



ANNALY[®]
Second Quarter 2019
Financial Summary

July 31, 2019

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Non-GAAP Financial Measures

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

Financial Snapshot

Unaudited, dollars in thousands except per share amounts

	For the quarters ended		
	6/30/2019	3/31/2019	
Income Statement	GAAP net income per average common share ⁽¹⁾	(\$1.24)	(\$0.63)
	Core earnings (excluding PAA) per average common share ^{*(1)}	\$0.25	\$0.29
	Core earnings per average common share ^{*(1)}	\$0.15	\$0.23
	PAA cost (benefit) per average common share ⁽²⁾	\$0.10	\$0.06
	Annualized GAAP return (loss) on average equity	(45.13%)	(22.72%)
	Annualized core return on average equity (excluding PAA)*	9.94%	11.59%
Balance Sheet	Book value per common share	\$9.33	\$9.67
	Leverage at period-end ⁽³⁾	7.2x	6.1x
	Economic leverage at period-end ⁽⁴⁾	7.6x	7.0x
	Capital ratio at period-end ⁽⁵⁾	11.4%	12.0%
Portfolio	Securities	\$119,926,869	\$104,993,271
	Loans, net	3,546,468	3,879,324
	Mortgage servicing rights	425,328	500,745
	Assets transferred or pledged to securitization vehicles	4,211,582	4,365,300
	Real estate, net	733,196	734,239
	Total residential and commercial investments	\$128,843,443	\$114,472,879
Key Statistics	Net interest margin ⁽⁶⁾	0.87%	1.25%
	Net interest margin (excluding PAA) ^{*(6)}	1.28%	1.51%
	Average yield on interest earning assets ⁽⁷⁾	3.03%	3.15%
	Average yield on interest earning assets (excluding PAA) ^{*(7)}	3.48%	3.45%
	Average cost of interest bearing liabilities ⁽⁸⁾	2.41%	2.15%
	Net interest spread	0.62%	1.00%
	Net interest spread (excluding PAA) *	1.07%	1.30%
Efficiency	Operating expenses to core earnings (excluding PAA) ^{*(9)}	19.27%	17.03%
	Annualized operating expenses as a % of average total assets ⁽⁹⁾	0.24%	0.26%
	Annualized operating expenses as a % of average total equity ⁽⁹⁾	1.91%	1.97%

* Represents a non-GAAP financial measure.

Detailed endnotes are included within the Appendix at the end of this presentation.

Portfolio Data

Unaudited, dollars in thousands

	For the quarters ended				
	6/30/2019	3/31/2019	12/31/2018	9/30/2018	6/30/2018
Portfolio-Related Data					
Agency mortgage-backed securities	\$118,202,040	\$103,093,526	\$90,752,995	\$89,290,128	\$86,593,058
Credit risk transfer securities	491,969	607,945	552,097	688,521	563,796
Non-agency mortgage-backed securities	1,097,752	1,116,569	1,161,938	1,173,467	1,006,785
Commercial mortgage-backed securities	135,108	175,231	156,758	186,495	315,050
Total securities	\$119,926,869	\$104,993,271	\$92,623,788	\$91,338,611	\$88,478,689
Residential mortgage loans	\$1,061,124	\$1,311,720	\$1,359,806	\$1,217,139	\$1,142,300
Commercial real estate debt and preferred equity	623,705	722,962	1,296,803	1,435,865	1,251,138
Corporate debt	1,792,837	1,758,082	1,887,182	1,528,874	1,256,276
Loans held for sale	68,802	86,560	42,184	42,325	42,458
Total loans, net	\$3,546,468	\$3,879,324	\$4,585,975	\$4,224,203	\$3,692,172
Mortgage servicing rights	\$425,328	\$500,745	\$557,813	\$588,833	\$599,014
Residential mortgage loans transferred or pledged to securitization vehicles	\$2,106,981	\$1,425,668	\$1,094,831	\$765,876	\$523,857
Commercial real estate debt transferred or pledged to securitization vehicles	2,104,601	2,939,632	2,738,369	3,521,945	2,542,413
Assets transferred or pledged to securitization vehicles	\$4,211,582	\$4,365,300	\$3,833,200	\$4,287,821	\$3,066,270
Real estate, net	\$733,196	\$734,239	\$739,473	\$753,014	\$477,887
Total residential and commercial investments	\$128,843,443	\$114,472,879	\$102,340,249	\$101,192,482	\$96,314,032
Total assets	\$131,800,776	\$119,172,549	\$105,787,527	\$105,961,803	\$98,832,997
Average TBA contract and CMBX balances	\$12,757,975	\$14,927,490	\$14,788,453	\$12,216,863	\$9,407,819

Summary Portfolio Statistics	Residential Securities:					
	% Fixed-rate	96%	94%	93%	92%	91%
	% Adjustable-rate	4%	6%	7%	8%	9%
	Weighted average experienced CPR for the period	11.2%	7.3%	7.9%	10.3%	10.1%
	Weighted average projected long-term CPR at period-end	14.5%	11.6%	10.1%	9.1%	9.1%
	Net premium and discount balance in Residential Securities	\$5,625,788	\$5,217,013	\$5,118,478	\$5,769,426	\$5,896,755
	Net premium and discount balance as % of stockholders' equity	35.83%	33.07%	36.27%	38.59%	42.83%

