



ANNALY[®]

Third Quarter 2019
Investor Presentation

October 30, 2019

Important Notices

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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. Such statements include those relating to our future performance, macro outlook, the interest rate and credit environments, tax reform and future opportunities. Actual results could differ materially from those set forth in forward-looking statements due to a variety of factors, including, but not limited to, changes in interest rates; changes in the yield curve; changes in prepayment rates; the availability of mortgage-backed securities ("MBS") and other securities for purchase; the availability of financing and, if available, the terms of any financing; changes in the market value of our assets; changes in business conditions and the general economy; our ability to grow our commercial real estate business; our ability to grow our residential credit business; our ability to grow our middle market lending business; credit risks related to our investments in credit risk transfer securities, residential mortgage-backed securities and related residential mortgage credit assets, commercial real estate assets and corporate debt; risks related to investments in mortgage servicing rights; our ability to consummate any contemplated investment opportunities; changes in government regulations or policy affecting our business; our ability to maintain our qualification as a REIT for U.S. federal income tax purposes; and our ability to maintain our exemption from registration under the Investment Company Act of 1940, as amended. For a discussion of the risks and uncertainties which could cause actual results to differ from those contained in the forward-looking statements, see "Risk Factors" in our most recent Annual Report on Form 10-K and any subsequent Quarterly Reports on Form 10-Q. We do not undertake, and specifically disclaim any obligation, to publicly release the result of any revisions which may be made to any forward-looking statements to reflect the occurrence of anticipated or unanticipated events or circumstances after the date of such statements, except as required by law.

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Non-GAAP Financial Measures

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

Overview

Annaly is a Leading Diversified Capital Manager

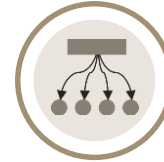
The diversification, scale and liquidity of Annaly's complementary investment businesses provide a broad range of opportunities in today's markets



\$133 billion
Total Assets⁽¹⁾



\$15+ billion
Permanent Capital⁽²⁾



4 Investment Strategies
*Agency, Residential Credit,
Commercial Real Estate
& Middle Market Lending*



~70%
*Total Shareholder Return
Since Diversification⁽³⁾*

ANNALY[®]



\$3 billion
*Combined Deal Value of
Transformational Acquisitions⁽⁴⁾*



Evolved & Evolving
*37 Distinct Investment
Options & Counting*



175+
Talented Professionals



ESG Focus
*Robust
Corporate Responsibility
& Governance*

Source: Company filings. Financial data as of September 30, 2019.

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

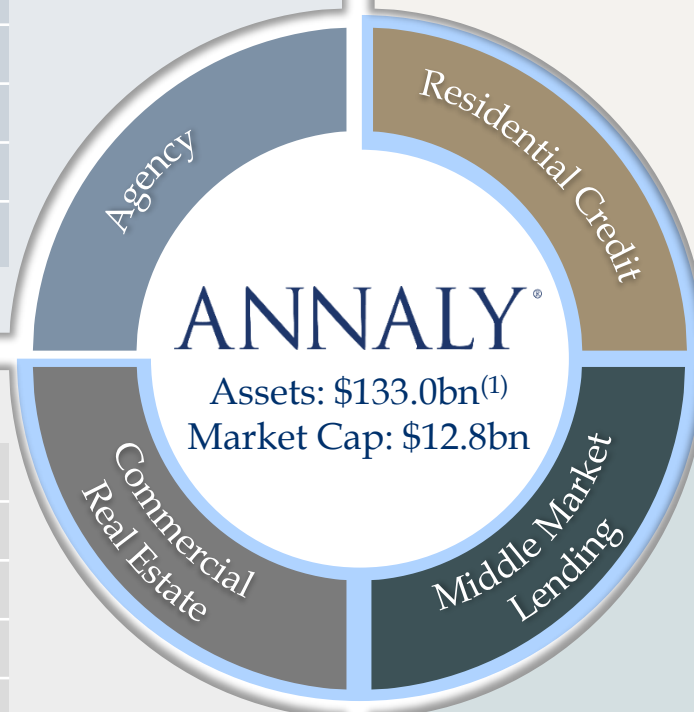
Annaly Investment Strategies

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

Assets ⁽¹⁾	\$125.9bn
Capital ⁽²⁾	\$11.2bn
Sector Rank ⁽³⁾	#1/7
Strategy	Countercyclical / Defensive
Illustrative Levered Returns ⁽⁴⁾	10% - 12%

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

Assets ⁽¹⁾	\$3.2bn
Capital ⁽²⁾	\$1.2bn
Sector Rank ⁽³⁾	#9/14
Strategy	Cyclical / Growth
Illustrative Levered Returns ⁽⁴⁾	10% - 12%



Assets ⁽¹⁾	\$1.8bn
Capital ⁽²⁾	\$0.8bn
Sector Rank ⁽³⁾	#8/15
Strategy	Cyclical / Growth
Illustrative Levered Returns ⁽⁴⁾	9% - 11%

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

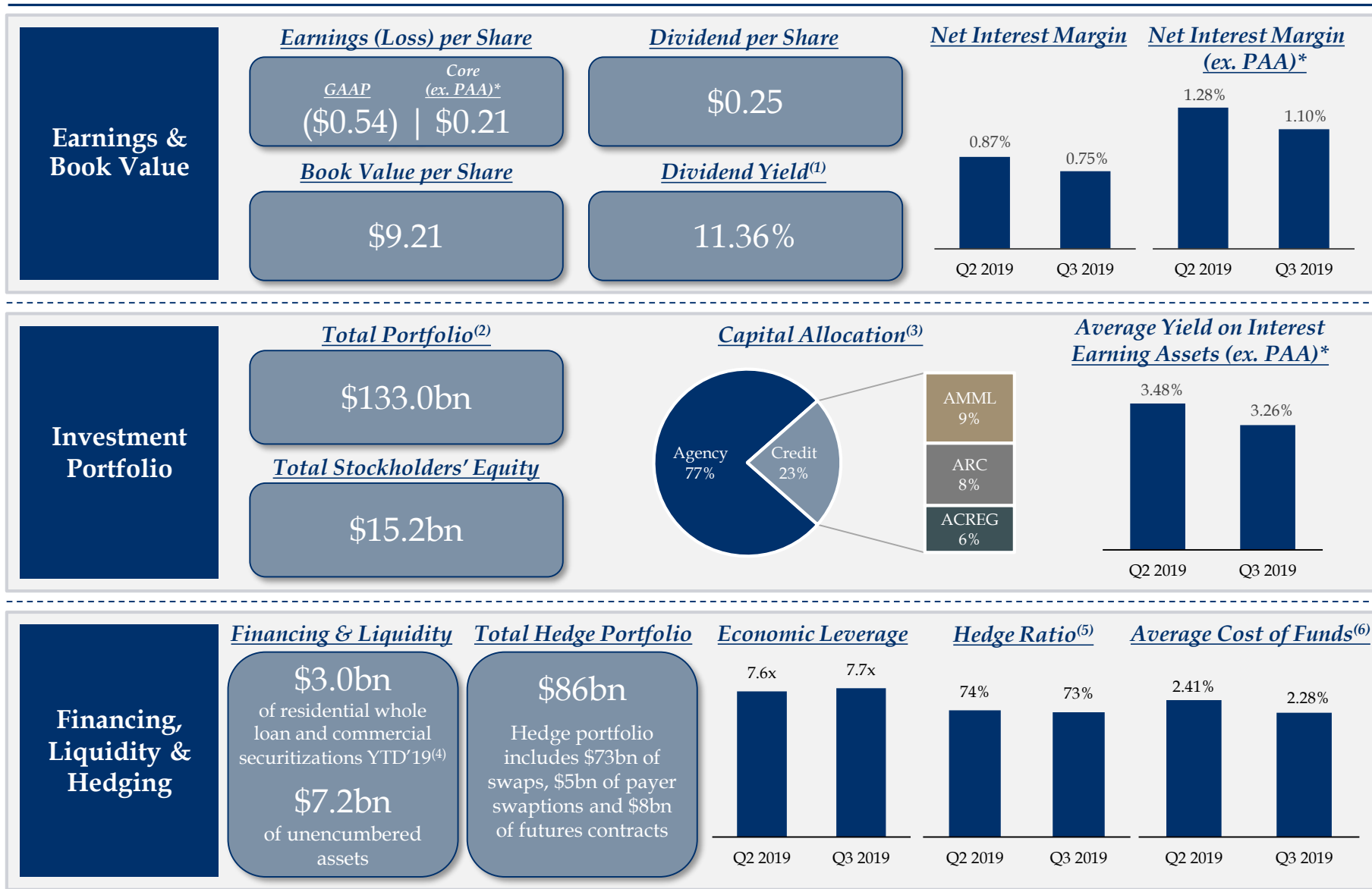
Assets	\$2.1bn
Capital ⁽²⁾	\$1.3bn
Sector Rank ⁽³⁾	#8/44
Strategy	Non-Cyclical / Defensive
Illustrative Levered Returns ⁽⁴⁾	9% - 11%

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

Source: Bloomberg and Company filings. Market data as of September 30, 2019. Financial data as of September 30, 2019. Detailed endnotes, additional important disclosures and a glossary of defined terms are included at the end of this presentation.

