REFINITIV

# DELTA REPORT

## 10-K

ANNALY CAPITAL MANAGEMENT

10-K - DECEMBER 31, 2023 COMPARED TO 10-K - DECEMBER 31, 2022

The following comparison report has been automatically generated

| TOTAL DELTAS | 3228 |
| --- | --- |
| CHANGES | 495 |
| DELETIONS | 1420 |
| ADDITIONS | 1313 |



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**UNITED STATES**
**SECURITIES AND EXCHANGE COMMISSION**
WASHINGTON, D.C. 20549

# FORM 10-K

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED: December 31, 2022 December 31, 2023

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM _____ TO _____

COMMISSION FILE NUMBER: 1-13447

logo10417a21.jpg

## ANNALY CAPITAL MANAGEMENT INC

(Exact Name of Registrant as Specified in its Charter)

| | |
|---|---|
| **Maryland** | **22-3479661** |
| (State or other jurisdiction of incorporation or organization) | (IRS Employer Identification No.) |
| **1211 Avenue of the Americas** | |
| **New York, New York** | **10036** |
| (Address of principal executive offices) | (Zip Code) |

(212) 696-0100

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

| Title of Each Class | Trading Symbol(s) | Name of Each Exchange on Which Registered |
|---|---|---|
| Common Stock, par value $0.01 per share | NLY | New York Stock Exchange |
| 6.95% Series F Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock | NLY.F | New York Stock Exchange |
| 6.50% Series G Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock | NLY.G | New York Stock Exchange |
| 6.75% Series I Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock | NLY.I | New York Stock Exchange |

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes ☑ No ☐



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Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
Yes ☐ No ☑

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

| Large accelerated filer | ☑ | Accelerated filer | ☐ | Non-accelerated filer | ☐ | Smaller reporting company | ☐ | Emerging growth company | ☐ |
|---|---|---|---|---|---|---|---|---|---|

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.☑

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☑

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☑

At June 30, 2022 June 30, 2023, the aggregate market value of the voting common stock held by non-affiliates of the registrant was approximately $9.5 billion $9.8 billion, based on the closing sales price of the registrant's common stock on such date as reported on the New York Stock Exchange.

The number of shares of the registrant's common stock outstanding on January 31, 2023 January 31, 2024 was 493,615,144. 500,080,287.

DOCUMENTS INCORPORATED BY REFERENCE

***The registrant intends to file a definitive proxy statement pursuant to Regulation 14A within 120 days of the end of the fiscal year ended December 31, 2022 December 31, 2023. Portions of such proxy statement are incorporated by reference into Part III of this Form 10-K.***



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**ANNALY CAPITAL MANAGEMENT, INC.**
**2022 2023 FORM 10-K ANNUAL REPORT**
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**Special Note Regarding Forward-Looking Statements**

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 the Company’s 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 the Company’s assets; changes in business conditions and the general economy; the Company’s ability to grow its residential credit business; the Company's ability to grow its mortgage servicing rights business; credit risks related to the Company’s investments in credit risk transfer securities and residential mortgage-backed securities and related residential mortgage credit assets; risks related to investments in mortgage servicing rights; the Company’s ability to consummate any contemplated investment opportunities; changes in government regulations or policy affecting the Company’s business; the Company’s ability to maintain its qualification as a REIT for U.S. federal income tax purposes; the Company’s ability to maintain its exemption from registration under the Investment Company Act of 1940; and operational risks or risk management failures by us or critical third parties, including cybersecurity incidents; and risks and uncertainties related to the COVID-19 pandemic, including as related to adverse economic conditions on real estate-related assets and financing conditions. incidents. For a discussion of the risks and uncertainties which could cause actual results to differ from



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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. The Company does not undertake, and specifically disclaims 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.

**Website and Social Media Disclosure**

We use our website (www.annaly.com) and LinkedIn account (www.linkedin.com/company/annaly-capital-management) as channels of distribution of company information. The information we post through these channels may be deemed material. Accordingly, investors should monitor these channels, in addition to following our press releases, SEC filings and public conference calls and webcasts. In addition, you may automatically receive email alerts and other information about Annaly when you enroll your email address by visiting the “Investors” section of our website, then clicking on “Investor Resources” and selecting “Email Alerts” to complete the email notification form. Our website, any alerts and social media channels are not incorporated into this annual report on Form 10-K.



## PART I

## ITEM 1. BUSINESS

*“Annaly,” “we,” “us,” or “our” refers to Annaly Capital Management, Inc. and our wholly-owned subsidiaries, except where it is made clear that the term means only the parent company.*

*Refer to the section titled “Glossary of Terms” located at the end of Part II, Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” for definitions of certain of the commonly used terms in this annual report on Form 10-K.*

*The following description of our business should be read in conjunction with the Consolidated Financial Statements and the related Notes thereto, and the information set forth under the heading “Special Note Regarding Forward-Looking Statements” in Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”*

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**Business Overview**

*Introduction*

We are a leading diversified capital manager with investment strategies across mortgage finance. Our principal business objective is to generate net income for distribution to our stockholders and optimize our returns through prudent management of our diversified investment strategies. We are an internally-managed Maryland corporation founded in 1997 that has elected to be taxed as a real estate investment trust (“REIT”). Our common stock is listed on the New York Stock Exchange under the symbol “NLY.”



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We use our capital coupled with borrowed funds to invest primarily in real estate related investments, earning the spread between the yield on our assets and the cost of our borrowings and hedging activities.

We believe that our business objectives are supported by our size and conservative financial posture relative to the industry, the extensive experience of our employees, the diversity of our investment strategy, a comprehensive risk management approach, the availability and diversification of financing sources and our operational efficiencies.

*Investment Groups*

Our three investment groups are primarily comprised of the following:

| Investment Groups | Description |
|---|---|
| **Annaly Agency Group** | Invests in Agency mortgage-backed securities ("MBS") collateralized by residential mortgages which are guaranteed by Fannie Mae, Freddie Mac or Ginnie Mae and complementary investments within the Agency market, including Agency commercial mortgage-backed securities. MBS. |
| **Annaly Residential Credit Group** | Invests primarily in non-Agency residential whole loans and securitized products within the residential and commercial markets. |
| **Annaly Mortgage Servicing Rights Group** | Invests in MSR, mortgage servicing rights ("MSR"), which provide the right to service residential mortgage loans in exchange for a portion of the interest payments made on the loans. |

In April 2022, we entered into a definitive agreement to sell substantially all of the assets that comprise our Middle Market Lending ("MML") portfolio, including assets held on balance sheet as well as assets managed for third parties. During the year ended December 31, 2022, the assets comprising the MML portfolio were legally transferred. For additional information about this transaction, see the Note titled "Sale of Middle Market Lending Portfolio" in the Notes to the Consolidated Financial Statements included in Item 15. "Exhibits, Financial Statement Schedules."

In March 2021, we entered into a definitive agreement to sell and exit our Commercial Real Estate ("CRE") business with the platform and the significant majority of the assets transferred during the year ended December 31, 2021. During the year ended December 31, 2022, the remaining CRE assets and associated liabilities were transferred. For additional information about this transaction, see the Note titled "Sale of Commercial Real Estate Business" in the Notes to the Consolidated Financial Statements included in Item 15. "Exhibits, Financial Statement Schedules."

*Operating Platform*

Our operating platform reflects our investments in systems, infrastructure and personnel. Our technology investments have led to the development of proprietary portfolio analytics, financial and capital allocation modeling, portfolio cash and accounting sub-ledger systems, and other risk and reporting tools, which, coupled with cutting-edge digital transformation applications, support the diversification and operating efficiency of our business and our ability to implement new investment strategies. Our operating platform supports our investments in Agency assets as well as residential credit assets, commercial real estate assets, residential mortgage loans, and mortgage servicing rights. We believe that the diversity of our investment alternatives provides us the flexibility to adapt to changes in market conditions and to take advantage of potential opportunities.

**Business and Investment Strategy**

*Shared Capital Model*

Our company is comprised of three investment groups, each of which has multiple investment options to capitalize on attractive relative returns and market opportunities. In aggregate, we maintain numerous investment options across our investment groups. Our shared capital model drives our capital allocation strategy allowing us to rotate our investments based on relative value while also managing risk.

*Strategic Relationships*

A key element of our strategy is to establish and grow strategic relationships with industry leading partners in order to develop and broaden access to quality originations flow as well as to leverage third party operations to efficiently manage operating



costs, all in an effort to generate attractive risk adjusted risk-adjusted returns for our shareholders. Additionally, we have attracted capital partners to our business, augmenting our public capital markets efforts, which has resulted in increased scale without sacrificing balance sheet liquidity. Certain of our strategic relationships also afford us the opportunity to support communities through socially responsible investing.

We have created multiple strategic and capital partnerships across our investment groups including the following:

- Annaly Residential Credit Group has established relationships with key mortgage loan originators and aggregators including well-known money center banks, allowing us to efficiently source proprietary originations suited to our risk parameters.
- We have partnered with GIC Private Limited ("GIC"), a leading Sovereign Wealth Fund, sovereign wealth fund, through the creation of a joint venture with the purpose of investing in residential credit assets, including newly-originated residential loans and securities issued by our subsidiaries.
- We have partnered with Capital Impact Partners, a national community development financial institution, to create a social impact joint venture supporting projects in underserved communities across the country.
- We have partnered with Fifth Wall Ventures, the largest venture capital firm focused on technology for the real estate industry, through a commitment to invest in their funds that target investments in North American early- and late-stage real estate software and marketplace companies. The partnership aims to identify innovative platforms and services that provide efficiencies across our core investment strategies.

**Our Portfolio and Capital Allocation Policy**



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Under our capital allocation policy and subject to oversight by our Board of Directors ("Board"), we may allocate our investments within our target asset classes as we determine to be appropriate from time to time.

Our Board may adopt changes to our capital allocation policy and targeted assets at its discretion.

The nature of our assets and our operations are intended to meet our REIT qualification requirements and our exemption from registration as an investment company under the Investment Company Act of 1940, as amended ("Investment Company Act").

Our portfolio composition and capital allocation at December 31, 2022 December 31, 2023 and 2021 2022 were as follows:

| | December 31, 2022 | | December 31, 2021 | |
|---|---|---|---|---|
| Asset Classes | Percentage of Portfolio | Capital Allocation (1)(3) | Percentage of Portfolio | Capital Allocation (1)(3) |
| Agency (2)(3) | **90%** | **66%** | 91% | 63% |
| Residential Credit (3) | **7%** | **19%** | 5% | 24% |
| MSR | **2%** | **14%** | 1% | 5% |
| Commercial Real Estate (4) | **1%** | **1%** | 1% | —% |
| Corporate Debt (5) | **—%** | **—%** | 2% | 8% |

(1) Capital allocation for each of the investment strategies is calculated as the difference between each of the investment strategy's allocated assets and liabilities. It represents the percentage of equity allocated to each category. Dedicated capital allocations as of December 31, 2021 assume capital related to held for sale assets will be redeployed with the Agency business. Dedicated capital allocations as of December 31, 2021 exclude commercial real estate assets.

(2) Includes to-be-announced forward contracts ("TBAs").

(3) Assets exclude assets transferred or pledged to securitization vehicles, include TBA purchase contracts (market value), unsettled MSR commitments, CMBX derivatives (market value), and retained securities that are eliminated in consolidation and are shown net of participations issued.

(4) During the year ended December 31, 2021, a significant majority of assets were transferred in connection with a definitive agreement to sell and exit our CRE business. During the year ended December 31, 2022, the remaining CRE assets and liabilities were transferred.

(5) During the year ended December 31, 2022, we sold all of the assets that comprised the MML portfolio.

| | December 31, 2023 | | December 31, 2022 | |
|---|---|---|---|---|
| Asset Classes | Percentage of Portfolio | Capital Allocation (2) | Percentage of Portfolio | Capital Allocation (2) |
| Agency (1)(2) | **88%** | **61%** | 90% | 66% |
| Residential Credit (2) | **8%** | **20%** | 7% | 19% |
| MSR (2) | **3%** | **18%** | 2% | 14% |
| Commercial Real Estate | **1%** | **1%** | 1% | 1% |

(1) Includes to-be-announced forward contracts ("TBAs").

(2) Assets exclude assets transferred or pledged to securitization vehicles, include TBA purchase contracts (market value), unsettled MSR commitments, CMBX derivatives (market value), and retained securities that are eliminated in consolidation and are shown net of participations issued.

**Risk Appetite**

We maintain a firm-wide risk appetite statement which defines the types and levels of risk we are willing to take in order to achieve our business objectives, and reflects our risk management philosophy. We engage in risk activities based on our core expertise that aim to enhance value for our stockholders. Our activities focus on income generation and capital preservation through proactive portfolio management, supported by a conservative liquidity and leverage posture.

The risk appetite statement asserts the following key risk parameters to guide our investment management activities:





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| Risk Parameter | Description |
|---|---|
| **Portfolio Composition** | We will maintain a portfolio comprised of target assets approved by our Board and in accordance with our capital allocation policy. |
| **Leverage** | We generally expect to maintain an economic leverage ratio no greater than 10:1 considerate of our overall capital allocation framework. |
| **Liquidity Risk** | We will seek to maintain an unencumbered asset portfolio sufficient to meet our liquidity needs under adverse market conditions. |
| **Interest Rate Risk** | We will seek to manage interest rate risk to protect the portfolio from adverse rate movements utilizing derivative instruments targeting both income and capital preservation. |
| **Credit Risk** | We will seek to manage credit risk by making investments which conform within to our specific investment policy parameters and optimize risk-adjusted returns. |
| **Capital Preservation** | We will seek to protect our capital base through disciplined risk management practices. |
| **Operational Risk** | We will seek to limit impacts to our business through disciplined operational risk management practices addressing areas including but not limited to, management of key third party relationships (i.e. originators, sub-servicers), human capital management, cybersecurity and technology related matters, business continuity and financial reporting risk. |
| **Compliance, Regulatory and Legal** | We will seek to comply with regulatory requirements needed to maintain our REIT status and our exemption from registration under the Investment Company Act and the licenses and approvals of our regulated and licensed subsidiaries. |

Our Board has reviewed and approved the investment and operating policies and strategies that support our risk appetite statement set forth in this Form 10-K. Our Board has the power to modify or waive these policies and strategies to the extent that our Board, in its discretion, determines that the modification or waiver is in our best interests. Among other factors, market developments that affect our policies and strategies or that change our assessment of the market may cause our Board to revise our policies and strategies.

We may seek to expand our capital base in order to further increase our ability to acquire new and different types of assets when the potential returns from new investments appear attractive relative to the targeted risk-adjusted returns. We may in the future acquire assets or companies by offering our debt or equity securities in exchange for such opportunities.

*Target Assets*

Within the confines of the risk appetite statement, we seek to generate the highest risk-adjusted returns on capital invested, after consideration of the following:

- The amount, nature and variability of anticipated cash flows from the asset across a variety of interest rate, yield, spread, financing cost, credit loss and prepayment scenarios;
- The liquidity of the asset;
- The ability to pledge the asset to secure collateralized borrowings;
- When applicable, the credit of the underlying borrower;
- The costs of financing, hedging and managing the asset;
- The impact of the asset to our REIT compliance and our exemption from registration under the Investment Company Act; and
- The capital and operational requirements associated with the purchase and financing of the asset.

We target the purchase and sale of the following assets listed below as part of our investment strategy. Our targeted assets and asset acquisition strategy may change over time as market conditions change and as our business evolves.



| Investment Group | Targeted Asset Class | Description |
|---|---|---|
| **Annaly Agency Group** | Agency mortgage-backed securities MBS | Agency pass-through certificates issued or guaranteed by Agencies. Other Agency MBS include collateralized mortgage obligations (“CMOs”), interest-only securities and inverse floaters |
| | To-be-announced forward contracts (“TBAs”) | Forward contracts for Agency pass-through certificates |
| | Agency commercial mortgage-backed securities CMBS | Pass-through certificates collateralized by commercial mortgages guaranteed by the Agencies |
| **Annaly Residential Credit Group** | Residential mortgage loans | Residential mortgage loans that are not guaranteed by the Agencies |
| | Residential mortgage-backed securities MBS | Securities collateralized by pools of residential loans that are not guaranteed by one of the Agencies |
| | Agency or private label credit risk transfer securities (“CRT”) | Risk sharing transactions issued by Freddie Mac and Fannie Mae and similarly structured transactions arranged by third party market participants, designed to synthetically transfer mortgage credit risk to private investors |
| **Annaly Mortgage Servicing Rights Group** | Mortgage Servicing Rights (“MSR”) | Rights to service a pool of residential mortgage loans in exchange for a portion of the interest payments made on the loans |

We believe that future interest rates and mortgage prepayment rates are very difficult to predict. Therefore, we seek to acquire assets which we believe will provide attractive returns over a broad range of interest rate and prepayment scenarios.

**Capital Structure and Financing**



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Our capital structure is designed to offer an efficient complement of funding sources to generate positive risk-adjusted returns for our stockholders while maintaining appropriate liquidity to support our business and meet our financial obligations under periods of market stress. To maintain our desired capital profile, we utilize a mix of debt and equity funding. Debt funding may include the use of repurchase agreements, loans, securitizations, participations issued, lines of credit, asset backed lending facilities, corporate bond issuance, convertible bonds, mortgages payable or other liabilities. Equity capital primarily consists of common and preferred stock.

We finance our Agency mortgage-backed securities and residential credit investments primarily with repurchase agreements. We seek to diversify our exposure and limit concentrations by entering into repurchase agreements with multiple counterparties. We enter into repurchase agreements with broker-dealers, commercial banks and other lenders that typically offer this type of financing. We enter into collateralized borrowings with financial institutions meeting internal credit standards and we monitor the financial condition of these institutions on a regular basis. At December 31, 2022 December 31, 2023, we had $59.5 billion $62.2 billion of repurchase agreements outstanding.

Additionally, our wholly-owned subsidiary, Arcola Securities, Inc. ("Arcola"), provides direct access to third party funding as a member broker-dealer of the Financial Industry Regulatory Authority ("FINRA"). As an eligible institution, Arcola also raises funds through the General Collateral Finance Repo service offered by the Fixed Income Clearing Corporation ("FICC"), with FICC acting as the central counterparty. Arcola provides us greater depth and diversity of repurchase agreement funding while also limiting our counterparty exposure.

To reduce our liquidity risk risk. we maintain a laddered approach to our repurchase agreements. At December 31, 2022 December 31, 2023, the weighted average days to maturity was 27 44 days.

We also finance our investments in residential mortgage loans through the issuance of securitization transactions sponsored by our wholly-owned subsidiary Onslow Bay Financial LLC ("Onslow Bay") under the Onslow Bay private-label securitization program ("OBX"). We are a programmatic securitization sponsor of new origination, residential whole loans with 39 51 deals as of December 31, 2023 comprising $15.5 billion $20.0 billion of issuance since the beginning of 2018. During the year ended December 31, 2022 December 31, 2023, we issued 16 13 OBX securitizations backed by $6.2 billion $4.9 billion of residential whole loans.

We utilize leverage to enhance the risk-adjusted returns generated for our stockholders. We generally expect to maintain an economic leverage ratio of no greater than 10:1 considerate of our overall capital allocation framework. This ratio varies from time to time based upon various factors, including our management's opinion of the level of risk of our assets and liabilities, our mix of assets, our liquidity position, our level of unused borrowing capacity, the availability of credit, over-collateralization levels required by lenders when we pledge assets to secure borrowings and, lastly, our assessment of domestic and international market conditions. Since the financial crisis beginning in 2007, we have maintained an economic leverage ratio below 8:1 and since the Coronavirus Disease 2019 ("COVID-19") pandemic began, an economic leverage ratio closer to or below 7:1. For



purposes of calculating this ratio, our economic leverage ratio is equal to the sum of Recourse Debt, cost basis of TBA and CMBX derivatives outstanding, and net forward purchases (sales) of investments divided by total equity.

Our target economic leverage ratio is determined under our capital management policy. Should our actual economic leverage ratio increase above the target level, we will consider appropriate measures. Our actions may include asset sales, changes in asset mix, reductions in asset purchases or originations, issuance of capital or other capital enhancing or risk reduction strategies.

The following table presents our leverage and capital ratios as of the periods presented.

| | | December 31, 2022 | December 31, 2021 | | December 31, 2023 | December 31, 2022 |
|---|---|---|---|---|---|---|
| GAAP leverage ratio | GAAP leverage ratio | 6.0:1 | 4.7:1 | GAAP leverage ratio | 6.8:1 | 6.0:1 |
| Economic leverage ratio * | Economic leverage ratio * | 6.3:1 | 5.7:1 | Economic leverage ratio * | 5.7:1 | 6.3:1 |
| GAAP capital ratio | GAAP capital ratio | 13.9% | 17.2% | GAAP capital ratio | 12.2% | 13.9% |
| Economic capital ratio * | Economic capital ratio * | 13.4% | 14.4% | Economic capital ratio * | 14.0% | 13.4% |

* Represents a non-GAAP financial measure. Refer to the "Non-GAAP Financial Measures" section for additional information.

**Operating Platform**

We maintain a flexible and scalable operating platform to support the management and maintenance of our diverse asset portfolio. We have invested in our infrastructure to enhance resiliency, efficiency, cybersecurity and scalability while also ensuring coverage of our target assets. Our information technology applications span the portfolio life-cycle including pre-trade analysis, trade execution and capture, trade settlement and financing, monitoring, management and financial accounting and reporting.

Technology applications also support our control functions including risk, compliance, and middle- and back-offices. We have added breadth to our operating platform to accommodate diverse asset classes and drive automation-based efficiencies. Our business operations include a centralized collateral management function that permits in-house settlement and self-clearing, thereby creating greater control and management of our collateral. Through technology, we have also incorporated exception based exception-based processing, critical data assurance and paperless workflows. Our infrastructure investment has driven operating efficiencies while expanding the platform. Routine disaster recovery and penetration testing enhances our systems resiliency, security and recovery of critical systems throughout the computing estate.

**Risk Management**



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Risk is a natural element of our business. Effective risk management is of critical importance to our business strategy. The objective of our risk management framework is to identify, measure, monitor and control the key risks to which we are subject. Our approach to risk management is comprehensive and has been designed to foster a holistic view of risk. For a full discussion of our risk management process and policies please refer to the section titled “Risk Management” of Part II, Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

**Information about our Executive Officers**

The following table sets forth certain information as of February 16, 2023 February 15, 2024 concerning our executive officers:

| Name | Age | Title |
|---|---|---|
| **David L. Finkelstein** | 50 51 | Chief Executive Officer and Chief Investment Officer |
| **Serena Wolfe** | 43 44 | Chief Financial Officer |
| **Steven F. Campbell** | 50 51 | President and Chief Operating Officer |
| **Anthony C. Green** | 48 49 | Chief Corporate Officer, Chief Legal Officer and Secretary |

David L. Finkelstein has served as the Chief Executive Officer of Annaly since March 2020 and Chief Investment Officer since November 2022. Mr. Finkelstein previously served as President of Annaly from March 2020 until December 2022 and Annaly’s Chief Investment Officer from November 2016 until December 2021. Prior to that, Mr. Finkelstein served as Annaly’s Chief Investment Officer, Agency and RMBS beginning in February 2015 and as Annaly’s Head of Agency Trading beginning in August 2013. Prior to joining Annaly in 2013, Mr. Finkelstein served for four years as an Officer in the Markets Group of the Federal Reserve Bank of New York where he was the primary strategist and policy advisor for the MBS purchase



program. Mr. Finkelstein has over 25 years of experience in fixed income investments. Prior to the Federal Reserve Bank of New York, Mr. Finkelstein held Agency MBS trading positions at Salomon Smith Barney, Citigroup Inc. and Barclays PLC. Mr. Finkelstein is a member of the Treasury Market Practices Group sponsored by the Federal Reserve Bank of New York. York, as well as a member of the Financial Sector Advisory Council of the Federal Reserve Bank of Dallas. Mr. Finkelstein received his B.A. in Business Administration from the University of Washington and his M.B.A. from the University of Chicago, Booth School of Business. Mr. Finkelstein also holds the Chartered Financial Analyst® designation.

Serena Wolfe has served as Chief Financial Officer of Annaly since December 2019. Prior to joining Annaly in 2019, Ms. Wolfe served as a Partner at Ernst & Young (“EY”) since 2011 and as its Central Region Real Estate Hospitality & Construction (“RHC”) leader from 2017 to November 2019, managing the go-to-market efforts and client relationships across the sector. Ms. Wolfe was previously also EY’s Global RHC Assurance Leader. Ms. Wolfe practiced with EY for over 20 years, including six years with EY Australia and 16 years with the U.S. practice. Ms. Wolfe currently serves on the boards of Berkshire Grey, Inc. Lennar Corporation and Doma Holdings, Inc. Ms. Wolfe graduated from the University of Queensland with a Bachelor of Commerce in Accounting. She is a Certified Public Accountant in the states of New York California, Illinois and Pennsylvania. California.

Steven F. Campbell has served as President of Annaly since December 2022 and Chief Operating Officer of Annaly since June 2020. Prior to these positions, Mr. Campbell served in a number of other senior roles at Annaly, including as Head of Business Operations from September 2019 to June 2020, Head of Credit Operations and Enterprise Risk from February 2018 to September 2019, Chief Operating Officer of Annaly Commercial Real Estate Group from December 2016 to February 2018 and Head of Credit Strategy from April 2015 to February 2018. Mr. Campbell has over 25 years of experience in financial services. Prior to joining Annaly in 2015, Mr. Campbell held various roles over six years at Fortress Investment Group LLC, including serving as a Managing Director in the Credit Funds business. Prior to that, Mr. Campbell held positions at General Electric Capital Corporation and D.B. Zwirn & Co., L.P. with a focus on credit and debt restructuring. Mr. Campbell currently serves on the Advisory Board for the Fitzgerald Institute of Real Estate at the University of Notre Dame. Mr. Campbell received a B.B.A. from the University of Notre Dame and a M.B.A. from the University of Chicago, Booth School of Business.

Anthony C. Green has served as Chief Corporate Officer of Annaly since January 2019 and as Chief Legal Officer and Secretary of Annaly since March 2017. Mr. Green previously served as Annaly’s Deputy General Counsel from 2009 until February 2017. Prior to joining Annaly, Mr. Green was a partner in the Corporate, Securities, Mergers & Acquisitions Group at the law firm K&L Gates LLP. Mr. Green has over 20 years of experience in corporate and securities law. Mr. Green holds a B.A. in Economics and Political Science from the University of Pennsylvania and a J.D. and LL.M. in International and Comparative Law from Cornell Law School.

**Human Capital**

Our Human Capital team oversees our company’s workforce management to ensure its objectives are strategically integrated with the firm’s goals and business plans. We proactively review human capital management best practices on an ongoing basis to continually enhance our employee experience. In addition, the Management Development and Compensation (“MDC”) Committee of the Board provides independent oversight of our policies and strategies related to human capital management. Further, the Chair of the MDC Committee liaises on certain human capital topics with the Chair of the Corporate Responsibility Committee of the Board as appropriate.

As of December 31, 2022 December 31, 2023, we had 161 187 employees.

*Our People and Culture*

Our employees are the driving force behind Annaly’s success, and we are committed to promoting their well-being, engagement, and development to help them reach their highest potential. Our culture is focused on fostering a diverse, inclusive and rewarding work environment for all employees, with ongoing opportunities for career development, wellness support and empowerment.

Our culture is built on five core values: ownership, humility, accountability, collaboration and diversity, equity and inclusion. These values are embedded in our professional and personal conduct and are crucial to how we operate our business. All employees are responsible for upholding these values, which form the bedrock of our culture and are vital to the continued success of our company. Guided by these values, we are committed to attracting, developing and retaining the best talent, with diverse experiences, perspectives and backgrounds.

We utilize employee surveys, including an annual engagement survey, to create open and honest feedback channels that foster our ability to actively engage and involve our employees in the design and evolution of our culture and our human capital strategies to enhance our overall productivity and mitigate risk. Our leaders review and incorporate



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survey feedback to increase employee engagement and drive positive changes throughout our company. We remain committed to maintaining an environment of consistent feedback as we strive for high employment satisfaction levels.



*Diversity, Equity & Inclusion*

The diversity of our employees enables our company to cultivate innovation, fresh perspectives and agility. Diversity, equity and inclusion are essential tenets of our corporate culture. Our Human Capital team, in coordination with an Inclusion Support

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Committee of Executive Sponsors, is responsible for overseeing and continuing to improve advance our diversity, equity and inclusion initiatives.

We are committed to promoting diversity, including gender and racial/ethnic diversity, across all levels of our company. With 53% 62% of total employees our Operating Committee and 58% of our overall population in 2022 2023 identifying as either female and/or racially/ethnically diverse, we are driven by the belief that having a diverse group of employees supports our continued long-term growth. Our success. Hosting over 30 community building events in 2023, our seven employee network groups, which include the Women's Interactive Network ("WIN"), the Asian American and Pacific Islander Employee Network, the Black Employee Network, the Latin American Employee Network, the Disabilities Within a Family Network, the Veteran's Employee Network and the Annaly Pride Network, provide continue to evolve and advance. These employee networks help strengthen our inclusive culture by fostering a sense of belonging and engagement through targeted development and networking opportunities, knowledge exchanges, mentorship, coaching and volunteer efforts. Further,

Additionally, we recognize and understand that education, training candid conversations and candid conversations continued training are key to embedding and advancing diversity, equity and inclusion within our organization and culture. To further promote and foster such a foundation, our efforts also include offering firm-wide training on topics such as unconscious bias, allyship and allyship, hosting inclusive leadership. To that end, we have hosted various forums for employees to openly discuss their views and providing have provided opportunities for employee connection and networking, as well as actively seeking sought out feedback through periodic employee surveys.

*Compensation, Benefits and Wellness*

Our employee compensation program includes base salary, annual incentive bonuses and stock-based awards. Employee compensation packages are designed to align employee and stockholder interests and to provide incentives to attract, retain and motivate talented employees.

In addition, we invest in a wide range of benefits and wellness initiatives that support healthy lifestyles and choices for our employees. We offer benefits including health and insurance coverage, health savings and flexible spending accounts, telemedicine benefits, 401(k) plans, paid time off and family care resources. We also sponsor a wide range of initiatives that promote employee wellness and mental well-being, including access to talk therapy, health coaching, and stress management support. support and a dedicated Wellness Week that includes a number of health and wellness related activities and seminars. Over the last few years, we have enhanced our parental and family care benefits to provide extended leave and fertility assistance.

COVID-19 has challenged the way we work and operate. It has tested our resiliency, nimbleness and flexibility of our people and culture. At Annaly, we understand that we must continue it is our responsibility to provide an environment where our employees feel safe, motivated, empowered, and prepared, regardless of whatever challenges arise in the future. may arise. In addition to addressing physical health and safety concerns, we recognize that people's daily emotional lives and mental health play a key role in their overall wellness. As such, we continue to evaluate ways to promote and expand our mental health offerings. Additionally, we recognize that part of meeting employee needs includes institutionalizing broader and longer-term flexibility where appropriate. Flexibility comes in many forms at Annaly, including vacation and sick time, hybrid work options and location strategy. We remain committed to evaluating the evolving definition of flexibility and promoting programs and practices that foster inclusivity and well-being both personally and professionally.

*Learning and Development*

We seek to invest in advance and promote talent to cultivate a high-performance culture and build on the our employees' capabilities and full potential of our employees.

We offer by investing in a number of targeted learning and development programs tailored opportunities. By aligning with our overall business strategy, we design our learning and development objectives to meet our employees' needs and interests as well as our overall strategic business objectives. We also interests. Additionally, we have both a tuition reimbursement and learning reimbursement plan that provides provide financial support toward the cost of furthering employee education in a field an area directly related to their job. In 2022,

To promote a sense of purpose, accountability and broader exposure, we began offering offer networking opportunities that include senior leader-led small group sessions as well as one-on-one employee knowledge share sessions across the firm. More broadly, we continue to offer firmwide learning sessions that focus on core business strategies and initiatives to foster holistic and inclusive learning. Further, we facilitate individual style and culture sessions to with new employees to promote professional awareness and understanding of our company's culture initiatives. Additionally, we continue to offer knowledge share sessions to all employees that focus on core business strategies and initiatives in an effort to foster holistic and inclusive learning.

*Corporate and Employee Philanthropy and Volunteerism*

Our corporate giving has been focused on high-impact programs that seek to advance social issues we are committed to, including combating homelessness and advancing the professional development of women and underrepresented groups. groups in finance. Annaly and our employees endeavor to meaningfully contribute to the communities where we live, work and invest by

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partnering with well-established non-profit organizations and through Annaly's corporate giving, employee volunteerism and our employee charity match program.



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**Regulatory Requirements**

The financial services industry is subject to extensive regulation and supervision, and changes to regulations and supervisory practices are continuously being considered by regulators and policy makers worldwide. We continue to assess our business, risk management and compliance practices to conform to developments in the regulatory environment.

We have elected, organized and operated in a manner that qualifies us to be taxed as a REIT under the Internal Revenue Code of 1986, as amended and regulations promulgated thereunder (the “Code”). So long as we qualify for taxation as a REIT, we



generally will not be subject to U.S. federal income tax on our taxable income that is distributed to our stockholders. Furthermore, substantially all of our assets, other than our taxable REIT subsidiaries (“TRSs”), consists consist of qualified REIT real estate assets (of the type described in Section 856(c)(5) of the Code).

We regularly monitor our investments and the income from these investments and, to the extent we enter into hedging transactions, we monitor income from our hedging transactions as well, so as to ensure at all times that we maintain our qualification as a REIT, and our exemption from registration under the Investment Company Act. Act and our exemption from registration as a commodity pool operator ("CPO") with the U.S. Commodity Futures Trading Commission ("CFTC").

Arcola is a member of FINRA, an SEC registered broker-dealer and is subject to regulations of the securities business that include but are not limited to trade practices, use and safekeeping of funds and securities, capital structure, recordkeeping and conduct of directors, officers and employees. As a self-clearing, registered broker dealer, broker-dealer, Arcola is required to maintain minimum net capital by the SEC and FINRA. Arcola consistently operates with capital in excess of its regulatory capital requirements as defined by SEC Rule 15c3-1.

We have a subsidiary that is registered with the SEC as an investment adviser under the Investment Advisers Act. As a result, we are subject to the anti-fraud provisions of the Investment Advisers Act and to fiduciary duties derived from these provisions that apply to our relationships with that subsidiary’s clients. These provisions and duties impose restrictions and obligations on us with respect to our dealings with our subsidiary’s clients, including, for example, restrictions on agency, cross and principal transactions. Our registered investment adviser subsidiary is subject to periodic SEC examinations and other requirements under the Investment Advisers Act and related regulations primarily intended to benefit advisory clients. These additional requirements relate to, among other things, maintaining an effective and comprehensive compliance program, recordkeeping and reporting requirements and disclosure requirements.

We also have a subsidiary that operates as a licensed mortgage aggregator and master servicer, which compels subjects it to follow individual state licensing laws and subjects it to supervision and examination by federal authorities, including the CFPB, Consumer Financial Protection Bureau ("CFPB"), the U.S. Department of Housing and Urban Development (“HUD”), the SEC as well as various state licensing, supervisory and administrative agencies. We and our subsidiaries must also comply with a large number of federal, state and local consumer protection laws including, among others, the Gramm-Leach-Bliley Act, the Fair Debt Collection Practices Act, Real Estate Settlement Procedures Act, the Truth in Lending Act, and the Fair Credit Reporting Act, as well as state foreclosure laws and federal and local bankruptcy rules. These laws and regulations, which are frequently amended and adjusted, have, in recent years, led to an increase in both the scope of the requirements and the intensity of the supervision to which we are subject.

The financial services industry CFTC has jurisdiction over the regulation of swaps. The CFTC has asserted that this causes the operators of mortgage REITs that use swaps as part of their business model to fall within the statutory definition of CPO, and absent relief from the Market Participants Division of the CFTC, such operators generally much register as CPOs or qualify for an exemption from registration. On December 7, 2012, as a result of numerous requests for no-action relief from the CPO registration requirement for operators of mortgage REITs, the Division of Swap Dealer and Intermediary Oversight (the predecessor to the Market Participants Division) of the CFTC issued no-action relief entitled “No-Action Relief from the Commodity Pool Operator Registration Requirement for Commodity Pool Operators of Certain Pooled Investment Vehicles Organized as Mortgage Real Estate Investment Trusts” that permits a CPO to receive relief from the requirement to register by filing a claim to perfect the use of the relief. A claim submitted by a CPO will be effective upon filing, so long as the claim is subject materially complete. The conditions that must be met relate to extensive regulation initial margin and supervision premiums requirements, net income derived annually from commodity interest positions that are not qualifying hedging transactions, marketing of interests in the U.S. The Dodd-Frank Wall Street Reform mortgage REIT to the public and Consumer Protection Act identification of 2010 (“Dodd-Frank Act”) and the rules thereunder significantly altered entity as a mortgage real estate investment trust in its federal tax filings with the financial regulatory regime within which financial institutions operate. Other reforms IRS. We have been adopted or are being considered by other regulators and policy makers worldwide. We will continue to assess our business, risk management and compliance practices to conform to developments submitted a claim for the relief set forth in the regulatory environment. no-action relief entitled “No-Action Relief from the Commodity Pool Operator Registration Requirement for Commodity Pool Operators of Certain Pooled Investment Vehicles Organized as Mortgage Real Estate Investment Trusts” and believe we meet the criteria for such relief set forth therein.

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**Competition**

We operate in a highly competitive market for investment opportunities. Competition may limit our ability to acquire desirable investments in our target assets and could also affect the pricing of these investments. In acquiring our target assets, we will compete with financial institutions, institutional investors, other lenders, government entities and certain other REITs. For a full discussion of the risks associated with competition see the “Risks Related to Our Investing, Portfolio Management and Financing Activities” section in Item 1A. “Risk Factors.”

**Corporate Governance**

We strive to conduct our business in accordance with the highest ethical standards and in compliance with applicable governmental laws, rules and regulations. Our notable governance practices and policies include:



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- Our Board is composed of a majority of independent directors, and our Audit, Management Development and Compensation, and Nominating/Corporate Governance Committees are composed exclusively of independent directors.
- We have separated the roles of Chair of the Board and Chief Executive Officer, and appointed an independent Chair of the Board.
- All directors are elected on an annual basis.
- We have adopted an enhanced director refreshment policy, which provides that an independent director may not stand for re-election at the next annual meeting of stockholders taking place at the end of his or her term following the earlier of his or her: (i) 15th anniversary of service on our Board or (ii) 73rd birthday.
- We have adopted a Code of Business Conduct and Ethics, which sets forth the basic principles and guidelines for resolving various legal and ethical



questions that may arise in the workplace and in the conduct of our business. This code is applicable to our directors, officers and employees.

- We have adopted Corporate Governance Guidelines which, in conjunction with the charters of our Board committees, provide the framework for the governance of our company.
- We have procedures by which any of our employees, officers or directors may raise concerns confidentially about our company's conduct, accounting, internal controls or auditing matters with the Chair of the Board, the independent directors, or the Chair of the Audit Committee or through our whistleblower phone hotline or e-mail inbox.
- We have adopted an Insider Trading Policy that prohibits our directors, officers and employees, as well as those of our subsidiaries from buying or selling our securities on the basis of material nonpublic information and prohibits communicating material nonpublic information about our company to others. Our Insider Trading Policy prohibits our directors, officers and employees, from (1) holding our stock in a margin account as eligible collateral, or otherwise pledging our stock as collateral for a loan, or (2) engaging in any hedging transactions with respect to our equity securities held by them.
- Our executive officers are subject to a robust two clawback policy, which includes triggers for policies, one that covers financial restatements and a second for misconduct.
- Our executive officers are subject to stock ownership guidelines and holding restrictions.
- In February 2022, we amended our bylaws to allow stockholders Stockholders holding 25% of our common stock have the right to call a special meeting, reducing the previous majority threshold. meeting.

**Distributions**

In accordance with the requirements for maintaining REIT status, we intend to distribute to stockholders aggregate dividends equaling at least 90% of our REIT taxable income (determined without regard to the deduction of dividends paid and by excluding any net capital gain) for each taxable year and will endeavor to distribute at least 100% of our REIT taxable income so as not to be subject to tax. Distributions of economic profits from our enterprise could be classified as return of capital due to differences between book and tax accounting rules. We may make additional returns of capital when the potential risk-adjusted returns from new investments fail to exceed our cost of capital. Subject to the limitations of applicable securities and state corporation laws, we can return capital by making purchases of our own capital stock or through payment of dividends.



**Available Information**

Our website is www.annaly.com. We make available on this website under "Investors - SEC Filings," free of charge, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to those reports as soon as reasonably practicable after we electronically file or furnish such materials to the SEC pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 (the "Securities Exchange Act"). Our website and the information contained therein are not incorporated into this annual report on Form 10-K.

Also posted on our website, and available in print upon request of any stockholder to our Investor Relations Department, are charters for our Audit Committee, Management Development and Compensation Committee, Nominating/Corporate Governance Committee, Risk Committee and Corporate Responsibility Committee, our Corporate Governance Guidelines and our Code of Business Conduct and Ethics. Within the time period required by the SEC, we will post on our website any amendment to the Code of Business Conduct and Ethics and any waiver applicable to any executive officer, director or senior financial officer.

Our Investor Relations Department can be contacted at:

**Annaly Capital Management, Inc.**
1211 Avenue of the Americas
New York, New York 10036



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Attn: Investor Relations
Telephone: 888-8ANNALY
E-mail: investor@annaly.com
The SEC also maintains a website that contains reports, proxy and information statements and other information we file with the SEC at www.sec.gov.



## ITEM 1A. RISK FACTORS

An investment in our stock involves a number of risks. Before making an investment decision, you should carefully consider all of the risks described in this annual report on Form 10-K. If any of the risks discussed in this annual report on Form 10-K actually occur, our business, financial condition and results of operations could be materially adversely affected. If this were to occur, the trading price of our stock could decline significantly and you may lose all or part of your investment. Readers should not consider any descriptions of these factors to be a complete set of all potential risks that could affect us.

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**Summary of Risk Factors**

***Risks Related to Our Liquidity and Funding***

- Our strategy involves the use of leverage, which increases the risk that we may incur substantial losses.
- Our use of leverage may result in margin calls and defaults and force us to sell assets under adverse market conditions.
- We may exceed our target leverage ratios.
- We may not be able to achieve our optimal leverage.
- Failure to procure or renew funding on favorable terms, or at all, would adversely affect our results and financial condition.
- Failure to effectively manage our liquidity would adversely affect our results and financial condition.
- Volatile market conditions for our assets can result in contraction in liquidity for those assets and the related financing.
- An increase in the interest payments on our borrowings relative to the interest we earn on our interest earning assets may adversely affect our profitability.
- Differences in timing of interest rate adjustments on our interest earning assets and our borrowings may adversely affect our profitability.
- The discontinuation of LIBOR may affect our results.
- It may be uneconomical to “roll” our TBA dollar roll transactions or we may be unable to meet margin calls on our TBA contracts.
- Our use of derivatives may expose us to counterparty and liquidity risks.
- Securitizations expose us to additional risks.
- Our use of non-recourse securitizations may expose us to risks which could result in losses to us.
- Counterparties may require us to enter into covenants that restrict our investment strategy.
- We may be unable to profitably execute or participate in future securitization transactions.

***Risks of Ownership of Our Common Stock***

- Our charter does not permit ownership of over 9.8% in number of shares or value of our common stock or any class of our preferred stock.
- Provisions contained in Maryland law may have anti-takeover effects, potentially preventing investors from receiving a “control premium” for their shares.
- We have not established a minimum dividend payment level and cannot assure stockholders of our ability to pay dividends in the future.
- Our reported GAAP financial results may not be an accurate indicator of future taxable income and dividend distributions.

***Compliance, Regulatory & Legal Risks***

- Accounting rules related to certain of our transactions are highly complex and involve significant judgment and assumptions. Our application of GAAP may produce financial results that fluctuate from one period to another.
- New laws may be passed affecting the relationship between Fannie Mae, Freddie Mac and the federal government.
- We may be subject to liability for potential violations of truth-in-lending or other similar consumer protection laws and regulations.