Financing and Capital Data

Unaudited, dollars in thousands except per share amounts

	For the quarters ended					
	6/30/2019	3/31/2019	12/31/2018	9/30/2018	6/30/2018	
Financing Data	Repurchase agreements	\$105,181,241	\$88,554,170	\$81,115,874	\$79,073,026	\$75,760,655
	Other secured financing	4,127,989	4,144,623	4,183,311	4,108,547	3,760,487
	Debt issued by securitization vehicles	3,470,168	3,693,766	3,347,062	3,799,542	2,728,692
	Mortgages payable	498,772	510,386	511,056	511,588	309,878
	Total debt	\$113,278,170	\$96,902,945	\$89,157,303	\$87,492,703	\$82,559,712
	Total liabilities	\$116,093,369	\$103,391,105	\$91,669,726	\$91,005,947	\$85,059,141
	Cumulative redeemable preferred stock	\$2,110,346	\$1,778,168	\$1,778,168	\$1,778,168	\$1,723,168
	Common equity ⁽¹⁾	13,592,335	13,998,049	12,333,944	13,171,826	12,045,422
	Total Annaly stockholders' equity	15,702,681	15,776,217	14,112,112	14,949,994	13,768,590
	Non-controlling interests	4,726	5,227	5,689	5,862	5,266
	Total equity	\$15,707,407	\$15,781,444	\$14,117,801	\$14,955,856	\$13,773,856
Key Capital and Hedging Metrics	Weighted average days to maturity of repurchase agreements	70	72	77	55	71
	Weighted average rate on repurchase agreements, for the quarter ⁽²⁾⁽³⁾	2.66%	2.64%	2.43%	2.25%	1.99%
	Weighted average rate on repurchase agreements, at period-end ⁽³⁾	2.69%	2.85%	2.96%	2.32%	2.17%
	Leverage at period-end	7.2x	6.1x	6.3x	5.9x	6.0x
	Economic leverage at period-end	7.6x	7.0x	7.0x	6.7x	6.4x
	Capital ratio at period-end	11.4%	12.0%	12.1%	12.6%	13.2%
	Book value per common share	\$9.33	\$9.67	\$9.39	\$10.03	\$10.35
	Total common shares outstanding	1,456,263	1,448,103	1,313,763	1,303,080	1,164,334
	Hedge ratio ⁽⁴⁾	74%	85%	94%	96%	95%
	Weighted average pay rate on interest rate swaps, at period-end	2.12%	2.20%	2.17%	2.10%	2.08%
	Weighted average receive rate on interest rate swaps, at period-end	2.46%	2.66%	2.68%	2.33%	2.31%
Weighted average net rate on interest rate swaps, at period-end	(0.34%)	(0.46%)	(0.51%)	(0.23%)	(0.23%)	

Detailed endnotes are included within the Appendix at the end of this presentation.

Income Statement Data

Unaudited, dollars in thousands except per share amounts

	For the quarters ended				
	6/30/2019	3/31/2019	12/31/2018	9/30/2018	6/30/2018
Total interest income	\$927,598	\$866,186	\$859,674	\$816,596	\$776,806
Total interest expense	750,217	647,695	586,774	500,973	442,692
Net interest income	\$177,381	\$218,491	\$272,900	\$315,623	\$334,114
Total economic interest expense ^{*(1)}	\$666,564	\$513,660	\$520,885	\$449,624	\$411,217
Economic net interest income *	\$261,034	\$352,526	\$338,789	\$366,972	\$365,589
Total interest income (excluding PAA) *	\$1,067,361	\$948,057	\$905,146	\$819,982	\$784,322
Economic net interest income (excluding PAA) *	\$400,797	\$434,397	\$384,261	\$370,358	\$373,105
GAAP net income (loss)	(\$1,776,413)	(\$849,251)	(\$2,254,872)	\$385,429	\$595,887
GAAP net income (loss) available (related) to common stockholders ⁽²⁾	(\$1,808,752)	(\$881,644)	(\$2,287,383)	\$353,903	\$564,542
GAAP net income (loss) per average common share ⁽²⁾	(\$1.24)	(\$0.63)	(\$1.74)	\$0.29	\$0.49
Core earnings (excluding PAA) *	\$391,153	\$433,155	\$417,169	\$389,666	\$382,813
Core earnings (excluding PAA) available to common stockholders ^{*(2)}	\$358,731	\$400,661	\$384,675	\$357,991	\$351,436
Core earnings (excluding PAA) per average common share ^{*(2)}	\$0.25	\$0.29	\$0.29	\$0.30	\$0.30
Core earnings *	\$251,390	\$351,284	\$371,697	\$386,280	\$375,297
Core earnings available to common stockholders ^{*(2)}	\$218,968	\$318,790	\$339,203	\$354,605	\$343,920
Core earnings per average common share ^{*(2)}	\$0.15	\$0.23	\$0.26	\$0.29	\$0.30
PAA cost (benefit)	\$139,763	\$81,871	\$45,472	\$3,386	\$7,516
PAA cost (benefit) per average common share ⁽³⁾	\$0.10	\$0.06	\$0.03	\$0.01	\$—

* Represents a non-GAAP financial measure.

Detailed endnotes are included within the Appendix at the end of this presentation.

Key Earnings Metrics

Unaudited, dollars in thousands except per share amounts

	For the quarters ended				
	6/30/2019	3/31/2019	12/31/2018	9/30/2018	6/30/2018
Dividends declared per common share	\$0.25	\$0.30	\$0.30	\$0.30	\$0.30
Total common and preferred dividends declared	\$396,388	\$467,121	\$426,816	\$397,163	\$380,677
Annualized GAAP return (loss) on average equity	(45.13%)	(22.72%)	(62.05%)	10.73%	17.20%
Annualized GAAP return (loss) on average equity per unit of economic leverage	(5.94%)	(3.25%)	(8.86%)	1.60%	2.69%
Annualized core return on average equity (excluding PAA) *	9.94%	11.59%	11.48%	10.85%	11.05%
Annualized core return on average equity per unit of economic leverage (excluding PAA) *	1.31%	1.66%	1.64%	1.62%	1.73%
Net interest margin	0.87%	1.25%	1.34%	1.49%	1.53%
Net interest margin (excluding PAA) *	1.28%	1.51%	1.49%	1.50%	1.56%
Average yield on interest earning assets	3.03%	3.15%	3.21%	3.21%	3.04%
Average yield on interest earning assets (excluding PAA) *	3.48%	3.45%	3.38%	3.22%	3.07%
Average cost of interest bearing liabilities	2.41%	2.15%	2.22%	2.08%	1.89%
Net interest spread	0.62%	1.00%	0.99%	1.13%	1.15%
Net interest spread (excluding PAA) *	1.07%	1.30%	1.16%	1.14%	1.18%

Key Earnings Metrics

* Represents a non-GAAP financial measure.