 Represents credit business

Third Quarter 2019 Financial Highlights



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

Annaly's Advantages | Key Benefits of Our Large, Diversified Model

The combination of the four business strategies is intended to enhance risk-adjusted returns over time through investment optionality and risk management



Informed economic and market perspectives provide lens into residential and commercial sectors



Deep credit focus and expertise shared across businesses



Investing across capital structures and markets results in best relative value



Diversified financing sources



Management incentives aligned with shareholders; no forced deployment of capital is a risk mitigant



Complementary characteristics improve durability – liquidity, cyclicity, leverage



Nimble given liquidity of Agency portfolio



Focus on secured lending

Investment Highlights

Annaly Advantages | Internal & External Growth

Annaly continues to grow through strategic acquisitions, partnerships and expanded origination capabilities

Internal & External Growth

Acquisitions

3

Transformational acquisitions since 2013, with a combined deal value of \$3.3 billion⁽¹⁾

Partnerships

25

Partnerships across our four investment groups⁽²⁾

Investment Options

37

Investment products to strategically invest in through changing market environments

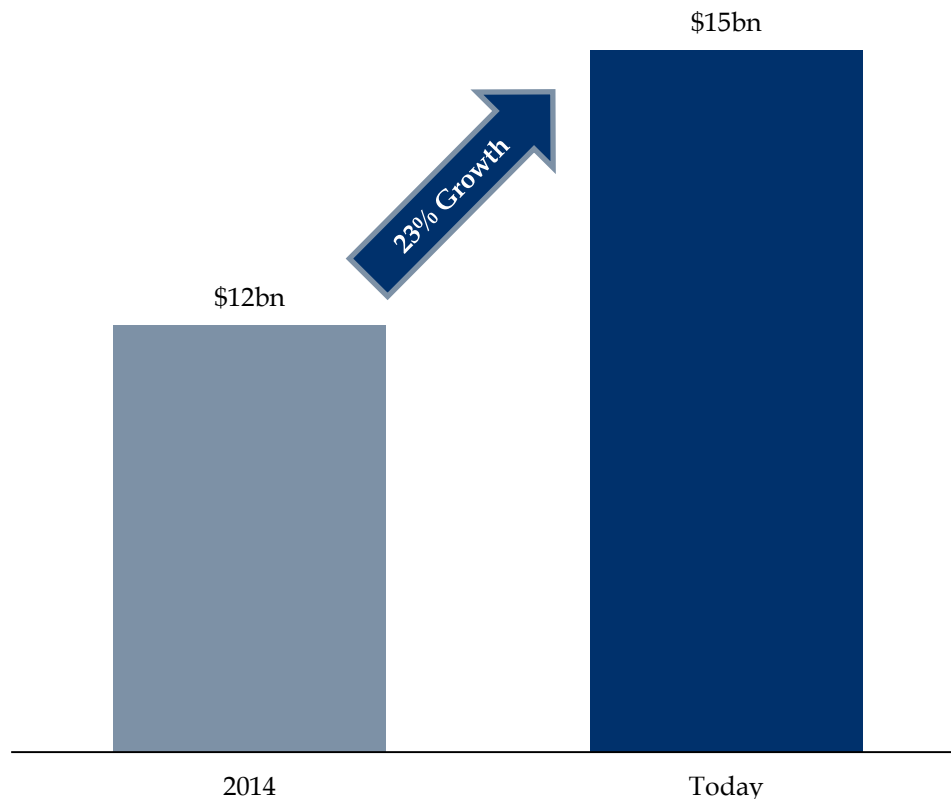
Originations

\$7 billion

of whole loans, CMBS and equity assets originated or purchased since the beginning of 2018⁽³⁾

Permanent Capital Growth Since 2014⁽⁴⁾

Annaly's permanent capital has grown by nearly \$3bn and it has paid nearly \$8 billion of common and preferred stock dividends since its diversification strategy began⁽⁵⁾



Source: Company filings and Bloomberg. Financial data as of September 30, 2019.

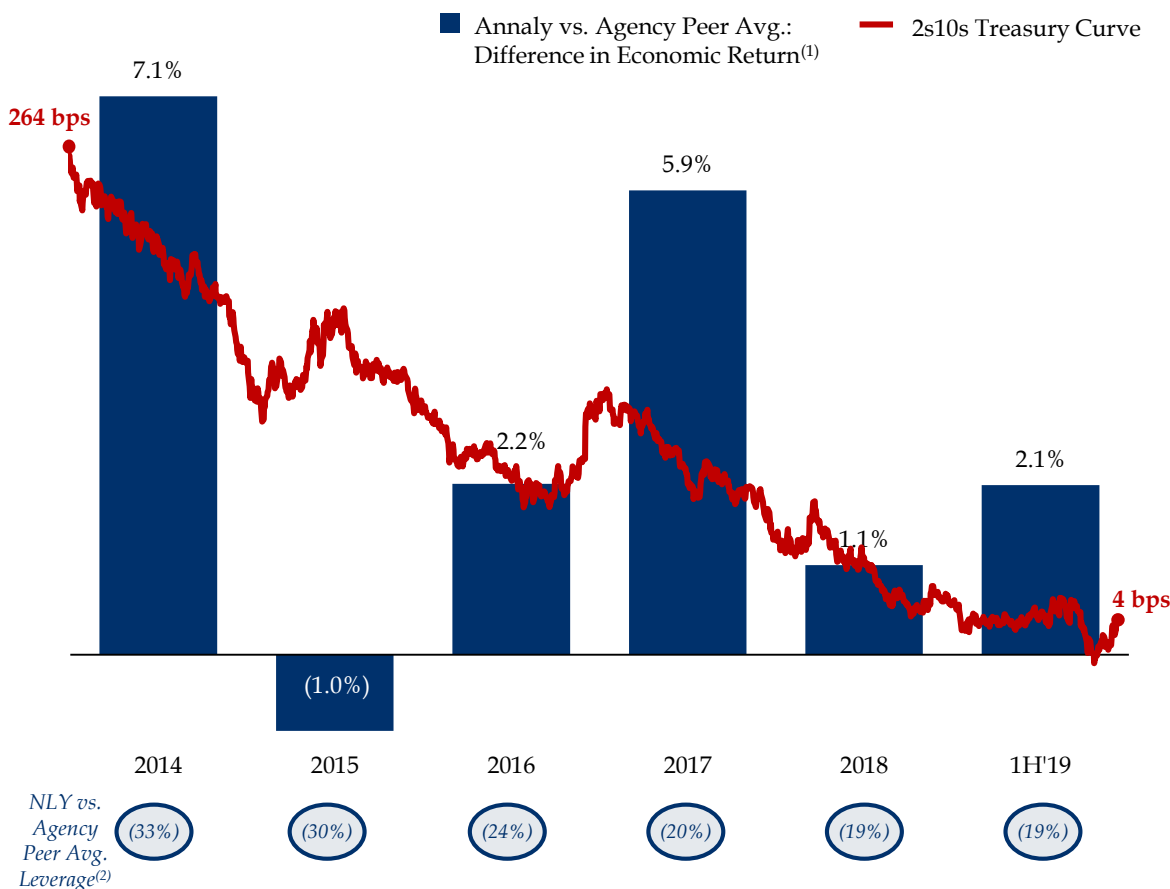
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Annaly Advantages | Benefits of Diversification

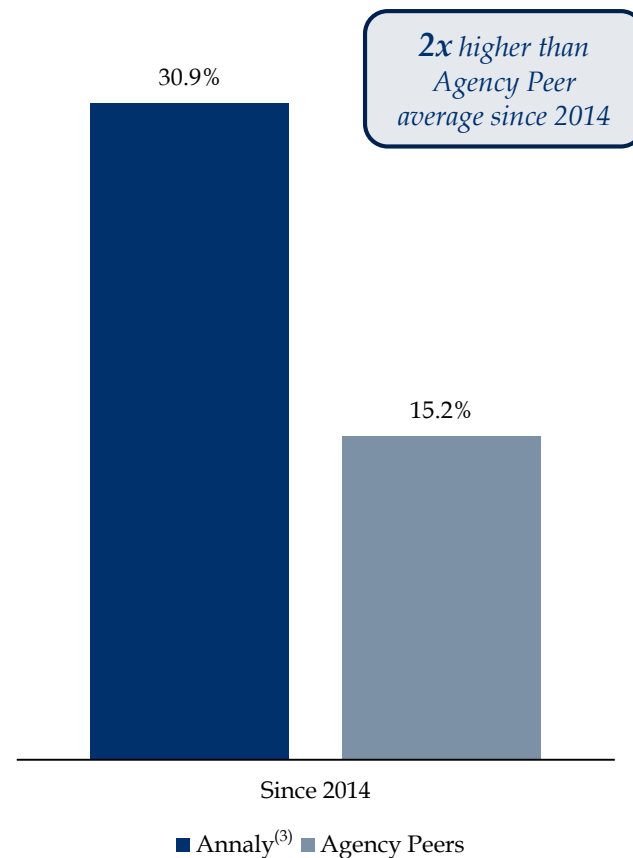
Annaly's economic return - generated with less leverage - has outperformed Agency Peers across different time periods, demonstrating the durability of its model

Economic Return

Annaly vs. Agency Peers: Difference in Annual Economic Return Since 2014



Cumulative Economic Return Since 2014



Note: Financial data as of June 30, 2019. Market data as of September 30, 2019.