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- We may not be able to maintain compliance with laws and regulations applicable to our Residential Credit and MSR businesses, including through the manner in which we oversee the compliance obligations of our third-party third party service providers.
- Changes in laws or regulations governing our operations or our failure to comply with those laws or regulations may adversely affect our business.
- The increased focus on ESG and climate change issues by investors, governmental bodies and other stakeholders, as well as existing and proposed laws and regulations related to these topics, may adversely affect our business and financial results and damage our reputation.
- We are subject to complex and evolving laws, regulations, rules, standards and contractual obligations regarding data privacy and security, which could increase the cost of doing business, compliance risks and potential liability.
- We are subject to risks and liabilities in connection with sponsoring, investing in and managing new funds and other investment accounts, including potential regulatory risks.
- Loss of our Investment Company Act exemption from registration would adversely affect us.

***Risks Related to Our Taxation as a REIT***

- Our failure to maintain our qualification as a REIT would have adverse tax consequences.
- Our distribution requirements could adversely affect our ability to execute our business plan.
- Distributions to tax-exempt investors may be classified as unrelated business taxable income.
- We may choose to pay dividends in our own stock.
- Our TRSs cannot constitute more than 20% of our total assets.
- TRSs are subject to tax at the regular corporate rates, are not required to distribute dividends, and the amount of dividends a TRS can pay to its parent REIT may be limited by REIT gross income tests.
- If transactions between a REIT and a TRS are entered into on other than arm's-length terms, the REIT may be subject to a penalty tax.
- Even if we remain qualified as a REIT, we may face other tax liabilities that reduce our cash flow.
- Complying with REIT requirements may cause us to forgo otherwise attractive opportunities and may force us to liquidate otherwise attractive investments.
- Liquidation of assets may jeopardize our REIT qualification or create additional tax liability for us.



- The failure of assets subject to repurchase agreements to qualify as real estate assets could adversely affect our ability to remain qualified as a REIT.
- Complying with REIT requirements may limit our ability to hedge effectively and may cause us to incur tax liabilities.
- The failure of a mezzanine loan or similar debt to qualify as a real estate asset could adversely affect our ability to qualify as a REIT.
- Qualifying as a REIT involves highly technical and complex provisions of the Code.
- The tax on prohibited transactions limits our ability to engage in certain transactions.
- Certain financing activities may subject us to U.S. federal income tax and could have negative tax consequences for our stockholders.
- Uncertainty exists with respect to the treatment of our TBAs for purposes of the REIT asset and income tests.
- Dividends payable by REITs generally receive different tax treatment than dividend income from regular corporations.
- New legislation or administrative or judicial action, in each instance potentially with retroactive effect, could make it more difficult or impossible for us to remain qualified as a REIT.

***Counterparty Risks***

- The soundness of our counterparties and other financial institutions could adversely affect us.
- We are subject to counterparty risk and may be unable to seek indemnity or require counterparties to repurchase residential whole loans if they breach representations and warranties, which could cause us to suffer losses.
- Our rights under our repurchase and derivative agreements are subject to the effects of the bankruptcy laws in the event of the bankruptcy or insolvency of us or our lenders.

***Investment and Market Related Risks***

- We may experience declines in the market value of our assets.
- Investments in MSR may expose us to additional risks.
- A prolonged economic slowdown or declining real estate values could impair the assets we may own.
- An increase in interest rates may adversely affect the market value of our interest earning assets and, therefore, also our book value.
- Actions by the Federal Reserve may affect the price and returns of our assets.
- We invest in securities that are subject to mortgage credit risk.
- Our investments in real estate and other securities are subject to changes in credit spreads as well as available market liquidity, which could adversely affect our ability to realize gains on the sale of such investments.
- Geographic concentration exposes investors to greater risk of default and loss.
- Inadequate property insurance coverage could have an adverse impact on our operating results.
- Our assets may become non-performing or sub-performing assets in the future.
- We may be required to repurchase residential mortgage loans or indemnify investors if we breach representations and warranties.
- Our and our third party service providers' and servicers' due diligence of potential assets may not reveal all of the weaknesses in such assets.
- When we foreclose on an asset, we may come to own the property securing the loan.
- Proposals to acquire mortgage loans by eminent domain may adversely affect the value of our assets.
- Subordinated tranches of non-Agency mortgage-backed securities are subordinate in right of payment to more senior securities.
- Our hedging strategies may be costly, and may not hedge our risks as intended.
- We are subject to risks of loss from weather conditions, man-made or natural disasters and the direct and indirect effects of climate change.

***Operational and Cybersecurity Risks***

- Inaccurate models or the data used by models may expose us to risk.
- We are highly dependent on information systems that may expose us to cybersecurity risks. and networks, many of which are operated by third parties, and any failure of these systems or networks could materially and adversely affect our business.



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- Cyberattacks or other information security breaches could adversely affect our business, reputation and financial condition.
- We depend on third-party third party service providers, including mortgage loan servicers and sub-servicers, for a variety of services related to our business.
- Our investments in residential whole loans subject us to servicing-related risks.
- The performance of loans underlying our MSR related assets may be adversely affected by the performance of the related mortgage servicer.
- An increase or decrease in prepayment rates may adversely affect our profitability.
- We are subject to reinvestment risk.
- Competition may affect ability availability and pricing of our target assets.
- We may enter into new lines of business, acquire other companies or engage in other strategic initiatives.
- Some of our investments, including those related to non-prime loans, involve credit risk.
- We face possible increased instances of business interruption associated with the effects of climate change and severe weather.
- If we are unable to attract, motivate and retain qualified talent, including our key personnel, it could materially and adversely affect us.

***Other Risks***

- The market price and trading volume of our shares of common stock may be volatile.
- We may change our policies without stockholder approval. approval.
- COVID-19 has affected the U.S. economy and our business.

ANNALY CAPITAL MANAGEMENT, INC. AND SUBSIDIARIES

**Item 1A. Risk Factors**

**Risks Related to Our Liquidity and Funding**

***Our strategy involves the use of leverage, which increases the risk that we may incur substantial losses.***

We expect our leverage to vary with market conditions and our assessment of risk/return on investments. We incur this leverage by borrowing against a substantial portion of the market value of our assets. Leverage, which is fundamental to our investment strategy, creates significant risks. The risks associated with leverage are more acute during periods of economic slowdown or recession.

Because of our leverage, we may incur substantial losses if our borrowing costs increase, and we may be unable to execute our investment strategy if leverage is unavailable or is unavailable on attractive terms. The reasons our borrowing costs may increase or our ability to borrow may decline include, but are not limited to, the following:

- short-term interest rates increase;
- the market value of our investments available to collateralize borrowings decreases;
- the “haircut” applied to our assets under the repurchase agreements or other secured financing arrangements increases;
    - forced sales, particularly under adverse market conditions, such as those which occurred as a result of the COVID-19 pandemic;
    - disruption in the repo market generally or the infrastructure, including technology infrastructure, that supports it; or
    - the availability of financing in the market decreases.
- interest rate volatility increases;

***Our use of leverage may result in margin calls and defaults and force us to sell assets under adverse market conditions.***

Because of our leverage, a decline in the value of our interest earning assets may result in our lenders initiating margin calls. A margin call means that the lender requires us to pledge additional collateral to re-establish the ratio of the value of the collateral to the amount of the borrowing. Borrowings secured by our fixed-rate mortgage-backed securities generally are more susceptible to margin calls as increases in interest rates tend to more negatively affect the market value of fixed-rate securities. Margin calls are most likely in market conditions in which the unencumbered assets that we would use to meet the margin calls have also decreased in value. The risks associated with margin calls are more acute during periods of economic slowdown or recession. We experienced margin calls much higher than historical norms during the onset of COVID-19.

If we are unable to satisfy margin calls, our lenders may foreclose on our collateral. This could force us to sell our interest earning assets under adverse market conditions, or allow lenders to sell those assets on our behalf at prices that could be below our estimation of their value. Additionally, in the event of our bankruptcy, our borrowings, which are generally made under repurchase agreements, may qualify for special treatment under the U.S. Bankruptcy Code. This special treatment would allow the lenders under these agreements to avoid the automatic stay provisions of the U.S. Bankruptcy Code and to liquidate the collateral under these agreements without delay.

***We may exceed our target leverage ratios.***

We generally expect to maintain an economic leverage ratio of less than 10:1. However, we are not required to stay below this economic leverage ratio. We may exceed this ratio by incurring additional debt without increasing the amount of equity we have. For example, if we increase the amount of borrowings under our master repurchase agreements with our existing or new counterparties or the market value of our portfolio declines, our economic leverage ratio would increase. If we increase our economic leverage ratio, the adverse impact on our financial condition and results of operations from the types of risks associated with the use of leverage would likely be more severe. Our target economic leverage ratio is set for the portfolio as a whole, rather than separately for each asset type. The economic leverage ratio on Agency mortgage-backed securities may exceed the target ratio for the portfolio as a whole. Because credit assets are generally less levered than Agency mortgage-backed securities, at a given economic leverage ratio an increased allocation to credit assets generally means an increase in economic leverage on Agency mortgage-backed securities. The economic leverage on our Agency mortgage-backed securities is the primary driver of the risk of being unable to meet margin calls discussed above.



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***We may not be able to achieve our optimal leverage.***

We use leverage as a strategy to increase the return to our investors. However, we may not be able to achieve our desired leverage if we determine that the leverage would expose us to excessive risk; our lenders do not make funding available to us at acceptable rates; or our lenders require that we provide additional collateral to cover our borrowings.



***Failure to procure or renew funding on favorable terms, or at all, would adversely affect our results and financial condition.***

One or more of our lenders could be unwilling or unable to provide us with financing. This could potentially increase our financing costs and reduce our liquidity. Furthermore, if any of our potential lenders or existing lenders is unwilling or unable to provide us with financing or if we are not able to renew or replace maturing borrowings, we could be forced to sell our assets at an inopportune time when prices are depressed. Our business, results of operations and financial condition may be materially adversely affected by disruptions in the financial markets. We cannot assure you that, under such extreme conditions, these markets will remain an efficient source of financing for our assets. If our strategy is not viable, we will have to find alternative forms of financing for our assets, which may not be available. Further, as a REIT, we are required to distribute annually at least 90% of our REIT taxable income (subject to certain adjustments) to our stockholders and are, therefore, not able to retain significant amounts of our earnings for new investments. We cannot assure you that any, or sufficient, funding or capital will be available to us in the future on terms that are acceptable to us. If we cannot obtain sufficient funding on acceptable terms, there may be a negative impact on the market price of our common stock and our ability to make distributions to our stockholders. Moreover, our ability to grow will be dependent on our ability to procure additional funding. To the extent we are not able to raise additional funds through the issuance of additional equity or borrowings, our growth will be constrained.

***Failure to effectively manage our liquidity would adversely affect our results and financial condition.***

Our ability to meet cash needs depends on many factors, several of which are beyond our control. Ineffective management of liquidity levels could cause us to be unable to meet certain financial obligations. Potential conditions that could impair our liquidity include: unwillingness or inability of any of our potential lenders to provide us with or renew financing, margin calls, additional capital requirements applicable to our lenders, a disruption in the financial markets or declining confidence in our creditworthiness or in financial markets in general. These conditions could force us to sell our assets at inopportune times or otherwise cause us to potentially revise our strategic business initiatives.

***Volatile market conditions for our assets can result in contraction in liquidity for those assets and the related financing.***

Our results of operations are materially affected by conditions in the markets for mortgages and mortgage-related assets, including Agency mortgage-backed securities, as well as the broader financial markets and the economy generally.

Significant adverse changes in financial market conditions can result in a deleveraging of the global financial system and the forced sale of large quantities of mortgage-related and other financial assets. Concerns over economic recession, COVID-19 or other pandemic diseases, geopolitical issues including events such as the war in Ukraine, trade wars, unemployment, inflation, government actions to combat inflation, rising interest rates, the availability and cost of financing, the mortgage market, the repurchase agreement market and a declining real estate market or prolonged government shutdown may contribute to increased volatility and diminished expectations for the economy and markets.

For example, as a result of the financial crises beginning in the summer of 2007 and through the subsequent credit and housing crisis, many traditional mortgage investors suffered severe losses in their residential mortgage portfolios and several major market participants failed or were impaired, resulting in a significant contraction in market liquidity for mortgage-related assets. This illiquidity negatively affected both the terms and availability of financing for all mortgage-related assets.

Further increased volatility and deterioration in the markets for mortgages and mortgage-related assets as well as the broader financial markets may adversely affect the performance and market value of our Agency mortgage-backed securities. If these conditions exist, institutions from which we seek financing for our investments may tighten their lending standards or become insolvent, which could make it more difficult for us to obtain financing on favorable terms or at all. Our profitability and financial condition may be adversely affected if we are unable to obtain cost-effective financing for our investments.

***An increase in the interest payments on our borrowings relative to the interest we earn on our interest earning assets may adversely affect our profitability.***

We generally earn money based upon the spread between the interest payments we earn on our interest earning assets and the interest payments we must make on our borrowings. If the interest payments on our borrowings increase relative to the interest we earn on our interest earning assets, our profitability may be adversely affected. A significant portion of our assets are longer-term, fixed-rate interest earning assets, and a significant portion of our borrowings are shorter-term, floating-rate borrowings. Periods of rising interest rates or a relatively flat or inverted yield curve could decrease or eliminate the spread between the interest payments we earn on our interest earning assets and the interest payments we must make on our borrowings.



***Differences in timing of interest rate adjustments on our interest earning assets and our borrowings may adversely affect our profitability.***

We rely primarily on short-term borrowings to acquire interest earning assets with long-term maturities. Some of the interest earning assets we acquire are adjustable-rate interest earning assets. This means that their interest rates may vary over time based upon changes in an objective index, such as:



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- LIBOR. The rate banks charge each other for short-term Eurodollar loans.
- Treasury Rate. A monthly or weekly average yield of benchmark U.S. Treasury securities, as published by the Federal Reserve Board.
- Secured Overnight Financing Rate. A measure of the cost of borrowing cash overnight collateralized by U.S. Treasury securities, as published by the Federal Reserve Bank of New York.
- Term SOFR. A benchmark based on Secured Overnight Financing Rate futures, administered by CME Group.

These indices generally reflect short-term interest rates. The interest rates on our borrowings similarly reflect short-term interest rates. Nevertheless, the interest rates on our borrowings generally adjust more frequently than the interest rates on our adjustable-rate interest earning assets, which are also typically subject to periodic and lifetime interest rate caps. Accordingly, in a period of rising interest rates, we could experience a decrease in net income or a net loss because the interest rates on our borrowings adjust faster than the interest rates on our adjustable-rate interest earning assets.

***The discontinuation of LIBOR may affect our results.***

The United Kingdom Financial Conduct Authority, or FCA, which regulates LIBOR, has announced that all LIBOR tenors relevant to us will cease to be published or will no longer be representative after June 30, 2023. The FCA's announcement coincided with the March 5, 2021, announcement of LIBOR's administrator, the ICE Benchmark Administration Limited, or IBA, indicating that, as a result of not having access to input data necessary to calculate LIBOR tenors relevant to us on a representative basis after June 30, 2023, IBA would have to cease publication of such LIBOR tenors immediately after the last publication on June 30, 2023. These announcements mean that any of our LIBOR-based borrowings and assets that mature beyond June 30, 2023 need to be converted to alternative interest rates. Many of our counterparties are now subject to regulatory guidance not to enter new U.S. Dollar LIBOR contracts except in limited circumstances.

The Alternative Reference Rates Committee, or ARRC, a committee of private sector entities with ex-officio official sector members convened by the Federal Reserve Board and the Federal Reserve Bank of New York, has recommended the Secured Overnight Financing Rate (“SOFR”), and in some cases, the forward-looking term rate based on SOFR published by CME Group Benchmark Administration Ltd. (“CME Term SOFR”) plus, in each case, a recommended spread adjustment as the replacement for LIBOR. The Board of Governors of the Federal Reserve has also named CME Term SOFR as the Board-selected replacement rate for most cash products under the Adjustable Interest Rate (LIBOR) Act of 2021 (the “LIBOR Act”), which governs instruments for which there is no determining person to choose a LIBOR replacement or which have no fallback provisions specifying an alternate replacement rate. There are significant differences between LIBOR and SOFR, such as LIBOR being an unsecured lending rate while SOFR is a secured lending rate, and SOFR is an overnight rate while LIBOR reflects term rates at different maturities. If our LIBOR-based borrowings are converted to SOFR or CME Term SOFR, the differences between LIBOR and SOFR, plus the recommended spread adjustment, could result in interest costs that are higher than if LIBOR remained available, which could have a material adverse effect on our results. Although SOFR or CME Term SOFR are the ARRC's recommended replacement rates, it is also possible that lenders may instead choose alternative replacement rates that may differ from LIBOR in ways similar to SOFR or in other ways that would result in higher borrowing costs for us.

Many floating-rate instruments, including some transactions in which we are issuer or sponsor, reference LIBOR. US regulators and the ARRC have recommended that all LIBOR-based instruments include robust fallback language dictating what rate will apply when LIBOR ends. The fallbacks recommended by the ARRC are different for various non-derivative instruments, and not all LIBOR-based instruments will incorporate the recommended fallbacks. The International Swaps and Derivatives Association (“ISDA”) has implemented fallback language and a protocol that will ensure LIBOR-based derivatives amongst protocol participants fall back to compounded SOFR. We have opted into the ISDA 2020 IBOR Fallbacks protocol. However, the variations in fallback language in different financial instruments and the adoption of different replacement rates or methodologies in such fallback language could result in unexpected differences between our LIBOR-based assets and our LIBOR-based interest rate hedges or borrowings. Certain instruments may be affected by the LIBOR Act.

It is expected that switching existing financial instruments and hedging transactions from LIBOR to SOFR or other replacement rates will include a spread adjustment. ISDA has described the spread calculation methodology that will apply to derivatives



that adopt the ISDA recommendations for derivatives, and the ARRC has recommended the same methodology for all cash products, with a one year transition period for consumer assets. These same spread adjustments will be applied to contracts that transition to a SOFR-based rate under the LIBOR Act. The adjustment calculation is intended to minimize value transfer between counterparties, borrowers, and lenders, but there is no assurance that the calculated spread adjustment will be fair and accurate or that it will not result in higher interest costs.

We and other market participants have less experience understanding and modeling SOFR-based assets and liabilities than LIBOR-based assets and liabilities, increasing the difficulty of investing, hedging, and risk management. We use service providers to validate the fair values of certain financial instruments. These service providers take various approaches to modelling LIBOR cessation.

The process of transition involves operational risks. References to LIBOR may be embedded in computer code or models, and we may not identify and correct all of those references.

Holders of our fixed-to-floating preferred shares should refer to the relevant prospectus, the LIBOR Act, and related regulation to understand the LIBOR-cessation provisions applicable to that class. We are considering all available options with respect to our preferred stock, which include liability management actions such as tenders, calls, exchange offers, language amendments, changing the calculation agent, and/or allowing fallbacks to trigger. Each such class that is currently outstanding becomes callable at the same time it begins to pay a LIBOR-based rate.

***It may be uneconomical to “roll” our TBA dollar roll transactions or we may be unable to meet margin calls on our TBA contracts.***

From time to time, we enter into TBAs as an alternate means of investing in and financing Agency mortgage-backed securities. A TBA contract is an agreement to purchase or sell, for future delivery, an Agency mortgage-backed security with a specified issuer, term and coupon. A TBA dollar roll represents a transaction where TBA contracts with the same terms but different settlement dates are simultaneously bought and sold. The TBA contract settling in the later month typically prices at a discount to the earlier month contract with



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the difference in price commonly referred to as the “drop”. The drop is a reflection of the expected net interest income from an investment in similar Agency mortgage-backed securities, net of an implied financing cost, that would be foregone as a result of settling the contract in the later month rather than in the earlier month. The drop between the current settlement month price and the forward settlement month price occurs because in the TBA dollar roll market, the party providing the implied financing is the party that would retain all principal and interest payments accrued during the financing period. Accordingly, TBA dollar roll income generally represents the economic equivalent of the net interest income earned on the underlying Agency mortgage-backed security less an implied financing cost. Consequently, dollar roll transactions and such forward purchases of Agency securities represent a form of off-balance sheet financing and increase our “at risk” leverage.

The economic return of a TBA dollar roll generally equates to interest income on a generic TBA-eligible security less an implied financing cost, and there may be situations in which the implied financing cost exceeds the interest income, resulting in a negative carry on the position. If we roll our TBA dollar roll positions when they have a negative carry, the positions would decrease net income and amounts available for distributions to shareholders.

There may be situations in which we are unable or unwilling to roll our TBA dollar roll positions. The TBA transaction could have a negative carry or otherwise be uneconomical, we may be unable to find counterparties with whom to trade in sufficient volume, or we may be required to collateralize the TBA positions in a way that is uneconomical. Because TBA dollar rolls represent implied financing, an inability or unwillingness to roll has effects similar to any other loss of financing. If we do not roll our TBA positions prior to the settlement date, we would have to take physical delivery of the underlying securities and settle our obligations for cash. We may not have sufficient funds or alternative financing sources available to settle such obligations. Counterparties may also make margin calls as the value of a generic TBA-eligible security (and therefore the value of the TBA contract) declines. Margin calls on TBA positions or failure to roll TBA positions could have the effects described in the liquidity risks described above.

***Our use of derivatives may expose us to counterparty and liquidity risks.***

Most swaps that we enter into must be executed on a Swap Extension Facility and/or be cleared by a Derivatives Clearing Organization (“DCO”). , both of which are regulated by the CFTC. DCOs are subject to regulatory oversight and use extensive risk management processes, which result in additional expenses and might receive “too big collateral requirements for our swaps relative to fail” support from the government in the case of insolvency. uncleared swaps. We access the DCO through several Futures Commission Merchants (“FCMs”). For any cleared swap, we bear the credit risk of both the DCO and the relevant FCM, in the form of potential late or unrecoverable payments, potential difficulty



or delay in accessing collateral that we have posted, and potential loss of any positive market value of the swap

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**Item 1A. Risk Factors**

position. In the event of a default by the DCO or FCM, we also bear market risk, because if the asset or liability being hedged is no longer effectively hedged.

Most swaps must be or are traded on a Swap Execution Facility. We bear additional fees for use of the DCO. We also bear fees for use of the DCO and Swap Execution Facility. We continue to bear risk of Facility, as well as risks associated with trade errors. Because the standardized swaps available on Swap Execution Facilities and cleared through DCOs are not as customizable as the uncleared swaps, available before the implementation of Dodd-Frank Act, we may bear additional basis risk from hedge positions that do not exactly reflect the interest rate risk on the asset being hedged.

Futures transactions are subject to risks analogous to those of cleared swaps, except that for futures transactions we bear a higher risk that collateral we have posted is unavailable to us if the FCM defaults.

Some derivatives transactions, such as swaptions, are not currently required to be cleared through a DCO. Therefore, we bear the credit risk of the dealer with which we executed the swaption. swaption or other uncleared transaction. TBA contracts and swaps on CMBX indexes are also not cleared, and we bear the credit risk of the dealer.

Derivative Certain derivative transactions are subject to margin requirements. The relevant contract or clearinghouse rules dictate the method of determining the required amount of margin, the types of collateral accepted and the timing required to meet margin calls. Additionally, for cleared swaps and futures, FCMs may have the right to require more margin than the clearinghouse requires. The requirement to meet margin calls can create liquidity risks, and we bear the cost of funding the margin that we post. Also, as discussed above, we bear credit risk if a dealer, FCM, or clearinghouse is holding collateral we have posted.

Generally, we attempt to retain the ability to close out of a hedging position or create an offsetting position. However, in some cases we may not be able to do so at economically viable prices, or we may be unable to do so without consent of the counterparty. Therefore, in some situations a derivative position can be illiquid, forcing us to hold it to its maturity or scheduled termination date.

It is possible that new regulations could be issued governing the derivatives market, or that including requiring additional types of derivatives switch to being be executed on Swap Execution Facilities or cleared on through a DCO. Ongoing regulatory change in this area could increase costs, increase risks, and adversely affect our business and results of operations.

***Securitizations expose us to additional risks.***

In a securitization structure, we convey a pool of assets to a special purpose vehicle, the issuing entity, and in turn the issuing entity issues one or more classes of non-recourse notes pursuant to the terms of an indenture. The notes are secured by the pool of assets. In exchange for the transfer of assets to the issuing entity, we receive the cash proceeds of the sale of non-recourse notes and a 100% interest in certain subordinate interests of the issuing entity. The securitization of all or a portion of our residential loan portfolio might magnify our exposure to losses because any subordinate interest we retain in the issuing entity would be subordinate to the notes issued to investors and we would, therefore, absorb all of the losses sustained with respect to a securitized pool of assets before the owners of the notes experience any losses. Moreover, we cannot assure you that we will be able to access the securitization market or be able to do so at favorable rates. The inability to securitize our portfolio could adversely affect our performance and our ability to grow our business.



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***Our use of non-recourse securitizations may expose us to risks which could result in losses to us.***

We utilize non-recourse securitizations of our assets in mortgage loans, especially loans that we originate, when they are available. Prior to any such financing, we may seek to finance assets with relatively short-term facilities until a sufficient portfolio is accumulated. As a result, we would be subject to the risk that we would not be able to acquire, during the period that any short-term facilities are available, sufficient eligible assets to maximize the efficiency of a securitization. We also would bear the risk that we would not be able to obtain a new short-term facility or would not be able to renew any short-term facilities after they expire should we need more time to seek and acquire sufficient eligible assets for a securitization. In addition, conditions in the capital markets, including potential volatility and disruption in the capital and credit markets, may not permit a non-recourse securitization at any particular time or may make the issuance of any such securitization less attractive to us even when we do have sufficient eligible assets. While we would intend to retain the non-investment grade tranches of securitizations and, therefore, still have exposure to any assets included in such securitizations, our inability to enter into such securitizations would increase our overall exposure to risks associated with direct ownership of such assets, including the risk of default. Our inability to refinance any short-term facilities would also increase our risk because borrowings thereunder would likely be recourse to us as an entity. If we are unable to obtain and renew short-term facilities or to consummate securitizations to finance our assets on a long-term basis, we may be required to seek other forms of potentially less attractive financing or to liquidate assets at an inopportune time or price. To the extent that we are unable to obtain



financing for our assets, to the extent that we retain such assets in our portfolio, our returns on investment and earnings will be negatively impacted.

***Counterparties may require us to enter into covenants that restrict our investment strategy.***

If or when we obtain debt financing, lenders (especially in the case of credit facilities) may impose restrictions on us that would affect our ability to incur additional debt, make certain allocations or acquisitions, reduce liquidity below certain levels, make distributions to our stockholders, or redeem debt or equity securities, and may impact our flexibility to determine our operating policies and strategies. We may sell assets or reduce leverage at an inopportune time to avoid breaching these restrictions. If we fail to meet or satisfy any of these covenants, we would be in default under these agreements, and our lenders could elect to declare outstanding amounts due and payable, terminate their commitments, require the posting of additional collateral and enforce their interests against existing collateral. We may also be subject to cross-default and acceleration rights and, with respect to collateralized debt, the posting of additional collateral and foreclosure rights upon default. A default and resulting repayment acceleration could significantly reduce our liquidity, which could require us to sell our assets to repay amounts due and outstanding. This could also significantly harm our business, financial condition, results of operations and ability to make distributions, which could cause our share price to decline. A default could also significantly limit our financing alternatives such that we would be unable to pursue our leverage strategy, which could adversely affect our returns.

***We may be unable to profitably execute or participate in future securitization transactions.***

There are a number of factors that can have a significant impact on whether we are able to execute or participate in a securitization transaction, and whether such a transaction is profitable to us or results in a loss. One of these factors is the price we pay for the mortgage loans that we securitize, which, in the case of residential mortgage loans, is impacted by the level of competition in the marketplace for acquiring mortgage loans and the relative desirability to originators of retaining mortgage loans as investments or selling them to third parties such as us. As such, we can provide no assurance that we will be able to identify and make investments in residential mortgage loans at attractive levels and pricing, which could adversely affect our ability to execute future securitizations in this space. Another factor that impacts the profitability of a securitization transaction is the cost to us of the short-term warehouse financing facilities that we use to finance our holdings of mortgage loans prior to securitization, which cost is affected by a number of factors including the availability of this type of financing to us, the interest rate on this type of financing, the duration of the financing we incur, and the percentage of our mortgage loans for which third parties are willing to provide short-term financing. After we acquire mortgage loans that we intend to securitize, we can also suffer losses if the value of those loans declines prior to securitization. Declines in the value of a mortgage loan, for example, can be due to, among other things, changes in interest rates, changes in the credit quality of the loan, and changes in the projected yields required by investors to invest in securitization transactions. To the extent we seek to hedge against a decline in loan value due to changes in interest rates, there is a cost of hedging that also affects whether a securitization is profitable. Other factors that can significantly affect whether a securitization transaction is profitable to us include the criteria and conditions that rating agencies apply and require when they assign ratings to the mortgage-backed securities issued in our securitization transactions, including the percentage of mortgage-backed securities issued in a securitization transaction that the rating agencies will assign a triple-A rating to, which is also referred to as a rating agency subordination level. Rating agency subordination levels can be impacted by numerous factors, including, without limitation, the credit quality of the loans securitized, the geographic distribution of the loans to be securitized, the structure of the securitization transaction and other applicable rating agency criteria. All other factors being equal, the greater the percentage of the mortgage-backed securities issued in a securitization transaction that the rating agencies will assign a triple-A rating to, the more profitable the transaction will be to us.

The price that investors in mortgage-backed securities will pay for securities issued in our securitization transactions also has a significant impact on the profitability of the transactions to us, and these prices are impacted by numerous market forces and factors. In addition, the underwriter(s) or placement agent(s) we select for securitization transactions, and the terms of their engagement, can also impact the profitability of our securitization transactions. Also, transaction costs incurred in executing transactions impact the profitability of our securitization transactions and any liability that we may incur, or may be required to reserve for, in connection with executing a transaction can cause a loss to us. To the extent that we are not able to profitably execute future securitizations of residential mortgage loans or other assets, including for the reasons described above or for other reasons, it could have a material adverse impact on our business and financial results.



**Risks of Ownership of Our Common Stock**

***Our charter does not permit ownership of over 9.8% in number of shares or value of our common stock or any class of our preferred stock.***



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To maintain our qualification as a REIT for U.S. federal income tax purposes, not more than 50% in value of the outstanding shares of our capital stock may be owned, directly or indirectly, by five or fewer individuals (as defined in the federal tax laws to include certain entities). For the purpose of preserving our REIT qualification and for other reasons, our charter prohibits direct or constructive ownership by any person of more than 9.8% of the total number or value of any class of our outstanding common stock or any class of our preferred stock. Our charter's constructive ownership rules are complex and may cause the outstanding stock owned by a group of related individuals or entities to be deemed to be constructively owned by one individual or entity. As a result, the acquisition of less than 9.8% of the outstanding shares of any class of common stock or any class of our preferred stock by an individual or entity could cause that individual or entity to own constructively in excess of 9.8% of the outstanding shares of such class of stock and thus be subject to our charter's ownership limit. Any attempt to own or transfer shares of our common stock or preferred stock in excess of the ownership limit without the consent of the Board shall be void, or, alternatively, will result in the shares being transferred by operation of law to a charitable trust. Our Board, in its sole and absolute discretion, may waive or modify the ownership limit with respect to one or more persons who would not be treated as "individuals" if it is satisfied that ownership in excess of this limit will not otherwise jeopardize our status as a REIT for U.S. federal income tax purposes. The ownership limit may have the effect of delaying, deferring or preventing a change in control and, therefore, could adversely affect our stockholders' ability to realize a premium over the then-prevailing market price for our stock in connection with a change in control.

***Provisions contained in Maryland law may have anti-takeover effects, potentially preventing investors from receiving a "control premium" for their shares.***

Provisions contained in our charter and bylaws, as well as the Maryland General Corporation Law (the "MGCL"), may have anti-takeover effects that delay, defer or prevent a takeover attempt, which may prevent stockholders from receiving a "control premium" for their shares. For example, these provisions may defer or prevent tender offers for our common stock or purchases of large blocks of our common stock, thereby limiting the opportunities for our stockholders to receive a premium for their common stock over then-prevailing market prices. These provisions include the following:

- Ownership limit. The ownership limit in our charter limits related investors including, among other things, any voting group, from acquiring over 9.8% of any class our common stock or of our preferred stock, in each case, in number of shares or value, without the consent of our Board.
- Preferred Stock. Our charter authorizes our Board to issue preferred stock in one or more classes and to establish the preferences and rights of any class of preferred stock issued. These actions can be taken without soliciting stockholder approval.
- Maryland Business Combination Act. The Maryland Business Combination Act provides that, subject to certain exceptions and limitations, certain business combinations between a Maryland corporation and an "interested stockholder" (defined generally as any person who beneficially owns 10% or more of the voting power of our outstanding voting stock or an affiliate or associate of ours who, at any time within the two-year period immediately prior to the date in question, was the beneficial owner of 10% or more of the voting power of our then outstanding shares of stock) or an affiliate of any interested stockholder are prohibited for five years after the most recent date on which the stockholder becomes an interested stockholder, and thereafter imposes two super-majority stockholder voting requirements on these combinations, unless, among other conditions, our common stockholders receive a minimum price, as defined in the MGCL, for their shares of stock and the consideration is received in cash or in the same form as previously paid by the interested stockholder for its shares of stock. We have opted out of the Maryland Business Combination Act in our charter. However, if we amend our charter to opt back in to the statute, subject to stockholder approval, the Maryland Business Combination Act could have the effect of discouraging offers to acquire us and of increasing the difficulty of consummating any such offers, even if our acquisition would be in our stockholders' best interests.
- Maryland Control Share Acquisition Act. The Maryland Control Share Acquisition Act provides that, subject to certain exceptions, holders of "control shares" (defined as voting shares that, when aggregated with all other shares controlled by the stockholder, entitle the stockholder to exercise one of three increasing ranges of voting power in electing directors) acquired in a "control share acquisition" (defined as the direct or indirect acquisition of ownership or control of issued and outstanding "control shares") have no voting rights except to the extent approved by our stockholders by the affirmative vote of at least two-thirds of all the votes entitled to be cast on the matter, excluding



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shares owned by the acquirer, by our officers, or by our employees who are also directors of our company. We are currently subject to the Maryland Control Share Acquisition Act.

- Title 3, Subtitle 8 of the MGCL: These provisions of the MGCL permit our Board of Directors, without stockholder approval and regardless of what is provided in our charter or bylaws, to implement



certain takeover defenses, including adopting a classified board or increasing the vote required to remove a director.

***We have not established a minimum dividend payment level and cannot assure stockholders of our ability to pay dividends in the future.***

We intend to pay quarterly dividends and to make distributions to our stockholders in amounts such that all or substantially all of our taxable income in each year (subject to certain adjustments) is distributed. This enables us to qualify for the tax benefits accorded to a REIT under the Code. We have not established a minimum dividend payment level and our ability to pay dividends may be adversely affected for the reasons described in this section. All distributions will be made at the discretion of our Board and will depend on our earnings, our financial condition, maintenance of our REIT status and such other factors as our Board may deem relevant from time to time.

***Our reported GAAP financial results may not be an accurate indicator of future taxable income and dividend distributions.***

Generally, the cumulative net income we report over the life of an asset will be the same for GAAP and tax purposes, although the timing of this income recognition over the life of the asset could be materially different. Differences exist in the accounting for GAAP net income and REIT taxable income that can lead to significant variances in the amount and timing of when income and losses are recognized under these two measures. Due to these differences, our reported GAAP financial results could materially differ from our determination of taxable income.

**Compliance, Regulatory & Legal Risks**

***Accounting rules related to certain of our transactions are highly complex and involve significant judgment and assumptions. Our application of GAAP may produce financial results that fluctuate from one period to another.***

Accounting rules for valuations of investments, mortgage loan sales and securitizations, investment consolidations, acquisitions of real estate and other aspects of our operations are highly complex and involve significant judgment and assumptions. These complexities could lead to a delay in preparation of financial information and the delivery of this information to our stockholders. Changes in accounting interpretations or assumptions could impact our financial statements and our ability to prepare our financial statements in a timely fashion. Our inability to prepare our financial statements in a timely fashion in the future would likely adversely affect our share price significantly. The fair value at which our assets may be recorded may not be an indication of their realizable value. Ultimate realization of the value of an asset depends to a great extent on economic and other conditions. Further, fair value is only an estimate based on good faith judgment of the price at which an investment can be sold since market prices of investments can only be determined by negotiation between a willing buyer and seller. If we were to liquidate a particular asset, the realized value may be more than or less than the amount at which such asset was recorded. Accordingly, the value of our common shares could be adversely affected by our determinations regarding the fair value of our investments, whether in the applicable period or in the future. Additionally, such valuations may fluctuate over short periods of time.

We have made certain accounting elections which may result in volatility in our periodic net income, as computed in accordance with GAAP. For example, changes in fair value of certain instruments are reflected in GAAP net income (loss) while others are reflected in Other comprehensive income (loss).

***New laws may be passed affecting the relationship between Fannie Mae, Freddie Mac and the federal government.***

The interest and principal payments we expect to receive on the Agency mortgage-backed securities in which we invest are guaranteed by Fannie Mae, Freddie Mac or Ginnie Mae. Principal and interest payments on Ginnie Mae certificates are directly guaranteed by the U.S. government. Principal and interest payments relating to the securities issued by Fannie Mae and Freddie Mac are only guaranteed by each respective Agency.

In September 2008, Fannie Mae and Freddie Mac were placed into the conservatorship of the FHFA, their federal regulator, pursuant to its powers under The Federal Housing Finance Regulatory Reform Act of 2008, a part of the Housing and



Economic Recovery Act of 2008. In addition to FHFA becoming the conservator of Fannie Mae and Freddie Mac, the U.S. Department of the Treasury entered into Preferred Stock Purchase Agreements with the FHFA and have taken various actions intended to provide Fannie Mae and Freddie Mac with additional liquidity in an effort to ensure their financial stability. In





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September 2019, FHFA and the U.S. Treasury Department agreed to modifications to the Preferred Stock Purchase Agreements that will permit Fannie Mae and Freddie Mac to maintain capital reserves of $25 billion and $20 billion, respectively.

Shortly after Fannie Mae and Freddie Mac were placed in federal conservatorship, the Secretary of the U.S. Treasury suggested that the guarantee payment structure of Fannie Mae and Freddie Mac in the U.S. housing finance market should be re-examined. The future roles of Fannie Mae and Freddie Mac could be significantly reduced and the nature of their guarantees could be eliminated or considerably limited relative to historical measurements. The U.S. Treasury could also stop providing credit support to Fannie Mae and Freddie Mac in the future. Any changes to the nature of the guarantees provided by Fannie Mae and Freddie Mac could redefine what constitutes an Agency mortgage-backed security and could have broad adverse market implications. While the likelihood that major mortgage finance system reform will be enacted in the short term remains uncertain, it is possible that the adoption of any such reforms could adversely affect the types of assets we can buy, the costs of these assets and our business operations. A reduction in the ability of mortgage loan originators to access Fannie Mae and Freddie Mac to sell their mortgage loans may adversely affect the mortgage markets generally and adversely affect the ability of mortgagors to refinance their mortgage loans. In addition, any decline in the value of securities issued by Fannie Mae and Freddie Mac may affect the value of MBS in general. If Fannie Mae or Freddie Mac was eliminated, or their structures were to change in a material manner that is not compatible with our business model, we would not be able to acquire Agency mortgage-backed securities from these entities, which could adversely affect our business operations.

***We may be subject to liability for potential violations of truth-in-lending or other similar consumer protection laws and regulations.***

Federal consumer protection laws and regulations regulate residential Residential mortgage loan underwriting originators and originators' lending processes, standards, and disclosures servicers are required to borrowers. These laws and regulations include, among others, the Consumer Financial Protection Bureau's ("CFPB") "ability-to-repay" and "qualified mortgage" regulations. In addition, there are comply with various other federal, state and local laws and regulations, that are intended to discourage predatory including anti-predatory lending practices by residential mortgage loan originators. laws and laws and regulations imposing certain restrictions on requirements on high-cost loans. For example, the federal Home Ownership and Equity Protection Act of 1994 ("HOEPA") which was expanded under the Dodd Frank Act, , prohibits inclusion of certain provisions in residential mortgage loans that have mortgage rates or origination costs in excess of prescribed levels and requires that borrowers be given certain disclosures prior to origination. The Dodd-Frank Act grants Failure of residential mortgage loan originators or servicers to comply with these laws, to the extent any of their residential mortgage loans become part of our investment portfolio, could subject us, as an assignee or purchaser of the related residential mortgage loans, to reputational harm, monetary penalties and the risk of the borrowers rescinding the affected residential mortgage loans. Lawsuits have been brought in various states making claims against assignees or purchasers of high-cost loans for violations of state law. Named defendants in these cases have included numerous participants within the secondary mortgage market. If loans in our portfolio are found to have been originated in violation of predatory or abusive lending laws, we could incur losses that would materially adversely affect our business.

Our business is subject to, or affected by, numerous regulations, including regulations regarding mortgage loan servicing, underwriting, and loan originator compensation and others that could be issued in the future. For example, the CFPB's "ability-to-repay" and "qualified mortgage" regulations impact the terms and conditions of all originated residential mortgage loans. Additionally, the CFPB has enforcement authority and broad discretionary regulatory authority to the CFPB to prohibit or condition terms, acts or practices relating to residential mortgage loans that the CFPB finds abusive, unfair, deceptive, or predatory, as well as to take other actions that the CFPB finds are necessary or proper to ensure responsible affordable mortgage credit remains available to consumers. The Dodd-Frank Act also affects the securitization of mortgages (and other assets) with requirements for risk retention by securitizers and requirements for regulating rating agencies.

Numerous regulations have been issued pursuant to the Dodd-Frank Act, including regulations regarding mortgage loan servicing, underwriting and loan originator compensation and others could be issued in the future. These requirements can and do change as statutes and regulations are enacted, promulgated, amended, and interpreted, and the recent trends among federal and state lawmakers and regulators have been toward increasing compliance obligations in laws, regulations, and investigative procedures concerning the mortgage industry generally. As a result, we are unable to fully predict at this time how the Dodd-Frank Act, as well as other laws or regulations that may be adopted in the future, will affect our business, results of operations and financial condition, or the environment for repurchase financing and other forms of borrowing, the investing environment for Agency MBS, non-Agency mortgage-backed securities and/or residential mortgage, and MSR. We believe that the Dodd-Frank Act and the regulations promulgated thereunder are likely to continue to increase the economic and compliance costs for participants in the mortgage and securitization industries, including us.

Some states have enacted, or may enact, similar laws or regulations, which in some cases may impose restrictions and requirements greater than those in place under federal laws and regulations. In addition, under the anti-predatory lending laws of some states, the origination of certain residential mortgage loans, including loans that are classified as "high cost" loans under applicable law, must satisfy a net tangible benefits test with respect to the borrower. This test, as well as certain standards set forth in the "ability-to-repay" and "qualified mortgage" regulations, may be highly subjective and open to interpretation. As a result, a court may determine that a residential mortgage loan did not meet the applicable standard or test even if the originator reasonably believed such standard or test had been satisfied. Failure of residential mortgage loan originators or servicers to comply with federal consumer protection laws and regulations could subject us, as an assignee or purchaser of these loans (or as an investor in securities backed by these loans), to monetary penalties and defenses to foreclosure, including by recoupment or setoff of damages and costs, which for some violations included the sum of all finance charges and fees paid by the consumer,



and could result in rescission of the affected residential mortgage loans, which could adversely impact our business and financial results. On December 10, 2020, the Consumer Financial Protection Bureau adopted a set of "bright-line" loan pricing thresholds to replace the previous qualified mortgage 43% debt-to-income threshold calculated in accordance with "Appendix Q". The Consumer Financial Protection Bureau also created a new category of a qualified mortgage, referred to as a "Seasoned QM", which consists of first-lien, fixed rate loans that met certain performance requirements over a seasoning period of at least

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36 months, are held in portfolio until the end of the seasoning period by the originating creditor or first purchaser, comply with general restrictions on product features and points and fees, and meet certain underwriting requirements. At this time, however, there can be no assurance what impact the final rules will have on the mortgage market and the "ability-to-repay" rules. Furthermore, the temporary qualified mortgage provision applicable to certain mortgage loans eligible for purchase or guarantee by the GSEs under the ability-to-repay, commonly referred to as the "GSE patch" expired on October 1, 2022. The impact of the expiration of the patch on the mortgage market is still unclear.