Components of Economic Net Interest Income

Unaudited, dollars in thousands

	For the quarters ended				
	6/30/2019	3/31/2019	12/31/2018	9/30/2018	6/30/2018
Economic Net Interest Income					
Interest income:					
Residential Securities	\$777,891	\$709,774	\$708,146	\$680,037	\$662,750
Residential mortgage loans	35,025	29,991	27,703	21,184	18,868
Commercial investment portfolio	92,131	100,952	107,650	97,531	79,343
U.S. Treasury securities	—	—	—	160	—
Reverse repurchase agreements	22,551	25,469	16,175	17,684	15,845
Total interest income	\$927,598	\$866,186	\$859,674	\$816,596	\$776,806
Economic interest expense:					
Repurchase agreements	\$683,647	\$579,514	\$521,546	\$445,535	\$400,475
Net interest component of interest rate swaps	(83,653)	(134,035)	(65,889)	(51,349)	(31,475)
Debt issued by securitization vehicles	34,151	34,207	34,769	29,391	18,201
Other	32,419	33,974	30,459	26,047	24,016
Total economic interest expense *	\$666,564	\$513,660	\$520,885	\$449,624	\$411,217
Economic net interest income *	\$261,034	\$352,526	\$338,789	\$366,972	\$365,589
PAA cost (benefit)	139,763	81,871	45,472	3,386	7,516
Economic net interest income (excluding PAA) *	\$400,797	\$434,397	\$384,261	\$370,358	\$373,105

* Represents a non-GAAP financial measure.

GAAP Net Income to Core Earnings Reconciliation

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

* Represents a non-GAAP financial measure.

Detailed endnotes are included within the Appendix at the end of this presentation.

Quarter-Over-Quarter Changes in Key Metrics

Unaudited

		For the quarters ended				
		6/30/2019	3/31/2019	12/31/2018	9/30/2018	6/30/2018
Book Value Rollforward	Book value per common share, beginning of period	\$9.67	\$9.39	\$10.03	\$10.35	\$10.53
	Net income (loss) available (related) to common stockholders	(1.24)	(0.63)	(1.74)	0.29	0.49
	Other comprehensive income (loss) attributable to common stockholders	1.15	1.19	1.40	(0.32)	(0.37)
	Common dividends declared	(0.25)	(0.30)	(0.30)	(0.30)	(0.30)
	Issuance of common stock / redemption of preferred stock	0.00	0.02	0.00	0.01	0.00
	Book value per common share, end of period	\$9.33	\$9.67	\$9.39	\$10.03	\$10.35
Net Interest Margin	Prior quarter net interest margin	1.25%	1.34%	1.49%	1.53%	1.94%
	<i>Quarter-over-quarter changes in contribution:</i>					
	Coupon on average interest-earning assets (including average TBA dollar roll and CMBX balances)	0.12%	0.04%	0.02%	0.03%	0.08%
	Net amortization of premiums	(0.16%)	(0.08%)	(0.07%)	0.06%	(0.38%)
	TBA dollar roll income and CMBX coupon income	(0.02%)	(0.11%)	0.03%	(0.03%)	(0.09%)
	Interest expense and net interest component of interest rate swaps	(0.32%)	0.06%	(0.13%)	(0.10%)	(0.02%)
	Current quarter net interest margin	0.87%	1.25%	1.34%	1.49%	1.53%
Net Interest Margin (excluding PAA)*	Prior quarter net interest margin (excluding PAA) *	1.51%	1.49%	1.50%	1.56%	1.52%
	<i>Quarter-over-quarter changes in contribution:</i>					
	Coupon on average interest-earning assets (including average TBA dollar roll and CMBX balances)	0.12%	0.04%	0.02%	0.03%	0.08%
	Net amortization of premiums, excluding PAA	(0.01%)	0.03%	0.07%	0.04%	0.07%
	TBA dollar roll income and CMBX coupon income	(0.02%)	(0.11%)	0.03%	(0.03%)	(0.09%)
	Interest expense and net interest component of interest rate swaps	(0.32%)	0.06%	(0.13%)	(0.10%)	(0.02%)
	Current quarter net interest margin (excluding PAA) *	1.28%	1.51%	1.49%	1.50%	1.56%

* Represents a non-GAAP financial measure.

Quarter-Over-Quarter Changes in Key Metrics (continued)

Unaudited

	For the quarters ended					
	6/30/2019	3/31/2019	12/31/2018	9/30/2018	6/30/2018	
Net Interest Spread	Prior quarter net interest spread	1.00%	0.99%	1.13%	1.15%	1.55%
	<i>Quarter-over-quarter changes in contribution:</i>					
	Coupon on average interest earning assets	0.03%	0.03%	0.08%	0.13%	0.00%
	Net amortization of premiums	(0.15%)	(0.09%)	(0.08%)	0.04%	(0.41%)
	Average cost of interest bearing liabilities	(0.26%)	0.07%	(0.14%)	(0.19%)	0.01%
	Current quarter net interest spread	0.62%	1.00%	0.99%	1.13%	1.15%
Net Interest Spread (excluding PAA)*	Prior quarter net interest spread (excluding PAA) *	1.30%	1.16%	1.14%	1.18%	1.09%
	<i>Quarter-over-quarter changes in contribution:</i>					
	Coupon on average interest earning assets	0.03%	0.03%	0.08%	0.12%	0.00%
	Net amortization of premiums, excluding PAA	0.00%	0.04%	0.08%	0.03%	0.08%
	Average cost of interest bearing liabilities	(0.26%)	0.07%	(0.14%)	(0.19%)	0.01%
	Current quarter net interest spread (excluding PAA) *	1.07%	1.30%	1.16%	1.14%	1.18%

* Represents a non-GAAP financial measure.