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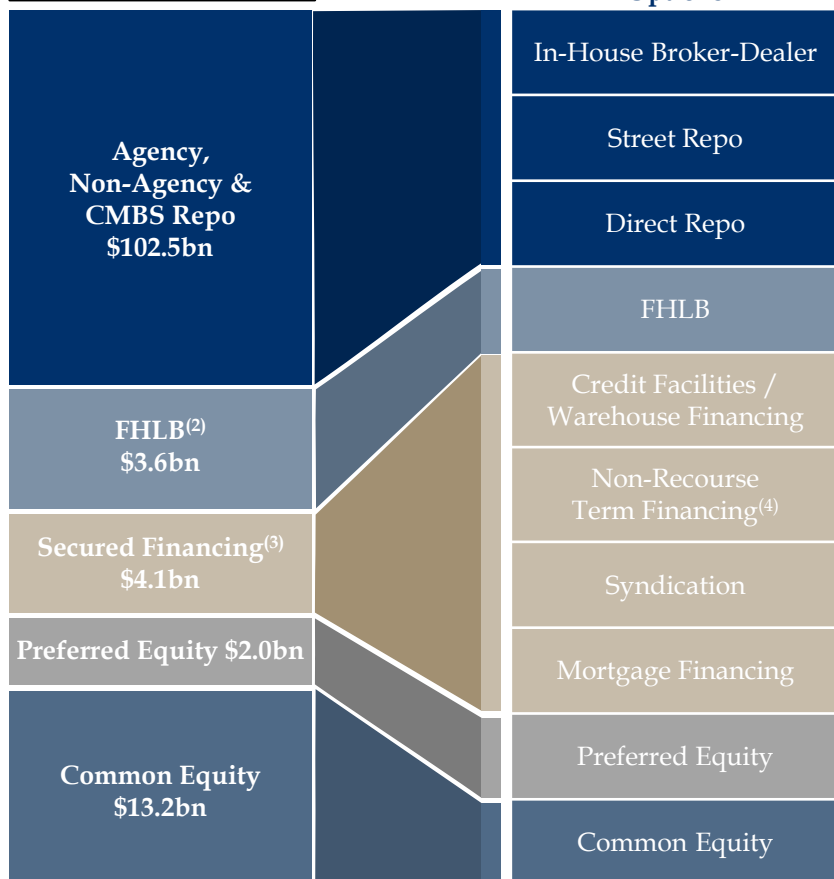
Annaly Advantages | Capital Optimization

Annaly's diversified financing sources and disciplined capital markets activity provide a competitive advantage in any market environment

Diversified Financing Sources

Total Capitalization

9/30/2019: \$125.3bn⁽¹⁾



Share Repurchase

ANNALY[®]

\$223 Million

*of Shares Repurchased
Since the Beginning of Q3 2019⁽⁵⁾*

Recent Securitizations

Since the beginning of Q3, Annaly has completed two residential whole loan securitizations for \$928 million bringing total 2019 issuance to \$2.1 billion⁽⁶⁾

OBX 2019-EXP2

ONSLow BAY FINANCIAL LLC
An Annaly Company

\$463 Million

Expanded Prime

July 2019

OBX 2019-EXP3

ONSLow BAY FINANCIAL LLC
An Annaly Company

\$465 Million

Expanded Prime

October 2019

Source: Company filings. Financial data as of September 30, 2019.

Note: Diagram is not representative of Annaly's entire list of financing options. Securitization transaction amounts represent deal balance of each securitization.

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

Annaly Advantages | Driving a Culture of Excellence

Annaly is dedicated to supporting a culture of excellence through the development of its human capital, as well as positively impacting communities through responsible investment

Development & Retention

100%

of employees are eligible to participate in 10 unique learning and development programs across the Company

85%

Overall employee favorability score in 2018 engagement survey⁽¹⁾, a 25% increase since 2015

7%

Voluntary turnover rate in 2018 compares favorably to financial services sector rate of 17%⁽²⁾

Ownership Culture

100%

of employees subject to our voluntary Stock Ownership Guidelines for a minimum of one year own stock⁽³⁾

54%

of Annaly employees own Annaly stock⁽⁴⁾, a 50% increase since 2015

0

Shares of Annaly stock have been sold by current NEOs

Responsible Investments

~\$300mm

in investments supporting community development, including affordable housing, education and health care⁽⁵⁾

\$50mm

Committed in two JVs with Capital Impact Partners, a national community development financial institution⁽⁶⁾

>850k

American homes financed through Annaly investments⁽⁷⁾

Note: Company statistics as of December 31, 2018, unless otherwise noted.

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

Annaly Advantages | Commitment to Diversity & Inclusion

Studies suggest commitment to promoting a culture of diversity and inclusion leads to lower future earnings volatility and higher returns on equity⁽¹⁾

Commitment to Diversity and Inclusion

33%

of Annaly's Operating Committee members are women

45%

Of Annaly's Board members are women

51%

of employees identify as female or racially diverse

69%

of new hires 2019 YTD identify as female or racially diverse⁽²⁾



Acknowledged in 2018 and 2019 as a member of the Bloomberg Gender-Equality Index

Women's Leadership Event | September 2019

- Annaly's Women's Interactive Network ("WIN") held a Women's Leadership Event on September 23, 2019
- The event recognized Annaly's women employees and partners across its businesses
 - Attendance included nearly 125 professional women from 45 different firms
- Launched in 2017, WIN fosters a strong sense of community and engagement among women at Annaly
 - WIN employs targeted development and networking opportunities, knowledge exchanges, mentorship, coaching and volunteer efforts

"The success of our unique Women's Leadership Event is a testament to Annaly's commitment to providing opportunities to promote and empower women."

- Kevin Keyes, Chairman, Chief Executive Officer and President

Note: Company statistics as of December 31, 2018, unless otherwise noted.

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Market Environment & Annaly Positioning

Annaly's Opportunity

Annaly is positioned to capitalize on macro trends and industry developments

Industry / Macro Factors	Trend Overview	Annaly Positioning
State of the Economy	<ul style="list-style-type: none"> Forward looking indicators point to further slowdown in growth 	<ul style="list-style-type: none"> ✓ 37% lower beta than Yield Sectors and 46% lower than the S&P 500
Monetary Policy / Interest Rate Environment	<ul style="list-style-type: none"> The Fed has begun to ease policy in light of the slowing economy and low inflation Interest rate markets have seen a sharp rally and elevated volatility 	<ul style="list-style-type: none"> ✓ Annaly's capital base, liquidity and expertise provide unique ability to manage our portfolio relative to aspects of Fed policy ✓ Benefit of lower front-end interest rates
Repo Market Volatility	<ul style="list-style-type: none"> Various technical factors and regulations have led to increased repo volatility in recent weeks 	<ul style="list-style-type: none"> ✓ Annaly has carefully managed volatility, as demonstrated by lower funding costs in Q3
GSE Reform	<ul style="list-style-type: none"> Administration has taken initial reform steps that will require greater private sector involvement 	<ul style="list-style-type: none"> ✓ Annaly as a private capital solution ✓ Co-published papers with Barclays on GSE Reform and NY Fed on CRT⁽¹⁾
Consolidation	<ul style="list-style-type: none"> Financial sector consolidation to continue, putting pressure on smaller players 	<ul style="list-style-type: none"> ✓ 3 acquisitions for \$3.3 billion since 2013⁽²⁾ ✓ Numerous potential future opportunities in fragmented industries
Convergence	<ul style="list-style-type: none"> New entrants to the alternative investment arena 	<ul style="list-style-type: none"> ✓ Broadening universe of our shareholders and partners

Source: Company filings, Bloomberg and SNL Financial. Market data as of September 30, 2019.

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State of the Economy & Macro Outlook

Recent period was characterized by outsized volatility amid economic slowdown and geopolitical uncertainties; monetary policy expected to remain accommodative

U.S. Economic Data

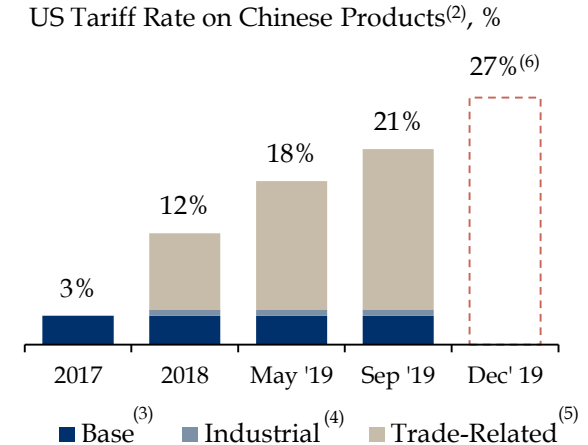
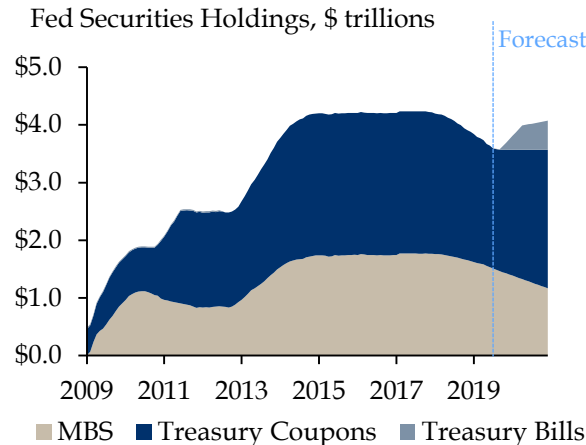
- Economic growth has slowed in light of manufacturing sector weakness, though consumer continues to support economy
- Household balance sheets remain relatively healthy, suggesting if a recession occurs, it should be less severe than the 2008 Financial Crisis⁽¹⁾

Monetary Policy

- The Fed has eased policy rates three times in 2019 and is expected to ease further in coming months
- Front-end market impairment largely addressed with ample liquidity from the Fed
- Overseas central banks, such as the ECB, continue the path of easy monetary policy

Geopolitical Situation

- U.S.-China talks have led to a de-escalation in trade tensions, although high tariffs likely remain intact for the foreseeable future
- U.S. politics remain highly partisan ahead of 2020 elections, yet rate market impact of politics likely limited



Despite meaningful continued uncertainties, we believe the outlook for our businesses has improved

Source: Haver Analytics, Federal Reserve, Annaly Estimates, Peterson Institute for International Economics. Data as of September 2019, unless otherwise noted.

