plus TBA dollar roll income less interest expense and the net interest component of interest rate swaps divided by the sum of average interest earning assets plus average TBA contract balances.
  - (9) Represents annualized interest income divided by average interest earning assets. Interest earning assets reflects the average amortized cost of our investments during the period. Annualized yield on interest earning assets (excluding PAA) is calculated using annualized interest income (excluding PAA).
  - (10) Includes GAAP interest expense and the net interest component of interest rate swaps. Prior to the quarter ended March 31, 2018, this metric included the net interest component of interest rate swaps used to hedge cost of funds. Beginning with the quarter ended March 31, 2018, as a result of changes to the Company's hedging portfolio, this metric reflects the net interest component of all interest rate swaps.
  - (11) Excludes costs incurred in connection with a securitization of residential whole loans for the quarter ended March 31, 2018.
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# Non-GAAP Reconciliations

Unaudited, dollars in thousands

\* 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. While intended to offer a fuller understanding of the Company's results and operations, non-GAAP financial measures also have limitations. For example, the Company may calculate its non-GAAP metrics, such as core earnings, or the PAA, differently than its peers making comparative analysis difficult. Additionally, in the case of non-GAAP measures that exclude the PAA, the amount of amortization expense excluding the PAA is not necessarily representative of the amount of future periodic amortization nor is it indicative of the term over which the Company will amortize the remaining unamortized premium. Changes to actual and estimated prepayments will impact the timing and amount of premium amortization and, as such, both GAAP and non-GAAP results. 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. Additional information pertaining to these non-GAAP financial measures and reconciliations to their most directly comparable GAAP results are provided below and on the next page. A reconciliation of GAAP net income (loss) to non-GAAP core earnings for the quarters ended June 30, 2018, March 31, 2018, December 31, 2017, September 30, 2017 and June 30, 2017, is provided on page 8 of this financial summary.

	For the quarters ended,				
	6/30/2018	3/31/2018	12/31/2017	9/30/2017	6/30/2017
<b><i>Premium Amortization Reconciliation</i></b>					
Premium amortization expense	\$202,426	\$95,832	\$203,951	\$220,636	\$251,084
Less:					
PAA cost (benefit)	7,516	(118,395)	11,367	39,899	72,700
Premium amortization expense (excluding PAA)	\$194,910	\$214,227	\$192,584	\$180,737	\$178,384
<b><i>Interest Income (excluding PAA) Reconciliation</i></b>					
GAAP interest income	\$776,806	\$879,487	\$745,423	\$622,550	\$537,426
PAA cost (benefit)	7,516	(118,395)	11,367	39,899	72,700
Interest Income (excluding PAA) *	\$784,322	\$761,092	\$756,790	\$662,449	\$610,126
<b><i>Economic Interest Expense Reconciliation</i></b>					
GAAP interest expense	\$442,692	\$367,421	\$318,711	\$268,937	\$222,281
Add:					
Net interest component of interest rate swaps <sup>(1)</sup>	(31,475)	48,160	73,957	78,564	84,252
Economic interest expense <sup>*(1)</sup>	\$411,217	\$415,581	\$392,668	\$347,501	\$306,533
<b><i>Economic Net Interest Income (excluding PAA) Reconciliation</i></b>					
Interest income (excluding PAA) *	\$784,322	\$761,092	\$756,790	\$662,449	\$610,126
Less:					
Economic interest expense <sup>*(1)</sup>	411,217	415,581	392,668	347,501	306,533
Economic net interest Income (excluding PAA) <sup>*(1)</sup>	\$373,105	\$345,511	\$364,122	\$314,948	\$303,593

\* Represents a non-GAAP financial measure.

(1) Includes GAAP interest expense and the net interest component of interest rate swaps. Prior to the quarter ended March 31, 2018, this metric included the net interest component of interest rate swaps used to hedge cost of funds. Beginning with the quarter ended March 31, 2018, as a result of changes to the Company's hedging portfolio, this metric reflects the net interest component of all interest rate swaps.

# Non-GAAP Reconciliations (cont'd)

Unaudited, dollars in thousands

	For the quarters ended,				
	6/30/2018	3/31/2018	12/31/2017	9/30/2017	6/30/2017
<i><b>Economic Metrics (excluding PAA)</b></i>					
Average interest earning assets	\$102,193,435	\$101,979,042	\$100,247,589	\$89,253,094	\$83,427,268
Interest income (excluding PAA) *	\$784,322	\$761,092	\$756,790	\$662,449	\$610,126
Average yield on interest earning assets (excluding PAA) *	3.07%	2.99%	3.02%	2.97%	2.93%
Average interest bearing liabilities	\$87,103,807	\$87,376,452	\$85,992,215	\$76,382,315	\$70,486,779
Economic interest expense *	411,217	415,581	392,668	347,501	306,533
Average cost of interest bearing liabilities <sup>(1)</sup>	1.89%	1.90%	1.83%	1.82%	1.74%
Economic net interest income (excluding PAA) <sup>*(1)</sup>	\$373,105	\$345,511	\$364,122	\$314,948	\$303,593
Net interest spread (excluding PAA) *	1.18%	1.09%	1.19%	1.15%	1.19%
Interest income (excluding PAA) *	\$784,322	\$761,092	\$756,790	\$662,449	\$610,126
TBA dollar roll income	62,491	88,353	89,479	94,326	81,051
Interest expense	(442,692)	(367,421)	(318,711)	(268,937)	(222,281)
Net interest component of interest rate swaps	31,475	(48,160)	(82,271)	(88,211)	(96,470)
Subtotal	\$435,596	\$433,864	\$445,287	\$399,627	\$372,426
Average interest earning assets	\$102,193,435	\$101,979,042	\$100,247,589	\$89,253,094	\$83,427,268
Average TBA contract balances	9,407,819	12,050,341	17,509,691	19,291,834	14,206,869
Subtotal	\$111,601,254	\$114,029,383	\$117,757,280	\$108,544,928	\$97,634,137
Net interest margin (excluding PAA) *	1.56%	1.52%	1.51%	1.47%	1.53%

\* Represents a non-GAAP financial measure.

(1) Includes GAAP interest expense and the net interest component of interest rate swaps. Prior to the quarter ended March 31, 2018, this metric included the net interest component of interest rate swaps used to hedge cost of funds. Beginning with the quarter ended March 31, 2018, as a result of changes to the Company's hedging portfolio, this metric reflects the net interest component of all interest rate swaps.