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

Unaudited

	For the quarters ended					
	6/30/2019	3/31/2019	12/31/2018	9/30/2018	6/30/2018	
Annualized GAAP Return (Loss) on Average Equity	Prior quarter annualized GAAP return (loss) on average equity	(22.72%)	(62.05%)	10.73%	17.20%	36.86%
	<i>Quarter-over-quarter changes in contribution:</i>					
	Coupon income	2.00%	0.16%	1.78%	(0.21%)	1.10%
	Net amortization of premiums and accretion of discounts	(1.61%)	(0.64%)	(0.86%)	0.53%	(3.10%)
	Interest expense and net interest component of interest rate swaps	(3.19%)	0.59%	(1.81%)	(0.65%)	(0.33%)
	Realized (gains) losses on termination or maturity of interest rate swaps	11.48%	(15.74%)	(0.02%)	0.02%	(0.02%)
	Unrealized (gains) losses on interest rate swaps	(21.97%)	25.70%	(47.77%)	1.70%	(17.22%)
	Realized and unrealized (gains) losses on investments and other derivatives	(9.64%)	30.10%	(27.00%)	(5.18%)	0.05%
	Loan loss provision	0.15%	(0.06%)	(0.10%)	0.00%	0.00%
	Other ⁽¹⁾	0.37%	(0.78%)	3.00%	(2.68%)	(0.14%)
	Current quarter annualized GAAP return (loss) on average equity	(45.13%)	(22.72%)	(62.05%)	10.73%	17.20%
Annualized Core Return on Average Equity (excluding PAA)*	Prior quarter annualized core return on average equity (excluding PAA) *	11.59%	11.48%	10.85%	11.05%	10.70%
	<i>Quarter-over-quarter changes in contribution:</i>					
	Coupon income	2.00%	0.16%	1.78%	(0.21%)	1.10%
	Net amortization of premiums (excluding PAA)	(0.25%)	0.30%	0.29%	0.41%	0.41%
	Interest expense and net interest component of interest rate swaps	(3.19%)	0.59%	(1.81%)	(0.65%)	(0.33%)
	TBA dollar roll income and CMBX coupon income	(0.18%)	(0.89%)	0.34%	(0.23%)	(0.65%)
	Other ⁽²⁾	(0.03%)	(0.05%)	0.03%	0.48%	(0.18%)
Current quarter core return on annualized average equity (excluding PAA) *	9.94%	11.59%	11.48%	10.85%	11.05%	

* Represents a non-GAAP financial measure.

Detailed endnotes are included within the Appendix at the end of this presentation.

Residential Investments and TBA Derivative Overview as of June 30, 2019

Unaudited, dollars in thousands

Agency Fixed-Rate Securities (Pools)							
Weighted Avg. Years to Maturity	Current Face Value	% ⁽³⁾	Weighted Avg. Coupon	Weighted Avg. Amortized Cost	Weighted Avg. Fair Value	Weighted Avg. 3-Month CPR	Estimated Fair Value
<=15 years ⁽¹⁾	\$4,350,703	4.0%	3.44%	101.8%	105.8%	12.0%	\$4,602,979
20 years	2,833,445	2.6%	3.53%	104.0%	104.0%	10.0%	2,945,977
>=30 years ⁽²⁾	100,848,352	93.4%	4.02%	104.3%	105.5%	10.1%	106,421,267
Total/Weighted Avg.	\$108,032,500	100.0%	3.98%	104.2%	105.5%	10.1%	\$113,970,223

TBA Purchase Contracts						
Type	Notional Value	% ⁽⁴⁾	Weighted Avg. Coupon	Implied Cost Basis	Implied Market Value	
15-year	\$852,000	9.0%	3.15%	\$869,687	\$871,805	
30-year	8,617,000	91.0%	3.46%	8,760,226	8,791,565	
Total/Weighted Avg.	\$9,469,000	100.0%	3.43%	\$9,629,913	\$9,663,370	

Agency Adjustable-Rate Securities							
Weighted Avg. Months to Reset	Current Face Value	% ⁽³⁾	Weighted Avg. Coupon	Weighted Avg. Amortized Cost	Weighted Avg. Fair Value	Weighted Avg. 3-Month CPR	Estimated Fair Value
0 - 24 months	\$3,083,773	93.6%	3.80%	105.4%	103.4%	44.6%	\$3,188,309
25 - 40 months	23,200	0.7%	3.42%	103.7%	103.0%	16.3%	23,901
41 - 60 months	63,709	1.9%	2.53%	99.3%	101.1%	14.1%	64,401
61 - 90 months	124,369	3.8%	2.97%	102.0%	102.5%	15.6%	127,457
Total/Weighted Avg.	\$3,295,051	100.0%	3.74%	105.1%	103.3%	44.4%	\$3,404,068

Detailed endnotes are included within the Appendix at the end of this presentation.