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Various regulatory measures enacted in response to the COVID-19 pandemic affect mortgage servicing and could have a material adverse effect on our business and financial results. The Federal, state, or local governments may pass additional stimulus bills, foreclosure relief measures and may reinstate foreclosure and eviction moratoriums that may continue to adversely impact the cash flow on mortgage loans.

The CFPB Director has publicly stated that CFPB is carefully monitoring conditions in the mortgage market and taking steps to minimize avoidable foreclosures and address any compliance failures, including by conducting prioritized assessments, or targeted supervisory reviews, designed to obtain real-time information from mortgage servicers due to the elevated risk of consumer harm because of the COVID 19 pandemic. On June 28, 2021, the CFPB finalized amendments to the federal mortgage servicing regulations designed to support the housing market's transition to post-pandemic operation. The rules established temporary special safeguards to help ensure that borrowers have time before foreclosure to explore their options, including loan modifications and selling their homes. The rules cover loans on principal residences, generally exclude small servicers, and took effect on August 31, 2021. On November 10, 2021, the Board of Governors of other regulators (including the Federal Reserve, Trade Commission) have provided multiple forms of guidance on the CFPB, the Federal Deposit Insurance Corporation, the National Credit Union Administration, the Office general subject of the Comptroller "junk fees." As there has been no formal definition of the Currency, "junk fees" proposed with respect to mortgage lending or servicing, it is possible that industry standard charges could be impacted through future regulatory action. The cost of whole loans and the state financial regulators (collectively, agencies) announced that they were discontinuing the more flexible supervisory approach announced in April 2020, concluding that servicers have had sufficient time to adjust their operations by, among other things, taking steps to work with consumers servicing income derived from owning MSR could be affected by the COVID-19 pandemic and developing more robust business continuity and remote work capabilities. CFPB's December 2021 Supervisory Highlights shows, among other things, that CFPB is prioritizing compliance with Regulation Z and Regulation X, categorizing any currently permissible fee or charge as well as unfair and deceptive acts or practices prohibited by the CFPA. The Fall 2022 Supervisory Highlights report published by the CFPB illustrated enhanced scrutiny continued throughout the first half of 2022 and, while some COVID-related provisions sunset in October, its approach is likely to continue to increase the economic and compliance costs for participants in the mortgage and securitization industries, including us, as its examinations remain focused on credit reporting, mortgage servicing fees charged to consumers, and proper handling of COVID-19 protections. "junk."

***We may not be able to maintain compliance with laws and regulations applicable to our Residential Credit or MSR businesses, including through the manner in which we oversee the compliance obligations of our third-party third party service providers.***

While we are not required to obtain licenses to purchase mortgage-backed securities, the purchase of residential mortgage loans and certain business purpose mortgage loans in the secondary market may, in some circumstances, require us to maintain various state licenses. Acquiring the right to service residential mortgage loans and certain business purpose mortgage loans may also, in some circumstances, require us to maintain various state licenses even though we currently do not expect to directly engage in loan servicing ourselves. As a result, we could be delayed in conducting certain business if we were first required to obtain a state license. We cannot assure you that we will be able to obtain all of the licenses we need or that we would not experience significant delays in obtaining these licenses. Furthermore, once licenses are issued we are required to comply with various information reporting and other regulatory requirements to maintain those licenses, and there is no assurance that we will be able to satisfy those requirements or other regulatory requirements applicable to our business of acquiring mortgage loans on an ongoing basis. Our failure to obtain or maintain required licenses or our failure to comply with regulatory requirements that are applicable to our business of acquiring mortgage loans may restrict our residential credit business and investment options and could harm our business and expose us to penalties or other claims.

Although we utilize unaffiliated servicing companies to carry out the actual servicing of MSR and the loans we purchase together with the related MSR (including all direct interface with the borrowers), we are ultimately responsible, vis-à-vis the borrowers and state and federal regulators, for ensuring that the loans and MSR are serviced in accordance with the terms of the related notes and mortgages and applicable law and regulation. To manage this risk, we have a robust oversight process that monitors the activities of the third-party third party servicers. This oversight process is also subject to regulatory requirements and expectations that we are expected to meet.

***Changes in laws or regulations governing our operations or our failure to comply with those laws or regulations may adversely affect our business.***



We are subject to regulation by laws at the local, state and federal level, including securities and tax laws and financial accounting and reporting standards. These laws and regulations, as well as their interpretation, may be changed from time to time and result in enhanced disclosure obligations, including with respect to climate change or other environmental, social, or governance ("ESG") topics, increasing our regulatory burden. Moreover, government efforts to address climate change may impact our business.

Accordingly, any change in these laws or regulations or the failure to comply with these laws or regulations could have a material adverse impact on our business. Certain of these laws and regulations pertain specifically to REITs.

***The increased focus on ESG and climate change issues by investors, governmental bodies and other stakeholders, as well as existing and proposed laws and regulations related to these topics, may adversely affect our business and financial results and damage our reputation.***

Our business faces increasing public scrutiny related to ESG activities, which are increasingly considered to contribute to reducing a company's operational risk, market risk and reputational risk, which may in turn impact the long-term sustainability of a company's performance. A variety of organizations measure the performance of companies on ESG topics, and the results of these assessments are widely publicized. Major institutional investors have publicly emphasized the importance of such ESG measures to their investment decisions. ESG and climate change issues are also increasingly important to the general public and the media, and actual or perceived underperformance with respect to these topics could result in negative press or sentiment with respect to our business. In addition, actual or perceived effects of climate change could negatively impact house prices, housing-related costs, and borrower behavior.

There is also growing governmental and regulatory interest across jurisdictions in improving the definition, measurement and disclosure of ESG factors in order to allow investors to validate and better understand ESG-related claims. To the extent we communicate ESG or climate-related statements, initiatives, commitments or goals in our SEC filings or in other disclosures,

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we face the risk of being accused of “greenwashing” to the extent our practices and policies do not match such claims. In addition, the SEC has established a climate and ESG task force to develop initiatives to identify ESG-related misconduct consistent with increased investor reliance on climate and ESG-related disclosure and investment. As a result, the SEC has started to bring enforcement actions based on ESG disclosures not matching actual investment processes.

In addition, the SEC is working on proposals for mandatory disclosure of certain ESG-related matters, including with respect to greenhouse gas emissions and climate change-related risks, and similar laws and regulations related to the disclosure and/or diligence of ESG and climate change-related risks have been enacted or proposed in U.S. states such as California, as well as the European Union and other jurisdictions. Compliance with any such new laws or regulations increases our regulatory burden and could make compliance more difficult and expensive, affect the manner in which we conduct our business and adversely affect our profitability and returns to our investors.

***We are subject to complex and evolving laws, regulations, rules, standards and contractual obligations regarding data privacy and security, which could increase the cost of doing business, compliance risks and potential liability.***

We are subject to complex and evolving laws, regulations, rules, standards and contractual obligations relating to data privacy and the security of personal information, and any failure to comply with these laws, regulations, rules, standards and contractual obligations could expose us to liability and/or reputational damage. The legal and regulatory environment surrounding data privacy and security in the U.S. and international jurisdictions is constantly evolving. New business initiatives have increased, and may continue to increase, the extent to which we are subject to such U.S. and international data privacy and security regulations. As new data privacy and security-related laws, regulations, rules and standards are implemented, the time and resources needed for us to comply with such laws, regulations, rules and standards, as well as our potential liability for non-compliance and reporting obligations in the case of cyberattacks, information security breaches or other similar incidents, may significantly increase. Compliance with these laws, regulations, rules and standards may require us to change our policies, procedures and technology for information security, which could, among other things, make us more vulnerable to operational failures and to monetary penalties for breach of such laws, regulations, rules and standards.

In the U.S., there are numerous federal, state and local data privacy and security laws and regulations governing the collection, sharing, use, retention, disclosure, security, storage, transfer and other processing of personal information. At the federal level, we are subject to, among other laws and regulations, the Gramm Leach Bliley Act (which regulates the confidentiality and security of customer information obtained by financial institutions and certain other types of financial services businesses) and regulations under it. Additionally, numerous states have enacted, or are in the process of enacting or considering, comprehensive state-level data privacy and security laws and regulations. Moreover, laws in all 50 U.S. states require businesses to provide notice under certain circumstances to consumers whose personal information has been disclosed as a result of a data breach.

Further, when required by applicable laws, regulations, rules and industry standards, we strive to provide or cause our service providers to provide privacy policies which are accurate and comprehensive. We cannot, however, ensure that the disclosure of these privacy policies and other statements regarding our practices will be sufficient to protect us from claims, proceedings, liability or adverse publicity relating to data privacy and security or with respect to the legally permissible sharing of data. Although we endeavor to comply with our privacy policies and to ensure our service providers do the same, occurrence of noncompliance or allegations of noncompliance are possible and could subject us to potential government or legal action, including action based on argument that the publication of these policies were deceptive, unfair, or misrepresentative of our actual practices. Any concerns about our data privacy and security practices, even if unfounded, could damage our reputation and adversely affect our business.

Any failure or perceived failure by us to comply with our privacy policies, or applicable data privacy and security laws, regulations, rules, standards or contractual obligations, or any compromise of security that results in unauthorized access to, or unauthorized loss, destruction, use, modification, acquisition, disclosure, release or transfer of personal information, may result in requirements to modify or cease certain operations or practices, the expenditure of substantial costs, time and other resources, proceedings or actions against us, legal liability, governmental investigations, enforcement actions, claims, fines, judgments, awards, penalties, sanctions and costly litigation (including class actions). Any of the foregoing could harm our reputation, distract our management and technical personnel, increase our costs of doing business, adversely affect the demand for our products and services, and ultimately result in the imposition of liability, any of which could have a material adverse effect on our business, financial condition and results of operations.



***We are subject to risks and liabilities in connection with sponsoring, investing in and managing new funds and other investment accounts, including potential regulatory risks.***

We have, and may in the future, sponsor, manage and serve as general partner and/or manager of new funds or investment accounts. Such sponsorship and management of, and investment in, such funds and accounts may involve risks not otherwise present with a direct investment in such funds’ and accounts’ target investments, including, for example:

- the possibility that investors in the funds/accounts might become bankrupt or otherwise be unable to meet their capital commitment obligations;
- that operating and/or management agreements of a fund/account may restrict our ability to transfer or liquidate our interest when we desire or on advantageous terms;
- that our relationships with the investors will be generally contractual in nature and may be terminated or dissolved under the terms of the agreements, or we may be removed as general partner and/or manager (with or without cause), and in such event, we may not continue to manage or invest in the applicable fund/account;
- that disputes between us and the investors may result in litigation or arbitration that would increase our expenses and prevent our officers and directors from focusing their time and effort on our business and result in subjecting the investments owned by the applicable fund/account to additional risk; and
- that we may incur liability for obligations of a fund/account by reason of being its general partner or manager.

We have a subsidiary that is registered with the SEC as an investment adviser under the Investment Advisers Act. As a result, we are subject to the anti-fraud provisions of the Investment Advisers Act and to fiduciary duties derived from these provisions that apply to our relationships with that subsidiary’s clients. These provisions and duties impose restrictions and obligations on us with respect to our dealings with our subsidiary’s clients, including, for example, restrictions on agency, cross and principal transactions. Our registered investment adviser subsidiary is subject to periodic SEC examinations and other requirements under the Investment Advisers Act and related regulations primarily intended to benefit advisory clients. These additional requirements relate to, among other things, maintaining an effective and comprehensive compliance program, recordkeeping and reporting requirements and disclosure requirements. The Investment Advisers Act generally grants the SEC broad administrative powers, including the power to limit or restrict



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an investment adviser from conducting advisory activities in the event it fails to comply with federal securities laws. Additional sanctions that may be imposed for failure to comply with applicable requirements under the Investment Advisers Act include the prohibition of individuals from associating with an investment adviser, the revocation of registrations and other censures and fines. We may in the future be required to register one or more entities as a commodity pool operator or commodity trading adviser, subjecting those entities to the regulations and oversight of the Commodity Futures Trading Commission and the National Futures Association. We may also become subject to various international regulations on the asset management industry.

***Loss of our Investment Company Act exemption from registration would adversely affect us.***

We intend to conduct our business so as not to become regulated as an investment company under the Investment Company Act. We currently rely on the exemption from registration provided by Section 3(c)(5)(C) of the Investment Company Act. Section 3(c)(5)(C), as interpreted by the staff of the SEC, requires us to invest at least 55% of our assets in "mortgages and other liens on and interest in real estate" ("Qualifying Real Estate Assets") and at least 80% of our assets in Qualifying Real Estate Assets plus our interests in MSR and other real estate related assets. The assets that we acquire, therefore, are limited by this provision of the Investment Company Act and the rules and regulations promulgated under the Investment Company Act.

We rely on an SEC interpretation that "whole pool certificates" that are issued or guaranteed by Fannie Mae, Freddie Mac or Ginnie Mae ("Agency Whole Pool Certificates") are Qualifying Real Estate Assets under Section 3(c)(5)(C). This interpretation was promulgated by the SEC staff in a no-action letter in the 1980s, was reaffirmed by the SEC in 1992 and has been commonly relied upon by mortgage REITs.



On August 31, 2011, the SEC issued a concept release titled "Companies Engaged in the Business of Acquiring Mortgages and Mortgage-Related Instruments" (SEC Release No. IC-29778). In this concept release, the SEC announced it was reviewing interpretive issues related to the Section 3(c)(5)(C) exemption. Among other things, the SEC requested comments on whether it should revisit whether Agency Whole Pool Certificates may be treated as interests in real estate (and presumably Qualifying Real Estate Assets) and whether companies, such as us, whose primary business consists of investing in Agency Whole Pool Certificates are the type of entities that Congress intended to be encompassed by the exclusion provided by Section 3(c)(5)(C).

If the SEC changes its views regarding which securities are Qualifying Real Estate Assets or real estate related assets, adopts a contrary interpretation with respect to Agency Whole Pool Certificates or otherwise believes we do not satisfy the exemption under Section 3(c)(5)(C), we could be required to restructure our activities or sell certain of our assets. The net effect of these

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factors will be to lower our net interest income, which could negatively affect the market price of shares of our capital stock and our ability to distribute dividends. If we fail to qualify for exemption from registration as an investment company, our ability to use leverage would be substantially reduced, and we would not be able to conduct our business as described. Our business will be materially and adversely affected if we fail to qualify for this exemption.

**Risks Related to Our Taxation as a REIT**

***Our failure to maintain our qualification as a REIT would have adverse tax consequences.***

We believe that since 1997 we have qualified for taxation as a REIT for U.S. federal income tax purposes under Sections 856 through 860 of the Code. We plan to continue to meet the requirements for taxation as a REIT. The determination that we are a REIT requires an analysis of various factual matters and circumstances that may not be totally within our control. For example, to maintain our qualification as a REIT, at least 75% of our gross income must come from real estate sources and 95% of our gross income must come from real estate sources and certain other sources that are itemized in the REIT tax laws. Additionally, our ability to satisfy the REIT asset tests depends upon our analysis of the characterization and fair market values of our assets, some of which are not susceptible to precise determination, and for which we will not obtain independent appraisals. The proper classification of an instrument as debt or equity for U.S. federal income tax purposes may be uncertain in some circumstances, which could affect the application of the REIT asset requirements. We are also required to distribute to stockholders at least 90% of our REIT taxable income (determined without regard to the deduction for dividends paid and by excluding any net capital gain). Even a technical or inadvertent mistake could jeopardize our REIT status. Furthermore, Congress and the Internal Revenue Service ("IRS") might make changes to the tax laws and regulations, and the courts might issue new rulings that make it more difficult or impossible for us to remain qualified as a REIT.

We also indirectly own interests in entities that have elected to be taxed as REITs under the U.S. federal income tax laws, or "Subsidiary REITs." Subsidiary REITs are subject to the various REIT qualification requirements that are applicable to us. If any Subsidiary REIT were to fail to qualify as a REIT, then (i) that Subsidiary REIT would become subject to regular U.S. federal, state, and local corporate income tax, (ii) our interest in such Subsidiary REIT would cease to be a qualifying asset for purposes of the REIT asset tests, and (iii) it is possible that we would fail certain of the REIT asset tests, in which event we also would fail to maintain our qualification as a REIT unless we could avail ourselves of certain relief provisions. While we believe that the Subsidiary REITs have qualified as REITs under the Code, we have joined each Subsidiary REIT in filing "protective" TRS elections under Section 856(l) of the Code. We cannot assure you that such "protective" TRS elections would be effective to avoid adverse consequences to us. Moreover, even if the "protective" elections were to be effective, the Subsidiary REITs would be subject to regular corporate income tax, and we cannot assure you that we would not fail to satisfy the requirement that not more than 20% of the value of our total assets may be represented by the securities of one or more TRSs. If we fail to maintain our qualification as a REIT, we would be subject to U.S. federal income tax at regular corporate rates. Also, unless the IRS were to grant us relief under certain statutory provisions, we would remain disqualified as a REIT for four years following the year we first fail to qualify. If we fail to maintain our qualification as a REIT, we would have to pay significant income taxes and would therefore have less money available for investments or for distributions to our stockholders. This would likely have a significant adverse effect on the value of our equity. In addition, the tax law would no longer require us to make distributions to our stockholders.

A REIT that fails the quarterly asset tests for one or more quarters will not lose its REIT status as a result of such failure if either (i) the failure is regarded as a de minimis failure under standards set out in the Code, or (ii) the failure is greater than a de minimis failure but is attributable to reasonable cause and not willful neglect. In the case of a greater than



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de minimis failure, however, the REIT must pay a tax and must remedy the failure within six months of the close of the quarter in which the failure was identified. In addition, the Code provides relief for failures of other tests imposed as a condition of REIT qualification, as long as the failures are attributable to reasonable cause and not willful neglect. A REIT would be required to pay a penalty of $50,000, however, in the case of each failure.



***Our distribution requirements could adversely affect our ability to execute our business plan.***

As a REIT, we must distribute at least 90% of our REIT taxable income (determined without regard to the deduction for dividends paid and by excluding any net capital gain). The required distribution limits the amount we have available for other business purposes, including amounts to fund our growth. Also, it is possible that because of the differences between the time we actually receive revenue or pay expenses and the period we report those items for distribution purposes, we may have to borrow funds on a short-term basis to meet the 90% distribution requirement.

To the extent that we satisfy this distribution requirement, but distribute less than 100% of our taxable income, we will be subject to U.S. federal corporate income tax on our undistributed taxable income. In addition, we will be subject to a non-deductible 4% excise tax if the actual amount that we pay out to our stockholders in a calendar year is less than a minimum



amount specified under U.S. federal tax laws. We intend to make distributions to our stockholders to comply with the REIT qualification requirements of the Code.

From time to time, we may generate taxable income greater than our income for financial reporting purposes prepared in accordance with GAAP, or differences in timing between the recognition of taxable income and the actual receipt of cash may occur. For example, if we purchase Agency or non-Agency securities at a discount, we generally are required to accrete the discount into taxable income prior to receiving the cash proceeds of the accreted discount at maturity, and in some cases, potentially recognize the discount in taxable income once such amounts are reflected in our financial statements. If we do not have other funds available in these situations we could be required to (i) borrow funds on unfavorable terms, (ii) sell investments at disadvantageous prices, (iii) distribute our own stock, or (iv) distribute amounts that would otherwise be invested in future acquisitions to make distributions sufficient to enable us to pay out enough of our taxable income to satisfy the REIT distribution requirement and to avoid the corporate income tax and 4% excise tax in a particular year. Also, we or our subsidiaries may hold debt investments that could require subsequent modifications. If an amendment to an outstanding debt is a “significant modification” for U.S. federal income tax purposes, the modified debt may be deemed to have been reissued in a debt-for-debt taxable exchange with the borrower. This deemed reissuance could result in a portion of the modified debt not qualifying as a good REIT asset if the underlying security has declined in value, and would cause us to recognize income to the extent the principal amount of the modified debt exceeds our adjusted tax basis in the unmodified debt. These scenarios could increase our costs or reduce our stockholders’ equity. Thus, compliance with the REIT requirements may hinder our ability to grow, which could adversely affect the value of our stock.

Conversely, from time to time, we may generate taxable income less than our income for financial reporting purposes due to GAAP and tax accounting differences or, as mentioned above, the timing between the recognition of taxable income and the actual receipt of cash. In such circumstances we may make distributions according to our business plan that are within our wherewithal from an economic or cash management perspective, but that are labeled as return of capital for tax reporting purposes, as they are in excess of taxable income in that period.

***Distributions to tax-exempt investors may be classified as unrelated business taxable income.***

Neither ordinary nor capital gain distributions with respect to our stock nor gain from the sale of our stock are anticipated to constitute unrelated business taxable income to a tax-exempt investor. However, there are certain exceptions to this rule. In particular:

- part of the income and gain recognized by certain qualified employee pension trusts with respect to our stock may be treated as unrelated business taxable income if shares of our stock are predominantly held by qualified employee pension trusts, and we are required to rely on a special look-through rule for purposes of meeting one of the REIT ownership tests, and we are not operated in a manner to avoid treatment of such income or gain as unrelated business taxable income;
- part of the income and gain recognized by a tax-exempt investor with respect to our stock would constitute unrelated business taxable income if the investor incurs debt in order to acquire the stock;
- part or all of the income or gain recognized with respect to our stock by social clubs, voluntary employee benefit associations, supplemental unemployment benefit trusts and qualified group legal services plans which are exempt from U.S. federal income taxation under the Code may be treated as unrelated business taxable income;
- to the extent that we (or a part of us, or a disregarded subsidiary of ours) are a “taxable mortgage pool,” or if we hold residual interests in a real estate mortgage investment conduit or a CLO;
- a portion of the distributions paid to a tax-exempt stockholder that is allocable to excess inclusion income may be treated as unrelated business taxable income.



***We may choose to pay dividends in our own stock.***



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We may in the future distribute taxable dividends that are payable in cash or shares of our stock at the election of each stockholder. Taxable stockholders receiving such dividends will be required to include the full amount of the dividend as ordinary income to the extent of our current and accumulated earnings and profits for U.S. federal income tax purposes. As a result, stockholders may be required to pay income taxes with respect to such dividends in excess of the cash dividends received. If a U.S. stockholder sells the stock that it receives as a dividend in order to pay this tax, the sales proceeds may be less than the amount included in income with respect to the dividend, depending on the market price of our stock at the time of the sale. Furthermore, with respect to certain non-U.S. stockholders, we may be required to withhold U.S. tax with respect to



such dividends, including in respect to all or a portion of such dividend that is payable in stock. In addition, if a significant number of our stockholders determine to sell shares of our stock in order to pay taxes owed on dividends, it may put downward pressure on the trading price of our stock.

***Our TRSs cannot constitute more than 20% of our total assets.***

A TRS is a corporation, other than a REIT or a qualified REIT subsidiary, in which a REIT owns stock and with which the REIT jointly elects TRS status. The term also includes a corporate subsidiary in which the TRS owns more than a 35% interest.

A REIT may own up to 100% of the stock of one or more TRSs. A TRS may earn income that would not be qualifying income if it was earned directly by the parent REIT. Overall, at the close of any calendar quarter, no more than 20% of the value of a REIT's assets may consist of stock or securities of one or more TRSs.

The stock and securities of our TRSs are expected to represent less than 20% of the value of our total assets. Furthermore, we intend to monitor the value of our investments in the stock and securities of our TRSs to ensure compliance with the above-described limitation. We cannot assure you, however, that we will always be able to comply with the limitation so as to maintain REIT status.

***TRSs are subject to tax at the regular corporate rates, are not required to distribute dividends, and the amount of dividends a TRS can pay to its parent REIT may be limited by REIT gross income tests.***

A TRS must pay income tax at regular corporate rates on any income that it earns. In certain circumstances, the ability of our TRSs to deduct interest expenses for U.S. federal income tax may be limited. Such income, however, is not required to be distributed. Our TRSs will pay corporate income tax on their taxable income, and their after-tax net income will be available for distribution to us.

Moreover, the annual gross income tests that must be satisfied to maintain our REIT qualification may limit the amount of dividends that we can receive from our TRSs. Generally, not more than 25% of our gross income can be derived from non-real estate related sources, such as dividends from a TRS. If, for any taxable year, the dividends we receive from our TRSs, when added to our other items of non-real estate related income, were to represent more than 25% of our total gross income for the year, we could be denied REIT status, unless we were able to demonstrate, among other things, that our failure of the gross income test was due to reasonable cause and not willful neglect.

The limitations imposed by the REIT gross income tests may impede our ability to distribute assets from our TRSs to us in the form of dividends. Certain asset transfers may, therefore, have to be structured as purchase and sale transactions upon which our TRSs recognize a taxable gain.

***If transactions between a REIT and a TRS are entered into on other than arm's-length terms, the REIT may be subject to a penalty tax.***

If interest accrues on an indebtedness owed by a TRS to its parent REIT at a rate in excess of a commercially reasonable rate, then the REIT would be subject to tax at a rate of 100% on the excess of (i) interest payments made by a TRS to its parent REIT over (ii) the amount of interest that would have been payable had interest accrued on the indebtedness at a commercially reasonable rate. A tax at a rate of 100% is also imposed on any transaction between a TRS and its parent REIT to the extent the transaction gives rise to deductions to the TRS that are in excess of the deductions that would have been allowable had the transaction been entered into on arm's-length terms. While we will scrutinize all of our transactions with our TRSs in an effort to ensure that we do not become subject to these taxes, there is no assurance that we will be successful. We may not be able to avoid application of these taxes.



***Even if we remain qualified as a REIT, we may face other tax liabilities that reduce our cash flow.***

Even if we remain qualified for taxation as a REIT, we may be subject to certain federal, state and local taxes on our income and assets, including taxes on any undistributed income, tax on income from some activities conducted as a result of a foreclosure, excise taxes, state or local income, property and transfer taxes, such as mortgage recording taxes, and other taxes. In addition, in order to meet the REIT qualification requirements, prevent the recognition of certain types of non-cash income, or to avert the imposition of a 100% tax that applies to certain gains derived by a REIT from dealer property or inventory, we may hold some of our assets through our TRSs or other subsidiary corporations that will be subject to corporate level income tax at regular rates.



***Complying with REIT requirements may cause us to forgo otherwise attractive opportunities and may force us to liquidate otherwise attractive investments.***

To remain qualified as a REIT for U.S. federal income tax purposes, we must continually satisfy tests concerning, among other things, the sources of our income, the nature and diversification of our assets, the amounts that we distribute to our stockholders and the ownership of our stock. Our ability to acquire and hold our investments is subject to the applicable REIT qualification tests. We must ensure that at the end of each calendar quarter, at least 75% of the value of our assets consists of cash, cash items, U.S. Government



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securities and qualified real estate assets. The remainder of our investment in securities (other than U.S. Government securities, qualified real estate assets and securities issued by a TRS) generally cannot include more than 10% of the outstanding voting securities of any one issuer or more than 10% of the total value of the outstanding securities of any one issuer. In addition, in general, no more than 5% of the value of our assets (other than U.S. Government securities, qualified real estate assets and securities issued by a TRS) can consist of the securities of any one issuer, and no more than 20% of the value of our total assets can be represented by securities of one or more TRSs.

Changes in the values or other features of our assets could cause inadvertent violations of the REIT requirements. If we fail to comply with the REIT requirements at the end of any calendar quarter, we must correct the failure within 30 days after the end of the calendar quarter or qualify for certain statutory relief provisions to avoid losing our REIT qualification and suffering adverse tax consequences. Additionally, we may be required to make distributions to stockholders at disadvantageous times or when we do not have funds readily available for distribution.

Accordingly we may be unable to pursue investments that would be otherwise advantageous to us or be required to liquidate from our investment portfolio otherwise attractive investments if we feel it is necessary to satisfy the source-of-income, asset-diversification or distribution requirements for qualifying as a REIT. These actions could have the effect of reducing our income and amounts available for distribution to our stockholders.

***Liquidation of assets may jeopardize our REIT qualification or create additional tax liability for us.***

To remain qualified as a REIT, we must comply with requirements regarding the composition of our assets and our sources of income. If we are compelled to liquidate our investments to repay obligations to our lenders, we may be unable to comply with these requirements, ultimately jeopardizing our qualification as a REIT, or we may be subject to a 100% tax on any resultant gain if we sell assets that are treated as dealer property or inventory.

***The failure of assets subject to repurchase agreements to qualify as real estate assets could adversely affect our ability to remain qualified as a REIT.***

We enter into certain financing arrangements that are structured as sale and repurchase agreements pursuant to which we nominally sell certain of our assets to a counterparty and simultaneously enter into an agreement to repurchase these assets at a later date in exchange for a purchase price. Economically, these agreements are financings that are secured by the assets sold pursuant thereto, and we treat them as such for U.S. federal income tax purposes. We believe that we would be treated for REIT asset and income test purposes as the owner of the assets that are the subject of any such sale and repurchase agreement notwithstanding that such agreement may transfer record ownership of the assets to the counterparty during the term of the agreement. It is possible, however, that the IRS could assert that we did not own the assets during the term of the sale and repurchase agreement, in which case we could fail to remain qualified as a REIT.

***Complying with REIT requirements may limit our ability to hedge effectively and may cause us to incur tax liabilities.***

The REIT provisions of the Code could substantially limit our ability to hedge our liabilities. Any income from a properly designated hedging transaction we enter into to manage risk of interest rate changes with respect to borrowings made or to be



made, or ordinary obligations incurred or to be incurred, to acquire or carry real estate assets generally does not constitute “gross income” for purposes of the 75% or 95% gross income tests. To the extent that we enter into other types of hedging transactions, the income from those transactions is likely to be treated as non-qualifying income for purposes of both of the gross income tests. As a result of these rules, we may have to limit our use of advantageous hedging techniques or implement those hedges through our TRSs. This could increase the cost of our hedging activities because our TRSs would be subject to tax on gains or expose us to greater risks associated with changes in interest rates than we would otherwise want to bear. In addition, losses in our TRSs generally will not provide any tax benefit, except for being carried forward potentially to offset taxable income in the TRSs for future periods.

The failure of a mezzanine loan or similar debt to qualify as a real estate asset could adversely affect our ability to qualify as a REIT.

From time to time, we have invested and may in the future invest in mezzanine loans and similar debt (including preferred equity investments that we treat as mezzanine loans for U.S. federal income tax purposes), for which the IRS has provided a safe harbor but not rules of substantive law. Pursuant to the safe harbor, if a mezzanine loan meets certain requirements, it will be treated by the IRS as a real estate asset for purposes of the REIT asset tests, and interest derived from the mezzanine loan will be treated as qualifying mortgage interest for purposes of the REIT 75% income test. The mezzanine loans or similar debt that we may acquire may not have met all of the requirements of this safe harbor. In the event we owned a mezzanine loan or similar debt that does not meet the safe harbor, the IRS could challenge such loan’s treatment as a real estate asset for purposes of the REIT asset and income tests and, if such a challenge were sustained, we could fail to maintain our qualification as a REIT.



***Qualifying as a REIT involves highly technical and complex provisions of the Code.***

Qualification as a REIT involves the application of highly technical and complex Code provisions for which only limited judicial and administrative authorities exist. Even a technical or inadvertent violation could jeopardize our REIT qualification. Our continued qualification as a REIT depends on our satisfaction of certain asset, income, organizational, distribution, stockholder ownership and other requirements on a continuing basis. In addition, our ability to satisfy the REIT qualification requirements depends in part on the actions of third parties over which we have no control or only limited influence, including in cases where we own an equity interest in an entity that is classified as a partnership for U.S. federal income tax purposes.

***The tax on prohibited transactions limits our ability to engage in certain transactions.***



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The 100% tax on prohibited transactions will limit our ability to engage in transactions, including certain methods of structuring CMOs, which would be treated as prohibited transactions for U.S. federal income tax purposes.

The term “prohibited transaction” generally includes a sale or other disposition of property (including mortgage loans, but other than foreclosure property, as discussed below) that is held primarily for sale to customers in the ordinary course of a trade or business by us or by a borrower that has issued a shared appreciation mortgage or similar debt instrument to us. We could be subject to this tax if we were to dispose of or structure CMOs in a manner that was treated as a prohibited transaction for U.S. federal income tax purposes.

We intend to conduct our operations at the REIT level so that no asset that we own (or are treated as owning) will be treated as or as having been, held for sale to customers, and that a sale of any such asset will not be treated as having been in the ordinary course of our business. As a result, we may choose not to engage in certain transactions at the REIT level, and may limit the structures we utilize for our CMO transactions, even though the sales or structures might otherwise be beneficial to us. In addition, whether property is held “primarily for sale to customers in the ordinary course of a trade or business” depends on the particular facts and circumstances. No assurance can be given that any property that we sell will not be treated as property held for sale to customers, or that we can comply with certain safe-harbor provisions of the Code that would prevent such treatment. The 100% tax does not apply to gains from the sale of property that is held through a TRS or other taxable corporation, although such income will be subject to tax in the hands of the corporation at regular corporate rates. We intend to structure our activities to avoid the prohibited transaction tax.

***Certain financing activities may subject us to U.S. federal income tax and could have negative tax consequences for our stockholders.***

We may enter into securitization transactions and other financing transactions that could result in us, or a portion of our assets, being treated as a taxable mortgage pool for U.S. federal income tax purposes. If we enter into such a transaction in the future,



we could be taxable at the highest corporate income tax rate on a portion of the income arising from a taxable mortgage pool, referred to as “excess inclusion income,” that is allocable to the percentage of our shares held in record name by disqualified organizations (generally tax-exempt entities that are exempt from the tax on unrelated business taxable income, such as state pension plans and charitable remainder trusts and government entities). In that case, we could reduce distributions to such stockholders by the amount of tax paid by us that is attributable to such stockholder's ownership.

If we were to realize excess inclusion income, IRS guidance indicates that the excess inclusion income would be allocated among our stockholders in proportion to the dividends paid. Excess inclusion income cannot be offset by losses of a stockholder. If the stockholder is a tax-exempt entity and not a disqualified organization, then this income would be fully taxable as unrelated business taxable income under Section 512 of the Code. If the stockholder is a foreign person, it would be subject to U.S. federal income tax at the maximum tax rate and withholding will be required on this income without reduction or exemption pursuant to any otherwise applicable income tax treaty.

***Uncertainty exists with respect to the treatment of our TBAs for purposes of the REIT asset and income tests.***

We purchase and sell Agency mortgage-backed securities through TBAs and recognize income or gains from the disposition of those TBAs, through dollar roll transactions or otherwise, and may continue to do so in the future. While there is no direct authority with respect to the qualification of TBAs as real estate assets or U.S. Government securities for purposes of the 75% asset test or the qualification of income or gains from dispositions of TBAs as gains from the sale of real property (including interests in real property and interests in mortgages on real property) or other qualifying income for purposes of the 75% gross income test, we treat our TBAs as qualifying assets for purposes of the REIT asset tests, and we treat income and gains from our TBAs as qualifying income for purposes of the 75% gross income test, based on an opinion of counsel substantially to the effect that (i) for purposes of the REIT asset tests, our ownership of a TBA should be treated as ownership of real estate assets,



and (ii) for purposes of the 75% REIT gross income test, any gain recognized by us in connection with the settlement of our TBAs should be treated as gain from the sale or disposition of an interest in mortgages on real property. Opinions of counsel are not binding on the IRS, and no assurance can be given that the IRS will not successfully challenge the conclusions set forth in such opinions. In addition, it must be emphasized that the opinion of counsel is based on various assumptions relating to our TBAs and is conditioned upon fact-based representations and covenants made by our management regarding our TBAs. No assurance can be given that the IRS would not assert that such assets or income are not qualifying assets or income. If the IRS were to successfully challenge the opinion of counsel, we could be subject to a penalty tax or we could fail to remain qualified as a REIT if a sufficient portion of our assets consists of TBAs or a sufficient portion of our income consists of income or gains from the disposition of TBAs.

***Dividends payable by REITs generally receive different tax treatment than dividend income from regular corporations.***

Qualified dividend income payable to U.S. stockholders that are individuals, trusts and estates is subject to the reduced maximum tax rate applicable to capital gains. Dividends payable by REITs, however, generally are not eligible for the reduced qualified dividend rates. Non-corporate taxpayers may deduct up to 20% of certain pass-through business income, including “qualified REIT dividends” (generally, dividends received by a REIT shareholder that are not designated as capital gain dividends or qualified dividend income), subject to certain limitations, resulting in an effective maximum U.S. federal income tax rate of 29.6% on such income. Although the reduced U.S. federal income tax rate applicable to qualified dividend income does not adversely affect the taxation of REITs or dividends payable by REITs, the more favorable rates applicable to regular corporate qualified dividends could cause investors who are individuals, trusts and estates to perceive investments in REITs to be relatively less attractive than investments in the stocks of non-REIT corporations that pay dividends, which could adversely affect the value of the shares of REITs, including our stock. Tax rates could be changed in future legislation.

***New legislation or administrative or judicial action, in each instance potentially with retroactive effect, could make it more difficult or impossible for us to remain qualified as a REIT.***



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The present U.S. federal income tax treatment of REITs may be modified, possibly with retroactive effect, by legislative, judicial or administrative action at any time, which could affect the U.S. federal income tax treatment of an investment in us. The U.S. federal income tax rules dealing with REITs constantly are under review by persons involved in the legislative process, the IRS and the U.S. Treasury, which results in statutory changes as well as frequent revisions to regulations and interpretations. Future revisions in federal tax laws and interpretations thereof could affect or cause us to change our investments and commitments and affect the tax considerations of an investment in us.

ANNALY CAPITAL MANAGEMENT, INC. AND SUBSIDIARIES
**Item 1A. Risk Factors**

**Counterparty Risks**

***The soundness of our counterparties and other financial institutions could adversely affect us.***

Financial services institutions are interrelated as a result of trading, clearing, counterparty, borrower, or other relationships. We have exposure to many different counterparties, and routinely execute transactions with counterparties in the financial services industry, including brokers and dealers, commercial banks, investment banks, mutual and hedge funds, mortgage companies, and other financial institutions. Many of these transactions expose us to credit or counterparty risk in the event of default of our counterparty or, in certain instances, our counterparty's customers. There is no assurance that any such losses would not materially and adversely impact our revenues, financial condition and earnings.

***We are subject to counterparty risk and may be unable to seek indemnity or require counterparties to repurchase residential whole loans if they breach representations and warranties, which could cause us to suffer losses.***

When selling or securitizing mortgage loans, sellers typically make customary representations and warranties about such loans. Residential mortgage loan purchase agreements may entitle the purchaser of the loans to seek indemnity or demand repurchase or substitution of the loans in the event the seller of the loans breaches a representation or warranty given to the purchaser. There can be no assurance that a mortgage loan purchase agreement will contain appropriate representations and warranties, that we or the trust that purchases the mortgage loans would be able to enforce a contractual right to repurchase or substitution, or that the seller of the loans will remain solvent or otherwise be able to honor its obligations under its mortgage loan purchase agreements. The inability to obtain or enforce an indemnity or require repurchase of a significant number of loans could adversely affect our results of operations, financial condition and business.

***Our rights under our repurchase and derivative agreements are subject to the effects of the bankruptcy laws in the event of the bankruptcy or insolvency of us or our lenders.***

ANNALY CAPITAL MANAGEMENT, INC. AND SUBSIDIARIES
**Item 1A. Risk Factors**

In the event of our insolvency or bankruptcy, certain repurchase and derivative agreements may qualify for special treatment under the U.S. Bankruptcy Code, the effect of which, among other things, would be to allow the lender to avoid the automatic stay provisions of the U.S. Bankruptcy Code and to foreclose on and/or liquidate the collateral pledged under such agreements without delay. In the event of the insolvency or bankruptcy of a lender during the term of a repurchase or derivative agreement, the lender may be permitted, under applicable insolvency laws, to repudiate the contract, and our claim against the lender for damages (after any permitted collateral liquidation and setoff) may be treated as an unsecured claim. Net claims in our favor after application of setoff would be subject to significant delay and costs to us and, if and when received, may be substantially less than the damages we actually incur.

**Investment and Market Related Risks**

***We may experience declines in the market value of our assets.***

We may experience declines in the market value of our assets due to interest rate changes, deterioration of the credit of the borrower or counterparty, or other reasons described in other risk factors. These declines can result in fair value adjustments, impairments, decreases in reported asset and earnings, margin calls, liquidity risks, and other adverse impacts.

***Investments in MSR may expose us to additional risks.***

We invest in MSR and financial instruments whose cash flows are considered to be largely dependent on underlying MSR that either directly or indirectly act as collateral for the investment. We expect to increase our exposure to MSR-related investments in 2023. 2024. Generally, we have the right to receive certain cash flows from the owner of the MSR that are generated from the servicing fees and/or excess servicing spread associated with the MSR. Our investments in MSR-related assets expose us to risks associated with MSR, including the following:

- Investments in MSR are highly illiquid and subject to numerous restrictions on transfer and, as a result, there is risk that we would be unable to locate a willing buyer or get required approval to sell MSR in the future should we desire to do so.
- Our rights to the excess servicing spread are subordinate to the interests of Fannie Mae, Freddie Mac and Ginnie Mae, and are subject to extinguishment. Fannie Mae and Freddie Mac each require approval of the sale of excess servicing spreads pertaining to their respective MSR. We have entered into acknowledgment agreements or subordination of interest agreements with them, which acknowledge our subordinated rights.
- Changes in minimum servicing compensation for agency loans could occur at any time and could negatively impact the value of the income derived from MSR.
- The value of MSR is highly sensitive to changes in prepayment rates. Decreasing market interest rates are generally associated with increases in prepayment rates as borrowers are able to refinance their loans at lower costs. Prepayments result in the partial or complete loss of the cash flows from the related MSR. Accordingly, an increase in prepayments can result in a reduction in the value and income we may earn of our MSR related assets and negatively affect our profitability.
- While we have executed recapture agreements with our subservicers to attempt to retain the MSR investment resulting from a refinance transaction, the effectiveness of these efforts is impacted by borrower, subservicer, and unaffiliated lender behavior.



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- Servicers are responsible for advancing the payment of principal, interest, and escrow items on mortgage loans when those payments are not timely made by the borrower (including during periods of forbearance) and the timing and amount of recovery of those advances is unpredictable.
- The ongoing impact of COVID-19 on the exposure resulting from loans that are delinquent, defaulted or in foreclosure. The federal CARES Act as well as various state laws and foreclosure and eviction moratoria have increased the cost and complexity of operational controls, expanded the scope and duration of loss mitigation options, and impacted the timing and process of foreclosure and foreclosure alternatives. These limitations can cause delayed or reduced collections and generally increase costs.

If we are not able to successfully manage these and other risks related to investing in MSR, it may adversely affect the value of our MSR-related assets.

***A prolonged economic slowdown or declining real estate values could impair the assets we may own.***

Our non-Agency mortgage-backed securities, mortgage loans, and MSR may be susceptible to economic slowdowns or recessions, which could lead to financial losses in our assets and a decrease in revenues, net income and asset values.

Owners of Agency mortgage-backed securities are protected from the risk of default on the underlying mortgages by guarantees from Fannie Mae, Freddie Mac or, in the case of the Ginnie Mae, the U.S. Government. A default on those underlying mortgages exposes us to prepayment risk described above, but not a credit loss. However, we also acquire CRTs, non-Agency mortgage-backed securities and residential loans, which are backed by residential real property but, in contrast to Agency



mortgage-backed securities, the principal and interest payments are not guaranteed by GSEs or the U.S. Government. Our CRT, non-Agency mortgage-backed securities and residential loan investments are therefore particularly sensitive to recessions and declining real estate values.

In the event of a default on one of the residential mortgage loans that we hold in our portfolio or a mortgage loan underlying CRT or non-Agency mortgage-backed securities in our portfolio, we bear the risk of loss as a result of the potential deficiency between the value of the collateral and the debt owed, as well as the costs and delays of foreclosure or other remedies, and the costs of maintaining and ultimately selling a property after foreclosure. Delinquencies and defaults on mortgage loans for which we own the servicing rights will adversely affect the amount of servicing fee income we receive and may result in increased servicing costs and operational risks due to the increased complexity of servicing delinquent and defaulted mortgage loans.