Note: Forecasts are inherently uncertain and subject to change.

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

Repo Market Update

Despite recent volatility in repo markets, Annaly has continued to fund its balance sheet at efficient levels demonstrating its market expertise

Market

- Overnight funding levels trading in parity to Fed Funds reached a noteworthy high of 10% during the week of September 16, 2019

Catalysts

Fed Balance Sheet

- Wind down in assets and growth in liabilities led to draining of bank reserve balances⁽¹⁾
- Demand for more scarce reserves has led to increase in front-end interest rates

Dealer / Bank Balance Sheets

- Increase of net issuance by the Treasury; elevated Primary Dealer holdings⁽²⁾
- Temporary dislocations in the demand for funding and availability of cash intra-month
- Regulatory limitations towards Dealer balance sheets post Financial Crisis

Solution

- Fed intervened by injecting liquidity into the funding market; conducting overnight and term open market operations
- Fed announced the purchase of \$60 billion of Treasury bills per month for at least six months, permanently growing reserve levels

Annaly's Positioning

- ✓ Primarily use term repo (typically 1-36 months) limiting exposure to dislocations in overnight funding markets
 - Impact of dislocation on Annaly's Q3 average funding rate was less than a basis point⁽³⁾
- ✓ Key focus has been increasing depth and diversification of our funding sources for our broker dealer
 - Increased approved direct repo counterparties from less than five in 2015 to over 20 currently
 - As a result, we captured lower funding rates than FICC averages during September's intra-month volatility⁽⁴⁾
- ✓ Significant portion of Annaly's funding portfolio has been extended beyond Q4 2019

How Do We Invest in Credit in This Market?

In the current market environment Annaly has continued to generate alpha through credit investments by finding pockets of high quality opportunities

Key Characteristics of Recent Deal Activity

ANNALY

RESIDENTIAL CREDIT

- ✓ Strong growth in purchases of residential whole loans through unique partnership channels
 - Purchased \$1.7bn of whole loans in 2019 through Q3, an increase of 124% over same period in 2018⁽¹⁾
- ✓ Focused on borrowers who are a “near-miss” for GSE or bank loans with strong credit history and significant down-payments
 - 64.9 Average LTV⁽²⁾
 - 753 Average FICO⁽²⁾

MIDDLE MARKET LENDING

- ✓ Concentrated industry focus primarily consisting of eight key non-cyclical, non-discretionary industries
- ✓ Partner with top private equity sponsors with proven track records
- ✓ Target larger investments with lead and anchor executions⁽³⁾
 - Average original principal of deals in 2018/ 2019 YTD have increased by 93% from 2017 deals⁽⁴⁾
- ✓ Credit decisions based solely on ROIC, as opposed to growing AUM

COMMERCIAL REAL ESTATE

- ✓ Increasing exposure to top sponsors, high quality markets, and lending based on less transitional business plans
- ✓ Originating in select asset classes:
 - Industrial
 - Multifamily
 - Office
 - Self Storage
- ✓ Capital markets transactions providing more liquid exposure to diversified portfolios of stabilized assets
 - Focused on selecting optimal place in the capital structure to enhance risk-adjusted returns

Source: Company filings and Bloomberg. Financial data as of September 30, 2019.

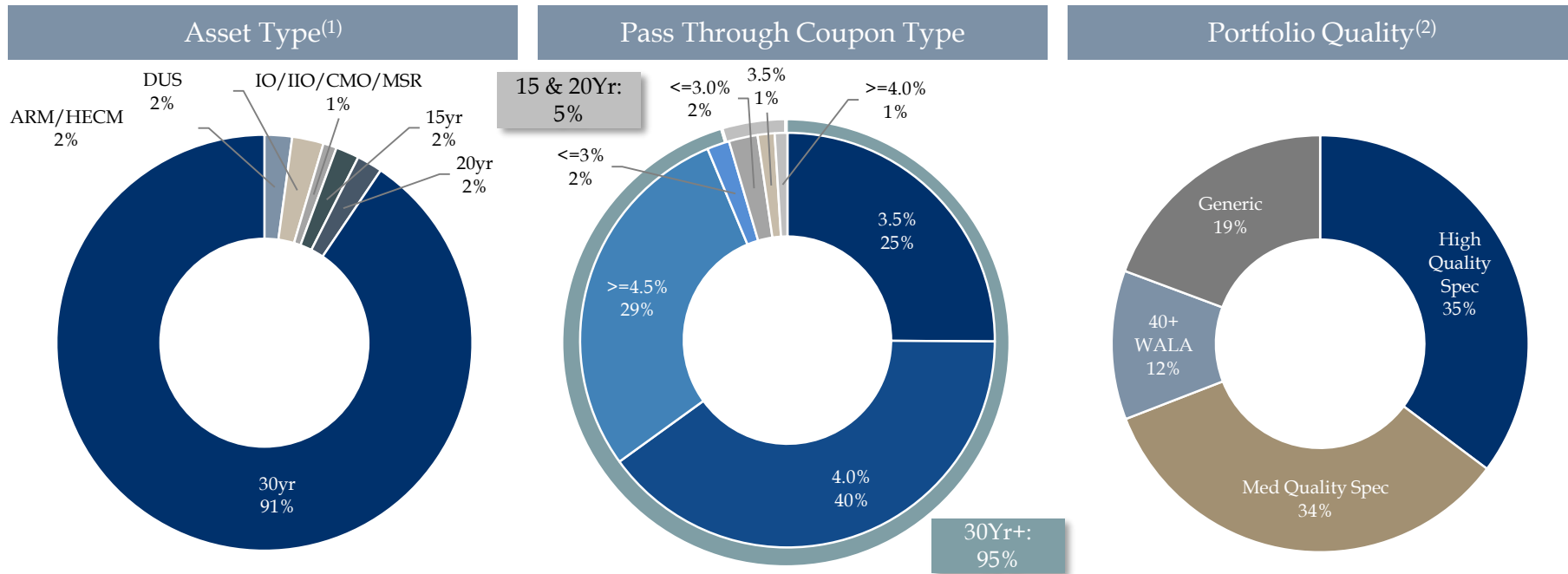
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Business Update

Agency | Portfolio Summary

- Annaly Agency Portfolio: \$125.9 billion in assets at the end of Q3 2019, a decrease of 2% from Q2 2019
- The portfolio mix continues to be predominately concentrated in 30-year fixed rate securities
- ~81% of the portfolio was positioned in securities with relatively attractive convexity profiles at the end of Q3 2019
 - Specified pool collateral performed materially better than To-Be-Announced (“TBA”) securities during the quarter, as market participants grew concerned about increased refinancing activity
- On the margin, the Agency portfolio rotated out of higher coupons and into lower coupons over the quarter while the ARM portfolio declined to 2% of the overall position

Total Dedicated Capital: \$11.2 billion⁽¹⁾



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

Residential Credit | Portfolio Summary

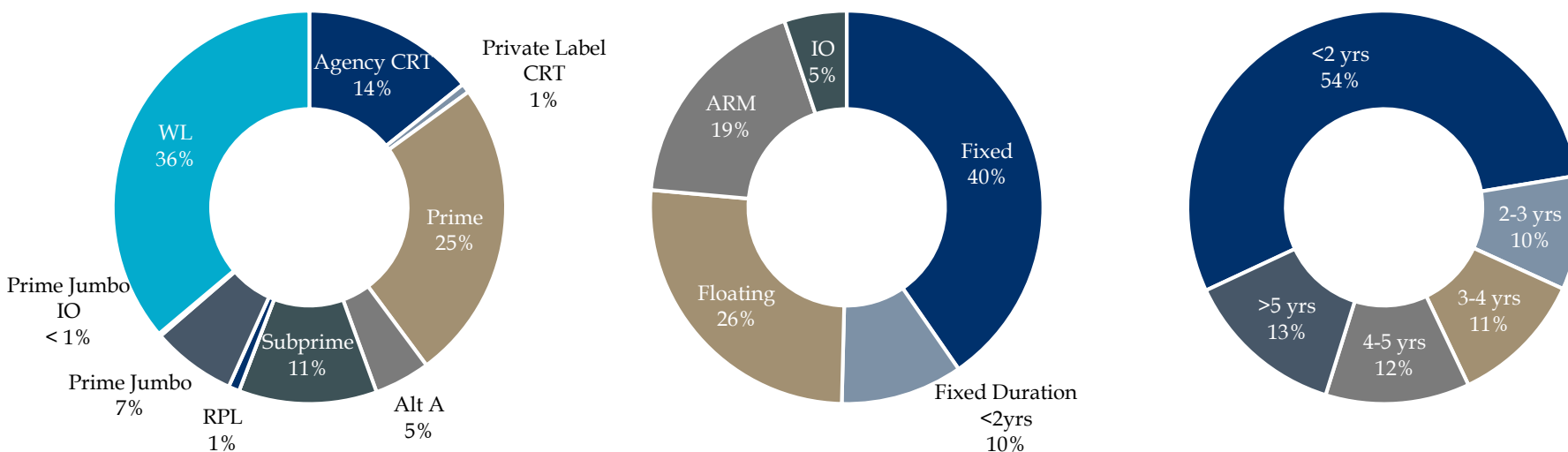
- Annaly Residential Credit Portfolio: \$3.2 billion at the end of Q3 2019, an increase of 4% from Q2 2019
- Closed a \$463.4 million securitization during the quarter, demonstrating Annaly's ability to optimize funding and building on our track record as a programmatic MBS issuer
 - Subsequent to quarter end, priced an additional \$465.5 million securitization backed by expanded prime collateral; represents Annaly's eighth non-Agency securitization since the beginning of 2018
- Whole loans continue to be the largest area of growth, with Q3 2019 acquisitions nearly 2x higher than Q3 2018⁽¹⁾
 - Purchased \$721 million of residential whole loans in Q3 2019 through bespoke partnership channels
 - Total acquisitions of \$2.3 billion over the last twelve months