Residential Investments & TBA Derivative Overview as of June 30, 2019 (continued)

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	\$1,932,989	37.3%	3.34%	14.3%	11.4%	8.3%	\$219,939
Inverse Interest-only	3,242,623	62.7%	3.70%	22.8%	18.7%	11.5%	607,810
Total/Weighted Avg.	\$5,175,612	100.0%	3.57%	19.6%	16.0%	10.5%	\$827,749

Mortgage Servicing Rights					
Type	Unpaid Principal Balance	Weighted Avg. Coupon	Excess Servicing Spread	Weighted Avg. Loan Age (months)	Estimated Fair Value
Total/Weighted Avg.	\$40,417,196	3.82%	0.24%	39	\$425,328

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	\$481,758	10.3%	5.99%	100.5%	102.1%	\$491,969
Alt-A	204,398	4.0%	4.85%	85.5%	93.7%	191,488
Prime	257,216	5.5%	4.76%	93.0%	99.7%	256,480
Prime Interest-only	188,979	—%	0.59%	1.3%	1.2%	2,245
Subprime	439,485	8.9%	3.46%	87.1%	96.6%	424,470
NPL/RPL	8,431	0.2%	4.39%	99.8%	100.1%	8,436
Prime Jumbo	204,020	4.3%	3.97%	98.4%	100.9%	205,774
Prime Jumbo Interest-only	611,050	0.2%	0.38%	1.6%	1.4%	8,859
Residential Mortgage Loans	3,076,415	66.6%	5.07%	101.5%	103.0%	3,168,105
Total/Weighted Avg.	\$5,471,752	100.0%	4.94%			\$4,757,826

Detailed endnotes are included within the Appendix at the end of this presentation.

Residential Credit Investments Detail as of June 30, 2019⁽¹⁾

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	\$464,846	\$—	\$464,846	5.91%	1.12%	0.35%	9.75%
Private Label Credit Risk Transfer	27,123	—	27,123	7.60%	0.29%	0.24%	8.91%
Alt-A	191,488	104,950	86,538	4.85%	10.88%	7.46%	12.65%
Prime	256,480	81,040	175,440	4.76%	6.93%	4.62%	15.96%
Prime Interest-only	2,245	2,245	—	0.59%	—%	0.25%	22.49%
Subprime	424,470	182,628	241,842	3.46%	13.67%	17.38%	6.07%
Re-Performing Loan Securitizations	5,000	5,000	—	3.97%	38.54%	—%	—%
Non-Performing Loan Securitizations	3,436	—	3,436	5.00%	65.01%	41.79%	2.27%
Prime Jumbo	205,774	170,174	35,600	3.97%	15.18%	0.15%	17.71%
Prime Jumbo Interest-only	8,859	8,859	—	0.38%	—%	0.26%	7.22%
Total	\$1,589,721	\$554,896	\$1,034,825	4.94%	8.89%	6.89%	16.37%

Product	Estimated Fair Value	Bond Coupon			
		ARM	Fixed	Floater	Interest Only
Agency Credit Risk Transfer	\$464,846	\$—	\$—	\$464,846	\$—
Private Label Credit Risk Transfer	27,123	—	—	27,123	—
Alt-A	191,488	54,923	113,244	23,321	—
Prime	256,480	105,020	151,460	—	—
Prime Interest-only	2,245	—	—	—	2,245
Subprime	424,470	32,459	66,589	325,422	—
Re-Performing Loan Securitizations	5,000	—	5,000	—	—
Non-Performing Loan Securitizations	3,436	—	3,436	—	—
Prime Jumbo	205,774	—	205,774	—	—
Prime Jumbo Interest-only	8,859	—	—	—	8,859
Total	\$1,589,721	\$192,402	\$545,503	\$840,712	\$11,104

Detailed endnotes are included within the Appendix at the end of this presentation.

Commercial Real Estate Overview as of June 30, 2019

Unaudited, dollars in thousands

Investment Portfolio	Number of Investments	GAAP		Weighted Avg LTV ⁽¹⁾	Weighted Avg Life (years) ⁽²⁾	Non-GAAP	
		Book Values	% of Portfolio			Economic Interest ⁽³⁾	Levered Return ⁽⁴⁾
Loans							
Senior Mortgages	15	\$350,398	9.6%	67.8%	2.9	\$142,265	10.9%
Mezzanine Loans	15	273,307	7.5%	75.0%	2.7	220,265	9.7%
Held for Sale	1	41,896	1.2%	30.5%	3.9	20,935	9.5%
Total Loans	31	665,601	18.3%	68.4%	2.9	383,465	10.2%
Securities							
CMBS (AAA)	2	57,622	1.6%	25.2%	0.7	7,165	11.7%
CMBS (Credit)	2	41,968	1.1%	56.6%	7.6	18,827	18.0%
CMBS (Conduit)	4	35,518	1.0%	35.0%	4.7	35,518	4.5%
Total Securities	8	135,108	3.7%	37.5%	3.9	61,510	9.5%
Assets transferred or pledged to securitization vehicles							
NLY 2019-FL2	21	789,900	21.7%	67.8%	3.8	187,902	13.3%
Commercial Trusts	27	1,314,701	36.1%	64.5%	2.0	32,924	31.9%
Total Assets transferred or pledged to securitization vehicles	48	2,104,601	57.8%	65.7%	2.7	220,826	16.1%
Total Debt Investments	87	2,905,310	79.8%	65.0%	2.8	665,801	12.1%
Equity Investments							
Real Estate Held for Investment	47	642,962	17.7%			237,920	13.4%
Investment in Unconsolidated Joint Ventures ⁽⁵⁾	31	90,234	2.5%			130,492	5.4%
Total Equity Investments	78	733,196	20.2%			368,412	10.6%
Total Investment Portfolio	165	\$3,638,506	100.0%			\$1,034,213	11.5%

Derivatives	Net Notional	Range of Ratings	Implied Market Value	Net Weighted Average Coupon
CMBX ⁽⁶⁾	\$306,000	AAA to BBB-	\$310,615	1.2%

Detailed endnotes are included within the Appendix at the end of this presentation.