***An increase in interest rates may adversely affect the market value of our interest earning assets and, therefore, also our book value.***

Increases in interest rates may negatively affect the market value of our interest earning assets because in a period of rising interest rates, the value of certain interest earning assets may fall and reduce our book value. For example, our fixed-rate interest earning assets are generally negatively affected by increases in interest rates because in a period of rising rates, the coupon we earn on our fixed-rate interest earning assets would not change. Our book value would be reduced by the amount of a decline in the market value of our interest earning assets.

***Actions by the Federal Reserve may affect the price and returns of our assets.***

The Federal Reserve (the “Fed”) owns approximately $2.6 trillion $2.4 trillion of Agency mortgage-backed securities as of December 31, 2022 December 31, 2023. Certain actions taken by the U.S. government, including the Fed, may have a negative a impact on our results. For example, rising short-term interest rates as the Fed lifts its monetary policy rate to slow the currently elevated rate of inflation may have a negative impact on our results. Meanwhile, any potential future reduction of the Fed’s balance sheet might lead to higher interest rate volatility and wider mortgage-backed security spreads that could negatively impact Annaly’s portfolio.

***We invest in securities that are subject to mortgage credit risk.***

We invest in securities in the credit risk transfer CRT sector. The CRT sector is comprised of the risk sharing transactions issued by Fannie Mae (“CAS”) and Freddie Mac (“STACR”), and similarly structured transactions arranged by third party market participants. The securities issued in the CRT sector are designed to synthetically transfer mortgage credit risk from Fannie Mae and Freddie Mac to private investors. The holder of the securities in the CRT sector has the risk that the borrowers may default on their obligations to make full and timely payments of principal and interest. Investments in securities in the CRT sector could cause us to incur losses of income from, and/or losses in market value relating to, these assets if there are



defaults of principal and/or interest on the pool of mortgages referenced in the transaction. The holder of the CRT may also bear the risk of the default of the issuer of the security.

***Changes in credit spreads may affect the market price of credit-sensitive investments.***

A significant component of the fair value of CRT and non-Agency securities and other credit risk-oriented investments is attributable to the credit spread, or the difference between the value of the credit instrument and the value of a financial instrument with similar interest rate exposure, but with no credit risk, such as a U.S. Treasury note. Credit spreads can



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be highly volatile and may fluctuate due to changes in economic conditions, liquidity, investor demand and other factors. Credit spreads typically widen in times of increased market uncertainty or when economic conditions have or are expected to deteriorate. Credit spreads may also widen due to actual or anticipated rating downgrades on the securities or similar securities. Hedging fair value changes associated with credit spreads can be inefficient and our hedging strategies are not primarily designed to mitigate credit spread risk. Widening credit spreads could net unrealized gains to decrease or result in net losses.

***Geographic concentration exposes investors to greater risk of default and loss.***

Repayments by borrowers and the market value of the related assets could be affected by economic conditions generally or specific to geographic areas or regions of the United States, and concentrations of mortgaged residential properties in particular geographic areas may increase the risk that adverse economic or other developments or natural or man-made disasters affecting a particular region of the country could increase the frequency and severity of losses on mortgage loans or other real estate debt secured by those properties. From time to time, regions of the United States experience significant real estate downturns when



others do not. Regional economic declines or conditions in regional real estate markets could adversely affect the income from, and market value of, the mortgaged properties. In addition, local or regional economies may be adversely affected to a greater degree than other areas of the country by developments affecting industries concentrated in such area. A decline in the general economic condition in the region in which mortgaged properties securing the related mortgage loans are located would result in a decrease in consumer demand in the region, and the income from and market value of the mortgaged properties may be adversely affected.

Other regional factors – e.g., rising sea levels, earthquakes, floods, forest fires, hurricanes or changes in governmental rules (including rules related to the COVID-19 pandemic) or fiscal policies – also may adversely affect the mortgaged properties. Assets in certain regional areas may be more susceptible to certain hazards (such as earthquakes, widespread fires, floods or hurricanes) than properties in other parts of the country and collateral properties located in coastal states may be more susceptible to hurricanes than properties in other parts of the country. As a result, areas affected by such events often experience disruptions in travel, transportation and tourism, loss of jobs and an overall decrease in consumer activity, and often a decline in real estate-related investments. These types of occurrences may increase over time or become more severe due to changes in weather patterns and other climate changes. There can be no assurance that the economies in such impacted areas will recover sufficiently to support income producing real estate at pre-event levels or that the costs of the related clean-up will not have a material adverse effect on the local or national economy.

***Inadequate property insurance coverage could have an adverse impact on our operating results.***

Residential real estate assets may suffer casualty losses due to risks (including acts of terrorism) that are not covered by insurance or for which insurance coverage requirements have been contractually limited by the related loan documents. Moreover, if reconstruction or major repairs are required following a casualty, changes in laws that have occurred since the time of original construction may materially impair the borrower's ability to effect such reconstruction or major repairs or may materially increase the cost thereof.

There is no assurance that borrowers have maintained or will maintain the insurance required under the applicable loan documents or that such insurance will be adequate. In addition, the effects of climate change have made, and may continue to make, certain types of insurance, such as flood insurance, increasingly difficult and/or expensive to obtain in certain areas.In addition, since the residential mortgage loans generally do not require maintenance of terrorism insurance, we cannot assure you that any property will be covered by terrorism insurance. Therefore, damage to a collateral property that is not adequately insured or damage to a collateral property caused by acts of terror may not be covered by insurance and may result in substantial losses to us.

***Our assets may become non-performing or sub-performing assets in the future.***

Our assets may in the near or the long term become non-performing or sub-performing assets, which are subject to increased risks relative to performing assets. Residential mortgage loans may become non-performing or sub-performing for a variety of reasons that result in the borrower being unable to meet its debt service and/or repayment obligations, such as the underlying property being too highly leveraged or the financial distress of the borrower. Such non-performing or sub-performing assets may require a substantial amount of workout negotiations and/or restructuring, which may involve substantial cost and divert the attention of our management from other activities and may entail, among other things, a substantial reduction in interest rate, the capitalization of interest payments and/or a substantial write-down of the principal of the loan. Even if a restructuring were successfully accomplished, the borrower may not be able or willing to maintain the restructured payments or refinance the restructured loan upon maturity.

From time to time we may find it necessary or desirable to foreclose the liens of loans we acquire or originate, and the foreclosure process may be lengthy and expensive. Borrowers may resist foreclosure actions by asserting numerous claims, counterclaims and defenses to payment against us (such as lender liability claims and defenses) even when such assertions may have no basis in fact or law, in an effort to prolong the foreclosure action and force the lender into a modification of the loan or a favorable buy-out of the borrower's position. In some states, foreclosure actions can take several years or more to litigate. At



any time prior to or during the foreclosure proceedings, the borrower may file for bankruptcy, which would have the effect of staying the foreclosure actions and further delaying the resolution of our claims. Foreclosure may create a negative public perception of the related property, resulting in a diminution of its value. Even if we are successful in foreclosing on a loan, the liquidation proceeds upon sale of the underlying real estate may not be sufficient to recover our cost basis in the loan, resulting in a loss to us. Furthermore, any costs or delays involved in the foreclosure of a loan or a liquidation of the underlying property will further reduce the proceeds and thus increase our loss. Any such reductions could materially and adversely affect the value of the residential mortgage loans in which we invest.

Whether or not we have participated in the negotiation of the terms of a loan, there can be no assurance as to the adequacy of the protection of the terms of the loan, including the validity or enforceability of the loan and the maintenance of the anticipated





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priority and perfection of the applicable security interests. Furthermore, claims may be asserted that might interfere with enforcement of our rights. In the event of a foreclosure, we may assume direct ownership of the underlying real estate. The liquidation proceeds upon sale of that real estate may not be sufficient to recover our cost basis in the loan, resulting in a loss to us. Any costs or delays involved in the effectuation of a foreclosure of the loan or a liquidation of the underlying property will further reduce the proceeds and increase our loss.

Whole loan mortgages are also subject to "special hazard" risk (property damage caused by hazards, such as earthquakes or environmental hazards, not covered by standard property insurance policies), and to bankruptcy risk (reduction in a borrower's mortgage debt by a bankruptcy court). In addition, claims may be assessed against us on account of our position as mortgage holder or property owner, as applicable, including responsibility for tax payments, environmental hazards and other liabilities, which could have a material adverse effect on our results of operations, financial condition and our ability to make distributions to our stockholders.

***We may be required to repurchase residential mortgage loans or indemnify investors if we breach representations and warranties.***

When we sell or securitize loans, we will be required to make customary representations and warranties about such loans to the loan purchaser. Our mortgage loan sale agreements will require us to repurchase or substitute loans in the event we breach a representation or warranty given to the loan purchaser. In addition, we may be required to repurchase loans as a result of borrower fraud or in the event of early payment default on a mortgage loan. Likewise, we may be required to repurchase or substitute loans if we breach a representation or warranty in connection with our securitizations. The remedies available to a purchaser of mortgage loans are generally broader than those available to us against the originating broker or correspondent. Further, if a purchaser enforces its remedies against us, we may not be able to enforce the remedies we have against the sellers. The repurchased loans typically can only be financed at a steep discount to their repurchase price, if at all. They are also typically sold at a significant discount to the unpaid principal balance. Significant repurchase activity could adversely affect our cash flow, results of operations, financial condition and business prospects.

***Our and our third party service providers' and servicers' due diligence of potential assets may not reveal all weaknesses in such assets.***

Before acquiring a residential real estate debt asset, we will assess the strengths and weaknesses of the borrower, originator or issuer of the asset as well as other factors and characteristics that are material to the performance of the asset. In making the assessment and otherwise conducting customary due diligence, we will rely on resources available to us, including our third party service providers and servicers. This process is particularly important with respect to newly formed originators or issuers because there may be little or no information publicly available about these entities and assets. There can be no assurance that our due diligence process will uncover all relevant facts or that any asset acquisition will be successful.

***When we foreclose on an asset, we may come to own the property securing the loan.***

When we foreclose on a residential real estate asset, we may take title to the property securing that asset, and if we do not or cannot sell the property, we would then come to own and operate it as "real estate owned." Owning and operating real property involves risks that are different (and in many ways more significant) than the risks faced in owning a debt instrument secured by that property. In addition, we may end up owning a property that we would not otherwise have decided to acquire directly at the price of our original investment or at all. If we foreclose on and come to own property, our financial performance and returns to investors could suffer.



***Proposals to acquire mortgage loans by eminent domain may adversely affect the value of our assets.***

Local governments have taken steps to consider how the power of eminent domain could be used to acquire residential mortgage loans. There can be no certainty whether any mortgage loans sought to be purchased will be mortgage loans held in securitization trusts and what purchase price would be paid for any such mortgage loans. Any such actions could have a material adverse effect on the market value of our mortgage-backed securities, mortgage loans and MSR. There is also no certainty as to whether any such action without the consent of investors would face legal challenge, and, if so, the outcome of any such challenge.



***Subordinated tranches of non-Agency mortgage-backed securities are subordinate in right of payment to more senior securities.***

Our investments may include subordinated tranches of non-Agency mortgage-backed securities, which are subordinated classes of securities in a structure of securities collateralized by a pool of mortgage loans and, accordingly, are the first or among the first to bear the loss upon a restructuring or liquidation of the underlying collateral and the last to receive payment of interest and principal. Additionally, estimated fair values of these subordinated interests tend to be more sensitive to changes in economic conditions than more senior securities. As a result, such subordinated interests generally are not actively traded and may not be liquid investments.

***Our hedging strategies may be costly, and may not hedge our risks as intended.***

Our policies permit us to enter into interest rate swaps, caps and floors, interest rate swaptions, interest rate futures, and other derivative transactions to help us mitigate our interest rate and prepayment risks described above subject to maintaining our qualification as a REIT and our Investment Company Act exemption. We have used interest rate swaps and options to enter into interest rate swaps (commonly referred to as interest rate swaptions) to provide a level of protection against interest rate risks. We may also purchase or sell TBAs on Agency mortgage-backed securities, purchase or write put or call options on TBAs, and invest in other types of mortgage derivatives, such as interest-only securities, and hold short positions in U.S. Treasury securities. No hedging strategy can protect us completely. Interest rate hedging may fail to protect or could adversely affect us because, among other things: interest rate hedging can be expensive, particularly during periods of volatile interest rates; available hedges may not correspond directly with the risk for which



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protection is sought; and the duration of the hedge may not match the duration of the related asset or liability. The expected transition from LIBOR to alternative reference rates adds additional complication to our hedging strategies.

***We are subject to risks of loss from weather conditions, man-made or natural disasters and the direct and indirect effects of climate change.***

To the extent that climate change impacts changes in weather patterns, assets Assets in which we hold a direct or indirect interest could experience severe weather, including hurricanes, severe winter storms, and flooding due to increases in storm intensity and rising (including as a result of sea levels, level rise), all of which may become more severe as a result of climate change, which among other effects that could impact house prices and housing-related costs and/or disrupt borrowers' ability to pay their mortgage and or loan. In addition, such events, particularly if they are not adequately covered by insurance or have a broader negative impact on the local economy, may decrease the value of land and property secured by mortgages. Moreover, long term climate change could trigger extreme weather conditions that result in macroeconomic and demographic shifts. Over time, these conditions could result in repricing of the assets (land, property, securities) that we hold. There can be no assurance that climate change and severe weather will not have a material adverse effect on our financial performance.

**Operational and Cybersecurity Risks**

***Inaccurate models or the data used by models may expose us to risk.***

Given our strategies and the complexity of the valuation of our assets, we must rely heavily on analytical models (both proprietary models developed by us and those supplied by third parties) and information and data supplied by our third party vendors and servicers. Models and data are used to value assets or potential asset purchases and also in connection with hedging our assets. When models and data prove to be incorrect, misleading or incomplete, any decisions made in reliance thereon expose us to potential risks. For example, by relying on models and data, especially valuation models, we may be induced to buy certain assets at prices that are too high, to sell certain other assets at prices that are too low or to miss favorable opportunities altogether. Similarly, any hedging based on faulty models and data may prove to be unsuccessful. Furthermore, despite our valuation validation processes our models may nevertheless prove to be incorrect.

Some of the risks of relying on analytical models and third-party third party data are particular to analyzing tranches from securitizations, such as commercial or residential mortgage-backed securities. These risks include, but are not limited to, the following: (i) collateral cash flows and/or liability structures may be incorrectly modeled in all or only certain scenarios, or may be modeled



based on simplifying assumptions that lead to errors; (ii) information about collateral may be incorrect, incomplete, or misleading; (iii) collateral or bond historical performance (such as historical prepayments, defaults, cash flows, etc.) may be incorrectly reported, or subject to interpretation (e.g., different issuers may report delinquency statistics based on different definitions of what constitutes a delinquent loan); or (iv) collateral or bond information may be outdated, in which case the models may contain incorrect assumptions as to what has occurred since the date information was last updated.

Some of the analytical models used by us, such as mortgage prepayment models or mortgage default models, are predictive in nature. The use of predictive models has inherent risks. For example, such models may incorrectly forecast future behavior, leading to potential losses on a cash flow and/or a mark-to-market basis. In addition, the predictive models used by us may differ substantially from those models used by other market participants, with the result that valuations based on these

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predictive models may be substantially higher or lower for certain assets than actual market prices. Furthermore, since predictive models are usually constructed based on historical data supplied by third parties, the success of relying on such models may depend heavily on the accuracy and reliability of the supplied historical data and the ability of these historical models to accurately reflect future periods. Additionally, such models may be more prone to inaccuracies in light of the unprecedented conditions created by the COVID-19 pandemic. In particular, the economic, financial and related impacts of COVID-19 have been very difficult to model (including as related to the housing and mortgage markets), as the catalyst for these conditions (i.e., a global pandemic) is an event that is unparalleled in modern history and therefore is subject to wide variables, assumptions and inputs. Therefore, historical data used in analytical models may be less reliable in predicting future conditions. Further, the conditions created by COVID-19 increased volatility across asset classes. Extreme volatility in any asset class, including real estate and mortgage-related assets, increases the likelihood of analytical models being inaccurate as market participants attempt to value assets that have frequent, significant swings in pricing.

Many of the models we use include LIBOR as an input. The expected transition away from LIBOR may require changes to models, may change the underlying economic relationships being modeled, and may require the models to be run with less historical data than is currently available for LIBOR.

All valuation models rely on correct market data inputs. If incorrect market data is entered into even a well-founded valuation model, the resulting valuations will be incorrect. However, even if market data is inputted correctly, "model prices" will often differ substantially from market prices, especially for securities with complex characteristics, such as derivative instruments or structured notes.

***We are highly dependent on information systems that may expose us to cybersecurity risks. and networks, many of which are operated by third parties, and any failure of these systems or networks could materially and adversely affect our business.***

Our business is highly dependent on communications and information systems. systems and networks. Any failure or interruption of our systems or cyber-attacks networks or cyberattacks or other information security breaches of our networks or systems could cause delays or other problems in our securities trading activities, including mortgage-backed securities trading activities. A disruption or breach could also lead to unauthorized access to and release, misuse, loss or destruction of our confidential information or personal or confidential information of our employees or third parties, which could lead to regulatory fines, costs of remediating the breach, reputational harm, financial losses, litigation and increased difficulty doing business with third parties that rely on us to meet their own data protection requirements. In addition, we also face the risk of operational failure,



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termination or capacity constraints of any of the third parties with which we do business or that facilitate our business activities, including clearing agents or other financial intermediaries we use to facilitate our securities transactions, if their respective systems experience failure, interruption, cyber-attacks, cyberattacks, or other information security breaches. Certain third parties provide information needed for our financial statements that we cannot obtain or verify from other sources. If one of those third parties experiences a system or network failure or cybersecurity incident, we may not have access to that information or may not have confidence in its accuracy. We may face increased costs as we continue

Any failure to evolve our cyber defenses in order to contend with changing risks, and possible increased costs of complying with cyber laws and regulations. These costs and losses associated with these risks are difficult to predict and quantify, but could have a significant adverse effect on our operating results. Additionally, the legal and regulatory environment surrounding information privacy maintain performance, reliability and security of our technical infrastructure, systems or networks, or any such failure by third parties upon whom we rely, could materially and adversely affect our business.

***Cyberattacks or other information security breaches could adversely affect our business, reputation and financial condition.***

Cybersecurity risks for financial services businesses have significantly increased in recent years in part because of the U.S. proliferation of new technologies, including generative artificial intelligence, and international jurisdictions is constantly evolving. New business initiatives have the increased sophistication and may continue to increase, the extent to which we are subject to such U.S. activities of organized crime, hackers, terrorists, nation-states, state-sponsored actors and international information privacy and security regulations.

other external parties. Computer malware, ransomware, viruses, computer hacking, denial-of-service attacks, and social engineering attacks (including phishing attacks attacks) have become more prevalent in our industry and we are subject to such attempted attacks. Cybersecurity risks also may derive from fraud or malice on the part of our employees or third parties, or may result from human error, software bugs, server malfunctions, software or hardware failure or other technological failure. Such threats may be difficult to detect for long periods of time and also may be further enhanced in frequency or effectiveness through threat actors' use of artificial intelligence.

We rely heavily on our financial, accounting and other data processing systems. A cyberattack or other information security breach of such systems could lead to unauthorized access to and release, misuse, loss or destruction of our confidential information or personal or confidential information of our clients, employees or third parties, which could lead to regulatory fines, costs of remediating the breach, reputational harm, financial losses, litigation and increased difficulty doing business with third parties that rely on us to meet their own data protection requirements.

While we generally perform cybersecurity diligence on our key service providers, we do not control our service providers and our ability to monitor their cybersecurity is limited. Some of our service providers may store or have access to our data and may not have effective controls, processes, or practices to protect our information from loss, unauthorized disclosure, unauthorized use or misappropriation, cyberattacks or other information security breach. A vulnerability in our service providers' software or systems, a failure of our service providers' safeguards, policies or procedures, or a cyberattack or other information security breach affecting any of these third parties could harm our business.

Although we have not detected a material cybersecurity breach to date, other financial institutions have reported material breaches of their systems, some of which have been significant. Even with all reasonable security efforts, not every breach can be prevented or even detected. It is possible that we have experienced an undetected breach. There is no assurance that we, or the third parties that facilitate our business activities, have not or will not experience a breach. We may be held responsible if certain third parties that facilitate our business activities experience a breach. Additionally, we cannot be certain that our insurance coverage will be adequate for cybersecurity liabilities actually incurred, that insurance will continue to be available to us on economically reasonable terms, or at all, or that our insurer will not deny coverage as to any future claim.

We may face increased costs as we continue to evolve our cyber defenses in order to contend with changing risks, and possible increased costs of complying with cybersecurity laws and regulations. These costs and losses associated with these risks are difficult to predict and quantify, but could have a significant adverse effect on our operating results.



It is difficult to determine what, if any, negative impact may directly result from any specific interruption or cyber-attacks cyberattacks or other information security breaches of our networks or systems (or the networks

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or systems of third parties that facilitate our business activities), but any cyberattack or any failure to maintain performance, reliability and other information security of our technical infrastructure, but such computer malware, viruses, and computer hacking and phishing attacks breach may negatively affect our operations. Further, we could be exposed to litigation, regulatory enforcement, investigations or other legal action as a result of an incident, carrying the potential for damages, fines, sanctions or other penalties, injunctive relief requiring costly compliance measures, and reputational damage.

***We depend on third-party third party service providers, including mortgage loan servicers and sub-servicers, for a variety of services related to our business.***

We depend on a variety of services provided by third-party third party service providers related to our investments in MSR as well as for general operating purposes. For example, we rely on the mortgage servicers who service the mortgage loans underlying our MSR to, among other things, collect principal and interest payments on such mortgage loans and perform loss mitigation services in accordance with applicable laws and regulations. Mortgage servicers and other service providers, such as trustees, bond insurance providers, due diligence vendors and document custodians, may fail to perform or otherwise not perform in a manner that promotes our interests.

For example, any legislation or regulation intended to reduce or prevent foreclosures through, among other things, loan modifications may reduce the value of mortgage loans, including those underlying our MSR. Mortgage servicers may be required or otherwise incentivized by the Federal or state governments to pursue actions designed to assist mortgagors, such as loan modifications, forbearance plans and other actions intended to prevent foreclosure even if such loan modifications and other actions are not in the best interests of the beneficial owners of the mortgage loans. Similarly, legislation delaying the initiation or completion of foreclosure proceedings on specified types of residential mortgage loans or otherwise limiting the ability of mortgage servicers to take actions that may be essential to preserve the value of the mortgage loans may also reduce the value of



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mortgage loans underlying our MSR. Any such limitations are likely to cause delayed or reduced collections from mortgagors and generally increase servicing costs. As a consequence of the foregoing matters, our business, financial condition and results of operations may be adversely affected.

***Our investments in residential whole loans subject us to servicing-related risks.***

In connection with the acquisition and securitization of residential whole loans, we rely on unaffiliated servicing companies to service and manage the mortgages underlying our non-Agency mortgage-backed securities and our residential whole loans. If a servicer is not vigilant in seeing that borrowers make their required monthly payments, borrowers may be less likely to make these payments, resulting in a higher frequency of default. If a servicer takes longer to liquidate non-performing mortgages, our losses related to those loans may be higher than originally anticipated.

Any failure by servicers to service these mortgages and related real estate owned ("REO") properties could negatively impact the value of these investments and our financial performance. In addition, while we have contracted, and will continue to contract, with unaffiliated servicing companies to carry out the actual servicing of the loans we purchase together with the related MSR (including all direct interface with the borrowers), we are nevertheless ultimately responsible, *vis-à-vis* the borrowers and state and federal regulators, for ensuring that the loans are serviced in accordance with the terms of the related notes and mortgages and applicable law and regulation. In light of the current regulatory environment, such exposure could be significant even though we might have contractual claims against our servicers for any failure to service the loans to the required standard.

A default by the mortgage servicer in its capacity as servicer and/or failure of the mortgage servicer to perform its obligations related to any MSR could result in a loss of value of servicing fees and/or excess servicing spread. Mortgage servicers are subject to extensive federal, state and local laws, regulations and administrative decisions and failure to comply with such regulations can expose the servicer to fines, damages and losses. In its the capacity as of servicer, mortgage servicers operate in a highly litigious industry that subject it to potential lawsuits related to billing and collections practices, modification protocols or foreclosure practices.

When a residential whole loan we own is foreclosed upon, title to the underlying property would be taken by one of our subsidiaries. The foreclosure process, especially in judicial foreclosure states such as New York, Florida and New Jersey can be lengthy and expensive, and the delays and costs involved in completing a foreclosure, and then liquidating the property through sale, may materially increase any related loss. Finally, at such time as title is taken to a foreclosed property, it may require more extensive rehabilitation than we estimated at acquisition or a previously unknown environmental liability may be discovered that would require expensive and time-consuming remediation.

Additionally, given the magnitude of the 2008-2009 housing crisis, and in response to the well-publicized failures of many servicers to follow proper foreclosure procedures, mortgage servicers are being held to much higher foreclosure-related



documentation standards than they previously were. However, because many mortgages have been transferred and assigned multiple times (and by means of varying assignment procedures) throughout the origination, warehouse, and securitization processes, mortgage servicers have generally had much more difficulty furnishing the requisite documentation to initiate or complete foreclosures. In addition, unexpected macro-level events such as the COVID-19 pandemic or natural disasters have led, and could continue to lead, to delays in the foreclosure process, both by operation of state law (e.g., foreclosure moratoriums in certain states) and by delays in the judicial system. These circumstances have led to stalled or suspended foreclosure proceedings, and ultimately additional foreclosure-related costs. Foreclosure-related delays also tend to increase ultimate loan loss severities as a result of property deterioration, amplified legal and other costs, and other factors. Many factors delaying foreclosure, such as borrower lawsuits and judicial backlog and scrutiny, are outside of a servicer's control and have delayed, and will likely continue to delay, foreclosure processing in both judicial states (where foreclosures require court involvement) and non-judicial states. The concerns about deficiencies in foreclosure practices of servicers and related delays in the foreclosure process may impact our loss assumptions and has affected and may continue to affect the values of, and our returns on, our investments in residential whole loans.

***The performance of loans underlying our MSR related assets may be adversely affected by the performance of the related mortgage servicer.***

The performance of the loans underlying our MSR related assets is subject to risks associated with inadequate or untimely servicing. If our mortgage servicers commit a material breach of their obligations as a servicer, we may be subject to damages if the breach is not cured within a specified period of time following notice. In addition, poor performance by a mortgage servicer may result in greater than expected delinquencies and foreclosures and losses on the mortgage loans underlying our MSR related assets. A substantial increase in our delinquency or foreclosure rate or the inability to process claims could adversely affect our ability to access the capital and secondary markets for our financing needs.

Similarly to the way in which we service residential whole loans, we have also contracted, and will continue to contract, with unaffiliated servicing companies to carry out the actual servicing activities (including all direct interface with the borrowers). However, we are nevertheless ultimately responsible, vis-à-vis the borrowers and state and federal regulators, for ensuring that these activities are performed in accordance with the terms of the related notes and mortgages and applicable laws and regulations. In light of the current regulatory environment, such exposure could be significant even though we might have contractual claims against our servicers for any failure to service the loans to the required standard.

A default by the mortgage servicer in its capacity as servicer and/or failure of the mortgage servicer to perform its obligations related to any MSR could result in a loss of value of servicing fees and/or excess servicing spread. Mortgage servicers are subject to extensive federal, state and local laws, regulations and administrative decisions and failure to comply with such regulations can expose the servicer to fines, damages and losses. In its the capacity as of servicer, mortgage servicers operate in a highly litigious industry that subject them to potential lawsuits related to billing and collections practices, modification protocols or foreclosure practices.

***An increase or decrease in prepayment rates may adversely affect our profitability.***

The mortgage-backed securities we acquire are backed by pools of mortgage loans. We receive payments, generally, from the payments that are made on the underlying mortgage loans. We often purchase mortgage-backed securities that have a higher coupon rate than the prevailing market interest rates. In exchange for a higher coupon rate, we typically pay a premium over par value to acquire these mortgage-backed securities. In accordance with U.S. generally accepted accounting principles ("GAAP"), we amortize the premiums



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on our mortgage-backed securities over the expected life of the related mortgage-backed securities. If the mortgage loans securing these mortgage-backed securities prepay at a more rapid rate than anticipated, we will have to amortize our premiums on an accelerated basis that may adversely affect our profitability.

Defaults on mortgage loans underlying Agency mortgage-backed securities typically have the same effect as prepayments because of the underlying Agency guarantee.

Prepayment rates generally increase when interest rates fall and decrease when interest rates rise, but changes in prepayment rates are difficult to predict. Prepayment rates also may be affected by conditions in the housing and financial markets, general economic conditions and the relative interest rates on fixed-rate and adjustable-rate mortgage loans. We may seek to minimize prepayment risk to the extent practical, and in selecting investments we must balance prepayment risk against other risks and the potential returns of each investment. No strategy can completely insulate us from prepayment risk. We may choose to bear increased prepayment risk if we believe that the potential returns justify the risk.

Conversely, a decline in prepayment rates on our investments will reduce the amount of principal we receive and therefore reduce the amount of cash we otherwise could have reinvested in higher yielding assets at that time, which could negatively impact our future operating results.



***We are subject to reinvestment risk.***

We are subject to reinvestment risk as a result of changes in interest rates. Declines in interest rates are generally accompanied by increased prepayments of mortgage loans, which in turn results in a prepayment of the related mortgage-backed securities. An increase in prepayments could result in the reinvestment of the proceeds we receive from such prepayments into lower yielding assets. Conversely, increases in interest rates are generally accompanied by decreased prepayments of mortgage loans, which could reduce our capital available to reinvest into higher-yielding assets.

***Competition may affect ability and pricing of our target assets.***

We operate in a highly competitive market for investment opportunities. Our profitability depends, in large part, on our ability to acquire our target assets at attractive prices. In acquiring our target assets, we compete with a variety of institutional investors, including other REITs, specialty finance companies, public and private funds, government entities, commercial and



investment banks, commercial finance and insurance companies and other financial institutions. Many of our competitors are substantially larger and have considerably greater financial, technical, technological, marketing and other resources than we do. Other REITs with investment objectives that overlap with ours may elect to raise significant amounts of capital, which may create additional competition for investment opportunities. Some competitors may have a lower cost of funds and access to funding sources that may not be available to us. Many of our competitors are not subject to the operating constraints associated with REIT compliance or maintenance of an exemption from the Investment Company Act. In addition, some of our competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments and establish more relationships than us. Furthermore, competition for investments in our target assets may lead to the price of such assets increasing, which may further limit our ability to generate desired returns. We cannot provide assurance that the competitive pressures we face will not have a material adverse effect on our business, financial condition and results of operations. Also, as a result of this competition, desirable investments in our target assets may be limited in the future and we may not be able to take advantage of attractive investment opportunities from time to time, as we can provide no assurance that we will be able to identify and make investments that are consistent with our investment objectives.

***We may enter into new lines of business, acquire other companies or engage in other strategic initiatives, each of which may result in additional risks and uncertainties in our businesses.***

We may pursue growth through acquisitions of other companies or other strategic initiatives. To the extent we pursue strategic investments or acquisitions, undertake other strategic initiatives or consider new lines of business, we will face numerous risks and uncertainties, including risks associated with:

- the availability of suitable opportunities;
- the level of competition from other companies that may have greater financial resources;
- our ability to assess the value, strengths, weaknesses, liabilities and potential profitability of potential acquisition opportunities accurately and negotiate acceptable terms for those opportunities;
- the required investment of capital and other resources;
- the lack of availability of financing and, if available, the terms of any financings;
- the possibility that we have insufficient expertise to engage in such activities profitably or without incurring inappropriate amounts of risk;
- the diversion of management's attention from our core businesses;
- the potential loss of key personnel of an acquired business;
- assumption of liabilities in any acquired business;
- the disruption of our ongoing businesses;
- the increasing demands on or issues related to the combining or integrating operational and management systems and controls;
- compliance with additional regulatory requirements;
- costs associated with integrating and overseeing the operations of the new businesses;
- failure to realize the full benefits of an acquisition, including expected synergies, cost savings, or growth opportunities, within the anticipated timeframe or at all; and
- post-acquisition deterioration in an acquired business that could result in lower or negative earnings contribution and/or goodwill impairment charges.



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Entry into certain lines of business may subject us to new laws and regulations with which we are not familiar, or from which we are currently exempt, and may lead to increased litigation and regulatory risk. The decision to increase or decrease investments within a line of business may lead to additional risks and uncertainties. In addition, if a new or acquired business generates insufficient revenues or if we are unable to efficiently manage our expanded operations, our results of operations will be adversely affected. Our strategic initiatives may include joint ventures, in which case we will be subject to additional risks and uncertainties in that we may be dependent upon, and subject to liability for, losses or reputational damage relating to systems, controls and personnel that are not under our control.

***Some of our investments, including those related to non-prime loans, involve credit risk.***

Our current investment strategy includes seeking growth in our residential credit business. The holder of a mortgage or mortgage-backed securities assumes the risk that the related borrowers may default on their obligations to make full and timely payments of principal and interest. Under our investment policy, we have the ability to acquire non-Agency mortgage-backed securities, residential whole loans, MSR and other investment assets of lower credit quality. In general, non-Agency mortgage-backed securities carry greater investment risk than Agency mortgage-backed securities because they are not guaranteed as to



principal or interest by the U.S. Government, any federal agency or any federally chartered corporation. Non-investment grade, non-Agency securities tend to be less liquid, may have a higher risk of default and may be more difficult to value than investment grade bonds. Higher-than-expected rates of default and/or higher-than-expected loss severities on the mortgages underlying our non-Agency mortgage-backed securities, MSR or on our residential whole loan investments may adversely affect the value of those assets. Accordingly, defaults in the payment of principal and/or interest on our non-Agency mortgage-backed securities, residential whole loan investments, MSR and other investment assets of lower credit quality would likely result in our incurring losses of income from, and/or losses in market value relating to, these assets.

We have certain investments in non-Agency mortgage-backed securities backed by collateral pools containing mortgage loans that were originated under underwriting standards that were less strict than those used in underwriting “prime mortgage loans.” These lower standards permitted mortgage loans, often with LTV ratios in excess of 80%, to be made to borrowers having impaired credit histories, lower credit scores, higher debt-to-income ratios and/or unverified income. Difficult economic conditions, including increased interest rates and lower home prices, can result in non-prime and subprime mortgage loans having increased rates of delinquency, foreclosure, bankruptcy and loss (including such as during the credit crisis of 2007-2008 and the housing crisis that followed), and are likely to otherwise experience delinquency, foreclosure, bankruptcy and loss rates that are higher, and that may be substantially higher, than those experienced by mortgage loans underwritten in a more traditional manner. Thus, because of higher delinquency rates and losses associated with non-prime and subprime mortgage loans, the performance of our non-Agency mortgage-backed securities that are backed by these types of loans could be correspondingly adversely affected, which could materially adversely impact our results of operations, financial condition and business.

***We face possible increased instances of business interruption associated with the effects of climate change and severe weather.***

The physical effects of climate change could have a material adverse effect on our operations. To the extent that climate change impacts changes in weather patterns, our operations could experience disruptions. There can be no assurance that climate change and severe weather will not have a material adverse effect on our operations.

***If we are unable to attract, motivate and retain qualified talent, including our key personnel, it could materially and adversely affect us.***

Our success and our ability to manage anticipated future growth depend, in large part, upon the efforts of our highly-skilled highly skilled employees, and particularly on our key personnel, including our executive officers. Our executive officers have extensive experience and strong reputations in the sectors in which we operate and have been instrumental in setting our strategic direction, operating our business, identifying, recruiting, and training our other key personnel, and arranging necessary financing. The departure of any of our executive officers or other key personnel, or our inability to attract, motivate and retain highly qualified employees at all levels of the firm in light of the intense competition for talent, could adversely affect our business, operating results or financial condition; diminish our investment opportunities; or weaken our relationships with lenders, business partners and industry personnel.

**Other Risks**

***The market price and trading volume of our shares of common stock may be volatile and issuances of large amounts of shares of our common stock could cause the market price of our common stock to decline.***

If we issue a significant number of shares of common stock or securities convertible into common stock in a short period of time, there could be a dilution of the existing common stock and a decrease in the market price of the common stock.

The market price of our shares of common stock may be highly volatile and could be subject to wide fluctuations. In addition, the trading volume in our shares of common stock may fluctuate and cause significant price variations to occur. We cannot assure you that the market price of our shares of common stock will not fluctuate or decline significantly in the future. Some of



the factors that could negatively affect our share price or result in fluctuations in the price or trading volume of our shares of common stock include those set forth under “Special Note Regarding Forward-Looking Statements” as well as:



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- actual or anticipated variations in our quarterly operating results or business prospects;
- changes in our earnings estimates or publication of research reports about us or the real estate industry;
- an inability to meet or exceed securities analysts' estimates or expectations;
- increases in market interest rates;
- hedging or arbitrage trading activity in our shares of common stock;



- capital commitments;
- changes in market valuations of similar companies;
- adverse market reaction to any increased indebtedness we incur in the future;
    - changes in our distribution policy;
    - government action or regulation;
    - general market and economic conditions;
    - market dislocations related to the COVID-19 pandemic; and
    - future sales of our shares of common stock or securities convertible into, or exchangeable or exercisable for, our shares of common stock.
- additions or departures of management personnel;
- actions by institutional stockholders or activist investors;
- speculation in the press or investment community;

Holders of our shares of common stock will be subject to the risk of volatile market prices and wide fluctuations in the market price of our shares of common stock. These factors may cause the market price of our shares of common stock to decline, regardless of our financial condition, results of operations, business or prospects. It is impossible to assure you that the market prices of our shares of common stock will not fall in the future.

Under our charter, we have 3,000,000,000 1,531,750,000 authorized shares of capital stock, par value of $0.01 per share. Sales of a substantial number of shares of our common stock or other equity-related securities in the public market, or any hedging or arbitrage trading activity that may develop involving our common stock, could depress the market price of our common stock and impair our ability to raise capital through the sale of additional equity securities.

***We may change our policies without stockholder approval.***

Our Board has established very broad investment guidelines that may be amended from time to time. Our Board and management determine all of our significant policies, including our investment, financing, capital and asset allocation and distribution policies. They may amend or revise these policies at any time without a vote of our stockholders, or otherwise initiate a change in asset allocation. Policy changes could adversely affect our financial condition, results of operations, the market price of our common stock or our ability to pay dividends or distributions.

COVID-19 has affected the U.S. economy and our business.

*General*

COVID-19 has caused significant disruptions to the U.S. and global economies and has contributed to volatility and negative pressure in financial markets. The pace, timing and strength of any recovery are still unknown and difficult to predict and, in general, COVID-19 continues to cause a great deal of uncertainty in the U.S.

Throughout the course of the COVID-19 pandemic, the U.S. federal government, as well as many state and local governments, have adopted a number of emergency measures and recommendations, including moratoriums to stop evictions and foreclosures and guidance to regulated servicers requiring them to formulate policies to assist mortgagors in need as a result of the COVID-19 pandemic. A number of states have enacted laws which impose significant limits on the default remedies of lenders secured by real property. While some states have relaxed certain of these measures, substantial restrictions on economic activity remain in place or may be put in place. Although it cannot be predicted, additional policy action at the federal, state and local level is possible in the future. The COVID-19 pandemic (and any future COVID-19 or other public health outbreaks) and resulting emergency measures have led (and may continue to lead) to significant disruptions in the global supply chain, global capital markets, the economy of the United States and the economies of other nations. Concern about the potential effects of the COVID-19 pandemic and the effectiveness of measures being put in place by governmental bodies and reserve banks at various levels as well as by private enterprises to contain or mitigate its spread has adversely affected economic conditions and capital markets globally, and have led to significant volatility in global financial markets. There can be no assurance that the vaccination efforts, containment measures or other measures implemented from time to time will be successful, including against new strains of COVID-19, and what effect those measures will have on the economy. Disruption and volatility in the credit markets and the reduction of economic activity in severely affected sectors may occur in the United States and/or globally.

*Economic Conditions*

The conditions related to COVID-19 discussed above have also adversely affected our business and we expect these conditions to continue to some extent during 2023. The significant decrease in economic activity could have an adverse effect on the value of our investments in mortgage real estate-related assets, particularly residential real estate assets. In light of COVID-19's impact on the overall economy, such as a possible return to rising unemployment levels or changes in consumer behavior



related to loans as well as government policies and pronouncements, borrowers may experience difficulties meeting their obligations or seek to forbear payment on or refinance their mortgage loans to avail themselves of lower rates. Elevated levels of delinquency or default would have an adverse impact on the value of our mortgage real estate related-



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assets. To the extent current conditions persist or worsen, there may be a negative effect on our results of operations, which may reduce earnings and, in turn, cash available for distribution to our stockholders. COVID-19 or other public health outbreaks could also negatively impact the availability of key personnel necessary to conduct our business.

ANNALY CAPITAL MANAGEMENT, INC. AND SUBSIDIARIES

## ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

## ITEM 1C. CYBERSECURITY

For a full discussion of our cybersecurity risk management process and policies, please refer to the subsection titled “Operational Risk Management” within the “Risk Management” section of Part II, Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

## ITEM 2. PROPERTIES

Our executive and administrative office is located at 1211 Avenue of the Americas New York, New York 10036, telephone 212-696-0100. This office is leased under a non-cancelable lease expiring September 30, 2025.

## ITEM 3. LEGAL PROCEEDINGS

From time to time, we are involved in various claims and legal actions arising in the ordinary course of business. As of December 31, 2022December 31, 2023, we were not party to any pending material legal proceedings.proceedings and we are not aware of any contemplated material proceedings by governmental authorities.

## ITEM 4. MINE SAFETY DISCLOSURES

None.

ANNALY CAPITAL MANAGEMENT, INC. AND SUBSIDIARIES

**Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters And Issuer Purchases Of Equity Securities**

**PART II**

## ITEM 5. MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock began trading publicly on October 8, 1997 and is traded on the New York Stock Exchange under the trading symbol “NLY.” As of January 31, 2023January 31, 2024, we had 493,615,144500,080,287 shares of common stock issued and outstanding which were held by approximately 566,479480,324 beneficial holders. The equity compensation plan information called for by Item 201(d) of Regulation S-K is set forth in Item 12 of Part III of this Form 10-K under the heading “Equity Compensation Plan Information.”

**Dividends**

We intend to pay quarterly dividends and to distribute to our stockholders all or substantially all of our taxable income in each year (subject to certain adjustments) consistent with the distribution requirements applicable to REITs. This will enable us to qualify for the tax benefits accorded to a REIT under the Code. We have not established a minimum dividend payment level and our ability to pay dividends may be adversely affected by factors beyond our control. In addition, unrealized changes in the estimated fair value of available-for-sale investments may have a direct effect on dividends. All distributions will be made at the discretion of our Board and will depend on our earnings, our financial condition, maintenance of our REIT status and such other factors as our Board may deem relevant from time to time. See also Item 1A. “Risk Factors.” No dividends can be paid on our common stock unless we have paid full cumulative dividends on our preferred stock. From the date of issuance of our preferred stock through December 31, 2022December 31, 2023, we have paid full cumulative dividends on our preferred stock.

**Share Performance Graph**

The following graph and table set forth certain information comparing the yearly percentage change in cumulative total return on our common stock to the cumulative total return of the Standard & Poor’s Composite 500 stock Index or S&P 500 Index, and the Bloomberg Mortgage REIT Index, or BBG REIT index, an industry index of mortgage REITs. The comparison is for the five-year period ended December 31, 2022December 31, 2023 and assumes the reinvestment of dividends. The graph and table assume that $100 was invested in our common stock and the two other indices on the last trading day of the initial year shown in the graph. Upon written request we will provide stockholders with a list of the REITs included in the BBG REIT Index.