Total Dedicated Capital: \$1.2 billion

Sector Type⁽²⁾⁽³⁾

Coupon Type⁽²⁾

Effective Duration⁽²⁾



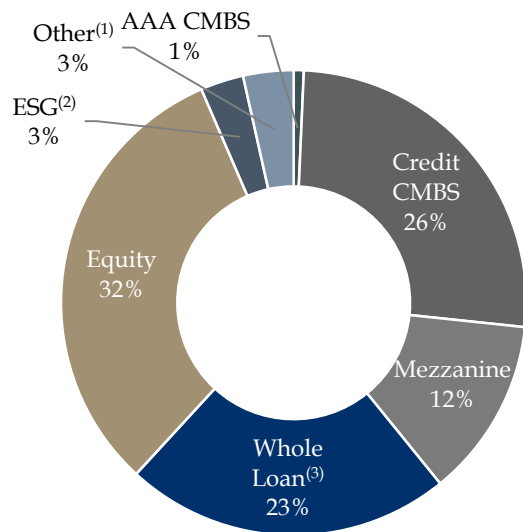
Note: Data as of September 30, 2019, unless otherwise noted. Portfolio statistics and percentages are based on fair market value and reflect economic interest in securitizations. Prime Jumbo and Prime classifications include the economic interest of certain positions that are classified as Residential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

Commercial Real Estate | Portfolio Summary

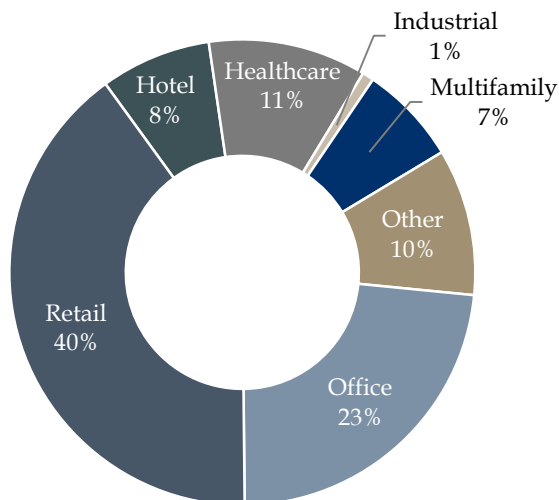
- Annaly Commercial Real Estate Portfolio: \$1.8 billion in assets at the end of Q3 2019, a 2% decrease from Q2 2019
- 100% of the ramp proceeds from the \$857 million actively managed CRE CLO issued in Q1 2019 were successfully utilized by the end of Q3 2019
- Annaly Commercial Real Estate continues to maintain a pipeline of debt investments including multiple portfolios for major private equity firms, with multifamily and industrial assets located in primary markets across the country
- New investment activity outpaced paydowns through Q3 2019
 - \$564 million of new investment activity
 - \$414 million of payoffs/sales received
- Selectively adding to commercial real estate portfolio despite sustained competitive credit markets

Total Dedicated Capital: \$0.8 billion

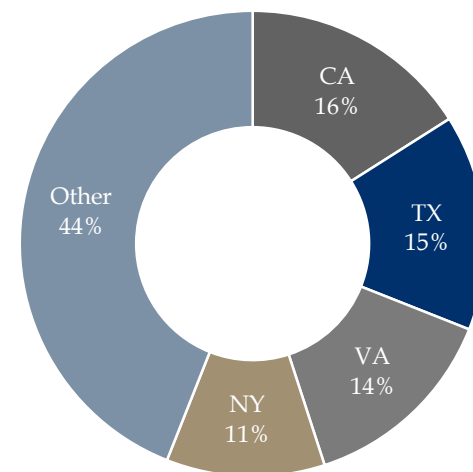
Asset Type



Sector Type



Geographic Concentration⁽⁴⁾



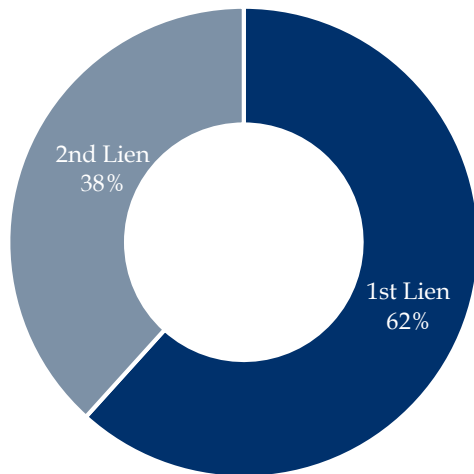
Note: Data as of September 30, 2019. Portfolio statistics and percentages are based on fair market value and reflect economic interest in securitizations. Percentages may not sum to 100% due to rounding. Detailed endnotes, additional important disclosures and a glossary of defined terms are included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

Middle Market Lending | Portfolio Summary

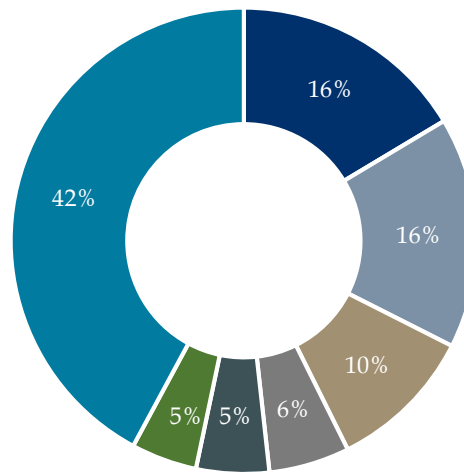
- Annaly Middle Market Lending Portfolio: \$2.1 billion in assets at the end of Q3 2019, an increase of 16% from Q2 2019
- AMML remains disciplined in its credit intensive approach, focusing on top private equity sponsor relationships in defensive, non-discretionary, niche industries
- Targeting larger, more concentrated investments with lead and anchor executions⁽¹⁾
 - Average original principal of deals in 2018/2019 YTD has increased by 93% from 2017 deals⁽²⁾
- Significant activity this quarter with \$389 million of commitments⁽³⁾

Total Dedicated Capital: \$1.3 billion

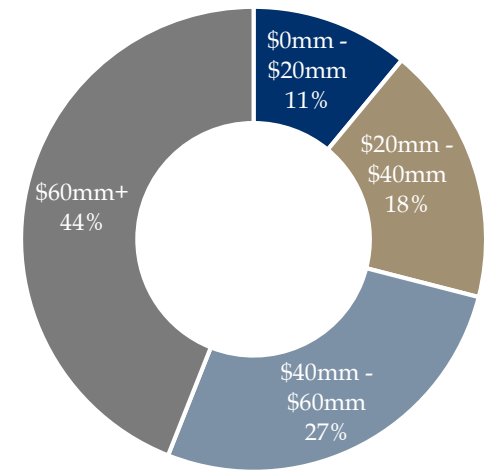
Lien Position



Industry⁽⁴⁾



Loan Size⁽⁵⁾



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

Note: Data as of September 30, 2019. Percentages based on amortized cost and may not sum to 100% due to rounding.

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Performance Highlights and Trends

Unaudited

	For the quarters ended				
	9/30/2019	6/30/2019	3/31/2019	12/31/2018	9/30/2018
GAAP net income (loss) per average common share ⁽¹⁾	(\$0.54)	(\$1.24)	(\$0.63)	(\$1.74)	\$0.29
Core earnings (excluding PAA) per average common share* ⁽¹⁾	\$0.21	\$0.25	\$0.29	\$0.29	\$0.30
Core earnings per average common share* ⁽¹⁾	\$0.13	\$0.15	\$0.23	\$0.26	\$0.29
PAA cost (benefit) per average common share ⁽²⁾	\$0.08	\$0.10	\$0.06	\$0.03	\$0.01
Dividends declared per common share	\$0.25	\$0.25	\$0.30	\$0.30	\$0.30
Book value per common share ⁽³⁾	\$9.21	\$9.33	\$9.67	\$9.39	\$10.03
Annualized GAAP return (loss) on average equity	(19.32%)	(45.13%)	(22.72%)	(62.05%)	10.73%
Annualized core return on average equity (excluding PAA)*	8.85%	9.94%	11.59%	11.48%	10.85%
Net interest margin	0.75%	0.87%	1.25%	1.34%	1.49%
Net interest margin (excluding PAA)*	1.10%	1.28%	1.51%	1.49%	1.50%
Leverage, at period-end ⁽⁴⁾	7.3x	7.2x	6.1x	6.3x	5.9x
Economic leverage, at period-end ⁽⁵⁾	7.7x	7.6x	7.0x	7.0x	6.7x
Credit portfolio as a percentage of stockholders' equity ⁽⁶⁾	23%	22%	24%	28%	30%

* Represents a non-GAAP financial measure; see Appendix.