Middle Market Lending Overview as of June 30, 2019

Unaudited, dollars in thousands

Industry Dispersion			
Industry	Fixed Rate	Floating Rate	Total
Aircraft and Parts	\$—	\$41,195	\$41,195
Coating, Engraving and Allied Services	—	51,625	51,625
Computer Programming, Data Processing & Other Computer Related Services	—	331,192	331,192
Drugs	—	35,909	35,909
Electric Work	—	42,026	42,026
Electronic Components & Accessories	—	24,000	24,000
Engineering, Architectural, and Surveying	—	92,486	92,486
Grocery Stores	—	23,338	23,338
Insurance Agents, Brokers and Services	—	48,361	48,361
Mailing, Reproduction, Commercial Art and Photography, and Stenographic	—	14,779	14,779
Management and Public Relations Services	—	330,459	330,459
Medical and Dental Laboratories	—	38,620	38,620
Metal Cans & Shipping Containers	—	118,368	118,368
Miscellaneous Business Services	—	19,552	19,552
Miscellaneous Equipment Rental and Leasing	—	49,689	49,689
Miscellaneous Health and Allied Services, not elsewhere classified	—	75,910	75,910
Miscellaneous Plastic Products	—	10,000	10,000
Motor Vehicles and Motor Vehicle Parts and Supplies	—	28,996	28,996
Nonferrous Foundries (Castings)	—	12,914	12,914
Offices and Clinics of Doctors of Medicine	—	102,719	102,719
Offices and Clinics of Other Health Practitioners	—	20,992	20,992
Public Warehousing and Storage	—	82,912	82,912
Research, Development and Testing Services	—	45,610	45,610
Schools and Educational Services, not elsewhere classified	—	19,678	19,678
Surgical, Medical, and Dental Instruments and Supplies	—	97,113	97,113
Telephone Communications	—	61,300	61,300
Total ⁽¹⁾	\$—	\$1,819,743	\$1,819,743

Size Dispersion		
Position Size	Amount	Percentage
\$0 - \$20 million	\$302,123	16.6%
\$20 - \$40 million	273,297	15.0%
\$40 - \$60 million	517,864	28.5%
Greater than \$60 million	726,459	39.9%
Total ⁽¹⁾	\$1,819,743	100.0%

Tenor Dispersion		
Remaining Term	Amount	Percentage
One year or less	\$6,830	0.4%
One to three years	89,242	4.9%
Three to five years	580,122	31.9%
Greater than five years	1,143,549	62.8%
Total ⁽¹⁾	\$1,819,743	100.0%

Lien Position	Amount	Percentage
First lien loans	\$1,196,198	65.7%
Second lien loans	623,545	34.3%
Total ⁽¹⁾	\$1,819,743	100.0%

Detailed endnotes are included within the Appendix at the end of this presentation.

Hedging and Liabilities as of June 30, 2019

Unaudited, dollars in thousands

Interest Rate Swaps ⁽¹⁾				
Maturity	Current Notional	Weighted Avg. Pay Rate	Weighted Avg. Receive Rate	Weighted Avg. Years to Maturity
0 to 3 years	\$34,092,400	1.82%	2.44%	1.37
>3 to 6 years	12,300,800	2.00%	2.47%	4.45
> 6 to 10 years	17,122,500	2.52%	2.51%	8.79
Greater than 10 years	3,578,000	3.59%	2.44%	17.56
Total / Weighted Avg.	\$67,093,700	2.12%	2.46%	4.63

Futures Positions			
Type	Notional Long Positions	Notional Short Positions	Weighted Avg. Years to Maturity ⁽²⁾
2 year swap equivalent Eurodollar Contracts	\$—	\$—	2.00
U.S. Treasury Futures - 2 year	—	(2,872,400)	1.94
U.S. Treasury Futures - 5 year	—	(7,716,500)	4.39
U.S. Treasury Futures - 10 year & Greater	900,000	(8,430,900)	7.75
Total	\$900,000	(\$19,019,800)	5.61

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	\$3,200,000	2.87%	3M LIBOR	10.54	8.73

Repurchase Agreements & Other Secured Financing		
Maturity	Principal Balance	Weighted Avg. Rate At Period End
Within 30 days	\$35,112,137	2.79%
30 to 59 days	6,778,783	2.62%
60 to 89 days	26,845,611	2.63%
90 to 119 days	13,002,459	2.64%
Over 120 days ⁽³⁾	27,570,240	2.69%
Total / Weighted Avg.	\$109,309,230	2.70%

	Principal Balance	Weighted Average Rate		
		At Period End ⁽⁴⁾	For the Quarter ⁽⁴⁾	Days to Maturity ⁽⁵⁾
Repurchase agreements	\$105,181,241	2.69%	2.65%	70
Other secured financing	4,127,989	3.03%	3.10%	628
Debt issued by securitization vehicles	3,514,572	3.89%	3.85%	6,998
Mortgages payable	504,361	4.12%	4.19%	4,649
Total indebtedness	\$113,328,163			

Detailed endnotes are included within the Appendix at the end of this presentation.