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**Five-Year Share Performance**

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ANNALY CAPITAL MANAGEMENT, INC. AND SUBSIDIARIES

**Item 5. Market for Registrant's Common Equity, Related Stockholder Matters And Issuer Purchases Of Equity Securities**

| | | 12/31/2017 | 12/31/2018 | 12/31/2019 | 12/31/2020 | 12/31/2021 | 12/31/2022 | | 12/31/2018 | 12/31/2019 | 12/31/2020 | 12/31/2021 | 12/31/2022 | 12/31/2023 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Annaly Capital Management, Inc. | Annaly Capital Management, Inc. | 100 | 93 | 99 | 102 | 104 | 82 | Annaly Capital Management, Inc. | 100 | 107 | 110 | 113 | 89 | 93 |
| S&P 500 Index | S&P 500 Index | 100 | 96 | 126 | 149 | 191 | 157 | S&P 500 Index | 100 | 131 | 156 | 200 | 164 | 207 |
| BBG REIT Index | BBG REIT Index | 100 | 97 | 120 | 93 | 110 | 83 | BBG REIT Index | 100 | 124 | 96 | 113 | 86 | 98 |

The information in the share performance graph and table has been obtained from sources believed to be reliable, but neither the accuracy nor completeness can be guaranteed. The historical information set forth above is not necessarily indicative of future performance. Accordingly, we do not make or endorse any predictions as to future share performance.

The above performance graph and related information shall not be deemed to be "soliciting material" or to be "filed" with the SEC or subject to Regulation 14A or 14C under the Securities Exchange Act or to the liabilities of Section 18 of the Securities Exchange Act, and shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act, except to the extent that we specifically incorporate it by reference into such a filing.

**Share Repurchase**

In January 2022, we announced that our Board authorized the repurchase of up to $1.5 billion of our outstanding common shares through December 31, 2024. The new share repurchase program replaces our previous $1.5 billion share repurchase program, which expired on December 31, 2021. No shares were repurchased with respect to this share repurchase program during the year ended December 31, 2022 December 31, 2023. As of December 31, 2022 December 31, 2023, the maximum dollar value of shares that may yet be purchased under this plan program was $1.5 billion.

In November 2022, we announced that our Board authorized a repurchase plan for all of our existing outstanding Preferred Stock (as defined below, the "Preferred Stock Repurchase Program"). Under the terms of the plan, we are authorized to repurchase up to an aggregate of 63,500,000 shares of Preferred Stock, comprised of up to (i) 28,800,000 shares of our 6.95% Series F Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock, par value $0.01 per share (the "Series F Preferred Stock"), (ii) 17,000,000 shares of our 6.50% Series G Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock, par value $0.01 per share (the "Series G Preferred Stock"), and (iii) 17,700,000 shares of our 6.75% Series I Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock, par value $0.01 per share (the "Series I Preferred Stock", and together with Series F Preferred Stock and Series G Preferred Stock, the "Preferred Stock"). The aggregate liquidation value of the Preferred Stock that may be repurchased by us pursuant to the Preferred Stock Repurchase Program, as of November 3, 2022, was approximately $1.6 billion. The Preferred Stock Repurchase Program became effective on November 3, 2022, and shall expire on December 31, 2024. No shares were repurchased to with respect to the Preferred Stock Repurchase Program during the year ended December 31, 2022 December 31, 2023. As of December 31, 2022 December 31, 2023, the maximum dollar value of shares that may yet be purchased under this plan was $1.6 billion.

Purchases made pursuant to the Preferred Stock Repurchase Program will be made in either the open market or in privately negotiated transactions from time to time as permitted by securities laws and other legal requirements. The timing, manner, price and amount of any repurchases will be determined by us in our discretion and will be subject to economic and market conditions, stock price, applicable legal requirements and other factors. The authorization does not obligate us to acquire any particular amount of Preferred Stock and the program may be suspended or discontinued at our discretion without prior notice.

ANNALY CAPITAL MANAGEMENT, INC. AND SUBSIDIARIES

**Item 6. Selected Financial Data**

## ITEM 6. [Reserved]

ANNALY CAPITAL MANAGEMENT, INC. AND SUBSIDIARIES

**Item 7. Management's Discussion and Analysis**

## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*All references to "Annaly," "we," "us," or "our" mean Annaly Capital Management, Inc. and all entities owned by us, except where it is made clear that the term means only the parent company. Refer to the section titled "Glossary of Terms" located at the end of this Item 7 for definitions of commonly used terms in this annual report on Form 10-K.*



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*This section of our Form 10-K generally discusses 2023 and 2022 items and year-to-year comparisons between 2023 and 2022. Discussions of 2021 items and year-to-year comparisons between 2022 and 2021. Discussions of 2020 items and year-to-year comparisons between 2021 and 2020 that are not included in this Form 10-K can be found in Part II, Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" of our annual report on Form 10-K for the year ended December 31, 2021 December 31, 2022.*

ANNALY CAPITAL MANAGEMENT, INC. AND SUBSIDIARIES

**Item 7. Management's Discussion and Analysis**

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ANNALY CAPITAL MANAGEMENT, INC. AND SUBSIDIARIES

## Item 7. Management's Discussion and Analysis

### Overview

We are a leading diversified capital manager with investment strategies across mortgage finance. Our principal business objective is to generate net income for distribution to our stockholders and optimize our returns through prudent management of our diversified investment strategies. We are an internally-managed Maryland corporation founded in 1997 that has elected to be taxed as a REIT. Our common stock is listed on the New York Stock Exchange under the symbol "NLY."

We use our capital coupled with borrowed funds to invest primarily in real estate related investments, earning the spread between the yield on our assets and the cost of our borrowings and hedging activities.

For a full discussion of our business, refer to the section titled "Business Overview" of Part I, Item 1. "Business."

***Reverse Stock Split***

On September 8, 2022, we announced that our Board had unanimously approved a reverse stock split of our common stock at a ratio of 1-for-4 (the "Reverse Stock Split"). The Reverse Stock Split was effective following the close of business on September 23, 2022 (the "Effective Time"). Accordingly, at the Effective Time, every four issued and outstanding shares of our common stock were converted into one share of our common stock. No fractional shares were issued in connection with the Reverse Stock Split. Instead, each stockholder that would have held fractional shares as a result of the Reverse Stock Split received cash in lieu of such fractional shares. The par value per share of our common stock remained unchanged at $0.01 per share after the Reverse Stock Split. Accordingly, for all historical periods presented, an amount equal to the par value of the reduced number of shares resulting from the Reverse Stock Split was reclassified from Common stock to Additional paid in capital in our Consolidated Statements of Financial Condition. All references made to share or per share amounts in the accompanying consolidated financial statements and applicable disclosures have been retroactively adjusted, where applicable, to reflect the effects of the Reverse Stock Split.

### Business Environment

Financial markets saw meaningful volatility in 2023, marking a second consecutive year in which fixed income markets were more broadly impacted by elevated uncertainty around the outlook for the economy and the macroeconomic landscape. The volatility was driven by a combination of factors, including bank earnings and liquidity pressures that emerged in March 2023 following the sudden failure of Silicon Valley Bank. Fears over the health of the broader banking system ultimately proved disproportionate, evidenced by a normalization in interest rates as the economy remained robust. However, interest rates then rose sharply between August and October with the ten-year Treasury note reaching the 5% yield mark as market participants appeared increasingly concerned about the outlook for the fiscal trajectory. The total deficit reached $1.78 trillion for the full calendar year, representing another year of large fiscal deficits despite healthy economic growth.

The broader economy continued to expand, labor markets remained robust and inflation moderated throughout the year. While many observers had expected the economy to enter into a recession in 2023, data thus far has suggested that inflation moderated without a meaningful deterioration in economic activity, setting up a scenario in which parts of the economy moved into better balances without a sharp contraction in economic output or a significantly weaker labor market (a so-called "soft landing"). The increased likelihood of a soft landing appears to have been driven by numerous factors, including fewer price pressures on the supply side of the economy as shipping of goods normalized following earlier disruptions from the pandemic and the Russian invasion of the Ukraine. In addition, U.S. consumers continue to find employment and enjoy healthy balance sheets, while growing wages afford them the ability to continue to spend on goods and services, thereby supporting broader economic growth. Private sector investment activity rebounded somewhat in 2023 relative to 2022, while government spending and investment incentives created by federal legislation supported economic growth as high inflation readings led well.

Following the Federal Reserve to conduct the most notable rapid tightening in monetary policy in over 40 years. The 2022, the Federal Open Market Committee ("FOMC" Reserve (the "Fed") raised interest rates an additional one percentage point in 2023 and ultimately kept the Federal Funds Target Rate by 4.25 percentage points between March and December 2022. In addition, at 5.25% – 5.50% since late July. Meanwhile, the FOMC announced runoff Fed maintained the pace it set in 2022 in the reduction of its balance sheet opting to allow throughout the year, effectively letting up to $95 billion $60 billion in Treasury and up to $35 billion in Agency mortgage-backed securities mature on a monthly basis. The meaningful increase MBS runoff per month in policy rates, which was emulated by many developed market central banks globally, led to sharp underperformance in fixed income assets, best seen 2023. Driven by the negative 13% total return for continued maturities, the Bloomberg Aggregate Fixed Income Index in 2022, underperforming the second worst year in index history Federal Reserve's balance sheet declined by more than four-fold.

With respect $838 billion to the housing market, activity slowed meaningfully $7.7 trillion over the course of 2022 given the upward shock year.

In this environment, home prices outperformed the market's expectations despite mortgage rates reaching 20-year highs, resulting in historically low affordability for prospective homeowners. Home prices have continued to benefit from existing homeowners' inability to move homes absent a meaningful increase in housing costs (the so called "lock in effect"), resulting in low availability of inventory for sale as borrowers locked into below-market mortgage rates are less willing to move or trade up. Housing activity remains



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depressed, although we have seen modest signs of an uptick in demand following the recent decline in mortgage rates and rates. Ultimately, we are constructive on the resulting reduced affordability. Existing home sales, for example, are now one-third lower than at the end of 2021. However, the slowdown in activity has also coincided with a reduction in available inventories. According to data from the real estate brokerage Redfin, new home listings have declined 18% year-over-year as borrowers opt to stay in their homes in the current higher rate environment. As long as housing market outlook should the labor market remains robust, we foresee few forced sellers, keeping inventories below historical averages. Home prices have been slower to decline than initially anticipated and consumers remain resilient in line with the Case-Shiller National Home Price index falling 3.6% from its peak level in June through November 2022, the last month for which data is available. Despite the weaker activity, the state of the housing market remains relatively robust as consumer balance sheets and lending standards are sound, and the shortage of supply supports prices all else equal. a "soft landing" economic scenario.

In light of the extremely turbulent year in financial markets, Annaly delivered an economic return of negative 23.7% for the full year. Of note, the fourth quarter saw a meaningful slowdown in inflation data and a subsequent decline in interest rate volatility that resulted in a strong finish to the year, generating an 8.7% economic return in the final quarter. While 2022 was particularly challenging, we are proud of a number of key strategic accomplishments throughout the year, including: the accretive disposition of our Middle Market Lending portfolio, the successful continued expansion of our Residential Credit and Mortgage Servicing Rights platforms, inclusion in the S&P MidCap 400 Index, and the 25th anniversary of our initial public offering.

In the fourth quarter of 2022, we generated GAAP net income (loss) of ($1.96) per share and earnings available for distribution of $0.89 per share compared to GAAP net income (loss) of ($0.70) per share and earnings available for distribution of $1.06 per share for the prior quarter. While earnings available for distribution covered our common stock dividend of $0.88 per share for the fourth quarter of 2022, given the moderation in earnings available for distribution and anticipated further pressure on this measure, we expect to reduce the common stock dividend for the first quarter of 2023 to a level closer to our historical yield on book value of 11 – 12%. We believe that this would set the dividend at a level that is more sustainable in the prevailing environment given current new money returns.

Shifting to portfolio activity, we continued to rotate the Agency MBS portfolio up in coupon to take advantage of wider spreads and improved carry in production coupons. We grew our allocation to 4.5% coupons and higher, which now represent over 50% of our portfolio, up from 12% at the end of 2021. We believe historically wide nominal spreads in these coupons provide more

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**Item 7. Management's Discussion and Analysis**

Over the course of the year, we generated a +6.0% economic return, which demonstrates the efficacy of our diversified housing finance model, as well as our disciplined portfolio and risk management. In light of the volatile environment, we continued to proactively manage our leverage profile throughout the year, in turn reducing our economic leverage from 6.3x at the end of the 2022 to 5.7x at the end of 2023. A part of the reduced leverage is driven by further diversification into our Residential Credit and MSR businesses, which are less levered than adequate compensation for taking Agency MBS. Of note, the combined capital allocation to the two businesses increased by five percentage points to 38% at the end of 2023.

Turning to the Agency MBS portfolio, our aggregate portfolio declined modestly, falling from $72.9 billion in assets at the end of 2022 to $65.7 billion at the end of 2023. The lower portfolio balance is largely driven by asset sales throughout the year to accommodate the shift in capital allocation, as well as a somewhat lower leverage in the strategy as interest rate markets and mortgage spreads remained very volatile throughout most of the year. In addition to somewhat lower aggregate holdings, we focused on shifting the incremental convexity exposure relative coupon distribution higher throughout the year, bringing the share of 5.0% coupons or higher to lower coupons. 48%, up 17 percentage points from the 2022 year-end levels. In addition, we lowered rotated out of "to be announced" ("TBA") security holdings, in turn reducing our exposure to TBAs, as roll specialness dissipated over holdings from $10.6 billion at the course end of 2022 to ($0.6) billion at the end of 2023. This reduction was driven by the combination of reduced advantageous financing of TBA securities relative to specified pool ownership and the desire to add prepayment protection in higher coupon purchases. Finally, given attractive relative value opportunities with respect to Agency MBS, we are likely increased our portfolio of Agency CMBS to $3.5 billion market value, as the asset class offered an attractive stable cash flow in volatile interest rate markets.

The residential credit sector benefited from the strong economic environment and the resilience of the housing market, enabling us to continue favoring pools over TBAs going forward given their superior return profile.

In to achieve progress in building out the business. Our Residential Credit our portfolio ended the year at $5.0 billion in $5.7 billion market value, up roughly $400 million year-over-year, having grown 14% year over year, and currently represents 19% representing 20% of the firm's capital. In the current decelerating housing market, The business growth continued to be driven by our loan business represents our preferred approach to investing in the residential credit market given our ability to control our credit strategy, partners, the diligence process, and pricing. We continue to focus on preserving the credit quality of our portfolio, with fourth quarter whole loan acquisitions exhibiting strong underlying borrower fundamentals. Our OBX securitization platform had acquisition strategy, through which our Residential Credit business acquired $4.7 billion in loans, with a record year of issuance supported by vast majority coming through our correspondent channel, which acquired nearly $2 billion in loans during allows us to control all aspects of the year. Since the beginning of 2022, loan making process, including asset selection, counterparties and loss mitigation.

Finally, we closed 17 securitizations totaling $6.6 billion and generated $760 million of proprietary assets with a low also continued to mid double-digit return profile utilizing minimal recourse leverage.

In grow our MSR business line, we had significant growth portfolio, further increasing assets through purchases predominantly of low-coupon bulk MSR packages, in turn growing the strategy in 2022, increasing our portfolio by nearly three times 50% throughout 2023, to $1.8 billion $2.7 billion market value. Similar to 2022, bulk trading activity of MSR packages remained at historically elevated levels as mortgage originators looked to monetize MSR holdings to offset low profit margins in market value their mortgage origination businesses. Meanwhile, demand for MSR also remained strong, as a broad investor base sought MSR as purely financial investments or to acquire escrow deposits and ending customers that can later be refinanced. We opportunistically bought MSR packages as a strategic partner to originators given our complementary business strategy as a financial investor. Our MSR portfolio continued to consist predominantly of low coupon, high quality conventional MSR, which at the year as weighted average coupon of 3.06% at the third largest buyer end of bulk MSR in the market. We added new originator partners, expanded relationships with subservicers, and put in place new dedicated financing as an additional source of liquidity to support future growth. Our focus on very high credit quality, low loan rate MSR has proven to be valuable. The portfolio paid three CPR in the fourth quarter and experienced minimal delinquencies, generating stable cash flows while providing 2023, remained far from having a hedge to current dynamics in the housing market. refinancing incentive considering prevailing mortgage rates.

Earnings available for distribution Economic leverage is a non-GAAP financial measure. Refer to the "Non-GAAP Financial Measures" section for additional information, including reconciliations to its most directly comparable GAAP results.



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***Economic Environment***

U.S. real economic growth slowed accelerated in 2022, 2023, with U.S. gross domestic product (“GDP”) rising 2.1% 2.5% on a year-over-year basis, well below above the 5.9% 1.9% recorded for 2021. The relative slowdown was mostly a result of weaker 2022. Economic activity continued to strengthen throughout the year, led by sizeable increases in consumption. Consumer balance sheets remained healthy and benefited from further income growth, reported leading retail sales data to notably increase in the first half of fourth quarter. Increased government spending spread across state, local and federal levels, as well as higher exports, also boosted the GDP. Meanwhile, fixed business investment was more muted throughout the year, as the economy contracted on a seasonally adjusted annualized basis while residential housing started to move sideways and home sales continued to fall in both Q1 and Q2. In the second half light of the year, economic activity proved more resilient considering the higher interest rate backdrop as GDP rose 3.2% on a seasonally adjusted annualized basis in Q3 and 2.9% in Q4. Driving the increase in economic activity was strong consumption, inventory rebuilds, and net export growth. mortgage rates. Heading into 2023, however, 2024, recession risks are elevated as appear relatively low given the upbeat picture of consumer and business spending, although the impact of the Federal Reserve’s Fed’s monetary policy tightening flows continues to flow through to the real economy. Residential investment continues to contract sharply, given the affordability challenges of a much higher average mortgage rate, while business fixed investments economy and manufacturing output credit conditions have weakened. tightened.

Meanwhile, total employment growth in 2022 registered as the second strongest year on record since 1950, behind only supply and demand for labor moved into better balance by the robust hiring seen in 2021. In the fourth quarter alone, the labor market continued to expand at a solid pace as total nonfarm payroll employment rose by an average 274 thousand workers per month. end of 2023. The unemployment rate ended the year at a 3.7%, increasing 0.2 percentage points from the historic low of 3.5%, declining 0.4 percentage points from 3.9% reported in December 2021. Additionally, 2022. Total nonfarm payroll employment expanded at a slower pace in 2023, totaling 3.1 million added jobs, relative to 4.5 million added jobs seen in 2022. Strong job creation was accompanied by an increase in the supply of workers, as the labor force participation rate increased gradually throughout the year and the employment-to-population ratio rose slightly. At the same time, job openings remain trended lower, although they remained elevated relative to pre-pandemic averages as labor demand far exceeded labor supply. averages. As a result of the strong more balanced labor demand, market, wage growth remained elevated all year and above levels consistent with slowed as the Federal Reserve’s 2% inflation target. Average hourly earnings Employment Cost Index wages rose 4.6% 4.3% over the 12 months ending in December. However, there are some signs of labor market softening at December, well below the margin. The average workweek declined in 5.1% shown by the fourth quarter same metric a year earlier.



The slowdown in economic growth and moderation in labor demand has led to a modest decline in broader inflation, although price Price pressures remained at elevated levels throughout the year and broadened beyond although they have shown notable signs of progress toward the initial pandemic-driven dislocations. Price pressures were driven by the service sector as providers enjoyed peak pricing power in high-demand services and higher rent and home valuations led to an increase in shelter prices. Meanwhile, goods inflation, which accelerated in 2021 because of healthy household consumption during the depths of the pandemic, subsequently eased throughout 2022 as consumption was focused on services. Fed’s 2% target. The Federal Reserve’s preferred inflation gauge, the headline Personal Consumption Expenditure Chain Price Index (“PCE”), the Fed’s preferred inflation gauge, measured 5.0% 2.6% in December 2022, 2023, after peaking at 6.7% 7.0% on a year-over-year basis in June 2022. The core measure, which does not include price changes in food and energy sectors, measured 4.4%, after peaking at 5.4% 2.9% year-over year, the first time that the core PCE has been below 3.0% on a year-over-year basis since March 2021. Additionally, recent survey measures of short-run inflation expectations have declined meaningfully and longer-term inflation expectations appear well anchored. The disinflationary pressures are mostly attributed to lower goods prices, while the service sector remains elevated, particularly in February 2022. measures such as shelter inflation.

The Fed conducts monetary policy with a dual mandate: full employment and price stability. Given the strength easing of the labor market and the broadening inflation pressures, the Fed embarked on an aggressive slowed its tightening campaign at the beginning of 2023 and remained on pause in 2022. the second half of the year. The target range for the Federal Funds rate increased 425 bps 100 basis points from 0.0% 4.25% - 0.25% 4.50% in December 2021 2022 to 4.25% 5.25% - 4.50% 5.50% by the end of 2022. 2023. At the same time, December meeting of the Fed transitioned from expanding their Federal Open Market Committee (“FOMC”), Federal Reserve Chair Jerome Powell stated that the policy rate is at or near its peak in the Fed’s tightening cycle and signaled an potentially easier monetary policy over the course of 2024. Regarding the FOMC’s balance sheet through asset purchases policy, the decline in 2021 to contracting their balance sheet securities portfolio, which started in 2022, by allowing assets to mature. continued uninterrupted throughout all of 2023. The asset side amount of quantitative tightening – the balance sheet process in which the Federal Reserve lets securities in its portfolio mature, thereby lowering bank reserves and other liquidity in the financial system – continues to decline at a pace of



$95 billion $95 billion per month across U.S. Treasuries and Agency MBS, almost twice the runoff rate of the prior quantitative tightening period between 2017 and 2019.

During 2023, U.S. Treasury rates were volatile as market participants adjusted expectations for economic conditions and monetary policy. Despite the year ended December 31, 2022, yields volatility, the yield on the 10-year U.S. Treasury note rose by 236 bps as market participants assessed ended the path of the Federal Funds rate. year effectively unchanged at 3.88%. The 10-year Treasury Inflation Protected Security (“TIPS”), which subtracts the expected inflation rate from the bond’s nominal yield, rose 267 bps, while longer-term inflation expectations declined slightly. fell 13 basis points, as market participants have started to price in an easing cycle for the Fed. Meanwhile, the mortgage basis, or the spread between the 30-year Agency MBS coupon and 10-year U.S. Treasury rate, widened significantly, tightened slightly, ending the year 96 bps wider 12 basis points tighter than December 2021. 2022.

The following table below presents interest rates and spreads at each date presented:

| | As of December 31, | | | | As of December 31, | | |
|---|---|---|---|---|---|---|---|
| | | 2022 | 2021 | 2020 | 2023 | 2022 | 2021 |
| 30-Year mortgage current coupon | 30-Year mortgage current coupon | **5.39%** | 2.07% | 1.34% | 30-Year mortgage current coupon | **5.25%** | 5.39% | 2.07% |



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| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Mortgage basis | Mortgage basis | **152 bps** | 56 bps | 43 bps | Mortgage basis | **137 bps** | 152 bps | 56 bps |
| 10-Year U.S. Treasury rate | 10-Year U.S. Treasury rate | **3.87%** | 1.51% | 0.91% | 10-Year U.S. Treasury rate | **3.88%** | 3.87% | 1.51% |
| LIBOR | | | | | | | | |
| OIS SOFR Swaps | | | | | | | | |
| OIS SOFR Swaps | | | | | | | | |
| OIS SOFR Swaps | | | | | | | | |
| 1-Month | | | | | | | | |
| 1-Month | | | | | | | | |
| 1-Month | 1-Month | **4.39%** | 0.10% | 0.14% | **5.35%** | | 4.36% | 0.05% |
| 6-Month | 6-Month | **5.14%** | 0.34% | 0.26% | 6-Month | **5.15%** | 4.80% | 0.19% |
| OIS SOFR Swaps | | | | | | | | |
| 1-Month | | **4.36%** | 0.05% | 0.07% | | | | |
| 6-Month | | **4.80%** | 0.19% | 0.06% | | | | |

***London Interbank Offered Rate ("LIBOR") Transition***

The United Kingdom Financial Conduct Authority ("FCA"), which regulates LIBOR, announced that all All LIBOR tenors relevant to us will cease to be either are no longer published or will are no longer be representative after June 30, 2023. The FCA's announcement coincided with the announcement of LIBOR's administrator, the ICE Benchmark Administration Limited ("IBA"), indicating that, as a result of not having access to input data necessary to calculate LIBOR tenors relevant to us on a representative basis after June 30, 2023, IBA would have to cease publication of such LIBOR tenors immediately after the last publication on June 30, 2023. These announcements mean that any representative. All of our LIBOR-based borrowings that extend beyond June 30, 2023 will need to be converted LIBOR-linked instruments have fallen back to a replacement rate.

The firm has a plan non-LIBOR-based index, either by their contractual terms, pursuant to facilitate an orderly conversion to alternative reference rates. The plan includes steps to evaluate exposure; review contracts; assess impact to our business; process and technology and outline a communication strategy with shareholders; regulators and other stakeholders. As LIBOR cessation enters its final stages, we continue to remain on track with our transition plan, which requires different solutions depending on the underlying asset or liability. The U.S. federal government enacted a legislative solution for certain LIBOR contracts, which in some cases inserts fallback language into the contract legislation, through clearinghouse action, or provides a determining party with a safe harbor from litigation. The Board of Governors of the Federal Reserve promulgated rules required by this legislation. We continue to consider all available options with respect to our preferred stock, including those available under the federal legislation. As of December 31, 2022, we had $1.5 billion of USD LIBOR-linked preferred stock that may remain outstanding beyond the June 30, 2023 cessation date. See the risk factor titled "The discontinuation of LIBOR may affect our results" in Part I, Item 1A "Risk Factors" for additional information. otherwise.

***Income Tax Reform***

On August 16, 2022, tax legislation, informally known as the Inflation Reduction Act (the "IRA"), was enacted, and included several changes impacting U.S. federal income tax laws applicable to corporations. The components most relevant to our business are the imposition of a 1% excise tax on stock repurchases by publicly-traded corporations and a 15% corporate minimum tax ("CMT") on GAAP financial statement income. However, the new legislation explicitly excludes REITs from the law and we do not expect the CMT to apply to our TRSs. In the event the application of the CMT were to be imposed on our TRSs, we do not expect a material impact to our operations as it would simply affect the timing of the payment of income taxes already accrued.

While technical corrections or other amendments to the IRA or administrative guidance interpreting the IRA may be forthcoming, we continue to analyze the overall effects of the IRA to our operations, our industry and the economy in general.

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**Item 7. Management's Discussion and Analysis**

**Results of Operations**

The results of our operations are affected by various factors, many of which are beyond our control. Certain of such risks and uncertainties are described herein (see "Special Note Regarding Forward-Looking Statements" above) and in Part I, Item 1A. "Risk Factors".

This Management Discussion and Analysis section contains analysis and discussion of financial results computed in accordance with U.S. generally accepted accounting principles ("GAAP") and non-GAAP measurements. To supplement our consolidated financial statements, which are prepared and presented in accordance with GAAP, we provide non-GAAP financial measures to enhance investor understanding of our period-over-period operating performance and business trends, as well as for assessing our performance versus that of industry peers.

Refer to the "Non-GAAP Financial Measures" section for additional information.

Beginning with the quarter ended March 31, 2022, in light of the continued growth of our mortgage servicing rights portfolio, we enhanced our financial disclosures by separately reporting servicing income and servicing expense in our Consolidated Statements of Comprehensive Income (Loss). Servicing income and servicing expense were previously included within Other income (loss). As a result of this change, prior periods have been adjusted to conform to the current presentation.



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In addition, beginning with the quarter ended March 31, 2022, we consolidated certain line items in our Consolidated Statements of Comprehensive Income (Loss) in an effort to streamline and simplify its financial presentation. Amounts previously reported under Net interest component of interest rate swaps, Realized gains (losses) on termination or maturity of interest rate swaps, Unrealized gains (losses) on interest rate swaps and Net gains (losses) on other derivatives are combined into a single line item titled Net gains (losses) on derivatives. Similarly, amounts previously reported under Net gains (losses) on disposal of investments and other and Net unrealized gains (losses) on instruments measured at fair value through earnings are combined into a single line item titled Net gains (losses) on investments and other. As a result of these changes, prior periods have been adjusted to conform to the current presentation.

Beginning with the quarter ended June 30, 2021, we began classifying certain portfolio activity-related or volume-related expenses as Other income (loss) rather than Other general and administrative expenses in the Consolidated Statements of Comprehensive Income (Loss) to better reflect the nature of the items. As such, prior periods have been conformed to the current presentation. Refer to the “General and Administrative Expenses” section for additional information.

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**Item 7. Management’s Discussion and Analysis**

***Net Income (Loss) Summary***

The following table presents financial information related to our results of operations as of and for the years ended December 31, 2022 December 31, 2023, 2021 2022 and 2020. 2021.

| | | As of and for the Years Ended December 31, | | |
|---|---|---|---|---|
| | | 2022 | 2021 | 2020 |
| | | (dollars in thousands, except per share data) | | |
| Interest income | Interest income | **$ 2,778,887** | $ 1,983,036 | $ 2,229,625 |
| Interest income | | | | |
| Interest income | | | | |
| Interest expense | | | | |
| Interest expense | | | | |
| Interest expense | Interest expense | **1,309,735** | 249,243 | 899,112 |
| **Net interest income** | **Net interest income** | **1,469,152** | 1,733,793 | 1,330,513 |
| **Net interest income** | | | | |
| **Net interest income** | | | | |
| Servicing and related income | | | | |
| Servicing and related income | | | | |
| Servicing and related income | Servicing and related income | **246,926** | 69,018 | 94,190 |
| Servicing and related expense | Servicing and related expense | **25,145** | 12,202 | 26,437 |
| Servicing and related expense | | | | |
| Servicing and related expense | | | | |
| **Net servicing income** | | | | |
| **Net servicing income** | | | | |
| **Net servicing income** | **Net servicing income** | **221,781** | 56,816 | 67,753 |
| **Other income (loss)** | **Other income (loss)** | **243,787** | 796,360 | (2,094,266) |
| **Other income (loss)** | | | | |
| **Other income (loss)** | | | | |
| **Less: Total general and administrative expenses** | | | | |
| **Less: Total general and administrative expenses** | | | | |
| **Less: Total general and administrative expenses** | **Less: Total general and administrative expenses** | **162,729** | 186,014 | 222,195 |
| **Income (loss) before income taxes** | **Income (loss) before income taxes** | **1,771,991** | 2,400,955 | (918,195) |
| **Income (loss) before income taxes** | | | | |
| **Income (loss) before income taxes** | | | | |
| **Income taxes** | | | | |
| **Income taxes** | | | | |



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| | | | | |
|---|---|---|---|---|
| Income taxes | Income taxes | 45,571 | 4,675 | (28,423) |
| Net income (loss) | Net income (loss) | 1,726,420 | 2,396,280 | (889,772) |
| Net income (loss) | | | | |
| Net income (loss) | | | | |
| Less: Net income (loss) attributable to noncontrolling interests | | | | |
| Less: Net income (loss) attributable to noncontrolling interests | | | | |
| Less: Net income (loss) attributable to noncontrolling interests | Less: Net income (loss) attributable to noncontrolling interests | 1,095 | 6,384 | 1,391 |
| Net income (loss) attributable to Annaly | Net income (loss) attributable to Annaly | 1,725,325 | 2,389,896 | (891,163) |
| Net income (loss) attributable to Annaly | | | | |
| Net income (loss) attributable to Annaly | | | | |
| Less: Dividends on preferred stock | | | | |
| Less: Dividends on preferred stock | | | | |
| Less: Dividends on preferred stock | Less: Dividends on preferred stock | 110,623 | 107,532 | 142,036 |
| Net income (loss) available (related) to common stockholders | Net income (loss) available (related) to common stockholders | $ 1,614,702 | $ 2,282,364 | $ (1,033,199) |
| Net income (loss) available (related) to common stockholders | | | | |
| Net income (loss) available (related) to common stockholders | | | | |
| Net income (loss) per share available (related) to common stockholders | | | | |
| Net income (loss) per share available (related) to common stockholders | | | | |
| Net income (loss) per share available (related) to common stockholders | Net income (loss) per share available (related) to common stockholders | | | |
| Basic | Basic | $ 3.93 | $ 6.40 | $ (2.92) |
| Basic | | | | |
| Basic | | | | |
| Diluted | | | | |
| Diluted | | | | |
| Diluted | Diluted | $ 3.92 | $ 6.39 | $ (2.92) |
| Weighted average number of common shares outstanding | Weighted average number of common shares outstanding | | | |
| Weighted average number of common shares outstanding | | | | |
| Weighted average number of common shares outstanding | | | | |
| Basic | | | | |
| Basic | | | | |
| Basic | Basic | 411,348,484 | 356,856,520 | 353,664,860 |
| Diluted | Diluted | 411,621,758 | 357,142,251 | 353,664,860 |
| Diluted | | | | |
| Diluted | | | | |
| Other information | | | | |



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| Other information | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Other information** | **Other information** | | | | | | | | | | |
| Investment portfolio at period-end | Investment portfolio at period-end | **$** | **78,469,860** | | $ | 74,792,041 | | $ | 86,403,446 | | |
| Investment portfolio at period-end | | | | | | | | | | | |
| Investment portfolio at period-end | | | | | | | | | | | |
| Average total assets | | | | | | | | | | | |
| Average total assets | | | | | | | | | | | |
| Average total assets | Average total assets | **$** | **78,768,785** | | $ | 81,925,499 | | $ | 99,663,704 | | |
| Average equity | Average equity | **$** | **11,616,995** | | $ | 13,728,352 | | $ | 14,103,589 | | |
| Average equity | | | | | | | | | | | |
| Average equity | | | | | | | | | | | |
| GAAP leverage at period-end (1) | | | | | | | | | | | |
| GAAP leverage at period-end (1) | | | | | | | | | | | |
| GAAP leverage at period-end (1) | GAAP leverage at period-end (1) | | | **6.0:1** | | | 4.7:1 | | | 5.1:1 | |
| GAAP capital ratio at period-end (2) | GAAP capital ratio at period-end (2) | | **13.9** | **%** | | 17.2 | % | | 15.9 | % | |
| GAAP capital ratio at period-end (2) | | | | | | | | | | | |
| GAAP capital ratio at period-end (2) | | | | | | | | | | | |
| Annualized return on average total assets | | | | | | | | | | | |
| Annualized return on average total assets | | | | | | | | | | | |
| Annualized return on average total assets | Annualized return on average total assets | | **2.19** | **%** | | 2.92 | % | | (0.89) | % | |
| Annualized return on average equity | Annualized return on average equity | | **14.86** | **%** | | 17.45 | % | | (6.31) | % | |
| Annualized return on average equity | | | | | | | | | | | |
| Annualized return on average equity | | | | | | | | | | | |
| Net interest margin (3) | | | | | | | | | | | |
| Net interest margin (3) | | | | | | | | | | | |
| Net interest margin (3) | Net interest margin (3) | | **1.92** | **%** | | 2.28 | % | | 1.46 | % | |
| Average yield on interest earning assets (4) | Average yield on interest earning assets (4) | | **3.64** | **%** | | 2.61 | % | | 2.44 | % | |
| Average yield on interest earning assets (4) | | | | | | | | | | | |
| Average yield on interest earning assets (4) | | | | | | | | | | | |
| Average GAAP cost of interest bearing liabilities (5) | | | | | | | | | | | |
| Average GAAP cost of interest bearing liabilities (5) | | | | | | | | | | | |
| Average GAAP cost of interest bearing liabilities (5) | Average GAAP cost of interest bearing liabilities (5) | | **2.03** | **%** | | 0.37 | % | | 1.09 | % | |
| Net interest spread | Net interest spread | | **1.61** | **%** | | 2.24 | % | | 1.35 | % | |
| Net interest spread | | | | | | | | | | | |
| Net interest spread | | | | | | | | | | | |
| Weighted average experienced CPR for the period | | | | | | | | | | | |
| Weighted average experienced CPR for the period | | | | | | | | | | | |
| Weighted average experienced CPR for the period | Weighted average experienced CPR for the period | | **12.2** | **%** | | 23.7 | % | | 20.2 | % | |
| Weighted average projected long-term CPR at period-end | Weighted average projected long-term CPR at period-end | | **7.8** | **%** | | 12.7 | % | | 16.4 | % | |
| Weighted average projected long-term CPR at period-end | | | | | | | | | | | |



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| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Weighted average projected long-term CPR at period-end | | | | | | | | | |
| Common stock book value per share | | | | | | | | | |
| Common stock book value per share | | | | | | | | | |
| Common stock book value per share | Common stock book value per share | **$** | **20.79** | | $ | 31.88 | $ | 35.68 | |
| **Non-GAAP metrics *** | **Non-GAAP metrics *** | | | | | | | | |
| **Non-GAAP metrics *** | | | | | | | | | |
| **Non-GAAP metrics *** | | | | | | | | | |
| Interest income (excluding PAA) | | | | | | | | | |
| Interest income (excluding PAA) | | | | | | | | | |
| Interest income (excluding PAA) | Interest income (excluding PAA) | **$** | **2,418,300** | | $ | 2,040,194 | $ | 2,645,069 | |
| Economic interest expense (5) | Economic interest expense (5) | **$** | **943,574** | | $ | 525,385 | $ | 1,106,989 | |
| Economic interest expense (5) | | | | | | | | | |
| Economic interest expense (5) | | | | | | | | | |
| Economic net interest income (excluding PAA) | | | | | | | | | |
| Economic net interest income (excluding PAA) | | | | | | | | | |
| Economic net interest income (excluding PAA) | Economic net interest income (excluding PAA) | **$** | **1,474,726** | | $ | 1,514,809 | $ | 1,538,080 | |
| Premium amortization adjustment cost (benefit) | Premium amortization adjustment cost (benefit) | **$** | **(360,587)** | | $ | 57,158 | $ | 415,444 | |
| Premium amortization adjustment cost (benefit) | | | | | | | | | |
| Premium amortization adjustment cost (benefit) | | | | | | | | | |
| Earnings available for distribution (6) | | | | | | | | | |
| Earnings available for distribution (6) | | | | | | | | | |
| Earnings available for distribution (6) | Earnings available for distribution (6) | **$** | **1,850,138** | | $ | 1,768,391 | $ | 1,696,167 | |
| Earnings available for distribution per average common share | Earnings available for distribution per average common share | **$** | **4.23** | | $ | 4.65 | $ | 4.39 | |
| Earnings available for distribution per average common share | | | | | | | | | |
| Earnings available for distribution per average common share | | | | | | | | | |
| Annualized EAD return on average equity (excluding PAA) | | | | | | | | | |
| Annualized EAD return on average equity (excluding PAA) | | | | | | | | | |
| Annualized EAD return on average equity (excluding PAA) | Annualized EAD return on average equity (excluding PAA) | | **16.02** | **%** | | 12.90 | % | 12.03 | % |
| Economic leverage at period-end (1) | Economic leverage at period-end (1) | | | **6.3:1** | | | 5.7:1 | | 6.2:1 |
| Economic leverage at period-end (1) | | | | | | | | | |
| Economic leverage at period-end (1) | | | | | | | | | |
| Economic capital ratio at period-end (2) | | | | | | | | | |
| Economic capital ratio at period-end (2) | | | | | | | | | |
| Economic capital ratio at period-end (2) | Economic capital ratio at period-end (2) | | **13.4** | **%** | | 14.4 | % | 13.6 | % |
| Net interest margin (excluding PAA) (3) | Net interest margin (excluding PAA) (3) | | **2.03** | **%** | | 2.02 | % | 1.74 | % |



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| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Net interest margin (excluding PAA) (3) | | | | | | | |
| Net interest margin (excluding PAA) (3) | | | | | | | |
| Average yield on interest earning assets (excluding PAA) (4) | | | | | | | |
| Average yield on interest earning assets (excluding PAA) (4) | | | | | | | |
| Average yield on interest earning assets (excluding PAA) (4) | Average yield on interest earning assets (excluding PAA) (4) | **3.16** | **%** | 2.68 | % | 2.90 | % |
| Average economic cost of interest bearing liabilities (5) | Average economic cost of interest bearing liabilities (5) | **1.46** | **%** | 0.79 | % | 1.34 | % |
| Average economic cost of interest bearing liabilities (5) | | | | | | | |
| Average economic cost of interest bearing liabilities (5) | | | | | | | |
| Net interest spread (excluding PAA) | Net interest spread (excluding PAA) | **1.70** | **%** | 1.89 | % | 1.56 | % |

* Represents a non-GAAP financial measure. Refer to the "Non-GAAP Financial Measures" section for additional information.

(1) GAAP leverage is computed as the sum of repurchase agreements, other secured financing, debt issued by securitization vehicles, participations issued and mortgages payable divided by total equity. Economic leverage is computed as the sum of recourse debt, cost basis of to-be-announced ("TBA") and CMBX derivatives 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). Certain credit facilities (included within other secured financing), debt issued by securitization vehicles, participations issued, and mortgages payable are non-recourse to us and are excluded from economic leverage.

(2) GAAP capital ratio is computed as total equity divided by total assets. Economic capital ratio is computed as total equity divided by total economic assets. Total economic assets include the implied market value of TBA derivatives and net of debt issued by securitization vehicles.

(3) Net interest margin represents our interest income less interest expense divided by the average interest earning assets. Net interest margin (excluding PAA) represents the sum of our interest income (excluding PAA) 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 outstanding TBA contract and CMBX balances.

(4) Average yield on interest earning assets represents annualized interest income divided by average interest earning assets. Average interest earning assets reflects the average amortized cost of our investments during the period. Average yield on interest earning assets (excluding PAA) is calculated using annualized interest income (excluding PAA).

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

(6) Excludes dividends on preferred stock.

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Net interest spread (excluding PAA) | | | | | | | |
| Net interest spread (excluding PAA) | | | | | | | |

* Represents a non-GAAP financial measure. Refer to the "Non-GAAP Financial Measures" section for additional information.

(1) GAAP leverage is computed as the sum of repurchase agreements, other secured financing, debt issued by securitization vehicles, participations issued, and U.S. Treasury securities sold, not yet purchased divided by total equity. Economic leverage is computed as the sum of recourse debt, cost basis of to-be-announced ("TBA") and CMBX derivatives outstanding, and net forward purchases (sales) of investments divided by total equity. Recourse debt consists of repurchase agreements, other secured financing (excluding certain non-recourse credit facilities), and U.S. Treasury securities sold, not yet purchased. Certain credit facilities (included within other secured financing), debt issued by securitization vehicles, and participations issued are non-recourse to us and are excluded from economic leverage.

(2) GAAP capital ratio is computed as total equity divided by total assets. Economic capital ratio is computed as total equity divided by total economic assets. Total economic assets include the implied market value of TBA derivatives and net of debt issued by securitization vehicles.

(3) Net interest margin represents our interest income less interest expense divided by the average interest earning assets. Net interest margin does not include net interest component of interest rate swaps. Net interest margin (excluding PAA) represents the sum of our interest income (excluding PAA) 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 outstanding TBA contract and CMBX balances.

(4) Average yield on interest earning assets represents annualized interest income divided by average interest earning assets. Average interest earning assets reflects the average amortized cost of our investments during the period. Average yield on interest earning assets (excluding PAA) is calculated using annualized interest income (excluding PAA).

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

(6) Excludes dividends on preferred stock.



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* Represents a non-GAAP financial measure. Refer to the "Non-GAAP Financial Measures" section for additional information.

(1) GAAP leverage is computed as the sum of repurchase agreements, other secured financing, debt issued by securitization vehicles, participations issued, and U.S. Treasury securities sold, not yet purchased divided by total equity. Economic leverage is computed as the sum of recourse debt, cost basis of to-be-announced ("TBA") and CMBX derivatives outstanding, and net forward purchases (sales) of investments divided by total equity. Recourse debt consists of repurchase agreements, other secured financing (excluding certain non-recourse credit facilities), and U.S. Treasury securities sold, not yet purchased. Certain credit facilities (included within other secured financing), debt issued by securitization vehicles, and participations issued are non-recourse to us and are excluded from economic leverage.

(2) GAAP capital ratio is computed as total equity divided by total assets. Economic capital ratio is computed as total equity divided by total economic assets. Total economic assets include the implied market value of TBA derivatives and net of debt issued by securitization vehicles.

(3) Net interest margin represents our interest income less interest expense divided by the average interest earning assets. Net interest margin does not include net interest component of interest rate swaps. Net interest margin (excluding PAA) represents the sum of our interest income (excluding PAA) 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 outstanding TBA contract and CMBX balances.