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

Performance Highlights and Trends (cont'd)

Unaudited, dollars in thousands

	For the quarters ended				
	9/30/2019	6/30/2019	3/31/2019	12/31/2018	9/30/2018
Agency mortgage-backed securities	\$114,462,524	\$118,202,040	\$103,093,526	\$90,752,995	\$89,290,128
Credit risk transfer securities	474,765	491,969	607,945	552,097	688,521
Non-Agency mortgage-backed securities	1,015,921	1,097,752	1,116,569	1,161,938	1,173,467
Commercial mortgage-backed securities	140,851	135,108	175,231	156,758	186,495
Total securities	\$116,094,061	\$119,926,869	\$104,993,271	\$92,623,788	\$91,338,611
Residential mortgage loans	\$1,219,402	\$1,061,124	\$1,311,720	\$1,359,806	\$1,217,139
Commercial real estate debt and preferred equity	611,429	623,705	722,962	1,296,803	1,435,865
Corporate debt	2,115,783	1,792,837	1,758,082	1,887,182	1,528,874
Loans held for sale	-	68,802	86,560	42,184	42,325
Total loans, net	\$3,946,614	\$3,546,468	\$3,879,324	\$4,585,975	\$4,224,203
Mortgage servicing rights	\$386,051	\$425,328	\$500,745	\$557,813	\$588,833
Residential mortgage loans transferred or pledged to securitization vehicles	\$2,376,731	\$2,106,981	\$1,425,668	\$1,094,831	\$765,876
Commercial real estate debt investments transferred or pledged to securitization vehicles	2,311,413	2,104,601	2,939,632	2,738,369	3,521,945
Assets transferred or pledged to securitization vehicles	\$4,688,144	\$4,211,582	\$4,365,300	\$3,833,200	\$4,287,821
Real estate, net	\$725,508	\$733,196	\$734,239	\$739,473	\$753,014
Total residential and commercial investments	\$125,840,378	\$128,843,443	\$114,472,879	\$102,340,249	\$101,192,482

Appendix: Non-GAAP Reconciliations

Non-GAAP Reconciliations

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

Non-GAAP Reconciliations (cont'd)

Unaudited, dollars in thousands except per share amounts

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

	For the quarters ended				
	9/30/2019	6/30/2019	3/31/2019	12/31/2018	9/30/2018
GAAP to Core Reconciliation					
GAAP net income (loss)	(\$747,169)	(\$1,776,413)	(\$849,251)	(\$2,254,872)	\$385,429
Net income (loss) attributable to non-controlling interests	(110)	(83)	(101)	17	(149)
Net income (loss) attributable to Annaly	(\$747,059)	(\$1,776,330)	(\$849,150)	(\$2,254,889)	\$385,578
Adjustments to excluded reported realized and unrealized (gains) losses:					
Realized (gains) losses on termination of interest rate swaps	682,602	167,491	588,256	-	(575)
Unrealized (gains) losses on interest rate swaps	326,309	1,276,019	390,556	1,313,882	(417,203)
Net (gains) losses on disposal of investments	(66,522)	38,333	93,916	747,505	324,294
Net (gains) losses on other derivatives	16,888	506,411	115,159	484,872	(94,827)
Net unrealized (gains) losses on instruments measured at fair value through earnings	1,091	4,881	(47,629)	18,169	39,944
Loan loss provision	3,504	-	5,703	3,496	-
Adjustments to exclude components of other (income) loss:					
Depreciation and amortization expense related to commercial real estate ⁽¹⁾	9,974	10,147	10,114	11,000	9,278
Non-core (income) loss allocated to equity method investments ⁽²⁾	4,541	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⁾	2,622	3,046	9,982	3,816	60,081
Income tax effect on non-core income (loss) items	(2,762)	(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⁾	15,554	33,229	38,134	69,572	56,570
MSR amortization ⁽⁶⁾	(21,963)	(19,657)	(13,979)	(18,753)	(19,913)
Core earnings*	224,779	251,390	351,284	371,697	386,280
Less:					
Premium amortization adjustment (PAA) cost (benefit)	117,152	139,763	81,871	45,472	3,386
Core Earnings (excluding PAA)*	\$341,931	\$391,153	\$433,155	\$417,169	\$389,666
Dividends on preferred stock	36,151	32,422	32,494	32,494	31,675
Core Earnings attributable to common shareholders *	\$188,628	\$218,968	\$318,790	\$339,203	\$354,605
Core Earnings (excluding PAA) attributable to common shareholders *	\$305,780	\$358,731	\$400,661	\$384,675	\$357,991
GAAP net income (loss) per average common share ⁽⁷⁾	(\$0.54)	(\$1.24)	(\$0.63)	(\$1.74)	\$0.29
Core earnings per average common share ^{(7)*}	\$0.13	\$0.15	\$0.23	\$0.26	\$0.29
Core earnings (excluding PAA) per average common share ^{(7)*}	\$0.21	\$0.25	\$0.29	\$0.29	\$0.30
Annualized GAAP return (loss) on average equity	(19.32%)	(45.13%)	(22.72%)	(62.05%)	10.73%
Annualized core return on average equity (excluding PAA)*	8.85%	9.94%	11.59%	11.48%	10.85%

* Represents a non-GAAP financial measure.

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

Non-GAAP Reconciliations (cont'd)

Unaudited, dollars in thousands

	For the quarters ended				
	9/30/2019	6/30/2019	3/31/2019	12/31/2018	9/30/2018
<u>Premium Amortization Reconciliation</u>					
Premium amortization expense	\$376,306	\$318,587	\$247,446	\$220,131	\$187,537
Less:					
PAA cost (benefit)	117,152	139,763	81,871	45,472	3,386
Premium amortization expense (excluding PAA)	\$259,154	\$178,824	\$165,575	\$174,659	\$184,151
<u>Interest Income (excluding PAA) Reconciliation</u>					
GAAP interest income	\$919,299	\$927,598	\$866,186	\$859,674	\$816,596
PAA cost (benefit)	117,152	139,763	81,871	45,472	3,386
Interest income (excluding PAA)*	\$1,036,451	\$1,067,361	\$948,057	\$905,146	\$819,982
<u>Economic Interest Expense Reconciliation</u>					
GAAP interest expense	\$766,905	\$750,217	\$647,695	\$586,774	\$500,973
Add:					
Net interest component of interest rate swaps ⁽¹⁾	(88,466)	(83,653)	(134,035)	(65,889)	(51,349)
Economic interest expense* ⁽¹⁾	\$678,439	\$666,564	\$513,660	\$520,885	\$449,624
<u>Economic Net Interest Income (excluding PAA) Reconciliation</u>					
Interest income (excluding PAA)	\$1,036,451	\$1,067,361	\$948,057	\$905,146	\$819,982
Less:					
Economic interest expense* ⁽¹⁾	678,439	666,564	513,660	520,885	449,624
Economic net interest income (excluding PAA)* ⁽¹⁾	\$358,012	\$400,797	\$434,397	\$384,261	\$370,358
<u>Economic Metrics (excluding PAA)</u>					
Average interest earning assets	\$127,207,668	\$122,601,881	\$109,946,527	\$107,232,861	\$101,704,957
Interest income (excluding PAA)*	\$1,036,451	\$1,067,361	\$948,057	\$905,146	\$819,982
Average yield on interest earning assets (excluding PAA)*	3.26%	3.48%	3.45%	3.38%	3.22%
Average interest bearing liabilities	\$116,391,094	\$109,628,007	\$95,529,819	\$91,746,160	\$86,638,082
Economic interest expense* ⁽¹⁾	\$678,439	\$666,564	\$513,660	\$520,885	\$449,624
Average cost of interest bearing liabilities ⁽¹⁾	2.28%	2.41%	2.15%	2.22%	2.08%
Economic net interest income (excluding PAA)* ⁽¹⁾	\$358,012	\$400,797	\$434,397	\$384,261	\$370,358
Net interest spread (excluding PAA)*	0.98%	1.07%	1.30%	1.16%	1.14%
<u>Interest Income (excluding PAA)*</u>					
Interest income (excluding PAA)*	\$1,036,451	\$1,067,361	\$948,057	\$905,146	\$819,982
TBA dollar roll income and CMBX coupon income	15,554	33,229	38,134	69,572	56,570
Interest expense	(766,905)	(750,217)	(647,695)	(586,774)	(500,973)
Net interest component of interest rate swaps	88,466	83,653	134,035	65,889	51,349
Subtotal	\$373,566	\$434,026	\$472,531	\$453,833	\$426,928
<u>Average interest earning assets</u>					
Average interest earning assets	\$127,207,668	\$122,601,881	\$109,946,527	\$107,232,861	\$101,704,957
<u>Average TBA contract and CMBX balances</u>					
Average TBA contract and CMBX balances	9,248,502	12,757,975	14,927,490	14,788,453	12,216,863
Subtotal	\$136,456,170	\$135,359,856	\$124,874,017	\$122,021,314	\$113,921,820
Net interest margin (excluding PAA)*	1.10%	1.28%	1.51%	1.49%	1.50%

* Represents a non-GAAP financial measure.