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, 2019 and March 31, 2019
- 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 ⁽¹⁾				
Interest Rate Change (bps)	As of June 30, 2019		As of March 31, 2019	
	Estimated Percentage Change in Portfolio Value ⁽²⁾	Estimated Change as a % of NAV ⁽²⁾⁽³⁾	Estimated Percentage Change in Portfolio Value ⁽²⁾	Estimated Change as a % of NAV ⁽²⁾⁽³⁾
(75)	(0.2%)	(2.0%)	(0.1%)	(0.9%)
(50)	(0.1%)	(0.9%)	—%	—%
(25)	—%	(0.2%)	0.1%	0.5%
25	(0.1%)	(0.6%)	(0.2%)	(1.3%)
50	(0.3%)	(2.4%)	(0.5%)	(3.6%)
75	(0.6%)	(5.3%)	(0.9%)	(6.8%)

MBS Spread Sensitivity ⁽¹⁾				
MBS Spread Shock (bps)	As of June 30, 2019		As of March 31, 2019	
	Estimated Change in Portfolio Market Value ⁽²⁾	Estimated Change as a % of NAV ⁽²⁾⁽³⁾	Estimated Change in Portfolio Market Value ⁽²⁾	Estimated Change as a % of NAV ⁽²⁾⁽³⁾
(25)	1.2%	10.7%	1.4%	10.8%
(15)	0.7%	6.4%	0.8%	6.5%
(5)	0.2%	2.1%	0.3%	2.2%
5	(0.2%)	(2.1%)	(0.3%)	(2.0%)
15	(0.7%)	(6.3%)	(0.8%)	(6.2%)
25	(1.2%)	(10.4%)	(1.3%)	(10.3%)

Detailed endnotes are included within the Appendix at the end of this presentation.

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Non-GAAP Reconciliations

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 on the following pages. A reconciliation of GAAP net income (loss) to non-GAAP core earnings for the quarters ended June 30, 2019, March 31, 2019, December 31, 2018, September 30, 2018 and June 30, 2018, is provided on page 8 of this financial summary.

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

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

* Represents a non-GAAP financial measure.

Non-GAAP Reconciliations (continued)

Unaudited, dollars in thousands

	For the quarters ended,				
	6/30/2019	3/31/2019	12/31/2018	9/30/2018	6/30/2018
<i>Premium Amortization Reconciliation</i>					
Premium amortization expense	\$318,587	\$247,446	\$220,131	\$187,537	\$202,426
Less:					
PAA cost (benefit)	139,763	81,871	45,472	3,386	7,516
Premium amortization expense (excluding PAA)	\$178,824	\$165,575	\$174,659	\$184,151	\$194,910
<i>Interest Income (excluding PAA) Reconciliation</i>					
GAAP interest income	\$927,598	\$866,186	\$859,674	\$816,596	\$776,806
PAA cost (benefit)	139,763	81,871	45,472	3,386	7,516
Interest Income (excluding PAA) *	\$1,067,361	\$948,057	\$905,146	\$819,982	\$784,322
<i>Economic Interest Expense Reconciliation</i>					
GAAP interest expense	\$750,217	\$647,695	\$586,774	\$500,973	\$442,692
Add:					
Net interest component of interest rate swaps	(83,653)	(134,035)	(65,889)	(51,349)	(31,475)
Economic interest expense *	\$666,564	\$513,660	\$520,885	\$449,624	\$411,217
<i>Economic Net Interest Income (excluding PAA) Reconciliation</i>					
Interest income (excluding PAA) *	\$1,067,361	\$948,057	\$905,146	\$819,982	\$784,322
Less:					
Economic interest expense *	666,564	513,660	520,885	449,624	411,217
Economic net interest income (excluding PAA) *	\$400,797	\$434,397	\$384,261	\$370,358	\$373,105

* Represents a non-GAAP financial measure.

Non-GAAP Reconciliations (continued)

Unaudited, dollars in thousands

	For the quarters ended,				
	6/30/2019	3/31/2019	12/31/2018	9/30/2018	6/30/2018
<i>Economic Metrics (excluding PAA)</i>					
Average interest earning assets	\$122,601,881	\$109,946,527	\$107,232,861	\$101,704,957	\$102,193,435
Interest income (excluding PAA) *	\$1,067,361	\$948,057	\$905,146	\$819,982	\$784,322
Average yield on interest earning assets (excluding PAA) *	3.48%	3.45%	3.38%	3.22%	3.07%
Average interest bearing liabilities	\$109,628,007	\$95,529,819	\$91,746,160	\$86,638,082	\$87,103,807
Economic interest expense *	666,564	513,660	520,885	449,624	411,217
Average cost of interest bearing liabilities	2.41%	2.15%	2.22%	2.08%	1.89%
Economic net interest income (excluding PAA)*	\$400,797	\$434,397	\$384,261	\$370,358	\$373,105
Net interest spread (excluding PAA) *	1.07%	1.30%	1.16%	1.14%	1.18%
Interest income (excluding PAA) *	\$1,067,361	\$948,057	\$905,146	\$819,982	\$784,322
TBA dollar roll income and CMBX coupon income ⁽¹⁾	33,229	38,134	69,572	56,570	62,491
Interest expense	(750,217)	(647,695)	(586,774)	(500,973)	(442,692)
Net interest component of interest rate swaps	83,653	134,035	65,889	51,349	31,475
Subtotal	\$434,026	\$472,531	\$453,833	\$426,928	\$435,596
Average interest earning assets	\$122,601,881	\$109,946,527	\$107,232,861	\$101,704,957	\$102,193,435
Average TBA contract and CMBX balances ⁽¹⁾	12,757,975	14,927,490	14,788,453	12,216,863	9,407,819
Subtotal	\$135,359,856	\$124,874,017	\$122,021,314	\$113,921,820	\$111,601,254
Net interest margin (excluding PAA) *	1.28%	1.51%	1.49%	1.50%	1.56%

* Represents a non-GAAP financial measure.

Detailed endnotes are included within the Appendix at the end of this presentation.