(4) Average yield on interest earning assets represents annualized interest income divided by average interest earning assets. Average interest earning assets reflects the average amortized cost of our investments during the period. Average yield on interest earning assets (excluding PAA) is calculated using annualized interest income (excluding PAA).

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

(6) Excludes dividends on preferred stock.

* Represents a non-GAAP financial measure. Refer to the "Non-GAAP Financial Measures" section for additional information.

(1) GAAP leverage is computed as the sum of repurchase agreements, other secured financing, debt issued by securitization vehicles, participations issued, and U.S. Treasury securities sold, not yet purchased divided by total equity. Economic leverage is computed as the sum of recourse debt, cost basis of to-be-announced ("TBA") and CMBX derivatives outstanding, and net forward purchases (sales) of investments divided by total equity. Recourse debt consists of repurchase agreements, other secured financing (excluding certain non-recourse credit facilities), and U.S. Treasury securities sold, not yet purchased. Certain credit facilities (included within other secured financing), debt issued by securitization vehicles, and participations issued are non-recourse to us and are excluded from economic leverage.

(2) GAAP capital ratio is computed as total equity divided by total assets. Economic capital ratio is computed as total equity divided by total economic assets. Total economic assets include the implied market value of TBA derivatives and net of debt issued by securitization vehicles.

(3) Net interest margin represents our interest income less interest expense divided by the average interest earning assets. Net interest margin does not include net interest component of interest rate swaps. Net interest margin (excluding PAA) represents the sum of our interest income (excluding PAA) 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 outstanding TBA contract and CMBX balances.

(4) Average yield on interest earning assets represents annualized interest income divided by average interest earning assets. Average interest earning assets reflects the average amortized cost of our investments during the period. Average yield on interest earning assets (excluding PAA) is calculated using annualized interest income (excluding PAA).

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

(6) Excludes dividends on preferred stock.

*GAAP*

Net income (loss) was ($1.6) billion, which includes $4.7 million attributable to noncontrolling interests, or $(3.61) per average basic common share, for the year ended December 31, 2023 compared to $1.7 billion, which includes $1.1 million attributable to noncontrolling interests, or $3.93 per average basic common share, for the year ended December 31, 2022 compared to $2.4 billion, which includes $6.4 million attributable to noncontrolling interests, or $6.40 per average basic common share, for the same period in 2021. 2022. We attribute the majority of the change in net income (loss) to an unfavorable change in net gains (losses) on investments and other derivatives and net interest income, partially offset by favorable changes in net gains (losses) on derivatives, investments and other, higher net servicing income, higher other, net and lower business divestiture-related losses, and higher net servicing income. losses. Net gains (losses) on derivatives for the year ended December 31, 2023 was $0.4 billion compared to $4.9 billion for the same period in 2022. Net interest income for the year ended December 31, 2023 was ($111.4) million compared to $1.5 billion for the same period in 2022. Net gains (losses) on investments and other for the year ended December 31, 2022 December 31, 2023 was ($4.6) 2.1) billion compared to $121.0 million ($4.6) billion for the same period in 2021. Part of this unfavorable change is attributable to the change in fair value flowing through the income statement on Agency pass-through, collateralized mortgage obligation ("CMO") and multifamily securities purchased in the second half of 2022. Net interest servicing income for the year ended December 31, 2022 December 31, 2023 was $1.5 billion $326.5 million compared to $1.7 billion $221.8 million for the same period in 2021. Net gains (losses) on derivatives 2022. Other, net for the year ended December 31, 2022 December 31, 2023 was $4.9 billion $73.7 million compared to $807.7 million $6.7 million for the same period in 2021. 2022. Business divestiture-related gains (losses) for the year ended December 31, 2022 December 31, 2023 was ($40.3) million $0.0 million compared to ($278.6) 40.3) million for the same period in 2021. Net servicing income for the year ended December 31, 2022 was $221.8 million compared to $56.8 million for the same period in 2021. 2022. Refer to the section titled "Other income (loss)" located within this Item 7 for additional information related to these changes.

*Non-GAAP*

Earnings available for distribution were $1.6 billion, or $2.86 per average common share, for the year ended December 31, 2023, compared to $1.9 billion, or $4.23 per average common share, for the year ended December 31, 2022, compared to $1.8 billion, or $4.65 per average common share, for the same period in 2021. 2022. The change in earnings available for distribution for the year ended December 31, 2022 December 31, 2023 compared to the same period in 2021 2022 was primarily due to an higher interest expense from an increase in average borrowing rates and average interest bearing balances, a decline in TBA dollar roll income on reduced specialness partially offset by a favorable change in the net interest component of interest rate swaps, higher coupon income and lower premium amortization expense, excluding PAA, resulting from lower prepayment speed projections, higher net servicing income from an increase in average MSR balances, and higher coupon income from an increase in interest rates, partially offset by purchasing assets with lower cost bases, and lower prepayment speeds, combined with higher interest expense from an increase in average borrowing rates. servicing income and other, net.





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***Non-GAAP Financial Measures***

To supplement our consolidated financial statements, which are prepared and presented in accordance with GAAP, we provide the following non-GAAP financial measures:

- earnings available for distribution ("EAD");
- earnings available for distribution attributable to common stockholders;
- earnings available for distribution per average common share;
- annualized EAD return on average equity;
- economic leverage;
- economic capital ratio;
- interest income (excluding PAA);
- economic interest expense;
- economic net interest income (excluding PAA);
- average yield on interest earning assets (excluding PAA);
- average economic cost of interest bearing liabilities;
- net interest margin (excluding PAA); and
- net interest spread (excluding PAA).

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 our results and operations, non-GAAP financial measures also have limitations. For example, we may calculate our non-GAAP metrics, such as earnings available for distribution, or the PAA, differently than our 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 we 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 our period-over-period operating performance and business trends, as well as for assessing our performance versus that of industry peers. Additional information pertaining to our use of these non-GAAP financial measures, including discussion of how each such measure may be useful to investors, and reconciliations to their most directly comparable GAAP results are provided below.

*Earnings Available for Distribution, Earnings Available for Distribution Attributable to Common Stockholders, Earnings Available for Distribution Per Average Common Share and Annualized EAD Return on Average Equity*

Our principal business objective is to generate net income for distribution to our stockholders and optimize our returns through prudent management of our diversified investment strategies. We generate net income by earning a net interest spread on our investment portfolio, which is a function of interest income from our investment portfolio less financing, hedging and operating costs. Earnings available for distribution, which is defined as the sum of (a) economic net interest income, (b) TBA dollar roll income and CMBX coupon income, (c) net servicing income less realized amortization of MSR, (d) other income (loss) (excluding depreciation and amortization expense on real estate and related intangibles, non-EAD income allocated to equity method investments and other non-EAD 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-EAD income (loss) items), and excludes (g) 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 our Agency mortgage-backed securities, is used by management and, we believe, used by analysts and investors to measure our progress in achieving our principal business objective.

We seek to fulfill our principal business objective through a variety of factors including portfolio construction, the degree of market risk exposure and related hedge profile, and the use and forms of leverage, all while operating within the parameters of our capital allocation policy and risk governance framework.

We believe these non-GAAP measures provide management and investors with additional details regarding our underlying operating results and investment portfolio trends by (i) making adjustments to account for the disparate reporting of changes in fair value where certain instruments are reflected in GAAP net income (loss) while others are reflected in other comprehensive income (loss), and (ii) by excluding certain unrealized, non-cash or episodic components of GAAP net income (loss) in order to provide additional transparency into the operating performance of our portfolio. In addition, EAD serves as a useful indicator for investors in evaluating our performance and ability to pay dividends. Annualized EAD return on average equity, which is calculated by dividing earnings available for distribution over average stockholders' equity, provides investors with additional detail on the earnings available for distribution generated by our invested equity capital.



The following table presents a reconciliation of GAAP financial results to non-GAAP earnings available for distribution for the periods presented:

| | For the Years Ended December 31, | | |
|---|---|---|---|
| | 2022 | 2021 | 2020 |
| | (dollars in thousands, except per share data) | | |
| GAAP net income (loss) | | | |
| GAAP net income (loss) | **$1,726,420** | $2,396,280 | $ (889,772) |
| Net income (loss) attributable to noncontrolling interests | **1,095** | 6,384 | 1,391 |
| **Net income (loss) attributable to Annaly** | **1,725,325** | 2,389,896 | (891,163) |

| For the Years Ended December 31, | | |
|---|---|---|
| 2023 | 2022 | 2021 |
| (dollars in thousands, except per share data) | | |



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| | | | | |
|---|---|---|---|---|
| **Adjustments to exclude reported realized and unrealized (gains) losses** | **Adjustments to exclude reported realized and unrealized (gains) losses** | | | |
| Net (gains) losses on investments and other | | **4,602,456** | (120,958) | (358,489) |
| Net (gains) losses on derivatives (1) | | **(4,493,013)** | (1,083,872) | 2,065,855 |
| Loan loss provision (reversal) (2) | | **(22,923)** | (148,632) | 151,188 |
| Net (gains) losses on investments and other (1) | | | | |
| Net (gains) losses on investments and other (1) | | | | |
| Net (gains) losses on investments and other (1) | | | | |
| Net (gains) losses on derivatives (2) | | | | |
| Loan loss provision (reversal) (3) | | | | |
| Business divestiture-related (gains) losses | Business divestiture-related (gains) losses | **40,258** | 278,559 | — |
| **Other adjustments** | **Other adjustments** | | | |
| Depreciation expense related to commercial real estate and amortization of intangibles (3) | | **3,948** | 15,225 | 39,108 |
| **Other adjustments** | | | | |
| **Other adjustments** | | | | |
| Amortization of intangibles | | | | |
| Amortization of intangibles | | | | |
| Amortization of intangibles | | | | |
| Non-EAD (income) loss allocated to equity method investments (4) | Non-EAD (income) loss allocated to equity method investments (4) | **(15,499)** | (10,930) | 22,493 |
| Transaction expenses and non-recurring items (5) | | | | |
| Transaction expenses and non-recurring items (5) | | | | |
| Transaction expenses and non-recurring items (5) | Transaction expenses and non-recurring items (5) | **7,620** | 5,579 | 11,293 |



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| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Income tax effect of non-EAD income (loss) items | Income tax effect of non-EAD income (loss) items | **46,070** | 13,325 | (17,603) | | | | | | |
| TBA dollar roll income and CMBX coupon income (6) | TBA dollar roll income and CMBX coupon income (6) | **431,475** | 445,768 | 355,547 | | | | | | |
| MSR amortization (7) | MSR amortization (7) | **(114,992)** | (72,727) | (97,506) | | | | | | |
| **Plus:** | | | | | | | | | | |
| EAD attributable to noncontrolling interests | | | | | | | | | | |
| Premium amortization adjustment cost (benefit) | Premium amortization adjustment cost (benefit) | **(360,587)** | 57,158 | 415,444 | | | | | | |
| **Earnings available for distribution *** | **Earnings available for distribution *** | **1,850,138** | 1,768,391 | 1,696,167 | | | | | | |
| Dividends on preferred stock | Dividends on preferred stock | **110,623** | 107,532 | 142,036 | | | | | | |
| **Earnings available for distribution attributable to common stockholders *** | **Earnings available for distribution attributable to common stockholders *** | **$1,739,515** | $1,660,859 | $1,554,131 | | | | | | |
| **GAAP net income (loss) per average common share** | **GAAP net income (loss) per average common share** | **$ 3.93** | $ 6.40 | $ (2.92) | | | | | | |
| **Earnings available for distribution per average common share *** | **Earnings available for distribution per average common share *** | **$ 4.23** | $ 4.65 | $ 4.39 | | | | | | |
| **GAAP return (loss) on average equity** | **GAAP return (loss) on average equity** | **14.86 %** | 17.45 % | (6.31)% | **GAAP return (loss) on average equity** | **(14.33)** | **%** | 14.86 | % | 17.45 % |
| **EAD return on average equity (excluding PAA) *** | **EAD return on average equity (excluding PAA) *** | **16.02 %** | 12.90 % | 12.03 % | **EAD return on average equity (excluding PAA) *** | **13.71** | **%** | 16.02 | % | 12.90 % |



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* Represents a non-GAAP financial measure. Refer to the disclosure within this section above for additional information on non-GAAP financial measures.

(1) The adjustment to add back Net (gains) losses on derivatives does not include the net interest component of interest rate swaps which is reflected in earnings available for distribution. The net interest component of interest rate swaps totaled $366.2 million, ($276.1) million and ($207.9) million for the years ended December 31, 2022, 2021 and 2020, respectively.

(2) Includes ($2.3) million, ($3.6) million, and $3.6 million of loss provision (reversal) on unfunded loan commitments for the years ended December 31, 2022, 2021, and 2020, respectively, which is reported in Other, net in the Consolidated Statements of Comprehensive Income (Loss).

(3) Includes depreciation and amortization expense related to equity method investments.

(4) Represents unrealized (gains) losses allocated to equity interests in a portfolio of MSR, which is a component of Other, net in the Consolidated Statements of Comprehensive Income (Loss).

(5) Includes costs incurred in connection with securitizations of residential whole loans. The year ended December 31, 2020 also includes costs incurred in connection with the management internalization, the CEO search process and a securitization of Agency mortgage-backed securities.

(6) TBA dollar roll income and CMBX coupon income each represent a component of Net gains (losses) on derivatives in the Consolidated Statements of Comprehensive Income (Loss). CMBX coupon income totaled $4.4 million, $5.2 million and $5.8 million for the years ended December 31, 2022, 2021 and 2020, respectively.

(7) MSR amortization utilizes purchase date cash flow assumptions and actual unpaid principal balances and is calculated as the difference between projected MSR yield income and net servicing income for the period.

* Represents a non-GAAP financial measure. Refer to the disclosure within this section above for additional information on non-GAAP financial measures.

(1) Includes write-downs or recoveries which are reported in Other, net in the Company's Consolidated Statement of Comprehensive Income (Loss).

(2) The adjustment to add back Net (gains) losses on derivatives does not include the net interest component of interest rate swaps which is reflected in earnings available for distribution. The net interest component of interest rate swaps totaled $1.6 billion, $366.2 million and ($276.1) million for the years ended December 31, 2023, 2022 and 2021, respectively.

(3) Includes $0.0 million, ($2.3) million, and $(3.6) million of loss provision (reversal) on unfunded loan commitments for the years ended December 31, 2023, 2022 and 2021, respectively, which is reported in Other, net in the Consolidated Statements of Comprehensive Income (Loss).

(4) Represents unrealized (gains) losses allocated to equity interests in a portfolio of MSR, which is a component of Other, net in the Consolidated Statements of Comprehensive Income (Loss).

(5) Represents costs incurred in connection with securitizations of residential whole loans.

(6) TBA dollar roll income and CMBX coupon income each represent a component of Net gains (losses) on derivatives in the Consolidated Statements of Comprehensive Income (Loss). CMBX coupon income totaled $1.5 million, $4.4 million and $5.2 million for the years ended December 31, 2023, 2022 and 2021, respectively.

(7) MSR amortization utilizes purchase date cash flow assumptions and actual unpaid principal balances and is calculated as the difference between projected MSR yield income and net servicing income for the period.

* Represents a non-GAAP financial measure. Refer to the disclosure within this section above for additional information on non-GAAP financial measures.

(1) Includes write-downs or recoveries which are reported in Other, net in the Company's Consolidated Statement of Comprehensive Income (Loss).

(2) The adjustment to add back Net (gains) losses on derivatives does not include the net interest component of interest rate swaps which is reflected in



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earnings available for distribution. The net interest component of interest rate swaps totaled $1.6 billion, $366.2 million and ($276.1) million for the years ended December 31, 2023, 2022 and 2021, respectively.

(3) Includes $0.0 million, ($2.3) million, and $(3.6) million of loss provision (reversal) on unfunded loan commitments for the years ended December 31, 2023, 2022 and 2021, respectively, which is reported in Other, net in the Consolidated Statements of Comprehensive Income (Loss).

(4) Represents unrealized (gains) losses allocated to equity interests in a portfolio of MSR, which is a component of Other, net in the Consolidated Statements of Comprehensive Income (Loss).

(5) Represents costs incurred in connection with securitizations



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of residential whole loans.

(6) TBA dollar roll income and CMBX coupon income each represent a component of Net gains (losses) on derivatives in the Consolidated Statements of Comprehensive Income (Loss). CMBX coupon income totaled $1.5 million, $4.4 million and $5.2 million for the years ended December 31, 2023, 2022 and 2021, respectively.

(7) MSR amortization utilizes purchase date cash flow assumptions and actual unpaid principal balances and is calculated as the difference between projected MSR yield income and net servicing income for the period.

From time to time, we enter into TBA forward contracts as an alternate means of investing in and financing Agency MBS. A TBA contract is an agreement to purchase or sell, for future delivery, an Agency MBS with a specified issuer, term and coupon. A TBA dollar roll represents a transaction where TBA contracts with the same terms but different settlement dates are simultaneously bought and sold. The TBA contract settling in the later month typically prices at a discount to the earlier month contract with the difference in price commonly referred to as the “drop”. The drop is a reflection of the expected net interest income from an investment in similar Agency MBS, net of an implied financing cost, that would be foregone as a result of settling the contract in the later month rather than in the earlier month. The drop between the current settlement month price and the forward settlement month price occurs because in the TBA dollar roll market, the party providing the financing is the party that would retain all principal and interest payments accrued during the financing period. Accordingly, TBA dollar roll income generally represents the economic equivalent of the net interest income earned on the underlying Agency MBS less an implied financing cost.

TBA dollar roll transactions are accounted for under GAAP as a series of derivatives transactions. The fair value of TBA derivatives is based on methods similar to those used to value Agency MBS. We record TBA derivatives at fair value on our Consolidated Statements of Financial Condition and recognize periodic changes in fair value in Net gains (losses) on





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derivatives in our Consolidated Statements of Comprehensive Income (Loss), which includes both unrealized and realized gains and losses on derivatives (excluding interest rate swaps). derivatives.



TBA dollar roll income is calculated as the difference in price between two TBA contracts with the same terms but different settlement dates multiplied by the notional amount of the TBA contract. Although accounted for as derivatives, TBA dollar rolls capture the economic equivalent of net interest income, or carry, on the underlying Agency MBS (interest income less an implied cost of financing). TBA dollar roll income is reported as a component of Net gains (losses) on derivatives in the Consolidated Statements of Comprehensive Income (Loss).

The CMBX index is a synthetic tradable index referencing a basket of 25 commercial mortgage-backed securities of a particular rating and vintage. The CMBX index allows investors to take a long position (referred to as selling protection) or short position (referred to as purchasing protection) on the respective basket of commercial mortgage-backed securities and is structured as a "pay-as-you-go" contract whereby the protection seller receives and the protection buyer pays a standardized running coupon on the contracted notional amount. Additionally, the protection seller is obligated to pay to the protection buyer the amount of principal losses and/or coupon shortfalls on the underlying commercial mortgage-backed securities as they occur. We report income (expense) on CMBX positions in Net gains (losses) on derivatives in the Consolidated Statements of Comprehensive Income (Loss). The coupon payments received or paid on CMBX positions is equivalent to interest income (expense) and therefore included in earnings available for distribution.

*Premium Amortization Expense*

In accordance with GAAP, we amortize or accrete premiums or discounts into interest income for our Agency MBS, excluding interest-only securities, multifamily and reverse mortgages, taking into account estimates of future principal prepayments in the calculation of the effective yield. We recalculate the effective yield as differences between anticipated and actual prepayments occur. Using third party model models and market information to project future cash flows and expected remaining lives of securities, the effective interest rate determined for each security is applied as if it had been in place from the date of the security's acquisition. The amortized cost of the security is then adjusted to the amount that would have existed had the new effective yield been applied since the acquisition date. The adjustment to amortized cost is offset with a charge or credit to interest income. Changes in interest rates and other market factors will impact prepayment speed projections and the amount of premium amortization recognized in any given period.

Our GAAP metrics include the unadjusted impact of amortization and accretion associated with this method. Certain of our non-GAAP metrics exclude the effect of the PAA, which quantifies the component of premium amortization representing the cumulative impact on prior periods, but not the current period, of quarter-over-quarter changes in estimated long-term Constant Prepayment Rate ("CPR").

The following table illustrates the impact of the PAA on premium amortization expense for our Residential Securities portfolio and residential securities transferred or pledged to securitization vehicles, for the periods presented:

| | | For the Years Ended December 31, | | |
|---|---|---|---|---|
| | | 2022 | 2021 | 2020 |
| | | (dollars in thousands) | | |
| Premium amortization expense | Premium amortization expense | **$ 48,013** | $760,818 | $1,375,461 |
| Less: PAA cost (benefit) | Less: PAA cost (benefit) | **(360,587)** | 57,158 | 415,444 |
| **Premium amortization expense (excluding PAA)** | **Premium amortization expense (excluding PAA)** | **$408,600** | $703,660 | $ 960,017 |

| For the Years Ended December 31, | | |
|---|---|---|
| 2023 | 2022 | 2021 |
| (dollars in thousands) | | |

*Economic Leverage and Economic Capital Ratios*

We use capital coupled with borrowed funds to invest primarily in real estate related investments, earning the spread between the yield on our assets and the cost of our borrowings and hedging activities. Our capital structure is designed to offer an efficient complement of funding sources to generate positive risk-adjusted returns for our stockholders while maintaining appropriate liquidity to support our business and meet our financial obligations under periods of market stress. To maintain our desired capital profile, we utilize a mix of debt and equity funding. Debt funding may include the use of repurchase agreements, loans, securitizations, participations issued, lines of credit, asset backed lending facilities, corporate bond issuance, convertible bonds, mortgages payable or other liabilities. Equity capital primarily consists of common and preferred stock.

Our economic leverage ratio is computed as the sum of recourse debt, cost basis of TBA and CMBX derivatives 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). , and U.S. Treasury securities sold, not yet purchased. Certain credit facilities (included within other secured financing), debt issued by securitization vehicles, and participations issued are non-recourse to us and are excluded from economic leverage.

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financing), debt issued by securitization vehicles, participations issued, and mortgages payable are non-recourse to us and are excluded from economic leverage.

The following table presents a reconciliation of GAAP debt to economic debt for purposes of calculating our economic leverage ratio for the periods presented:

| | As of | |
|---|---|---|
| | As of | |
| | As of | |
| | December 31, 2023 | |
| | December 31, 2023 | |
| | December 31, 2023 | |
| Economic leverage ratio reconciliation | | |
| Economic leverage ratio reconciliation | | |
| Economic leverage ratio reconciliation | | |
| Repurchase agreements | | |
| Repurchase agreements | | |
| Repurchase agreements | | |
| Other secured financing | | |
| Other secured financing | | |
| Other secured financing | | |
| Debt issued by securitization vehicles | | |
| Debt issued by securitization vehicles | | |
| Debt issued by securitization vehicles | | |
| Participations issued | | |
| Participations issued | | |
| Participations issued | | |

| | | As of | |
|---|---|---|---|
| U.S. Treasury securities sold, not yet purchased | | | |
| | | December 31, 2022 | December 31, 2021 |
| Economic leverage ratio reconciliation | | (dollars in thousands) | |
| Repurchase agreements | | **$59,512,597** | $54,769,643 |
| Other secured financing | | **250,000** | 903,255 |
| U.S. Treasury securities sold, not yet purchased | | | |
| U.S. Treasury securities sold, not yet purchased | | | |
| **Total GAAP debt** | | | |
| **Total GAAP debt** | | | |
| **Total GAAP debt** | | | |
| **Less Non-Recourse Debt:** | | | |
| **Less Non-Recourse Debt:** | | | |
| **Less Non-Recourse Debt:** | | | |
| Debt issued by securitization vehicles | | | |
| Debt issued by securitization vehicles | | | |
| Debt issued by securitization vehicles | Debt issued by securitization vehicles | **7,744,160** | 5,155,633 |
| Participations issued | Participations issued | **800,849** | 1,049,066 |
| Debt included in liabilities of disposal group held for sale | | **—** | 112,144 |



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| | | | |
|---|---|---|---|
| **Total GAAP debt** | | **$68,307,606** | $61,989,741 |
| **Less Non-Recourse Debt:** | | | |
| Credit facilities (1) | | — | (903,255) |
| Debt issued by securitization vehicles | | **(7,744,160)** | (5,155,633) |
| Participations issued | | | |
| Participations issued | Participations issued | **(800,849)** | (1,049,066) |
| Non-recourse debt included in liabilities of disposal group held for sale | | — | (112,144) |
| **Total recourse debt** | | | |
| **Total recourse debt** | | | |
| **Total recourse debt** | **Total recourse debt** | **$59,762,597** | **$54,769,643** |
| **Plus / (Less):** | **Plus / (Less):** | | |
| **Plus / (Less):** | | | |
| **Plus / (Less):** | | | |
| Cost basis of TBA and CMBX derivatives | | | |
| Cost basis of TBA and CMBX derivatives | | | |
| Cost basis of TBA and CMBX derivatives | Cost basis of TBA and CMBX derivatives | **11,050,351** | 20,690,768 |
| Payable for unsettled trades | Payable for unsettled trades | **1,157,846** | 147,908 |
| Payable for unsettled trades | | | |
| Payable for unsettled trades | | | |
| Receivable for unsettled trades | | | |
| Receivable for unsettled trades | | | |
| Receivable for unsettled trades | Receivable for unsettled trades | **(575,091)** | (2,656) |
| **Economic debt*** | **Economic debt*** | **$71,395,703** | $75,605,663 |
| **Economic debt*** | | | |
| **Economic debt*** | | | |
| **Total equity** | | | |
| **Total equity** | | | |
| **Total equity** | **Total equity** | **$11,369,426** | $13,195,325 |
| **Economic leverage ratio*** | **Economic leverage ratio*** | **6.3:1** | 5.7:1 |
| **Economic leverage ratio*** | | | |
| **Economic leverage ratio*** | | | |

* Represents a non-GAAP financial measure. Refer to the disclosure within this section above for additional information on non-GAAP financial measures.

(1) Included in Other secured financing in the Consolidated Statements of Financial Condition.

* Represents a non-GAAP financial measure. Refer to the disclosure within this section above for additional information on non-GAAP financial measures.

* Represents a non-GAAP financial measure. Refer to the disclosure within this section above for additional information on non-GAAP financial measures.



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* Represents a non-GAAP financial measure. Refer to the disclosure within this section above for additional information on non-GAAP financial measures.

The following table presents a reconciliation of GAAP total assets to economic total assets for purposes of calculating our economic capital ratio for the periods presented:

| | As of | |
|---|---|---|
| | December 31, 2022 | December 31, 2021 |
| **Total GAAP assets** | **$81,850,712** | $76,764,064 |
| **Less:** | | |
| Gross unrealized gains on TBA derivatives (1) | **(17,056)** | (52,693) |
| Gross unrealized gains on TBA derivatives (1) | | |
| Debt issued by securitization vehicles | **(7,744,160)** | (5,155,633) |
| **Plus:** | | |
| Implied market value of TBA derivatives | | |
| Implied market value of TBA derivatives | **10,578,676** | 20,338,633 |
| **Total economic assets *** | **$84,668,172** | $91,894,371 |
| **Total equity** | **$11,369,426** | $13,195,325 |
| **Economic capital ratio (2)*** | **13.4%** | 14.4% |

* Represents a non-GAAP financial measure. Refer to the disclosure within this section above for additional information on non-GAAP financial measures.

(1) Included in Derivative assets in the Consolidated Statements of Financial Condition.

(2) Economic capital ratio is computed as total equity divided by total economic assets.

* Represents a non-GAAP financial measure. Refer to the disclosure within this section above for additional information on non-GAAP financial measures.

(1) Included in Derivative assets in the Consolidated Statements of Financial Condition.

(2) Economic capital ratio is computed as total equity divided by total economic assets.

| | As of December 31, 2023 | As of December 31, 2022 |
|---|---|---|
| **Economic capital ratio reconciliation** | (dollars in thousands) | |
| **Total GAAP assets** | **$81,850,712** | $76,764,064 |
| **Less:** | | |
| Gross unrealized gains on TBA derivatives (1) | **(17,056)** | (52,693) |
| Gross unrealized gains on TBA derivatives (1) | | |
| Debt issued by securitization vehicles | **(7,744,160)** | (5,155,633) |
| **Plus:** | | |
| Implied market value of TBA derivatives | | |
| Implied market value of TBA derivatives | **10,578,676** | 20,338,633 |
| **Total economic assets *** | **$84,668,172** | $91,894,371 |
| **Total equity** | **$11,369,426** | $13,195,325 |
| **Economic capital ratio (2)*** | **13.4%** | 14.4% |

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| **Economic capital ratio reconciliation** | (dollars in thousands) | |
| **Economic capital ratio (2)*** | **14.0%** | 13.4% |

* Represents a non-GAAP financial measure. Refer to the disclosure within this section above for additional information on non-GAAP financial measures.

(1) Included in Derivative assets in the Consolidated Statements of Financial Condition.

(2) Economic capital ratio is computed as total equity divided by total economic assets.



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*Interest Income (excluding PAA), Economic Interest Expense and Economic Net Interest Income (excluding PAA)*

Interest income (excluding PAA) represents interest income excluding the effect of the premium amortization adjustment, and serves as the basis for deriving average yield on interest earning assets (excluding PAA), net interest spread (excluding PAA) and net interest margin (excluding PAA), which are discussed below. We believe this measure provides management and investors with additional detail to enhance their understanding of our operating results and trends by excluding the component



of premium amortization expense representing the cumulative effect of quarter-over-quarter changes in estimated long-term prepayment speeds related to our Agency MBS (other than interest-only securities, multifamily and reverse mortgages), which can obscure underlying trends in the performance of the portfolio.

Economic interest expense is comprised of GAAP interest expense and the net interest component of interest rate swaps. We use interest rate swaps to manage our exposure to changing interest rates on repurchase agreements by economically hedging cash flows associated with these borrowings. Accordingly, adding the net interest component of interest rate swaps to interest



expense, as computed in accordance with GAAP, reflects the total contractual interest expense and thus, provides investors with additional information about the cost of our financing strategy. We may use market agreed coupon ("MAC") interest rate swaps in which we may receive or make a payment at the time of entering into such interest rate swap to compensate for the off-market nature of such interest rate swap. In accordance with GAAP, upfront payments associated with MAC interest rate swaps are not reflected in the net interest component of interest rate swaps, which is presented in Net gains (losses) on derivatives in the Consolidated Statements of Comprehensive Income (Loss). We did not enter into any MAC interest rate swaps during the years ended December 31, 2022 and December 31, 2021.

Similarly, economic net interest income (excluding PAA), as computed below, provides investors with additional information to enhance their understanding of the net economics of our primary business operations.

The following tables present a reconciliation of GAAP interest income and GAAP interest expense to non-GAAP interest income (excluding PAA), economic interest expense and economic net interest income (excluding PAA), respectively, for the periods presented:

**Interest Income (excluding PAA)**

| | | GAAP Interest Income | PAA Cost (Benefit) | Interest Income (excluding PAA) * | | GAAP Interest Income | PAA Cost (Benefit) | Interest Income (excluding PAA) * |
|---|---|---|---|---|---|---|---|---|
| For the years ended | For the years ended | (dollars in thousands) | | | For the years ended | (dollars in thousands) | | |
| December 31, 2023 | | | | | | | | |
| December 31, 2022 | December 31, 2022 | **$2,778,887** | **$(360,587)** | **$2,418,300** | | | | |
| December 31, 2021 | December 31, 2021 | $1,983,036 | $ 57,158 | $2,040,194 | | | | |
| December 31, 2020 | | $2,229,625 | $ 415,444 | $2,645,069 | | | | |

* Represents a non-GAAP financial measure. Refer to disclosures within this section above for additional information on non-GAAP financial measures.

**Economic Interest Expense and Economic Net Interest Income (excluding PAA)**

| | | GAAP Interest Expense | Add: Net Interest Component of Interest Rate Swaps | Economic Interest Expense | GAAP Net Interest Income | Less: Net Interest Component of Interest Rate Swaps | Economic Net Interest Income * | Add: PAA Cost (Benefit) | Economic Net Interest Income (excluding PAA) * | | GAAP Interest Expense | Add: Net Interest Component of Interest Rate Swaps | Economic Interest Expense | GAAP Net Interest Income | Less: Net Interest Component of Interest Rate Swaps | Economic Net Interest Income * | Add: PAA Cost (Benefit) | Ec In In (ex P |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| For the years ended | For the years ended | (dollars in thousands) | | | | | | | | | For the years ended | (dollars in thousands) | | | | | | |
| December 31, 2023 | | | | | | | | | | | | | | | | | | |



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| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| December 31, 2022 | December 31, 2022 | **$1,309,735** | **$ (366,161)** | **$ 943,574** | **$1,469,152** | **$ (366,161)** | **$1,835,313** | **$(360,587)** | **$1,474,726** |
| December 31, 2021 | December 31, 2021 | $ 249,243 | $ 276,142 | $ 525,385 | $1,733,793 | $ 276,142 | $1,457,651 | $ 57,158 | $1,514,809 |
| December 31, 2020 | | $ 899,112 | $ 207,877 | $1,106,989 | $1,330,513 | $ 207,877 | $1,122,636 | $ 415,444 | $1,538,080 |

* Represents a non-GAAP financial measure. Refer to disclosures within this section above for additional information on non-GAAP financial measures.

***Experienced and Projected Long-Term CPR***

Prepayment speeds, as reflected by the CPR and interest rates vary according to the type of investment, conditions in financial markets, competition and other factors, none of which can be predicted with any certainty. In general, as prepayment speeds and expectations of prepayment speeds on our Agency MBS portfolio increase, related purchase premium amortization increases, thereby reducing the yield on such assets. The following table presents the weighted average experienced CPR and weighted average projected long-term CPR on our Agency MBS portfolio as of and for the periods presented.

| For the years ended | | Experienced CPR (1) | Long-term CPR (2) | | Experienced CPR (1) | Long-term CPR (2) |
|---|---|---|---|---|---|---|
| December 31, 2023 | | | | | | |
| December 31, 2023 | | | | | | |
| December 31, 2023 | | | | | **6.5%** | **9.4%** |
| December 31, 2022 | December 31, 2022 | **12.2%** | **7.8%** | December 31, 2022 | 12.2% | 7.8% |
| December 31, 2021 | December 31, 2021 | 23.7% | 12.7% | December 31, 2021 | 23.7% | 12.7% |
| December 31, 2020 | | 20.2% | 16.4% | | | |

(1) For the years ended December 31, 2022, 2021 and 2020, respectively.

(2) At December 31, 2022, 2021 and 2020, respectively.

(1) For the years ended December 31, 2023, 2022 and 2021, respectively.

(2) At December 31, 2023, 2022 and 2021, respectively.

(1) For the years ended December 31, 2023, 2022 and 2021, respectively.

(2) At December 31, 2023, 2022 and 2021, respectively.



***Average Yield on Interest Earning Assets (excluding PAA), Net Interest Spread (excluding PAA), Net Interest Margin (excluding PAA) and Average Economic Cost of Interest Bearing Liabilities***

Net interest spread (excluding PAA), which is the difference between the average yield on interest earning assets (excluding PAA) and the average economic cost of interest bearing liabilities, which represents annualized economic interest expense divided by average interest bearing liabilities, and net interest margin (excluding PAA), which is calculated as the sum of interest income (excluding PAA) 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

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CMBX balances, provide management with additional measures of our profitability that management relies upon in monitoring the performance of the business.



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Disclosure of these measures, which are presented below, provides investors with additional detail regarding how management evaluates our performance.

**Net Interest Spread (excluding PAA)**

| For the years ended | For the years ended | Average Interest Earning Assets (1) | Interest Income (excluding PAA) * | Average Yield on Interest Earning Assets (excluding PAA) * | Average Interest Bearing Liabilities | Economic Interest Expense * (2) | Average Economic Cost of Interest Bearing Liabilities * (2) | Economic Net Interest Income (excluding PAA) * | Net Interest Spread (excluding PAA) * |
|---|---|---|---|---|---|---|---|---|---|
| | | (dollars in thousands) | | | | | | | |
| For the years ended | | | | | | | | | |
| For the years ended | | | | | | | | | |
| December 31, 2023 | | | | | | | | | |
| December 31, 2023 | | | | | | | | | |
| December 31, 2023 | | | | | | | | | |
| December 31, 2022 | | | | | | | | | |
| December 31, 2022 | | | | | | | | | |
| December 31, 2022 | December 31, 2022 | **$76,429,267** | **$2,418,300** | **3.16%** | **$64,512,269** | **$943,574** | **1.46%** | **$1,474,726** | **1.70 %** |
| December 31, 2021 | December 31, 2021 | $76,079,589 | $2,040,194 | 2.68% | $66,607,057 | $525,385 | 0.79% | $1,514,809 | 1.89 % |
| December 31, 2020 | | $91,198,821 | $2,645,069 | 2.90% | $82,719,182 | $1,106,989 | 1.34% | $1,538,080 | 1.56 % |
| December 31, 2021 | | | | | | | | | |
| December 31, 2021 | | | | | | | | | |



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* Represents a non-GAAP financial measure. Refer to the "Non-GAAP Financial Measures" section for additional information.

(1) Based on amortized cost.

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

* Represents a non-GAAP financial measure. Refer to the "Non-GAAP Financial Measures" section for additional information.

(1) Based on amortized cost.

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

* Represents a non-GAAP financial measure. Refer to the "Non-GAAP Financial Measures" section for additional information.

(1) Based on amortized cost.

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

* Represents a non-GAAP financial measure. Refer to the "Non-GAAP Financial Measures" section for additional information.

(1) Based on amortized cost.

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

**Net Interest Margin (excluding PAA)**

| For the years ended | For the years ended | Interest Income (excluding PAA) * | TBA Dollar Roll and CMBX Coupon Income (1) | Economic Interest Expense * | Subtotal | Average Interest Earnings Assets | Average TBA Contract and CMBX Balances | Subtotal | Net Interest Margin (excluding PAA) * |
|---|---|---|---|---|---|---|---|---|---|
| | | (dollars in thousands) | | | | | | | |
| December 31, 2023 | | | | | | | | | |
| December 31, 2022 | December 31, 2022 | $2,418,300 | 431,475 | (943,574) | $1,906,201 | $76,429,267 | 17,533,362 | $93,962,629 | 2.03% |

| For the years ended | Interest Income (excluding PAA) * | TBA Dollar Roll and CMBX Coupon Income (1) | Economic Interest Expense * | Subtotal | Average Interest Earnings Assets | Average TBA Contract and CMBX Balances | Subtotal | N (e |
|---|---|---|---|---|---|---|---|---|
| | | (dollars in thousands) | | | | | | |
| December 31, 2023 | $3,733,235 | 20,621 | (2,257,912) | $1,495,944 | $86,305,249 | 6,010,685 | $92,315,934 | |
| December 31, 2022 | $2,418,300 | 431,475 | (943,574) | $1,906,201 | $76,429,267 | 17,533,362 | $93,962,629 | |



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| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| December 31, 2021 | December 31, 2021 | $2,040,194 | 445,768 | (525,385) | $1,960,577 | $76,079,589 | 21,131,344 | $97,210,933 | 2.02% |
| December 31, 2020 | | $2,645,069 | 355,547 | (1,106,989) | $1,893,627 | $91,198,821 | 17,442,023 | $108,640,844 | 1.74% |

* Represents a non-GAAP financial measure. Refer to the "Non-GAAP Financial Measures" section for additional information.

(1) TBA dollar roll income and CMBX coupon income each represent a component of Net gains (losses) on derivatives. CMBX coupon income totaled $4.4 million, $5.2 million and $5.8 million for the years ended December 31, 2022, 2021 and 2020, respectively.

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| December 31, 2021 | $2,040,194 | 445,768 | (525,385) | $1,960,577 | $76,079,589 | 21,131,344 | $97,210,933 | |

* Represents a non-GAAP financial measure. Refer to the "Non-GAAP Financial Measures" section for additional information.

(1) TBA dollar roll income and CMBX coupon income each represent a component of Net gains (losses) on derivatives. CMBX coupon income totaled $1.5 million, $4.4 million and $5.2 million for the years ended December 31, 2023, 2022 and 2021, respectively.

* Represents a non-GAAP financial measure. Refer to the "Non-GAAP Financial Measures" section for additional information.

(1) TBA dollar roll income and CMBX coupon income each represent a component of Net gains (losses) on derivatives. CMBX coupon income totaled $1.5 million, $4.4 million and $5.2 million for the years ended December 31, 2023, 2022 and 2021, respectively.

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***Economic Interest Expense and Average Economic Cost of Interest Bearing Liabilities***

Typically, our largest expense is the cost of interest bearing liabilities and the net interest component of interest rate swaps. The following table below shows our average interest bearing liabilities and average economic cost of interest bearing liabilities as compared to average one-month and average six-month LIBOR SOFR for the periods presented.

**Average Economic Cost of Interest Bearing Liabilities**



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| For the years ended | Average Interest Bearing Liabilities | Interest Bearing Liabilities at Period End | Economic Interest Expense * (1) | Average Economic Cost of Interest Bearing Liabilities * | Average One-Month LIBOR | Average Six-Month LIBOR | Average One-Month LIBOR Relative to Average Six-Month LIBOR | Average Economic Cost of Interest Bearing Liabilities Relative to Average One-Month LIBOR | Average Economic Cost of Interest Bearing Liabilities Relative to Average Six-Month LIBOR |
|---|---|---|---|---|---|---|---|---|---|
| | (dollars in thousands) | | | | | | | | |
| December 31, 2023 | **$74,962,858** | **$77,038,467** | **$2,257,912** | **3.01 %** | **5.07 %** | | | | |
| December 31, 2022 | $64,512,269 | $68,307,606 | $943,574 | 1.46 % | 1.92 % | 2.87 % | (0.95 %) | (0.46 %) | (1.41 %) |
| December 31, 2021 | $66,607,057 | $61,877,597 | $525,385 | 0.79 % | 0.10 % | 0.20 % | (0.10 %) | 0.69 % | 0.59 % |
| December 31, 2020 | $82,719,182 | $71,435,295 | $1,106,989 | 1.34 % | 0.52 % | 0.69 % | (0.17 %) | 0.82 % | 0.65 % |

| For the years ended | Average Interest Bearing Liabilities | Interest Bearing Liabilities at Period End | Economic Interest Expense * (1) | Average Economic Cost of Interest Bearing Liabilities * | Average One-Month Term SOFR |
|---|---|---|---|---|---|
| | (dollars in thousands) | | | | |
| December 31, 2023 | **$74,962,858** | **$77,038,467** | **$2,257,912** | **3.01 %** | **5.07 %** |
| December 31, 2022 | $64,512,269 | $68,307,606 | $943,574 | 1.46 % | 1.85 |
| December 31, 2021 | $66,607,057 | $61,877,597 | $525,385 | 0.79 % | 0.04 |

* Represents a non-GAAP financial measure. Refer to the "Non-GAAP Financial Measures" section for additional information.

(1) Economic interest expense is comprised of GAAP interest expense and the net interest component of interest rate swaps.

2022

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*2023 Compared with 2021 2022*

Economic interest expense increased by $418.2 million $1.3 billion for the year ended December 31, 2022 December 31, 2023 compared to the same period in 2021. 2022. The change was primarily due to higher interest expense on repurchase agreements reflecting higher borrowing rates, partially offset by lower average interest bearing liabilities from an increase in repurchase agreement balances and higher borrowing rates. This was partially offset by the change in the net interest component of interest rate swaps, which was $366.2 million $1.6 billion for the year ended December 31, 2022 December 31, 2023 compared to ($276.1) million $366.2 million for the same period in 2021. 2022.

We do not manage our portfolio to have a pre-designated amount of borrowings at quarter or year end. Our borrowings at period end are a snapshot of our borrowings as of a date, and this number may differ from average borrowings over the period for a number of reasons. The mortgage-backed securities we own pay principal and interest towards the end of each month and the mortgage-backed securities we purchase are typically settled during the beginning of the month. As a result, depending on the amount of mortgage-backed securities we have committed to purchase, we may retain the principal and interest we receive in the prior month, or we may use it to pay down our borrowings. Moreover, we generally use interest rate swaps, swaptions and other derivative instruments to hedge our portfolio, and as we pledge or receive collateral under these agreements, our borrowings on any given day may be increased or decreased. Our average borrowings during a quarter may differ from period end borrowings as we implement our portfolio management strategies and risk management strategies over changing market conditions by increasing or decreasing leverage. Additionally, these numbers may differ during periods when we conduct equity capital raises, as in certain instances we may purchase additional assets and increase leverage in anticipation of an equity capital raise. Since our average borrowings and period end borrowings can be expected to differ, we believe our average borrowings during a period provide a more accurate representation of our exposure to the risks associated with leverage than our period end borrowings.