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

Glossary

ACREG: Refers to Annaly Commercial Real Estate Group

Agency Peers: Represents companies comprising the Agency sector within the BBREMTG Index⁽¹⁾

AMML: Refers to Annaly Middle Market Lending Group

ARC: Refers to Annaly Residential Credit Group

BBREMTG: Represents the Bloomberg Mortgage REIT Index*, including Annaly

Beta: Represents Bloomberg's 'Overridable Adjusted Beta' which estimates the degree to which a stock's price will fluctuate based on a given movement in the representative market index, calculated from December 31, 2013 to September 30, 2019 with daily periodicity. S&P 500 is used as the relative index for the calculation

Commercial Peers: Represents companies comprising the commercial sector within the BBREMTG Index⁽²⁾

Consumer Staples: Represents the S5CONS Index*

CRE CLO: Refers to Commercial Real Estate Collateralized Loan Obligation

CRT: Refers to credit risk transfer securities

Equity REITs: Represents the RMZ Index*

ESG: Refers to Environmental, Social and Governance

FHLB: Refers to the Federal Home Loan Bank

Ginnie Mae: Refers to the Government National Mortgage Association

GSE: Refers to Government Sponsored Enterprise

Hybrid Peers: Represents companies comprising the hybrid sector within the BBREMTG Index⁽³⁾

MLPs: Represents the Alerian MLP Index*

mREITs or mREIT Peers: Represents constituents of the BBREMTG Index*, excluding Annaly

NEOs: Refers to Named Executive Officers

NIM: Refers to Net Interest Margin

S&P 500: Represents the S&P 500 Index*

Select Financials: Represents an average of companies in the S5FINL Index with dividend yields greater than 50 basis points higher than the S&P 500 dividend yield as of September 30, 2019

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

Utilities: Represents the Russell 3000 Utilities Index*

Yield Sectors: Representative of Consumer Staples, Equity REITs, MLPs, Select Financials and Utilities

*Represents constituents as of September 30, 2019.

1. Consists of AGNC, ANH, ARR, CMO, EARN and ORC.

2. Consists of ABR, ACRE, ARI, BXMT, GPMT, HCFI, KREF, LADR, LOAN, RC, SACH, STWD, TRTX and XAN.

3. Consists of AJX, CHMI, CIM, DX, IVR, MFA, MITT, NRZ, NYMT, PMT, RWT, TWO and WMC.

Endnotes

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1. Assets represent Annaly's portfolio of investments on its balance sheet, including to be announced ("TBA") purchase contracts (market value) of \$11.0bn, mortgage servicing rights ("MSRs") of \$386.1mm, and excluding securitized debt of consolidated variable interest entities ("VIEs") of \$3.9bn.
2. Permanent capital represents Annaly's total stockholders' equity as of September 30, 2019.
3. Total shareholder return shown since December 31, 2013, which marks the beginning of Annaly's diversification efforts, through September 30, 2019. Since its IPO in 1997, Annaly's total shareholder return is ~790%.
4. Acquisitions include Annaly's \$876mm acquisition of CreXus Investment Corp. (closed May 2013), \$1,519mm acquisition of Hatteras Financial Corp. (closed July 2016) and \$906mm acquisition of MTGE Investment Corp. (closed September 2018).

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1. Assets represent Annaly's portfolio of investments on its balance sheet. Agency assets include TBA purchase contracts (market value) of \$11.0bn and MSRs of \$386.1mm. Residential Credit assets exclude securitized debt of consolidated VIEs of \$1.9bn. Commercial Real Estate assets exclude securitized debt of consolidated VIEs of \$2.0bn.
2. Capital represents the capital allocation for each of the four investment strategies and is calculated as the difference between each investment strategies' assets and related financing. This calculation includes TBA purchase contracts and excludes non-portfolio related activity and will vary from total stockholders' equity.
3. Sector rank compares Annaly dedicated capital in each of its four investment strategies as of September 30, 2019 (adjusted for P/B as of September 30, 2019) to the market capitalization of the companies in each respective comparative sector as of September 30, 2019. The companies in each comparative sectors are selected as follows: for Agency, Commercial Real Estate and Residential Credit sector ranking represent Agency Peers, Commercial Peers and Hybrid Peers, respectively, within the BBREMTG Index as of September 30, 2019 and for Middle Market Lending sector ranking is the S&P BDC Index as of September 30, 2019.
4. Levered return assumptions are for illustrative purposes only and attempt to represent current market asset returns and financing terms for prospective investments of the same, or of a substantially similar, nature in each respective group.

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1. Dividend yield is based on annualized Q3 2019 dividend of \$0.25 and a closing price of \$8.80 on September 30, 2019.
2. Total portfolio represents Annaly's portfolio of investments on its balance sheet, which includes TBA purchase contracts and excludes securitized debt of consolidated VIEs.
3. Capital allocation for each of the four investment strategies is calculated as the difference between each investment strategies' assets and related financing. This calculation includes TBA purchase contracts and excludes non-portfolio related activity and will vary from total stockholders' equity.
4. Residential whole loan and commercial securitizations YTD'19 includes: (1) a \$394mm residential whole loan securitization in January 2019; (2) a \$857mm commercial securitization (managed CRE CLO) in February 2019; (3) a \$388mm residential whole loan securitization in April 2019; (4) a \$384mm residential whole loan securitization in June 2019; (5) a \$463mm residential whole loan securitization in July 2019; and (6) a \$465mm residential whole loan securitization in October 2019.
5. Hedge ratio measures total notional balances of interest rate swaps, interest rate swaptions (excluding receiver swaptions) and futures relative to repurchase agreements, other secured financing and TBA notional outstanding; excludes MSRs and the effects of term financing, both of which serve to reduce interest rate risk. Additionally, the hedge ratio does not take into consideration differences in duration between assets and liabilities.
6. Average cost of funds includes GAAP interest expense and the net interest component of interest rate swaps.

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1. Acquisitions include Annaly's \$876mm acquisition of CreXus Investment Corp. (closed May 2013), \$1,519mm acquisition of Hatteras Financial Corp. (closed July 2016) and \$906mm acquisition of MTGE Investment Corp. (closed September 2018).
2. Inclusive of partnerships and/or joint ventures with mortgage loan originators and aggregators, sovereign wealth funds and community development financial institutions.
3. The whole loan, CMBS and equity assets originated or purchased include unfunded commitments of \$23.4mm.
4. Permanent capital represents Annaly's total stockholders' equity as of September 30, 2019.
5. Annaly views the inception of its diversification strategy as December 31, 2013, which marks the time period following the completion of its first transformational acquisition. Since its IPO in 1997, Annaly's permanent capital has grown \$15bn.

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1. Annaly's economic return has been compared only to Agency Peers given its capital allocation of 77% to Agency MBS, though Annaly pursues a diversified strategy that also includes Residential Credit, Middle Market Lending and Commercial Real Estate. Percentage shown represents the percentage point difference in Annaly's annual economic return relative to the average for Agency Peers.
2. Annaly's leverage represents its economic leverage which is computed as the sum of recourse debt, 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. For Agency Peers, economic leverage is computed by Annaly using similarly defined recourse debt as disclosed in each of the peers' respective public filings. Percentage shown represents the percent difference in Annaly's economic leverage relative to the average for Agency Peers.
3. Data shown since 2014, which Annaly views as the inception of its diversification strategy and marks the time period following the completion of its first transformational acquisition. Since its IPO in 1997, Annaly's economic return of 317% (6.8% annualized).

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1. Does not include synthetic financing for TBA contracts.
2. Reflects Annaly's 5-year FHLB financing, which sunsets in February 2021.
3. Excludes securitized debt of investments in Freddie Mac securitizations and securitized debt of a subordinated tranche in a securitization trust, each of which were consolidated upon the Company's purchase of the controlling interests in such securitizations. Total does not include middle market loan syndications.
4. Includes Residential Credit securitizations and the managed CRE CLO.
5. Share repurchases are under Annaly's current authorized share repurchase program that expires in December 2020. Includes \$68mm worth of shares that settled subsequent to quarter end.
6. Residential whole loan securitizations in 2019 include: (1) a \$394mm residential whole loan securitization in January 2019; (2) a \$388mm residential whole loan securitization in April 2019; (3) a \$384mm residential whole loan securitization in June 2019; (4) a \$463mm residential whole loan securitization in July 2019; and (5) a \$465mm residential whole loan securitization in October 2019.

Endnotes (*cont'd*)

Page 12

1. Survey results based on annual internal surveys conducted by Perceptyx from 2015 through 2018.
2. Financial services sector data per United States Department of Labor, Bureau of Labor Statistics, "Job Openings and Labor Turnover Summary," using 2018 total.
3. As of September 30, 2019, 100% of employees subject to Annaly Employee Ownership Guidelines for over one year have purchased shares of Annaly common stock.
4. Based on December 31, 2018 Annaly employee constituency (which excludes new hires since January 2018).
5. Represents the cumulative commitment value at date of Annaly's investments, including current and prior investments, supporting affordable housing, education, healthy food providers and community development financial institutions since Annaly's inception.
6. Annaly's investment represents \$40mm and Capital Impact Partners' investment represents \$10mm.
7. Represents the estimated number of homes financed by Annaly's holdings of Agency MBS, residential whole loans and securities, as well as multifamily commercial real estate loans, securities and equity investments as of September 30, 2019. The number includes all homes related to securities and loans wholly-owned by Annaly and a pro-rata share of homes in securities or equity investments that are partially owned by Annaly.