Endnotes

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- (1) Net of dividends on preferred stock. The quarter ended June 30, 2019 includes cumulative and undeclared dividends of \$0.3 million on the Company's Series I Preferred Stock as of June 30, 2019.
- (2) The Company separately calculates core earnings per average common share and core earnings (excluding PAA) per average common share, with the difference between these two per share amounts attributed to the PAA cost (benefit) per average common share. As such, the reported value of the PAA cost (benefit) per average common share may not reflect the result of dividing the PAA cost (benefit) by the weighted average number of common shares outstanding due to rounding.
- (3) Debt consists of repurchase agreements, other secured financing, securitized debt and mortgages payable. Certain credit facilities (included within other secured financing), securitized debt and mortgages payable are non-recourse to the Company.
- (4) Computed as the sum of recourse debt, to be announced ("TBA") derivative and CMBX notional outstanding and net forward purchases (sales) of investments divided by total equity. Recourse debt consists of repurchase agreements and other secured financing (excluding certain non-recourse credit facilities). Securitized debt, certain credit facilities (included within other secured financing) 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 CMBX positions and exclusive of securitized debt of consolidated VIEs).
- (6) Net interest margin represents the sum of the Company's interest income plus TBA dollar roll income and CMBX coupon 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 and CMBX balances. Net interest margin (excluding PAA) excludes the premium amortization adjustment ("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.
- (7) 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).
- (8) Average cost of interest bearing liabilities represents annualized economic interest expense divided by average interest bearing liabilities. Average interest bearing liabilities reflects the average amortized cost during the period. Economic interest expense is comprised of GAAP interest expense and the net interest component of interest rate swaps.
- (9) Excludes costs incurred in connection with two securitizations of residential whole loans for the quarter ended June 30, 2019 and excludes costs incurred in connection with a securitization of commercial loans and a securitization of residential whole loans for the quarter ended March 31, 2019.

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- (1) Consists of common stock, additional paid-in capital, accumulated other comprehensive income (loss) and accumulated deficit.
- (2) The quarters ended June 30, 2019, March 31, 2019 and December 31, 2018 utilize an actual/360 factor, all other periods apply a 30/360 factor; applying an actual/360 factor results in an average repurchase agreement rate of 2.20% and 1.97% for the quarters ended September 30, 2018 and June 30, 2018, respectively.
- (3) The average and period-end rates for the quarters ended June 30, 2019, March 31, 2019 and December 31, 2018 are net of reverse repurchase agreements. Without netting reverse repurchase agreements, the average rate was 2.65%, 2.64% and 2.43% and the period-end rate was 2.69%, 2.86% and 2.97% for the quarters ended June 30, 2019, March 31, 2019 and December 31, 2018, respectively.
- (4) Measures total notional balances of interest rate swaps, interest rate swaptions and futures relative to repurchase agreements, other secured financing and TBA notional outstanding; excludes mortgage servicing rights ("MSRs") and the effects of term financing, both of which serve to reduce interest rate risk. Additionally, the hedge ratio does not take into consideration differences in duration between assets and liabilities.

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- (1) Includes GAAP interest expense and the net interest component of interest rate swaps.
- (2) Net of dividends on preferred stock. The quarter ended June 30, 2019 includes cumulative and undeclared dividends of \$0.3 million on the Company's Series I Preferred Stock as of June 30, 2019.
- (3) The Company separately calculates core earnings per average common share and core earnings (excluding PAA) per average common share, with the difference between these two per share amounts attributed to the PAA cost (benefit) per average common share. As such, the reported value of the PAA cost (benefit) per average common share may not reflect the result of dividing the PAA cost (benefit) by the weighted average number of common shares outstanding due to rounding.

Endnotes (continued)

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

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- (1) Includes other income (loss), general and administrative expenses and income taxes.
- (2) Includes other income (loss) (excluding non-core items), 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 (excluding non-core income tax).

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- (1) Includes Agency-backed multifamily securities with an estimated fair value of \$2.4 billion.
- (2) Includes fixed-rate collateralized mortgage obligations with an estimated fair value of \$10.5 million.
- (3) Weighted by current face value.
- (4) Weighted by current notional value.

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- (1) Weighted by current notional value.
- (2) Weighted by estimated fair value.

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- (1) Excludes residential mortgage loans.

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- (1) 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.
- (2) Maturity dates assume all of the borrowers' extension options are exercised for loan portfolio.
- (3) Economic Interest is a non-GAAP measure to include gross asset values less related financings. Equity investments are adjusted to exclude depreciation and amortization and grosses up real estate investments accounted for under equity method accounting. Economic interest for NLY 2019-FL2 excludes the unused proceeds collateral to be deployed through the CLO during the six month, post-close ramp-up period.
- (4) Levered returns comprise a trailing twelve-month ("TTM") distribution yield for JV investments and core return for wholly owned triple net lease properties.
- (5) Includes investment in unconsolidated debt fund of \$21.7 million, investments in Community Investment Impact Funds of \$30.3 million and a portfolio of real estate properties of \$38.2 million.
- (6) 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.

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- (1) Includes loan held for sale of \$26.9 million.

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- (1) There were no forward-starting interest rate swaps at June 30, 2019.
- (2) Weighted average years to maturity for futures positions are based on the U.S. Treasury contracts cheapest to deliver.
- (3) Approximately 4% of the total repurchase agreements and other secured financing have a remaining maturity over one year.
- (4) The weighted average rates on repurchase agreements are presented in the table on a gross basis; when netting for reverse repurchase agreements the weighted average rate is 2.69% at period end and 2.66% for the quarter.
- (5) Determined based on estimated weighted average lives of the underlying debt instruments.

Endnotes (continued)

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- (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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- (1) CMBX coupon income and average CMBX balances have only been applied to the quarters ended June 30, 2019, March 31, 2019, December 31, 2018 and September 30, 2018. The impact to net interest margin (excluding PAA) in prior periods was immaterial.