At December 31, 2022 December 31, 2023 the majority of our debt represented repurchase agreements and other secured financing arrangements collateralized by a pledge of our Residential Securities, residential mortgage loans, and MSR. At December 31, 2021 December 31, 2022, the majority of our debt represented repurchase agreements and other secured financing arrangements collateralized by a pledge of our Residential Securities, residential mortgage loans, and corporate loans. MSR. All of our Residential Securities are currently accepted as collateral for these borrowings. However, we limit our borrowings, and thus our potential asset growth, in order to maintain unused borrowing capacity and maintain the liquidity and strength of our balance sheet.

***Other Income (Loss)***

*2022 2023 Compared with 2021 2022*

Net Gains (Losses) on Investments and Other

Net gains (losses) on disposal of investments and other was ($3.5) 2.9) billion for the year ended December 31, 2022 December 31, 2023 compared with ($62.7) million 3.5) billion for the same period in 2021. 2022. For the year ended December 31, 2022 December 31, 2023, we disposed of Residential Securities with a carrying value of $36.4 billion for an aggregate net loss of ($2.9) billion. For the same period in 2022, we disposed of Residential Securities with a carrying value of $28.9 billion for an aggregate net loss of ($3.6) billion and we recognized a realized gain of $33.4 million as a result of deconsolidating a multifamily VIE. For the same period in 2021, we disposed of Residential Securities with a carrying value of $11.5 billion for an aggregate net loss of ($3.1) million.



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Net unrealized gains (losses) on instruments measured at fair value through earnings was ($1.1) billion $797.6 million for the year ended December 31, 2022 December 31, 2023 compared to $183.7 million ($1.1) billion for the same period in 2021, 2022, primarily due to unfavorable favorable changes in unrealized gains (losses) on securitized residential whole loans of consolidated VIEs of ($1.3) billion, $1.5 billion, Agency MBS of ($743.9) million, $1.5 billion, non-Agency MBS of ($213.3) million, $334.1 million, residential whole loans of ($123.9) million, $252.2 million, and CRT securities of ($41.7) million $95.7 million partially offset by favorable unfavorable changes in residential securitized debt of consolidated VIEs of $1.1 ($1.5) billion, and MSR of $89.7 ($134.9) million and participations issued of ($123.5) million.

Net Gains (Losses) on Derivatives

Net gains (losses) on interest rate swaps for the year ended December 31, 2022 December 31, 2023 was $3.6 billion $0.7 billion compared to $686.0 million $3.6 billion for the same period in 2021, 2022, attributable to favorable unfavorable changes in unrealized gains (losses) on interest rate swaps, partially offset by the changes in net interest component of interest rate swaps and realized gains (losses) on termination or maturity of interest rate swaps, and net interest component of interest rate swaps. Unrealized gains (losses) on interest rate swaps was $3.5 billion ($815.6) million for the year ended December 31, 2022 December 31, 2023, reflecting quarters of rate rallies and sell-offs in forward interest rates during the current period, compared to $3.5 billion for the same period in 2022, reflecting a sharper rise in forward interest rates during the period, compared to $2.2 billion for the same period in 2021. prior period. Realized gains (losses) on termination or maturity of interest rate swaps was ($74.8) million resulting from the termination or maturity of interest rate swaps with a notional amount of $12.7 billion for the year ended December 31, 2023 compared to ($266.4) million resulting from the termination or maturity of interest rate swaps with a notional amount of $21.3 billion for the year ended December 31, 2022 compared to ($1.2) billion resulting from the termination or maturity of interest rate swaps with a notional amount of $30.9 billion for the same period in 2021. 2022. Net interest component of interest rate swaps was $366.2 million $1.6 billion for the year ended December 31, 2022 December 31, 2023 compared to ($276.1) million $366.2 million for the same period in 2021 as the swaps portfolio changed from 2022 due to an increase in average notional complemented by a net pay to a full year of net receive position as the floating receive leg reflected the rise in interest rates.

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Net gains (losses) on other derivatives was $1.3 billion ($294.6) million for the year ended December 31, 2022 December 31, 2023 compared to $121.7 million $1.3 billion for the same period in 2021. 2022. The change in net gains (losses) on other derivatives was primarily due to favorable unfavorable changes in net gains (losses) on futures contracts, which was $4.0 billion ($6.8) million for the year ended December 31, 2022 December 31, 2023 compared to $582.3 million $4.0 billion for the same period in 2021 2022 and net gains (losses) on interest rate swaptions, which was $152.0 million ($148.8) million for the year ended December 31, 2022 December 31, 2023 compared to ($76.0) million $152.0 million for the same period in 2021, 2022, partially offset by an unfavorable a favorable change in net gains (losses) on TBA derivatives, which was ($2.8) billion 140.8) million for the year ended December 31, 2022 December 31, 2023 compared to ($401.7) million 2.8) billion for the same period in 2021. 2022.

Loan Loss (Provision) Reversal

For the year ended December 31, 2022 December 31, 2023, a loan loss (provision) reversal of $20.7 million $0.2 million was recorded on commercial mortgage and corporate loans compared to $145.1 million $20.7 million for the same period in 2021. 2022. Refer to the "Loans" Note located within Item 15 for additional information related to these loan loss provisions.

Business Divestiture-Related Gains (Losses)

For the year ended December 31, 2023, there were no business divestiture-related gains (losses). For the year ended December 31, 2022, the majority of business divestiture-related gains gain (losses) were associated with the sale of our corporate loan interests. Refer to the "Sale of Middle Market Lending Portfolio" Note located within Item 15 for additional information related to to the transaction. For the year ended December 31, 2021, business divestiture-related gain (losses) were associated with the sale of our commercial real estate business. Refer to the "Sale of Commercial Real Estate Business" Note located within Item 15 for additional information related to to the transaction.

Other, Net

Other, net includes brokerage and commission fees, due diligence costs, securitization expenses, and certain revenues and costs associated with our investments in commercial real estate, including rental income and recoveries, operating costs as well as depreciation and amortization expense. interest on custodial balances. We also report in Other, net items whose amounts, either individually or in the aggregate, would not, in the opinion of management, be meaningful to readers of the financial statements. Given the nature of certain components of this line item, balances may fluctuate from period to period.

Other, net was $73.7 million for the year ended December 31, 2023 compared to $6.7 million for the same period in 2022, primarily attributable to an increase in interest on custodial balances, partially offset by an increase in MSR financing expenses.

***General and Administrative Expenses***

General and administrative ("G&A") expenses consist of compensation and other expenses. The following table shows our total G&A expenses as compared to average total assets and average equity for the periods presented. Prior to the closing of the management internalization transaction (the "Internalization") on June 30, 2020, G&A also consisted of management fees paid to Annaly Management Company LLC (our "Former Manager"). Beginning with the quarter ended June 30, 2021, we began classifying certain portfolio activity- or volume-related expenses (including but not limited to brokerage and commission fees,

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due diligence costs and securitization expenses) as Other income (loss) rather than Other general and administrative expenses in the Consolidated Statements of Comprehensive Income (Loss) to better reflect the nature of the items. As such, prior periods have been conformed to the current presentation with Other general and administrative expenses for the three months ended March 31, 2021 adjusted downward by $1.8 million and for the year ended December 31, 2020 adjusted downward by $17.0 million. The following table shows our total G&A expenses as compared to average total assets and average equity for the periods presented.

**G&A Expenses and Operating Expense Ratios**

| For the years ended | Total G&A Expenses (1) | Total G&A Expenses/Average Assets (1) | Total G&A Expenses/Average Equity (1) |
|---|---|---|---|
| | (dollars in thousands) | | |
| December 31, 2023 | **$ 162,553** | **0.18 %** | **1.42 %** |
| December 31, 2022 | $ 162,729 | 0.21 % | 1.40 % |
| December 31, 2021 | $ 186,014 | 0.23 % | 1.35 % |
| December 31, 2020 | $222,195 | 0.22 % | 1.58 % |

(1) Includes $2.9 million of costs incurred in connection with the management internalization and costs incurred in connection with the CEO search process for the year ended December 31, 2020. Excluding these transaction costs, G&A expenses as a percentage of average total assets and as a percentage of average equity were 0.22% and 1.55%, respectively, for the year ended December 31, 2020.

| For the years ended | Total G&A Expenses | Total G&A Expenses/Average Assets | Total G&A Expenses/Average Equity |
|---|---|---|---|
| | (dollars in thousands) | | |
| December 31, 2023 | **$ 162,553** | **0.18 %** | **1.42 %** |
| December 31, 2022 | $ 162,729 | 0.21 % | 1.40 % |
| December 31, 2021 | $ 186,014 | 0.23 % | 1.35 % |

*2022 2023 Compared with 2021 2022*

G&A expenses decreased $23.3 million $0.2 million to $162.7 million $162.6 million for the year ended December 31, 2022 December 31, 2023 compared to the same period in 2021. 2022. The change increase in compensation expense was primarily almost fully offset by the decrease in other general and administrative expense due to lower expenses on our commercial portfolio, as a result of the sale of our commercial real estate business which was announced in the first quarter of 2021, as well as lower expenses resulting from the divestiture of our MML assets, which was announced in the second quarter of 2022, during the year ended December 31, 2022 compared with the same period in 2021. 2022.

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***Return on Average Equity***

The following table shows the components of our annualized return on average equity for the periods presented.

**Components of Annualized Return on Average Equity**

| For the years ended | Economic Net Interest Income/ Average Equity (1) | Net Servicing Income/Average Equity | Other Income (Loss)/Average Equity (2) | G&A Expenses/ Average Equity | Income Taxes/ Average Equity | Return on Average Equity |
|---|---|---|---|---|---|---|
| December 31, 2023 | **12.88 %** | **2.85 %** | **(28.30) %** | **(1.42 %)** | **(0.34 %)** | **(14.33 %)** |
| December 31, 2022 | 15.80 % | 1.91 % | (1.06) % | (1.40 %) | (0.39 %) | 14.86 % |
| December 31, 2021 | 10.62 % | 0.41 % | 7.81 % | (1.35 %) | (0.04 %) | 17.45 % |
| December 31, 2020 | 7.96 % | 0.48 % | (13.37 %) | (1.58 %) | 0.20 % | (6.31 %) |

(1) Economic net interest income includes the net interest component of interest rate swaps.

(2) Other income (loss) excludes the net interest component of interest rate swaps.



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***Unrealized Gains and Losses - Available-for-Sale Investments***

With our available-for-sale accounting treatment on our Agency MBS, which represent the largest portion of assets on balance sheet, The unrealized fluctuations in market values of assets our available-for-sale Agency MBS, for which the fair value option is not elected, do not impact our GAAP net income (loss) but rather are reflected on our balance sheet by changing the carrying value of the asset and stockholders' equity under accumulated other comprehensive income (loss). As a result of this fair value accounting treatment, our book value and book value per share are likely to fluctuate far more than if we used amortized cost accounting. As a result, comparisons with companies that use amortized cost accounting for some or all of their balance sheet may not be meaningful.

The following table below shows cumulative unrealized gains and losses on our available-for-sale investments reflected in the Consolidated Statements of Financial Condition.

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| | (dollars in thousands) | |
| Unrealized gain | **$ 5,910** | $ 1,444,434 |
| Unrealized loss | **(3,714,806)** | (486,024) |
| **Accumulated other comprehensive income (loss)** | **$ (3,708,896)** | $ 958,410 |

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| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| | (dollars in thousands) | |
| Unrealized gain | **$ 5,051** | $ 5,910 |
| Unrealized loss | **(1,340,451)** | (3,714,806) |
| **Accumulated other comprehensive income (loss)** | **$ (1,335,400)** | $ (3,708,896) |

Unrealized changes in the estimated fair value of available-for-sale investments may have a direct effect on our potential earnings and dividends: positive changes will increase our equity base and allow us to increase our borrowing capacity while negative changes tend to reduce borrowing capacity. A very large negative change in the net fair value of our available-for-sale Residential Securities might impair our liquidity position, requiring us to sell assets with the potential result of realized losses upon sale.

The fair value of these securities being less than amortized cost at December 31, 2022 December 31, 2023 is solely due to market conditions and not the quality of the assets. Substantially all of the Agency MBS have an actual or implied credit rating that is the same as that of the U.S. government. The investments do not require an allowance for credit losses because we currently have the ability and intent to hold the investments to maturity or for a period of time sufficient for a forecasted market price recovery up to or beyond the cost of the investments, and it is not more likely than not that we will be required to sell the investments before recovery of the amortized cost bases, which may be maturity. Also, we are guaranteed payment of the principal and interest amounts of the securities by the respective issuing Agency.

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**Financial Condition**

Total assets were $93.2 billion and $81.9 billion at December 31, 2023 and $76.8 billion at December 31, 2022 and 2021, 2022, respectively. The change was primarily due to increases in Agency MBS of $1.7 $4.0 billion, residential mortgage loans, including assets transferred or pledged to securitization vehicles, of $3.2 $4.7 billion, MSR of $1.2 $0.4 billion, receivable for unsettled trades of $0.6 $2.1 billion, and principal and interest receivable of $0.4 $0.6 billion, partially offset by decreases in corporate loans CMBS of $2.0 $0.3 billion and derivative assets of $0.2 billion. Our portfolio composition, net equity allocation and debt-to-net equity ratio by asset class were as follows at December 31, 2022 December 31, 2023:

| | | Agency MBS | MSR | Residential Credit (1) | Commercial | Total |
|---|---|---|---|---|---|---|
| **Assets** | **Assets** | | | (dollars in thousands) | | |
| Fair value/carrying value | | **$ 62,274,895** | **$ 1,748,209** | **$ 13,920,447** | **$ 526,309** | **$ 78,469,860** |
| **Assets** | | | | | | |
| **Assets** | | | | | | |
| Fair value | | | | | | |
| Fair value | | | | | | |
| Fair value | | | | | | |
| Implied market value of derivatives (2) | | | | | | |
| Implied market value of derivatives (2) | | | | | | |
| Implied market value of derivatives (2) | Implied market value of derivatives (2) | **10,578,676** | **—** | **—** | **406,202** | **10,984,878** |
| **Debt** | **Debt** | | | | | |
| **Debt** | | | | | | |
| **Debt** | | | | | | |
| Repurchase agreements | | | | | | |



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| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Repurchase agreements | | | | | | | | | | | |
| Repurchase agreements | Repurchase agreements | 55,855,293 | — | 3,200,556 | 456,748 | 59,512,597 | | | | | |
| Implied cost basis of derivatives (2) | Implied cost basis of derivatives (2) | 10,630,890 | — | — | 419,461 | 11,050,351 | | | | | |
| Implied cost basis of derivatives (2) | | | | | | | | | | | |
| Implied cost basis of derivatives (2) | | | | | | | | | | | |
| Other secured financing | | | | | | | | | | | |
| Other secured financing | | | | | | | | | | | |
| Other secured financing | Other secured financing | — | 250,000 | — | — | 250,000 | | | | | |
| Debt issued by securitization vehicles | Debt issued by securitization vehicles | — | — | 7,744,160 | — | 7,744,160 | | | | | |
| Debt issued by securitization vehicles | | | | | | | | | | | |
| Debt issued by securitization vehicles | | | | | | | | | | | |
| Participations issued | Participations issued | — | — | 800,849 | — | 800,849 | | | | | |
| Participations issued | | | | | | | | | | | |
| Participations issued | | | | | | | | | | | |
| U.S. Treasury securities sold, not yet purchased | | | | | | | | | | | |
| U.S. Treasury securities sold, not yet purchased | | | | | | | | | | | |
| U.S. Treasury securities sold, not yet purchased | | | | | | | | | | | |
| Net forward purchases | | | | | | | | | | | |
| Net forward purchases | | | | | | | | | | | |
| Net forward purchases | Net forward purchases | 536,401 | 46,316 | 38 | — | 582,755 | | | | | |
| **Other** | **Other** | | | | | | | | | | |
| **Other** | | | | | | | | | | | |
| **Other** | | | | | | | | | | | |
| Net other assets / liabilities | Net other assets / liabilities | 1,614,121 | 150,705 | 4,255 | 86,319 | 1,855,400 | | | | | |
| Net other assets / liabilities | | | | | | | | | | | |
| Net other assets / liabilities | | | | | | | | | | | |
| **Net equity allocated** | | | | | | | | | | | |
| **Net equity allocated** | | | | | | | | | | | |
| **Net equity allocated** | **Net equity allocated** | $ 7,445,108 | $ 1,602,598 | $ 2,179,099 | $ 142,621 | $ 11,369,426 | | | | | |
| **Net equity allocated (%)** | **Net equity allocated (%)** | 66 % | 14 % | 19 % | 1 % | 100 % | | | | | |
| **Net equity allocated (%)** | | | | | | | | | | | |
| **Net equity allocated (%)** | | | | | | | | | | | |
| **Debt/net equity ratio** (3) | | | | | | | | | | | |
| **Debt/net equity ratio** (3) | | | | | | | | | | | |
| **Debt/net equity ratio** (3) | **Debt/net equity ratio** (3) | 7.5:1 | 0.2:1 | 5.4:1 | 3.2:1 | 6.0:1 | 8.4:1 | 0.3:1 | 7.0:1 | 2.2:1 | 6.8:1 |



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(1) Fair value/carrying includes residential loans held for sale, and assets and liabilities associated with non-controlling interests.

(2) Derivatives include TBA contracts under Agency MBS and CMBX balances under Commercial.

(3) Represents the debt/net equity ratio as determined using amounts on the Consolidated Statements of Financial Condition.

(1) Fair value includes residential loans held for sale, and assets and liabilities associated with non-controlling interests.

(2) Derivatives include TBA contracts under Agency MBS.

(3) Represents the debt/net equity ratio as determined using amounts on the Consolidated Statements of Financial Condition.

(1) Fair value includes residential loans held for sale, and assets and liabilities associated with non-controlling interests.

(2) Derivatives include TBA contracts under Agency MBS.

(3) Represents the debt/net equity ratio as determined using amounts on the Consolidated Statements of Financial Condition.

(1) Fair value includes residential loans held for sale, and assets and liabilities associated with non-controlling interests.

(2) Derivatives include TBA contracts under Agency MBS.

(3) Represents the debt/net equity ratio as determined using amounts on the Consolidated Statements of Financial Condition.

***Residential Securities***

Substantially all of our Agency MBS at December 31, 2022 December 31, 2023 and December 31, 2021 December 31, 2022 were backed by single-family residential mortgage loans and were secured with a first lien position on the underlying single-family properties. Our mortgage-backed securities were largely Fannie Mae, Freddie Mac Fannie Mae or Ginnie Mae pass through certificates or CMOs, which have an actual or implied credit rating that is the same as that of the U.S. government. We carry all of our Agency MBS at fair value on the Consolidated Statements of Financial Condition.

We accrete discount balances as an increase to interest income over the expected life of the related interest earning assets and we amortize premium balances as a decrease to interest income over the expected life of the related interest earning assets. At December 31, 2022 December 31, 2023 and December 31, 2021 December 31, 2022 we had on our Consolidated Statements of Financial Condition a total of $1.1 billion $1.4 billion and $77.7 million $1.1 billion, respectively, of unamortized discount (which is the difference between the remaining principal value and current amortized cost of our Residential Securities excluding securities transferred or pledged to securitization vehicles, acquired at a price below principal value) and a total of $2.9 billion $2.4 billion and $3.8 billion $2.9 billion, respectively, of unamortized premium



(which (which is the difference between the remaining principal value and the current amortized cost of our Residential Securities excluding securities transferred or pledged to securitization vehicles, acquired at a price above principal value).

The weighted average experienced prepayment speed on our Agency MBS portfolio for the years ended December 31, 2022 December 31, 2023 and 2021 2022 was 12.2% 6.5% and 23.7% 12.2%, respectively. The weighted average projected long-term prepayment speed on our Agency MBS portfolio as of December 31, 2022 December 31, 2023 and 2021 2022 was 7.8% 9.4% and 12.7% 7.8%, respectively.

Given our current portfolio composition, if mortgage principal prepayment rates were to increase over the life of our mortgage-backed securities, all other factors being equal, our net interest income would decrease during the life of these mortgage-backed securities as we would be required to amortize our net premium balance into income over a shorter time



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period. Similarly, if mortgage principal prepayment rates were to decrease over the life of our mortgage-backed securities, all other factors being equal, our net interest income would increase during the life of these mortgage-backed securities as we would amortize our net premium balance over a longer time period.

The following tables present our Residential Securities, excluding securities transferred or pledged to securitization vehicles, that were carried at fair value at December 31, 2022 and December 31, 2021.

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| | Estimated Fair Value | |
| Agency | (dollars in thousands) | |
| Fixed-rate pass-through | $ 60,029,758 | $ 58,296,605 |
| Adjustable-rate pass-through | 234,387 | 321,273 |
| CMO | 89,610 | 121,698 |
| Interest-only | 218,077 | 293,914 |
| Multifamily | 1,674,165 | 1,452,713 |
| Reverse mortgages | 28,898 | 39,402 |
| **Total agency securities** | $ 62,274,895 | $ 60,525,605 |
| Residential credit | | |
| Credit risk transfer | $ 997,557 | $ 936,228 |
| Alt-A | 91,216 | 69,487 |
| Prime | 197,870 | 275,441 |
| Subprime | 156,313 | 163,076 |
| NPL/RPL | 1,317,154 | 983,438 |
| Prime jumbo (>= 2010 vintage) | 228,593 | 171,894 |
| **Total residential credit securities** | $ 2,988,703 | $ 2,599,564 |
| **Total Residential Securities** | $ 65,263,598 | $ 63,125,169 |

ANNALY CAPITAL MANAGEMENT, INC. AND SUBSIDIARIES

**Item 7. Management's Discussion and Analysis**

The following table presents our Residential Securities that were carried at fair value at December 31, 2023 and December 31, 2022.

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| | Estimated Fair Value | |
| Agency | (dollars in thousands) | |
| Fixed-rate pass-through | $ 62,198,941 | $ 60,029,758 |
| Adjustable-rate pass-through | 191,489 | 234,387 |
| CMO | 82,972 | 89,610 |
| Interest-only | 264,005 | 218,077 |
| Multifamily | 3,544,528 | 1,674,165 |
| Reverse mortgages | 26,853 | 28,898 |
| **Total agency securities** | $ 66,308,788 | $ 62,274,895 |
| Residential credit | | |
| Credit risk transfer | $ 974,059 | $ 997,557 |
| Alt-A | 150,235 | 91,216 |
| Prime | 180,647 | 197,870 |
| Subprime | 235,605 | 156,313 |
| NPL/RPL | 1,197,555 | 1,317,154 |
| Prime jumbo (>= 2010 vintage) | 344,232 | 228,593 |
| **Total residential credit securities** | $ 3,082,333 | $ 2,988,703 |
| **Total Residential Securities** | $ 69,391,121 | $ 65,263,598 |

The following table summarizes certain characteristics of our Residential Securities (excluding interest-only mortgage-backed securities) and interest-only mortgage-backed securities excluding securities transferred or pledged to securitization vehicles, at December 31, 2022 December 31, 2023 and December 31, 2021.

| | December 31, 2022 | December 31, 2021 |
|---|---|---|



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| Residential Securities (1) | (dollars in thousands) | |
|---|---|---|
| Principal amount | $ 68,290,976 | $ 58,676,833 |
| Net premium | 1,049,253 | 2,973,471 |
| Amortized cost | 69,340,229 | 61,650,304 |
| Amortized cost / principal amount | 101.54 % | 105.07 % |
| Carrying value | 64,736,220 | 62,577,398 |
| Carrying value / principal amount | 94.79 % | 106.65 % |
| Weighted average coupon rate | 4.03 % | 3.35 % |
| Weighted average yield | 3.76 % | 2.69 % |
| **Adjustable-rate Residential Securities (1)** | | |
| Principal amount | $ 1,407,295 | $ 1,476,250 |
| Weighted average coupon rate | 7.16 % | 2.81 % |
| Weighted average yield | 7.01 % | 6.57 % |
| Weighted average term to next adjustment (2) | 9 Months | 11 Months |
| Weighted average lifetime cap (3) | 9.30 % | 0.18 % |
| Principal amount at period end as % of total residential securities | 2.06 % | 2.52 % |
| **Fixed-rate Residential Securities (1)** | | |
| Principal amount | $ 66,883,681 | $ 57,200,583 |
| Weighted average coupon rate | 3.96 % | 3.36 % |
| Weighted average yield | 3.70 % | 2.60 % |
| Principal amount at period end as % of total residential securities | 97.94 % | 97.48 % |
| **Interest-only Residential Securities** | | |
| Notional amount | $ 17,346,307 | $ 6,583,768 |
| Net premium | 785,532 | 720,235 |
| Amortized cost | 785,532 | 720,235 |
| Amortized cost / notional amount | 4.53 % | 10.94 % |
| Carrying value | 527,378 | 547,771 |
| Carrying value / notional amount | 3.04 % | 8.32 % |
| Weighted average coupon rate | 0.56 % | 2.01 % |
| Weighted average yield | NM | NM |

(1) Excludes interest-only MBS.

(2) Excludes non-Agency MBS and CRT securities.

(3) Excludes non-Agency MBS and CRT securities as this attribute is not applicable to these asset classes.

NM Not meaningful.

The following tables summarize certain characteristics of our Residential Credit portfolio at December 31, 2022.

| | | Payment Structure | | Investment Characteristics | | | |
|---|---|---|---|---|---|---|---|
| Product | Estimated Fair Value | Senior | Subordinate | Coupon | Credit Enhancement | 60+ Delinquencies | 3M VPR (1) |
| | (dollars in thousands) | | | | | | |
| Credit risk transfer | $ 997,557 | $ — | $ 997,557 | 8.33 % | 1.92 % | 0.95 % | 6.26 % |
| Alt-A | 91,216 | 60,137 | 31,079 | 4.06 % | 14.80 % | 1.86 % | 7.11 % |
| Prime | 197,870 | 25,912 | 171,958 | 4.87 % | 7.90 % | 2.94 % | 5.11 % |
| Subprime | 156,313 | 55,817 | 100,496 | 5.09 % | 16.54 % | 8.32 % | 6.39 % |
| Re-performing loan securitizations | 843,949 | 474,170 | 369,779 | 3.94 % | 28.62 % | 31.28 % | 5.97 % |
| Non-performing loan securitizations | 473,205 | 447,237 | 25,968 | 3.52 % | 37.69 % | 79.54 % | 7.45 % |
| Prime jumbo (>=2010 vintage) | 228,593 | 34,292 | 194,301 | 6.78 % | 3.00 % | 2.05 % | 4.01 % |
| **Total/weighted average (2)** | $ 2,988,703 | $ 1,097,565 | $ 1,891,138 | 5.62 % | 16.90 % | 22.46 % | 5.99 % |

(1) Represents the 3 month voluntary prepayment rate ("VPR") and excludes the impact of interest-only securities.

(2) Total investment characteristics exclude the impact of interest-only securities.

| | December 31, 2023 | December 31, 2022 |
|---|---|---|



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| Residential Securities (1) | (dollars in thousands) | |
|---|---|---|
| Principal amount | $ 70,078,626 | $ 68,290,976 |
| Net premium | 63,902 | 1,049,253 |
| Amortized cost | 70,142,528 | 69,340,229 |
| Amortized cost / principal amount | 100.09 % | 101.54 % |
| Carrying value | 68,701,769 | 64,736,220 |
| Carrying value / principal amount | 98.04 % | 94.79 % |
| Weighted average coupon rate | 4.68 % | 4.03 % |
| Weighted average yield | 4.64 % | 3.76 % |
| **Adjustable-rate Residential Securities (1)** | | |
| Principal amount | $ 1,206,700 | $ 1,407,295 |
| Weighted average coupon rate | 8.79 % | 7.16 % |
| Weighted average yield | 8.09 % | 7.01 % |
| Weighted average term to next adjustment (2) | 8 Months | 9 Months |
| Weighted average lifetime cap (3) | 9.34 % | 9.30 % |
| Principal amount at period end as % of total residential securities | 1.72 % | 2.06 % |
| **Fixed-rate Residential Securities (1)** | | |
| Principal amount | $ 68,871,926 | $ 66,883,681 |
| Weighted average coupon rate | 4.61 % | 3.96 % |
| Weighted average yield | 4.58 % | 3.70 % |
| Principal amount at period end as % of total residential securities | 98.28 % | 97.94 % |
| **Interest-only Residential Securities** | | |
| Notional amount | $ 25,918,105 | $ 17,346,307 |
| Net premium | 865,467 | 785,532 |
| Amortized cost | 865,467 | 785,532 |
| Amortized cost / notional amount | 3.34 % | 4.53 % |
| Carrying value | 689,352 | 527,378 |
| Carrying value / notional amount | 2.66 % | 3.04 % |
| Weighted average coupon rate | 0.43 % | 0.56 % |
| Weighted average yield | NM | NM |

(1) Excludes interest-only MBS.

(2) Excludes non-Agency MBS and CRT securities.

(3) Excludes non-Agency MBS and CRT securities as this attribute is not applicable to these asset classes.

NM Not meaningful.

ANNALY CAPITAL MANAGEMENT, INC. AND SUBSIDIARIES

**Item 7. Management's Discussion and Analysis**

| Product | Bond Coupon | | | | Estimated Fair Value |
|---|---|---|---|---|---|
| | ARM | Fixed | Floater | Interest-Only | |
| | (dollars in thousands) | | | | |
| Credit risk transfer | $ — | $ — | $ 997,557 | $ — | $ 997,557 |
| Alt-A | 3,737 | 87,150 | 329 | — | 91,216 |
| Prime | 5,109 | 176,114 | 3,574 | 13,073 | 197,870 |
| Subprime | — | 106,894 | 49,290 | 129 | 156,313 |
| Re-performing loan securitizations | — | 843,949 | — | — | 843,949 |
| Non-performing loan securitizations | — | 473,205 | — | — | 473,205 |
| Prime jumbo (>=2010 vintage) | — | 161,453 | 32,848 | 34,292 | 228,593 |
| **Total** | $ 8,846 | $ 1,848,765 | $ 1,083,598 | $ 47,494 | $ 2,988,703 |

The following tables summarize certain characteristics of our Residential Credit portfolio at December 31, 2023.

| Payment Structure | Investment Characteristics (1) |
|---|---|



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| Product | Estimated Fair Value | Senior | Subordinate | Coupon | Credit Enhancement | 60+ Delinquencies | 3M VPR (2) |
|---|---|---|---|---|---|---|---|
| | (dollars in thousands) | | | | | | |
| Credit risk transfer | $ 974,059 | $ — | $ 974,059 | 9.66 % | 1.73 % | 0.81 % | 4.40 % |
| Alt-A | 150,235 | 54,038 | 96,197 | 5.55 % | 14.69 % | 2.68 % | 8.66 % |
| Prime | 180,647 | 43,332 | 137,315 | 3.43 % | 8.29 % | 0.40 % | 3.38 % |
| Subprime | 235,605 | 72,016 | 163,589 | 7.15 % | 23.13 % | 8.74 % | 5.67 % |
| Re-performing loan securitizations | 796,711 | 412,365 | 384,346 | 5.25 % | 28.24 % | 19.73 % | 4.61 % |
| Non-performing loan securitizations | 400,844 | 346,867 | 53,977 | 4.32 % | 40.80 % | 66.32 % | 15.24 % |
| Prime jumbo (>=2010 vintage) | 344,232 | 94,452 | 249,780 | 4.13 % | 3.13 % | 0.46 % | 3.06 % |
| **Total/weighted average** | $ 3,082,333 | $ 1,023,070 | $ 2,059,263 | 6.35 % | 16.86 % | 14.97 % | 5.79 % |

(1) Investment characteristics exclude the impact of interest-only securities.

(2) Represents the 3 month voluntary prepayment rate ("VPR").

| Product | Bond Coupon | | | | Estimated Fair Value |
|---|---|---|---|---|---|
| | ARM | Fixed | Floater | Interest-Only | |
| | (dollars in thousands) | | | | |
| Credit risk transfer | $ — | $ — | $ 974,059 | $ — | $ 974,059 |
| Alt-A | 1,178 | 149,057 | — | — | 150,235 |
| Prime | — | 175,624 | — | 5,023 | 180,647 |
| Subprime | — | 213,199 | 22,309 | 97 | 235,605 |
| Re-performing loan securitizations | — | 796,711 | — | — | 796,711 |
| Non-performing loan securitizations | — | 400,844 | — | — | 400,844 |
| Prime jumbo (>=2010 vintage) | — | 252,967 | 20,900 | 70,365 | 344,232 |
| **Total** | $ 1,178 | $ 1,988,402 | $ 1,017,268 | $ 75,485 | $ 3,082,333 |

***Contractual Obligations***

The following table summarizes the effect on our liquidity and cash flows from contractual obligations at December 31, 2022 December 31, 2023. The table does not include the effect of net interest rate payments on our interest rate swap agreements. The net swap payments will fluctuate based on monthly changes in the receive rate. At December 31, 2022 December 31, 2023, the interest rate swaps had a net fair value of ($75.7) 56.7) million.

| | | Within One Year | One to Three Years | Three to Five Years | More than Five Years | Total |
|---|---|---|---|---|---|---|
| | | (dollars in thousands) | | | | |
| Repurchase agreements | Repurchase agreements | $59,512,597 | $ — | $ — | $ — | $59,512,597 |
| Interest expense on repurchase agreements (1) | Interest expense on repurchase agreements (1) | 199,694 | — | — | — | 199,694 |
| Other secured financing | Other secured financing | — | 250,000 | — | — | 250,000 |
| Interest expense on other secured financing (1) | Interest expense on other secured financing (1) | 17,922 | 8,838 | — | — | 26,760 |
| Debt issued by securitization vehicles (principal) | Debt issued by securitization vehicles (principal) | — | — | — | 9,021,305 | 9,021,305 |

| Within One Year | One to Three Years | Three to Five Years | More than Five Years | Total |
|---|---|---|---|---|
| (dollars in thousands) | | | | |



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| | | | | | | |
|---|---|---|---|---|---|---|
| Interest expense on debt issued by securitization vehicles | Interest expense on debt issued by securitization vehicles | **300,654** | **601,308** | **601,308** | **8,915,309** | **10,418,579** |
| Participations issued (principal) | Participations issued (principal) | **—** | **—** | **—** | **852,068** | **852,068** |
| Interest expense on participations issued | Interest expense on participations issued | **50,931** | **101,862** | **101,862** | **1,279,494** | **1,534,149** |
| Long-term operating lease obligations | Long-term operating lease obligations | **4,061** | **7,257** | **529** | **22** | **11,869** |
| Long-term operating lease obligations | | | | | | |
| Long-term operating lease obligations | | | | | | |
| **Total** | **Total** | **$60,085,859** | **$969,265** | **$703,699** | **$20,068,198** | **$81,827,021** |

(1) Interest expense on repurchase agreements and other secured financing calculated based on rates at December 31, 2022.

(1) Interest expense on repurchase agreements and other secured financing calculated based on rates at December 31, 2023.

(1) Interest expense on repurchase agreements and other secured financing calculated based on rates at December 31, 2023.

(1) Interest expense on repurchase agreements and other secured financing calculated based on rates at December 31, 2023.

In the coming periods, we expect to continue to finance our Residential Securities in a manner that is largely consistent with our current operations via repurchase agreements. We may use securitization structures, credit facilities, or other term financing structures to finance certain of our assets. During the year ended December 31, 2023, we received $6.2 billion from principal repayments and $31.3 billion in cash from disposal of Securities. During the year ended December 31, 2022, we received $9.5 billion from principal repayments and $25.0 billion in cash from disposal of Securities. During the year ended December 31, 2021, we received $18.7 billion from principal repayments and $11.5 billion in cash from disposal of Securities.



***Commitments and Contractual Obligations with Unconsolidated Entities***

We do not have any commitments or contractual obligations arising from arrangements with unconsolidated entities that have or are reasonably likely to have a material effect on our financial condition, revenues or expenses, results of operations, liquidity, cash requirements or capital resources.

**Capital Management**

Maintaining a strong balance sheet that can support the business even in times of economic stress and market volatility is of critical importance to our business strategy. A strong and robust capital position is essential to executing our investment strategy. Our capital strategy is predicated on a strong capital position, which enables us to execute our investment strategy regardless of the market environment. Our capital policy defines the parameters and principles supporting a comprehensive capital management practice.

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The major risks impacting capital are capital, liquidity and funding risk, investment/market risk, credit risk, counterparty risk, operational risk and compliance, regulatory and legal risk. For further discussion of the risks we are subject to, please see Part I, Item 1A. "Risk Factors" of this annual report on Form 10-K.

Capital requirements are based on maintaining levels above approved thresholds, ensuring the quality of our capital appropriately reflects our asset mix, market and funding structure. In the event we fall short of our internal thresholds, we will consider appropriate actions which may include asset sales, changes in asset mix, reductions in asset purchases or originations, issuance of capital or other capital enhancing or risk reduction strategies.



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***Stockholders' Equity***

The following table provides a summary of total stockholders' equity at December 31, 2022 December 31, 2023 and 2021: 2022:

| | | December 31, 2022 | December 31, 2021 | | December 31, 2023 | December 31, 2022 |
|---|---|---|---|---|---|---|
| **Stockholders' equity** | **Stockholders' equity** | **(dollars in thousands)** | | **Stockholders' equity** | **(dollars in thousands)** | |
| 6.95% Series F fixed-to-floating rate cumulative redeemable preferred stock | 6.95% Series F fixed-to-floating rate cumulative redeemable preferred stock | **696,910** | 696,910 | | | |
| 6.95% Series F fixed-to-floating rate cumulative redeemable preferred stock | | | | | | |
| 6.95% Series F fixed-to-floating rate cumulative redeemable preferred stock | | | | | | |
| 6.50% Series G fixed-to-floating rate cumulative redeemable preferred stock | 6.50% Series G fixed-to-floating rate cumulative redeemable preferred stock | **411,335** | 411,335 | | | |
| 6.75% Series I fixed-to-floating rate cumulative redeemable preferred stock | | | | | | |
| 6.75% Series I fixed-to-floating rate cumulative redeemable preferred stock | | | | | | |
| 6.75% Series I fixed-to-floating rate cumulative redeemable preferred stock | 6.75% Series I fixed-to-floating rate cumulative redeemable preferred stock | **428,324** | 428,324 | | | |
| Common stock | Common stock | **4,683** | 3,649 | | | |
| Additional paid-in capital | Additional paid-in capital | **22,981,320** | 20,324,780 | | | |
| Accumulated other comprehensive income (loss) | Accumulated other comprehensive income (loss) | **(3,708,896)** | 958,410 | | | |
| Accumulated deficit | Accumulated deficit | **(9,543,233)** | (9,653,582) | | | |
| **Total stockholders' equity** | **Total stockholders' equity** | **$11,270,443** | $13,169,826 | | | |

***Capital Stock***

*Common Stock*

In December 2020, we announced that our Board authorized the repurchase of up to $1.5 billion of our outstanding common shares, which expired on December 31, 2021 (the "Prior Share Repurchase Program"). In January 2022, we announced that our Board authorized the repurchase of up to $1.5 billion of our outstanding shares of common stock through December 31, 2024 (the "Current Share Repurchase Program"). The Current Share Repurchase Program replaced the Prior Share Repurchase Program. During the years ended December 31, 2022 December 31, 2023 and 2021, 2022, no shares were repurchased under the Current Share Repurchase Program or Prior Share Repurchase Program.



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On August 6, 2020, we entered into separate Amended and Restated Distribution Agency Agreements (as amended by Amendment No. 1 to the Amended and Restated Distribution Agency Agreements on August 6, 2021, and Amendment No. 2 to the Amended and Restated Distribution Agency Agreements on November 3, 2022, collectively, the "Sales Agreements") with each of Barclays Capital Inc., BofA Securities, Inc., Citigroup Global Markets Inc., Goldman Sachs & Co. LLC, Keefe, Bruyette & Woods, Inc., J.P. Morgan Securities LLC, RBC Capital Markets, LLC, UBS Securities LLC and Wells Fargo Securities, LLC (collectively, the "Sales Agents"). Pursuant to the Sales Agreements, we may offer and sell shares of common stock, having an aggregate offering price of up to $1.5 billion, from time to time through any of the Sales Agents (the "at-the-market sales program").

During the year ended December 31, 2023, under the at-the-market sales program, we issued 31.4 million shares for proceeds of $0.7 billion, net of commissions and fees. During the year ended December 31, 2022, under the at-the-market sales program,



we issued 45.7 million shares for proceeds of $1.1 billion, net of commissions and fees. The foregoing share amounts have been retroactively adjusted to reflect the effects of the Reverse Stock Split.

During the year ended December 31, 2022, we closed two public offerings for an aggregate original issuance of 50 million shares of common stock for aggregate proceeds of $1.31 billion before deducting offering expenses. In connection with each offering, we granted the underwriters a thirty-day option to purchase up to an additional 3.75 million shares of common stock, which the underwriters exercised in full in both instances, resulting in an additional $196.5 million in proceeds before deducting offering expenses for the year ended December 31, 2022. The stock offerings conducted during the year ended December 31, 2022 were completed prior to the Reverse Stock Split and the foregoing share amounts have been retroactively adjusted to reflect the effects thereof.

On August 6, 2020, we entered into separate Amended and Restated Distribution Agency Agreements (as amended by Amendment No. 1 to the Amended and Restated Distribution Agency Agreements on August 6, 2021, and Amendment No. 2 to the Amended and Restated Distribution Agency Agreements on November 3, 2022, collectively, the "Sales Agreements") with each of RBC Capital Markets, LLC, Barclays Capital Inc., BofA Securities, Inc., Citigroup Global Markets Inc., Credit Suisse Securities (USA) LLC, Goldman Sachs & Co. LLC, Keefe, Bruyette & Woods, Inc., J.P. Morgan Securities LLC, UBS Securities LLC and Wells Fargo Securities, LLC (collectively, the "Sales Agents"). Pursuant to the Sales Agreements, we may offer and sell shares of our common stock, having an aggregate offering price of up to $1.5 billion, from time to time through any of the Sales Agents (the "at-the-market sales program").

During the year ended December 31, 2022, under the at-the-market sales program, we issued 45.7 million shares for proceeds of $1.1 billion, net of commissions and fees. During the year ended December 31, 2021, under the at-the-market sales program, we issued 15.2 million shares for proceeds of $552.4 million, net of commissions and fees. The foregoing 2022 share amounts have been retroactively adjusted to reflect the effects of the Reverse Stock Split.

*Preferred Stock*

On November 3, 2022, our Board approved a repurchase plan for all of our existing outstanding Preferred Stock (as defined below, the "Preferred Stock Repurchase Program"). Under the terms of the plan, we are authorized to repurchase up to an



aggregate of 63,500,000 shares of Preferred Stock, comprised of up to (i) 28,800,000 shares of our 6.95% Series F Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock, par value $0.01 per share (the "Series F Preferred Stock"), (ii) 17,000,000 shares of our 6.50% Series G Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock, par value $0.01 per share (the "Series G Preferred Stock"), and (iii) 17,700,000 shares of our 6.75% Series I Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock, par value $0.01 per share (the "Series I Preferred Stock", and together with Series F Preferred Stock and Series G Preferred Stock, the "Preferred Stock"). The aggregate liquidation value of the Preferred Stock that may be repurchased by us pursuant to the Preferred Stock Repurchase Program, as of November 3, 2022, was approximately $1.6 billion. The Preferred Stock Repurchase Program became effective on November 3, 2022, and shall expire on December 31, 2024. No shares were repurchased to with respect to the Preferred Stock Repurchase Program during the year ended December 31, 2022 December 31, 2023.

Purchases made pursuant to the Preferred Stock Repurchase Program will be made in either the open market or in privately negotiated transactions from time to time as permitted by securities laws and other legal requirements. The timing, manner, price and amount of any repurchases will be determined by us in our discretion and will be subject to economic and market conditions, stock price, applicable legal requirements and other factors. The authorization does not obligate us to acquire any particular amount of Preferred Stock and the program may be suspended or discontinued at our discretion without prior notice.