Page 13

1. Based on data from "ESG Matters: Top 10 Reasons You Should Care About ESG"; S. Subramanian, J. Yeo, J. Carey Hall, T. Wade, A. Makedon, O. Kwon, J. Bonilla; Bank of America Merrill Lynch Global Research; September 2019.
2. As of September 30, 2019.

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1. "GSE Reform: Unfinished Business"; V.S. Srinivasan, A. Strzodka and A. Rajadhyaksha; Barclays; June 2019. "Credit Risk Transfer and De Facto GSE Reform"; D. Finkelstein, A. Strzodka and J. Vickery; Federal Reserve Bank of New York Staff Reports, no. 838; February 2018. For more information please refer to: <https://www.annaly.com/investors/news/thought-leadership>.
2. Acquisitions include Annaly's \$876mm acquisition of CreXus Investment Corp. (closed May 2013), \$1,519mm acquisition of Hatteras Financial Corp. (closed July 2016) and \$906mm acquisition of MTGE Investment Corp. (closed September 2018).

Page 16

1. Excessive private indebtedness can cause a balance sheet recession, which triggers a more severe economic downturn as households and businesses spend less and save more money to repair their balance sheets. One such example would be the 2008 recession in the United States.
2. Based on data from "US-China Trade War: The Guns of August," Chad P. Bown, Peterson Institute for International Economics, September 2019.
3. Represents base level of tariffs existing prior to 2017.
4. Represents all tariffs outside the Section 301 tariffs, including tariffs on solar panels, washing machines, aluminum and steel.
5. Represents trade sanctions imposed on roughly \$250bn of imports from China under Section 301.
6. The December 2019 tariff rate that would apply if the U.S. implements all remaining tariffs announced thus far; recent trade negotiations have effectively delayed the implementation of these for the time being.

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1. Bank reserves is comprised of the difference between Fed liabilities and Fed assets.
2. Unlike real-money accounts, dealers require repo funding for securities.
3. Reflects the difference between the actual average funding rate for the quarter and the hypothetical average funding rate for the quarter assuming the prior day's rate for the days of volatility (e.g., September 16, 2019 to September 18, 2019). This does not attempt to reflect all intra-quarter volatility experienced.

Page 17 (cont'd)

4. Reflects Arcola's funding rate experienced from September 16, 2019 to September 18, 2019 relative to the average overnight funding rate of the Depository Trust & Clearing Corporation General Collateral Finance Repo Index sourced from Bloomberg.

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1. Purchases of residential whole loans exclude loans acquired from the execution of call rights on legacy securitizations.
2. Averages for OBX 2019-EXP2 sourced from Bloomberg.
3. Lead execution representative of deals where AMML served as an arranger or agent. Anchor execution representative of deals with an AMML commitment size of \$40mm or greater.
4. 2019 YTD represents all deals closed through September 30, 2019. Analysis is inclusive of all deals originated in each prospective year. Add-ons are included as the same deal that was originally closed except when the documents are restated, in which case it is counted as a newly originated deal.

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1. Includes TBA purchase contracts and MSRs.
2. Includes fixed-rate pass-through certificates only. "High Quality Spec" protection is defined as pools backed by original loan balances of up to \$125k, highest LTV pools (CR>125% LTV), geographic concentrations (NY/PR). "Med Quality Spec" includes \$200k loan balance, \$175k loan balance, \$150k loan balance, high LTV (CQ 105-125% LTV), and 40-year pools. "40+ WALA" is defined as weighted average loan age greater than 40 months and treated as seasoned collateral.

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1. Total acquisitions excludes loans acquired from the execution of call rights on legacy securitizations.
2. Shown exclusive of securitized residential mortgage loans of a consolidated VIE and loans held by a master servicer in an MSR silo that is consolidated by the Company.
3. Prime classification includes \$44.1mm of Prime IO.

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1. Reflects limited and general partnership interests in a commercial loan investment fund that is accounted for under the equity method for GAAP.
2. Reflects joint venture interests in social impact loan investment funds that are accounted for under the equity method for GAAP.
3. Includes mezzanine loans for which Annaly Commercial Real Estate is also the corresponding first mortgage lender and B-Notes held for investment.
4. Geographic concentration "Other" includes 46 states, none of which represents more than 5% of total portfolio economic interest. Annaly looked through to the collateral characteristics of securitizations and equity method investments.

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1. Lead execution representative of deals where AMML served as an arranger or agent. Anchor execution representative of deals with an AMML commitment size of \$40mm or greater.
2. 2019 YTD represents all deals closed through September 30, 2019. Analysis is inclusive of all deals originated in each prospective year. Does not include unfunded commitments.
3. Commitments includes unfunded Delayed Draw Term Loans closed in Q3 2019.
4. Based on Standard Industrial Classification industry categories. Other represents industries with less than 5% exposure in the current portfolio.
5. Breakdown based on aggregate dollar amount of individual investments made within the respective loan size buckets. Multiple investment positions with a single obligor shown as one individual investment.

Endnotes (cont'd)

Page 24

1. Net of dividends on preferred stock. The quarter ended September 30, 2019 excludes, and the quarter ended June 30, 2019 includes, cumulative and undeclared dividends of \$0.3mm on the Company's Series I Preferred Stock as of June 30, 2019.
2. Annaly separately calculates core earnings per average common share and core earnings (ex-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. Book value per common share includes 10.6mm shares of the Company's common stock that were pending issuance to shareholders of MTGE Investment Corp. ("MTGE") at September 30, 2018 in connection with the MTGE acquisition.
4. 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.
5. Computed as the sum of recourse debt, 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.
6. Represents CRT securities, non-Agency mortgage-backed securities, residential mortgage loans, commercial real estate debt investments and preferred equity investments, loans held for sale, investments in commercial real estate and corporate debt, net of financing.

Non-GAAP Reconciliations

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1. Includes depreciation and amortization expense related to equity method investments.
2. The Company excludes non-core (income) loss allocated to equity method investments, which represents the unrealized (gains) losses allocated to equity interests in a portfolio of MSR, which is a component of Other income (loss). The quarter ended December 31, 2018 also includes a realized gain on sale within an unconsolidated joint venture, which is a component of Other income (loss).
3. The quarter ended September 30, 2018 reflects the amount of consideration paid for the acquisition of MTGE in excess of the fair value of net assets acquired. This amount is primarily attributable to a decline in portfolio valuation between the pricing and closing dates of the transaction and is consistent with changes in market values observed for similar instruments over the same period.
4. The quarters ended September 30, 2019 and June 30, 2019 represent costs incurred with securitizations of residential whole loans. Represents costs incurred in connection with a securitization of commercial loans and a securitization of residential whole loans for the quarter ended March 31, 2019. Represents costs incurred in connection with the MTGE transaction and costs incurred in connection with a securitization of residential whole loans for the quarters ended September 30, 2018 and December 31, 2018. Represents costs incurred in connection with a securitization of residential whole loans for the quarter ended June 30, 2019.
5. TBA dollar roll income and CMBX coupon income each represent a component of net gains (losses) on other derivatives. CMBX coupon income totaled \$1.5mm, \$0.8mm, \$1.1mm, \$1.2mm and \$1.2mm for the quarters ended September 30, 2019, June 30, 2019, March 31, 2019, December 31, 2018 and September 30, 2018, respectively.
6. MSR amortization represents the portion of changes in fair value that is attributable to the realization of estimated cash flows on the Company's MSR portfolio and is reported as a component of Net unrealized gains (losses) on instruments measured at fair value.
7. Net of dividends on preferred stock. The quarter ended September 30, 2019 excludes, and the quarter ended June 30, 2019 includes, cumulative and undeclared dividends of \$0.3mm on the Company's Series I Preferred Stock as of June 30, 2019.

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1. Average cost of interest bearing liabilities represents annualized economic interest expense divided by average interest bearing liabilities. Average interest bearing liabilities reflects the average amortized cost during the period. Economic interest expense is comprised of GAAP interest expense and the net interest component of interest rate swaps.

Additional Important Disclosures

Indices are provided for illustrative purposes only. They have not been selected to represent appropriate benchmarks or targets for Annaly. Rather, the indices shown are provided solely to illustrate the performance of well-known and widely recognized indices. Any comparisons herein of the investment performance of an Annaly business strategy to an index are qualified as follows: (i) the volatility of such index likely will be materially different from that of the referenced Annaly business strategy; (ii) such index will, in many cases employ different investment guidelines and criteria than the referenced Annaly business strategy and, therefore, holdings in such strategy will differ significantly from holdings of the companies that comprise such index; and (iii) the performance of such index is disclosed solely to allow for comparison of the referenced Annaly strategy's performance (or the performance of the assets held by such strategy) to that of a well-known index. Comparisons to indices have limitations because indices have risk profiles, volatility, asset composition and other material characteristics that will differ from Annaly. The indices do not reflect the deduction of fees or expenses. You cannot invest directly in an index. No representation is made as to the risk profile of any benchmark or index relative to the risk profile of Annaly. Annaly has provided index data for informational purposes only. There can be no assurance that any index as of any date after September 30, 2019 will produce similar rankings and performance statistics or that Annaly's ranking compared to the applicable index will be the same in future periods. There may be other rankings or indices where Annaly would rank higher or lower than as described herein.