***Leverage and Capital***

We believe that it is prudent to maintain conservative GAAP leverage ratios and economic leverage ratios as there may be continued volatility in the mortgage and credit markets. Our capital policy governs our capital and leverage position including setting limits. Based on the guidelines, we generally expect to maintain an economic leverage ratio of less than 10:1. Our actual economic leverage ratio varies from time to time based upon various factors, including our management's opinion of the level of risk of our assets and liabilities, our liquidity position, our level of unused borrowing capacity, the availability of credit, over-collateralization levels required by lenders when we pledge assets to secure borrowings and our assessment of domestic and international market conditions.

Our GAAP leverage ratio at December 31, 2022 December 31, 2023 and 2021 2022 was 6.0: 6.8:1 and 4.7: 6.0:1, respectively. Our economic leverage ratio, which is computed as the sum of Recourse Debt, cost basis of TBA and CMBX derivatives outstanding, and net forward purchases (sales) of investments divided by total equity was 6.3: 5.7:1 and 5.7: 6.3:1, at December 31, 2022 December 31, 2023 and 2021, 2022, respectively. Our GAAP capital ratio at December 31, 2022 December 31, 2023 and 2021 2022 was 13.9% 12.2% and 17.2% 13.9%, respectively. Our economic capital ratio, which represents our ratio of stockholders' equity to total economic assets (inclusive of the implied market value of TBA derivatives and net of debt issued by securitization vehicles), was 14.0% and 13.4% at December 31, 2023 and 14.4% at December 31, 2022 and 2021, 2022, respectively. Economic leverage ratio and economic capital ratio are non-GAAP financial measures. Refer to the "Non-GAAP Financial Measures" section for additional information, including reconciliations to their most directly comparable GAAP results.

**Risk Management**

We are subject to a variety of risks in the ordinary conduct of our business. The effective management of these risks is of critical importance to the overall success of Annaly. The objective of our risk management framework is to identify, measure and monitor these risks.



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Our risk management framework is intended to facilitate a holistic, enterprise wide enterprise-wide view of risk. We believe we have built a strong and collaborative risk management culture throughout Annaly focused on awareness which supports appropriate understanding and management of our key risks. Each employee is accountable for identifying, monitoring and managing risk within their area of responsibility.



***Risk Appetite***

We maintain a firm-wide risk appetite statement which defines the types and levels of risk we are willing to take in order to achieve our business objectives, and reflects our risk management philosophy. We engage in risk activities based on our core expertise that aim to enhance value for our stockholders. Our activities focus on income generation and capital preservation through proactive portfolio management, supported by a conservative liquidity and leverage posture.

The risk appetite statement asserts the following key risk parameters to guide our investment management activities:

ANNALY CAPITAL MANAGEMENT, INC. AND SUBSIDIARIES
**Item 7. Management's Discussion and Analysis**

| Risk Parameter | Description |
|---|---|
| **Portfolio Composition** | We will maintain a portfolio comprised of target assets approved by our Board and in accordance with our capital allocation policy. |
| **Leverage** | We generally expect to maintain an economic leverage ratio no greater than 10:1 considerate of our overall capital allocation framework. |
| **Liquidity Risk** | We will seek to maintain an unencumbered asset portfolio sufficient to meet our liquidity needs under adverse market conditions. |
| **Interest Rate Risk** | We will seek to manage interest rate risk to protect the portfolio from adverse rate movements utilizing derivative instruments targeting both income and capital preservation. |
| **Credit Risk** | We will seek to manage credit risk by making investments which conform within to our specific investment policy parameters and optimize risk-adjusted returns. |
| **Capital Preservation** | We will seek to protect our capital base through disciplined risk management practices. |
| **Operational Risk** | We will seek to limit impacts to our business through disciplined operational risk management practices addressing areas including but not limited to, management of key third party relationships (i.e. originators, sub-servicers), human capital management, cybersecurity and technology related matters, business continuity and financial reporting risk. |
| **Compliance, Regulatory and Legal** | We will seek to comply with regulatory requirements needed to maintain our REIT status and our exemption from registration under the Investment Company Act and the licenses and approvals of our regulated and licensed subsidiaries. |

***Governance***

Risk management begins with our Board, through the review and oversight of the risk management framework, and executive management, through the ongoing formulation of risk management practices and related execution in managing risk. The Board exercises its oversight of risk management primarily through the Board Risk Committee ("BRC") and Board Audit Committee ("BAC") with support from the other Board Committees. The BRC Risk Committee is responsible for oversight of our risk governance structure, risk management (operational and market risk) and risk assessment guidelines and policies and our risk appetite. The BAC Audit Committee is responsible for oversight of the quality and integrity of our accounting, internal controls and financial reporting practices, including independent auditor selection, evaluation and review, and oversight of the internal audit function. The BRC Risk Committee and the BAC Audit Committee jointly oversee practices and policies related to cybersecurity and receive regular reports from management throughout the year on cybersecurity and related risks. The Management Development and Compensation Committee is responsible for oversight of risk related to our compensation policies and practices and other human capital matters such as succession and culture. The Nominating/Corporate Governance Committee assists the Board in its oversight of our corporate governance framework and the annual self-evaluation of the Board, and the Corporate Responsibility Committee assists the Board in its oversight of any matters that may present reputational or ESG risk to us. The Corporate Responsibility Committee shares oversight of specific ESG-related matters with other Board Committees and meets jointly with the Management Development and Compensation Committee on the Company's human capital management and culture and with the BRC Risk Committee on ESG-related regulatory and policy risks.

Risk assessment and risk management are the responsibility of our management. A series of management committees has oversight or decision-making responsibilities for risk management activities. Membership of these committees is reviewed regularly to ensure the appropriate personnel are engaged in the risk management process. Three primary management committees have been established to provide a comprehensive framework for risk management. The management committees responsible for our risk management include the Enterprise Risk Committee ("ERC"), Asset and/ Liability Committee ("ALCO") and the Financial Reporting and Disclosure Committee ("FRDC"). Each of these committees reports to our management Operating Committee, which is responsible for oversight and management of our operations, including oversight and approval authority over all aspects of our enterprise risk management.

Audit Services is an independent function with reporting lines to the BAC. Audit Committee. Audit Services is responsible for performing our internal audit activities, which includes independently assessing and validating key controls within the risk management framework.

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Our compliance group is responsible for oversight of our regulatory compliance. Our Chief Compliance Officer has reporting lines to the BAC.



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Audit Committee.

Annaly Risk Framework 2022 10-K.jpg

***Description of Risks***

We are subject to a variety of risks due to the business we operate. Risk categories are an important component of a robust enterprise wide enterprise-wide risk management framework.

We have identified the following primary categories that we utilize to identify, assess, measure and monitor risk.

| Risk | Description |
|---|---|
| **Capital, Liquidity and Funding Risk** | Risk to earnings, capital or business resulting from our inability to meet our obligations when they come due without incurring unacceptable losses because of inability to liquidate assets or obtain adequate funding. |
| **Investment/Market Risk** | Risk to earnings, capital or business resulting in the decline in value of our assets or an increase in the costs of financing caused by changes in market variables, such as interest rates, which affect the values of investment securities and other investment instruments. |
| **Credit Risk** | Risk to earnings, capital or business resulting from an obligor's failure to meet the terms of any contract or otherwise failure to perform as agreed. This risk is present in lending and investing activities. |
| **Counterparty Risk** | Risk to earnings, capital or business resulting from a counterparty's failure to meet the terms of any contract or otherwise failure to perform as agreed. This risk is present in funding, hedging and investing activities. |
| **Operational Risk** | Risk to earnings, capital, reputation or business arising from inadequate or failed internal processes or systems (including business continuity planning), human factors or external events. This risk also applies to our use of proprietary and third party models, software vendors and data providers, and oversight of third-party third party service providers such as sub-servicers, due diligence firms etc. |
| **Compliance, Regulatory and Legal Risk** | Risk to earnings, capital, reputation or conduct of business arising from violations of, or nonconformance with internal and external applicable rules and regulations, losses resulting from lawsuits or adverse judgments, or from changes in the regulatory environment that may impact our business model. |

ANNALY CAPITAL MANAGEMENT, INC. AND SUBSIDIARIES
**Item 7. Management's Discussion and Analysis**

***Capital, Liquidity and Funding Risk Management***

Our capital, liquidity and funding risk management strategy is designed to ensure the availability of sufficient resources to support our business and meet our financial obligations under both normal and adverse market and business environments. Our capital, liquidity and funding risk management practices consist of the following primary elements:

| Element | Description |
|---|---|
| **Funding** | Availability of diverse and stable sources of funds. |
| **Excess Liquidity** | Excess liquidity primarily in the form of unencumbered assets and cash. |
| **Maturity Profile** | Diversity and tenor of liabilities and modest use of leverage. |
| **Stress Testing** | Scenario modeling to measure the resiliency of our liquidity position. |
| **Liquidity Management Policies** | Comprehensive policies including monitoring, risk limits and an escalation protocol. |

*Funding*

Our primary financing sources are repurchase agreements provided through counterparty arrangements and through Arcola, other secured financing, debt issued by securitization vehicles, mortgages, credit facilities, note sales and various forms of equity. We maintain excess liquidity by holding unencumbered liquid assets that could be either used to collateralize additional borrowings or sold.

We seek to conservatively manage our repurchase agreement funding position through a variety of methods including diversity, breadth and depth of counterparties and maintaining a staggered maturity profile.

Our wholly-owned subsidiary, Arcola, provides direct access to third party funding as a FINRA member broker-dealer. Arcola borrows funds through the General Collateral Finance Repo service offered by the FICC, with FICC acting as the central counterparty. In addition, Arcola may borrow funds through direct repurchase agreements.

To reduce our liquidity risk we maintain a laddered approach to our repurchase agreements. At December 31, 2022 December 31, 2023 and December 31, 2021 December 31, 2022, the weighted average days to maturity was 27 44 days and 52 27 days, respectively.

Our repurchase agreements generally provide that in the event of a margin call we must provide additional securities or cash on the same business day that a margin call is made. Should prepayment speeds on the mortgages underlying our Agency and Residential mortgage-backed securities and/or market interest rates or other factors move suddenly and cause declines in the market value of assets posted as collateral, resulting margin calls may cause an adverse change in our liquidity position.



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At December 31, 2022 December 31, 2023, we had total financial assets and cash pledged against existing liabilities of $62.9 $67.5 billion. The weighted average haircut was approximately 3% on repurchase agreements. The quality and character of the Residential Securities that we pledge as collateral under the repurchase agreements and interest rate swaps did not materially change at December 31, 2022 December 31, 2023 compared to the same period in 2021, 2022, and our counterparties did not materially alter any requirements, including required haircuts, related to the collateral we pledge under repurchase agreements and interest rate swaps during the year ended December 31, 2022 December 31, 2023.

The following table presents our quarterly average and quarter-end repurchase agreement and reverse repurchase agreement balances outstanding for the periods presented:

| | Repurchase Agreements | | Reverse Repurchase Agreements | |
|---|---|---|---|---|
| For the three months ended | Average Daily Amount Outstanding | Ending Amount Outstanding | Average Daily Amount Outstanding | Ending Amount Outstanding |
| | (dollars in thousands) | | | |
| December 31, 2023 | | | | |
| September 30, 2023 | | | | |
| June 30, 2023 | | | | |
| March 31, 2023 | | | | |
| December 31, 2022 | **$59,946,810** | **$59,512,597** | **$ 102,025** | **$ —** |
| September 30, 2022 | 56,354,310 | 54,160,731 | 139,991 | — |
| June 30, 2022 | 51,606,720 | 51,364,097 | 117,903 | — |
| March 31, 2022 | 53,961,689 | 52,626,503 | 39,535 | — |
| December 31, 2021 | 56,977,019 | 54,769,643 | 39,247 | — |
| September 30, 2021 | 57,504,986 | 55,475,420 | 44,964 | — |
| June 30, 2021 | 62,440,803 | 60,221,067 | 42,581 | — |
| March 31, 2021 | 65,461,539 | 61,202,477 | 143,395 | — |
| December 31, 2020 | 65,528,297 | 64,825,239 | 210,484 | — |

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**Item 7. Management's Discussion and Analysis**

The following table provides information on our repurchase agreements and other secured financing by maturity date at December 31, 2022 December 31, 2023. The weighted average remaining maturity on our repurchase agreements and other secured financing was 29 46 days at December 31, 2022 December 31, 2023:

| | December 31, 2022 | | | | December 31, 2023 | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Principal Balance | Weighted Average Rate | % of Total | | Principal Balance | | Weighted Average Rate | % of Total | |
| | (dollars in thousands) | | | | (dollars in thousands) | | | | |
| 1 day | **$ —** | **— %** | **— %** | 1 day | **$ —** | **—** | **— %** | **— %** | |
| 2 to 29 days | **31,426,193** | **4.27 %** | **52.6 %** | 2 to 29 days | **32,811,903** | **5.75** | **5.75 %** | **52.3 %** | |



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| | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 30 to 59 days | 30 to 59 days | 22,107,566 | 4.18 % | 37.0 % | 30 to 59 days | 18,618,606 | 5.57 | | 5.57 | % | 29.7 | % |
| 60 to 89 days | 60 to 89 days | 5,262,025 | 4.59 % | 8.8 % | 60 to 89 days | 7,198,769 | 5.64 | | 5.64 | % | 11.5 | % |
| 90 to 119 days | 90 to 119 days | 367,800 | 5.82 % | 0.6 % | 90 to 119 days | 247,306 | 7.09 | | 7.09 | % | 0.4 | % |
| Over 120 days (1) | | 599,013 | 6.66 % | 1.0 % | | | | | | | | |
| Over 119 days (1) | | | | | Over 119 days (1) | 3,824,959 | | | 6.20 | % | 6.1 | % |
| **Total** | **Total** | **$59,762,597** | **4.30 %** | **100.0 %** | **Total** | **$ 62,701,543** | **5.72** | | **5.72** | **%** | **100.0** | **%** |

(1) Less than 1% of the total repurchase agreements and other secured financing had a remaining maturity over 1 year.

(1) Less than 1% of the total repurchase agreements and other secured financing had a remaining maturity over 1 year.

We also finance our investments in residential mortgage loans through the issuance of securitization transactions sponsored by our wholly-owned subsidiary Onslow Bay Financial LLC ("Onslow Bay") under the Onslow Bay private-label securitization program.

The following table below presents our outstanding debt balances and associated weighted average rates and days to maturity at December 31, 2022 December 31, 2023:

| | | Principal Balance | Weighted Average Rate As of Period End | Weighted Average Rate For the Quarter | Weighted Average Days to Maturity (1) | | | Principal Balance | Weighted Average Rate As of Period End | Weighted Average Rate For the Quarter | Weighted Average Days to Maturity (1) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | (dollars in thousands) | | | | | | (dollars in thousands) | | | |
| Repurchase agreements | Repurchase agreements | $59,512,597 | 4.29 % | 3.72 % | 27 | Repurchase agreements | 5.70 | $ 62,201,543 | 5.70 % | 5.56 % | 44 |
| Other secured financing | Other secured financing | 250,000 | 7.07 % | 7.20 % | 545 | Other secured financing | 8.09 | 500,000 | 8.09 % | 8.08 % | 289 |
| Debt issued by securitization vehicles (2) | Debt issued by securitization vehicles (2) | 9,021,305 | 3.29 % | 3.34 % | 12,475 | Debt issued by securitization vehicles (2) | 4.48 | 12,623,492 | 4.48 % | 4.43 % | 12,467 |
| Participations issued (2) | Participations issued (2) | 852,068 | 5.98 % | 6.20 % | 10,995 | Participations issued (2) | 7.64 | 1,086,538 | 7.64 % | 6.97 % | 10,850 |
| **Total indebtedness** | **Total indebtedness** | **$69,635,970** | | | | | | | | | |
| **Total indebtedness** | | | | | | | | | | | |
| **Total indebtedness** | | | | | | | | **$ 76,411,573** | | | |

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

(2) Non-recourse to Annaly.

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

(2) Non-recourse to Annaly.



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

(2) Non-recourse to Annaly.

*Excess Liquidity*

Our primary source of liquidity is the availability of unencumbered assets which may be provided as collateral to support additional funding needs. We target minimum thresholds of available, unencumbered assets to maintain excess liquidity. The following table illustrates our asset portfolio available to support potential collateral obligations and funding needs.

Assets are considered encumbered if pledged as collateral against an existing liability, and therefore are no longer available to support additional funding. An asset is considered unencumbered if it has not been pledged or securitized. The following table also provides the carrying amount of our encumbered and unencumbered financial assets at December 31, 2022 December 31, 2023:



| | | Encumbered Assets | Unencumbered Assets | Total | | Encumbered Assets | Unencumbered Assets | Total |
|---|---|---|---|---|---|---|---|---|
| **Financial assets** | Financial assets | (dollars in thousands) | | | Financial assets | | (dollars in thousands) | |
| Cash and cash equivalents | Cash and cash equivalents | $ 1,424,160 | $ 152,554 | $ 1,576,714 | | | | |
| **Investments, at carrying value (1)** | Investments, at carrying value (1) | | | | | | | |
| Investments, at carrying value (1) | Investments, at carrying value (1) | | | | | | | |
| Agency mortgage-backed securities | Agency mortgage-backed securities | | | | | | | |
| Agency mortgage-backed securities | Agency mortgage-backed securities | 57,893,285 | 3,881,181 | 61,774,466 | | | | |
| Credit risk transfer securities | Credit risk transfer securities | 606,700 | 390,857 | 997,557 | | | | |
| Non-agency mortgage-backed securities | Non-agency mortgage-backed securities | 1,652,359 | 338,787 | 1,991,146 | | | | |
| Commercial mortgage-backed securities | Commercial mortgage-backed securities | 507,777 | 18,532 | 526,309 | | | | |
| Residential mortgage loans (2) | Residential mortgage loans (2) | 10,600,539 | 331,205 | 10,931,744 | | | | |
| MSR | MSR | 684,703 | 1,063,506 | 1,748,209 | | | | |
| Other assets (3) | Other assets (3) | — | 83,493 | 83,493 | | | | |
| Other assets (3) | | | | | | | | |
| Other assets (3) | | | | | | | | |



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| | | | | |
|---|---|---|---|---|
| **Total financial assets** | **Total financial assets** | **$73,369,523** | **$ 6,260,115** | **$79,629,638** |

(1) The amounts reflected in the table above are on a settlement date basis and may differ from the total positions reported on the Consolidated Statements of Financial Condition.

(2) Includes assets transferred or pledged to securitization vehicles.

(3) Includes commercial real estate investments and interests in certain joint ventures.

(1) The amounts reflected in the table above are on a settlement date basis and may differ from the total positions reported on the Consolidated Statements of Financial Condition.

(2) Includes assets transferred or pledged to securitization vehicles.

(3) Includes commercial real estate investments and interests in certain joint ventures.

(1) The amounts reflected in the table above are on a settlement date basis and may differ from the total positions reported on the Consolidated Statements of Financial Condition.

(2) Includes assets transferred or pledged to securitization vehicles.

(3) Includes commercial real estate investments and interests in certain joint ventures.

We maintain liquid assets in order to satisfy our current and future obligations in normal and stressed operating environments. These are held as the primary means of liquidity risk mitigation. The composition of our liquid assets is also considered and is subject to certain parameters. The composition is monitored for concentration risk, including in respect of our deposits of our cash and cash equivalents, and asset type. We believe the assets we consider liquid can be readily converted into cash, through liquidation or by being used as collateral in financing arrangements (including as additional collateral to support existing financial arrangements). Our balance sheet also generates liquidity on an on-going basis through mortgage principal and interest repayments and net earnings held prior to payment of dividends. The following table presents our liquid assets as a percentage of total assets at December 31, 2022 December 31, 2023:

| | | Carrying Value (1) |
|---|---|---|
| **Liquid assets** | | **(dollars in thousands)** |
| Cash and cash equivalents | **$** | **1,576,714 1,412,148** |
| Residential Securities (2) | | **64,763,040 69,342,531** |
| Commercial mortgage-backed securities | | **526,309 222,444** |
| Residential mortgage loans (3) | | **1,809,832 2,353,084** |
| **Total liquid assets** | **$** | **68,675,895 73,330,207** |
| **Percentage of liquid assets to carrying amount of encumbered and unencumbered financial assets (4)** | | **97.45 97.14 %** |

(1) Carrying value approximates the market value of assets. The assets listed in this table include $62.9 billion $67.5 billion of assets that have been pledged as collateral against existing liabilities at December 31, 2022 December 31, 2023. Please refer to the Encumbered and Unencumbered Assets table for related information.

(2) The amounts reflected in the table above are on a settlement date basis and may differ from the total positions reported on the Consolidated Statements of Financial Condition.

(3) Excludes securitized residential mortgage loans transferred or pledged to consolidated VIEs carried at fair value of $9.1 billion $13.3 billion.

(4) Denominator is computed based on the carrying amount of encumbered and unencumbered financial assets, excluding assets transferred or pledged to securitization vehicles, of $9.2 billion $13.3 billion.

*Maturity Profile*

We consider the profile of our assets, liabilities and derivatives when managing both liquidity risk as well as investment/market risk employing a measurement of both the maturity gap and interest rate sensitivity gap. We determine the amount of liquid assets that are required to be held by monitoring several liquidity metrics. We utilize several modeling techniques to analyze our current and potential obligations including the expected cash flows from our assets, liabilities and derivatives. The following table illustrates the expected final maturities and cash flows of our assets, liabilities and derivatives. The table is based on a static portfolio and assumes no reinvestment of asset cash flows and no future liabilities are entered into. In assessing the maturity of our assets, liabilities and off balance off-balance sheet obligations, we use the stated maturities, or our prepayment expectations for assets and liabilities that exhibit prepayment characteristics. Cash and cash equivalents are included in the 'Less than 3 Months' maturity bucket, as they are typically held for a short period of time.

With respect to each maturity bucket, our maturity gap is considered negative when the amount of maturing liabilities exceeds the amount of maturing assets. A negative gap increases our liquidity risk as we must enter into future liabilities.

Our interest rate sensitivity gap is the difference between interest earning assets and interest bearing liabilities maturing or re-pricing within a given time period. Unlike the calculation of maturity gap, interest rate sensitivity gap includes the effect of our



interest rate swaps. A gap is considered positive when the amount of interest-rate sensitive assets exceeds the amount of



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interest-rate sensitive liabilities. A gap is considered negative when the amount of interest-rate sensitive liabilities exceeds interest-rate sensitive assets. During a period of rising interest rates, a negative gap would tend to adversely affect net interest income, while a positive gap would tend to result in an increase in net interest income. During a period of falling interest rates, a negative gap would tend to result in an increase in net interest income, while a positive gap would tend to affect net interest income adversely. Because different types of assets and liabilities with the same or similar maturities may react differently to changes in overall market rates or conditions, changes in interest rates may affect net interest income positively or negatively even if assets and liabilities were perfectly matched in each maturity category. The amount of assets and liabilities utilized to compute our interest rate sensitivity gap was determined in accordance with the contractual terms of the assets and liabilities, except that adjustable-rate loans and securities are included in the period in which their interest rates are first scheduled to adjust and not in the period in which they mature. The effects of interest rate swaps, whereby we generally pay a fixed rate and receive a floating rate and effectively lock in our financing costs for a longer term, are also reflected in our interest rate sensitivity gap.

The interest rate sensitivity of our assets and liabilities in the following table at December 31, 2022 December 31, 2023 could vary substantially based on actual prepayment experience.

| | | Less than 3 Months | 3-12 Months | More than 1 Year to 3 Years | 3 Years and Over | Total |
|---|---|---|---|---|---|---|
| **Financial assets** | Financial assets | (dollars in thousands) | | | | |
| **Cash and cash equivalents** | **Cash and cash equivalents** | **$ 1,576,714** | **$ —** | **$ —** | **$ —** | **$ 1,576,714** |
| Agency mortgage-backed securities (principal) | Agency mortgage-backed securities (principal) | | | | | |
| Agency mortgage-backed securities (principal) | Agency mortgage-backed securities (principal) | **96** | **457** | **628,513** | **64,405,435** | **65,034,501** |
| Residential credit risk transfer securities (principal) | Residential credit risk transfer securities (principal) | **1,041** | **7,782** | **24,251** | **980,294** | **1,013,368** |
| Non-agency mortgage-backed securities (principal) | Non-agency mortgage-backed securities (principal) | **177,027** | **78,141** | **786,630** | **1,201,309** | **2,243,107** |
| Commercial mortgage-backed securities (principal) | Commercial mortgage-backed securities (principal) | **—** | **6,409** | **521,151** | **18,939** | **546,499** |
| **Total securities** | **Total securities** | **178,164** | **92,789** | **1,960,545** | **66,605,977** | **68,837,475** |
| Residential mortgage loans (principal) | Residential mortgage loans (principal) | **—** | **—** | **—** | **1,910,604** | **1,910,604** |
| **Total loans** | **Total loans** | **—** | **—** | **—** | **1,910,604** | **1,910,604** |
| **Total loans** | | | | | | |
| **Total loans** | | | | | | |

| | Less than 3 Months | 3-12 Months | More than 1 Year to 3 Years | 3 Years and Over | Total |
|---|---|---|---|---|---|
| Financial assets | (dollars in thousands) | | | | |



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| | | | | | | |
|---|---|---|---|---|---|---|
| **Assets transferred or pledged to securitization vehicles (principal)** | **Assets transferred or pledged to securitization vehicles (principal)** | **—** | **—** | **—** | **10,336,742** | **10,336,742** |
| **Total financial assets - maturity** | **Total financial assets - maturity** | **1,754,878** | **92,789** | **1,960,545** | **78,853,323** | **82,661,535** |
| Effect of utilizing reset dates (1) | Effect of utilizing reset dates (1) | **12,827,777** | **364,341** | **(368,432)** | **(12,823,686)** | **—** |
| **Total financial assets - interest rate sensitive** | **Total financial assets - interest rate sensitive** | **$ 14,582,655** | **$ 457,130** | **$ 1,592,113** | **$ 66,029,637** | **$ 82,661,535** |
| **Financial liabilities** | **Financial liabilities** | | | | | |
| Repurchase agreements | Repurchase agreements | **$ 58,795,784** | **$ 716,813** | **$ —** | **$ —** | **$ 59,512,597** |
| Other secured financing | | **—** | **—** | **250,000** | **—** | **250,000** |
| Repurchase agreements | | | | | | |
| Repurchase agreements | | | | | | |
| Debt issued by securitization vehicles (principal) | | | | | | |
| Debt issued by securitization vehicles (principal) | | | | | | |
| Debt issued by securitization vehicles (principal) | Debt issued by securitization vehicles (principal) | **—** | **—** | **—** | **9,021,305** | **9,021,305** |
| Participations issued (principal) | Participations issued (principal) | **—** | **—** | **—** | **852,068** | **852,068** |
| U.S. Treasury securities sold, not yet purchased | | | | | | |
| **Total financial liabilities - maturity** | **Total financial liabilities - maturity** | **58,795,784** | **716,813** | **250,000** | **9,873,373** | **69,635,970** |
| Effect of utilizing reset dates (1)(2) | Effect of utilizing reset dates (1)(2) | **(44,914,551)** | **12,928,100** | **7,260,500** | **24,725,951** | **—** |
| **Total financial liabilities - interest rate sensitive** | **Total financial liabilities - interest rate sensitive** | **$ 13,881,233** | **$ 13,644,913** | **$ 7,510,500** | **$ 34,599,324** | **$ 69,635,970** |
| **Maturity gap** | **Maturity gap** | **$ (57,040,906)** | **$ (624,024)** | **$ 1,710,545** | **$ 68,979,950** | **$ 13,025,565** |
| **Maturity gap** | | | | | | |
| **Maturity gap** | | | | | | |
| **Cumulative maturity gap** | | | | | | |
| **Cumulative maturity gap** | | | | | | |
| **Cumulative maturity gap** | **Cumulative maturity gap** | **$ (57,040,906)** | **$ (57,664,930)** | **$ (55,954,385)** | **$ 13,025,565** | |



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| | | | | | | |
|---|---|---|---|---|---|---|
| **Interest rate sensitivity gap** | **Interest rate sensitivity gap** | **$ 701,422** | **$(13,187,783)** | **$ (5,918,387)** | **$31,430,313** | **$13,025,565** |
| **Interest rate sensitivity gap** | | | | | | |
| **Interest rate sensitivity gap** | | | | | | |
| **Cumulative rate sensitivity gap** | | | | | | |
| **Cumulative rate sensitivity gap** | | | | | | |
| **Cumulative rate sensitivity gap** | **Cumulative rate sensitivity gap** | **$ 701,422** | **$(12,486,361)** | **$(18,404,748)** | **$13,025,565** | |

(1) Maturity gap utilizes stated maturities, or prepayment expectations for assets that exhibit prepayment characteristics, while interest rate sensitivity gap utilizes reset dates, if applicable.

(2) Includes effect of interest rate swaps.

(1) Maturity gap utilizes stated maturities, or prepayment expectations for assets that exhibit prepayment characteristics, while interest rate sensitivity gap utilizes reset dates, if applicable.

(2) Includes effect of interest rate swaps.

(1) Maturity gap utilizes stated maturities, or prepayment expectations for assets that exhibit prepayment characteristics, while interest rate sensitivity gap utilizes reset dates, if applicable.

(2) Includes effect of interest rate swaps.

The methodologies we employ for evaluating interest rate risk include an analysis of our interest rate “gap,” measurement of the duration and convexity of our portfolio and sensitivities to interest rates and spreads.

*Stress Testing*

We utilize liquidity stress testing to ensure we have sufficient liquidity under a variety of scenarios and stresses. These stress tests assist with the management of our pool of liquid assets and influence our current and future funding plans. The stresses applied include market-wide and firm-specific stresses.

ANNALY CAPITAL MANAGEMENT, INC. AND SUBSIDIARIES

**Item 7. Management’s Discussion and Analysis**

*Liquidity Management Policies*

We utilize a comprehensive liquidity policy structure to inform our liquidity risk management practices including monitoring and measurement, along with well-defined key risk indicators. Both quantitative and qualitative targets are utilized to measure the ongoing stability and condition of the liquidity position, and include the level and composition of unencumbered assets, as well as the sustainability of the funding composition under stress conditions.

We also monitor early warning metrics designed to measure the quality and depth of liquidity sources based upon both company-specific and market conditions. The metrics assist in assessing our liquidity conditions and are integrated into our escalation protocol.

***Investment/Market Risk Management***

One of the primary risks we are subject to is investment/market risk. Changes in the level of interest rates can affect our net interest income, which is the difference between the income we earn on our interest earning assets and the interest expense incurred from interest bearing liabilities and derivatives. Changes in the level of interest rates and spreads can also affect the value of our assets and potential realization of gains or losses from the sale of these assets. We may utilize a variety of financial instruments, including interest rate swaps, swaptions, options, futures and other hedges, in order to limit the adverse effects of interest rates on our results. In the case of interest rate swaps, we utilize contracts linked to LIBOR SOFR but may also enter into interest rate swaps where the floating leg is linked to the overnight index swap rate or another index, particularly in light of the scheduled cessation of LIBOR. index. In addition, we may use MAC interest rate swaps in which we may receive or make a payment at the time of entering such interest rate swap to compensate for the off-market nature of such interest rate swap. MAC interest rate swaps offer price transparency, flexibility and more efficient portfolio administration through compression which is the process of reducing the number of unique interest rate swap contracts and replacing them with fewer contracts containing market defined terms. Our portfolio and the value of our portfolio, including derivatives, may be adversely affected as a result of changing interest rates and spreads.

We simulate a wide variety of interest rate scenarios in evaluating our risk. Scenarios are run to capture our sensitivity to changes in interest rates, spreads and the shape of the yield curve. We also consider the assumptions affecting our analysis such as those related to prepayments. In addition to predefined interest rate scenarios, we utilize Value-at-Risk measures to estimate potential losses in the portfolio over various time horizons utilizing various confidence levels. The following tables estimate the potential changes in economic net interest income over a twelve month period and the immediate effect on our portfolio market value (inclusive of derivative instruments), should interest rates instantaneously increase or decrease by 25, 50 or 75 basis points, and the effect of portfolio market value if mortgage option-adjusted spreads instantaneously increase or decrease by 5, 15 or 25 basis points (assuming shocks are parallel and instantaneous). All changes to income and portfolio market value are measured as percentage changes from the projected net interest income and portfolio value at the base interest rate scenario. The net interest income simulations incorporate the interest expense effect of rate resets on liabilities and derivatives as well as the amortization expense and reinvestment of principal based on the prepayments on our securities, which varies based on the level of rates. The results assume no management actions in response to the rate or spread changes. The following table presents estimates at December 31, 2022 December 31, 2023. Actual results could differ materially from these estimates.



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| Change in Interest Rate (1) | Change in Interest Rate (1) | Projected Percentage Change in Economic Net Interest Income (2) | Estimated Percentage Change in Portfolio Value (3) | Estimated Change as a % on NAV (3)(4) | Change in Interest Rate (1) | Estimated Percentage Change in Portfolio Value (2) | Estimated Change as a % on NAV (2)(3) | Projected Percentage Change in Economic Net Interest Income (4) |
|---|---|---|---|---|---|---|---|---|
| -75 Basis points | -75 Basis points | **11.4%** | **0.4%** | **2.9%** | -75 Basis points | **(0.3%)** | **(2.2%)** | **8.1%** |
| -50 Basis points | -50 Basis points | **7.6%** | **0.3%** | **2.5%** | -50 Basis points | **(0.1)%** | **(0.9)%** | **5.7%** |
| -25 Basis points | -25 Basis points | **3.8%** | **0.2%** | **1.5%** | -25 Basis points | **—%** | **(0.2)%** | **3.0%** |
| +25 Basis points | +25 Basis points | | | | | | | |
| +25 Basis points | +25 Basis points | **(3.8%)** | **(0.3%)** | **(1.9%)** | **—%** | | **(0.4%)** | **(3.2%)** |
| +50 Basis points | +50 Basis points | **(7.8%)** | **(0.6%)** | **(4.3%)** | +50 Basis points | **(0.1%)** | **(1.2%)** | **(6.7%)** |
| +75 Basis points | +75 Basis points | **(11.7%)** | **(0.9%)** | **(6.9%)** | +75 Basis points | **(0.3%)** | **(2.4%)** | **(10.5%)** |

| MBS Spread Shock (1) | MBS Spread Shock (1) | Estimated Change in Portfolio Market Value | Estimated Change as a % on NAV (3)(4) | MBS Spread Shock (1) | Estimated Change in Portfolio Market Value (2) | Estimated Change as a % on NAV (2)(3) |
|---|---|---|---|---|---|---|
| -25 Basis points | -25 Basis points | **1.6%** | **12.1%** | -25 Basis points | **1.3%** | **10.1%** |
| -15 Basis points | -15 Basis points | **1.0%** | **7.2%** | -15 Basis points | **0.8%** | **6.0%** |
| -5 Basis points | -5 Basis points | **0.3%** | **2.4%** | -5 Basis points | **0.3%** | **2.0%** |
| +5 Basis points | +5 Basis points | **(0.3%)** | **(2.4%)** | | | |
| +5 Basis points | +5 Basis points | | | | **(0.3%)** | **(2.0%)** |
| +15 Basis points | +15 Basis points | **(0.9%)** | **(7.1%)** | +15 Basis points | **(0.7%)** | **(6.0%)** |
| +25 Basis points | +25 Basis points | **(1.6%)** | **(11.8%)** | +25 Basis points | **(1.2%)** | **(9.9%)** |



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

(2) Scenarios include securities, residential mortgage loans, repurchase agreements, other secured financing and interest rate swaps. Economic net interest income includes the net interest component of interest rate swaps.

(3) Scenarios include securities, residential mortgage loans, MSR and derivative instruments.

(4) NAV represents book value of equity.



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(1) Interest rate and MBS spread sensitivity are based on results from third party models in conjunction with inputs from our internal investment professionals. Actual results could differ materially from these estimates.
(2) Scenarios include securities, residential mortgage loans, MSR and derivative instruments.
(3) NAV represents book value of equity.
(4) Scenarios include securities, residential mortgage loans, repurchase agreements, other secured financing and interest rate swaps. Economic net interest income includes the net interest component of interest rate swaps.

(1) Interest rate and MBS spread sensitivity are based on results from third party models in conjunction with inputs from our internal investment professionals. Actual results could differ materially from these estimates.
(2) Scenarios include securities, residential mortgage loans, MSR and derivative instruments.
(3) NAV represents book value of equity.
(4) Scenarios include securities, residential mortgage loans, repurchase agreements, other secured financing and interest rate swaps. Economic net interest income includes the net interest component of interest rate swaps.

***Credit Risk Management***

Key risk parameters have been established to specify our credit risk appetite. We seek to manage credit risk by making investments which conform to the firm's specific investment policy parameters and optimize risk-return attributes.

While we do not expect to encounter credit risk in our Agency mortgage-backed securities, we face credit risk on the non-Agency mortgage-backed securities and CRT securities in our portfolio. In addition, we are also exposed to credit risk on residential mortgage loans and commercial real estate investments. MSR values may also be impacted through



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reduced servicing fees and higher costs to service the underlying mortgage loans due to borrower performance. Generally, we are subject to risk of loss if an issuer or borrower fails to perform its contractual obligations. We have established policies and procedures for mitigating credit risk, including establishing and reviewing limits for credit exposure. We will originate or purchase commercial investments that meet our comprehensive underwriting process and credit standards and are approved by the appropriate committee. In the case of residential mortgage loans and MSR, we may engage a third party to perform due diligence on a sample of loans that we believe sufficiently represents the entire pool. Once an investment is made, our ongoing surveillance process includes regular reviews, analysis and oversight of investments by our investment personnel and appropriate committee. We review credit and other risks of loss associated with each investment. Our management monitors the overall portfolio risk and determines estimates of provision for loss. Additionally, ALCO has oversight of our credit risk exposure.

Our portfolio composition, based on balance sheet values, at December 31, 2022 December 31, 2023 and 2021 2022 was as follows:

| | | December 31, 2022 | December 31, 2021 | | | | |
|---|---|---|---|---|---|---|---|
| December 31, 2023 | | | | | December 31, 2023 | | December 31, 2022 |
| Category | Category | | | | | | |
| Agency mortgage-backed securities (1) | | **79.4 %** | 81.9 % | | | | |
| Agency mortgage-backed securities | | | | | | | |
| Agency mortgage-backed securities | | | | | | | |
| Agency mortgage-backed securities | | | | | **75.9 %** | | 79.4 % |
| Credit risk transfer securities | Credit risk transfer securities | **1.3 %** | 1.3 % | Credit risk transfer securities | **1.1 %** | | 1.3 % |
| Non-agency mortgage-backed securities | Non-agency mortgage-backed securities | **2.5 %** | 2.2 % | Non-agency mortgage-backed securities | **2.4 %** | | 2.5 % |
| Residential mortgage loans (1) | Residential mortgage loans (1) | **13.9 %** | 10.4 % | Residential mortgage loans (1) | **17.9 %** | | 13.9 % |
| Mortgage servicing rights | Mortgage servicing rights | **2.2 %** | 0.7 % | Mortgage servicing rights | **2.4 %** | | 2.2 % |
| Interests in MSR | | **— %** | 0.1 % | | | | |
| Commercial real estate (1) (2) | | **0.7 %** | 0.7 % | | | | |
| Corporate debt | | **— %** | 2.7 % | | | | |

(1) Includes assets transferred or pledged to securitization vehicles.

(2) Excludes commercial real estate assets held for sale as of December 31, 2021.

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Commercial real estate (1) | | | | | | | |
| Commercial real estate (1) | | | | | | | |
| Commercial real estate (1) | | | | | **0.3 %** | | 0.7 % |

(1) Includes assets transferred or pledged to securitization vehicles.

(1) Includes assets transferred or pledged to securitization vehicles.

(1) Includes assets transferred or pledged to securitization vehicles.

ANNALY CAPITAL MANAGEMENT, INC. AND SUBSIDIARIES



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***Counterparty Risk Management***

Our use of repurchase and derivative agreements and trading activities create exposure to counterparty risk relating to potential losses that could be recognized if the counterparties to these agreements fail to perform their obligations under the contracts. In the event of default by a counterparty, we could have difficulty obtaining our assets pledged as collateral. A significant portion of our investments are financed with repurchase agreements by pledging our Residential Securities as collateral to the



applicable lender. The collateral we pledge generally exceeds the amount of the borrowings under each agreement. If the counterparty to the repurchase agreement defaults on its obligations and we are not able to recover our pledged asset, we are at risk of losing the over-collateralization or haircut. The amount of this exposure is the difference between the amount loaned to us plus interest due to the counterparty and the fair value of the collateral pledged by us to the lender including accrued interest receivable on such collateral.

We also use interest rate swaps and other derivatives to manage interest rate risk. Under these agreements, we pledge securities and cash as collateral or settle variation margin payments as part of a margin arrangement.

If a counterparty were to default on its obligations, we would be exposed to a loss to a derivative counterparty to the extent that the amount of our securities or cash pledged exceeded the unrealized loss on the associated derivative and we were not able to recover the excess collateral. Additionally, we would be exposed to a loss to a derivative counterparty to the extent that our unrealized gains on derivative instruments exceeded the amount of the counterparty's securities or cash pledged to us.

We monitor our exposure to counterparties across several dimensions including by type of arrangement, collateral type, counterparty type, ratings and geography. Additionally, ALCO has oversight of our counterparty exposure.

The following table summarizes our exposure to counterparties by geography at December 31, 2022 December 31, 2023:

| | Number of Counterparties | Secured Financing (1) | Interest Rate Swaps at Fair Value | Exposure (2) |
|---|---|---|---|---|
| Geography | Geography | (dollars in thousands) | | |
| North America | North America | 21 | $48,023,746 | $(27,824) | $2,869,757 |
| Europe | Europe | 10 | 7,647,043 | (47,894) | 785,461 |
| Asia (non-Japan) | | | | | |
| Japan | Japan | 4 | 4,091,808 | — | 191,593 |
| **Total** | **Total** | **35** | **$59,762,597** | **$(75,718)** | **$3,846,811** |

(1) Includes repurchase agreements and other secured financing.

(2) Represents the amount of cash and/or securities pledged as collateral to each counterparty less the aggregate of repurchase agreement and other secured financing and derivatives for each counterparty.

| | Number of Counterparties | Secured Financing (1) | Interest Rate Swaps at Fair Value | Exposure (2) |
|---|---|---|---|---|
| Geography | Geography | (dollars in thousands) | | |

(1) Includes repurchase agreements and other secured financing.

(2) Represents the amount of cash and/or securities pledged as collateral to each counterparty less the aggregate of repurchase agreement and other secured financing and derivatives for each counterparty.

(1) Includes repurchase agreements and other secured financing.

(2) Represents the amount of cash and/or securities pledged as collateral to each counterparty less the aggregate of repurchase agreement and other secured financing and derivatives for each counterparty.

***Operational Risk Management***

We are subject to operational risk in each of our business and support functions. Operational risk may arise from internal or external sources including human error, fraud, systems issues, process change, vendors, business interruptions and other external events. We manage operational risk through a variety of tools including processes, policies and procedures that cover topics such as business continuity, personal conduct, cybersecurity and vendor management. Other tools include Risk and Control Self Assessment ("RCSA") testing, including disaster recovery/testing; systems controls, including access controls; training, including phishing exercises and cybersecurity awareness training; and monitoring, which includes the use of key risk indicators. Our Operational Risk Management team conducts a disaster recovery exercise on an annual basis. Cyber security-related threats are addressed in basis and periodically conducts other operational risk tabletop exercises managed by the Cybersecurity Committee and business disruption events are addressed in tabletop exercises managed by the Operational Risk team. The results of these tabletop exercises are reported to management. exercises. Employee-level lines of defense against



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operational risk include proper segregation of incompatible duties, activity-level internal controls over financial reporting, the empowerment of business units to identify and mitigate operational risk sources, testing by our internal audit staff, and our overall governance framework.

Operational Risk Management responsibilities are overseen by the ERC. The ERC is responsible for supporting the Operating Committee in the implementation, ongoing monitoring, and evaluation of the effectiveness of the enterprise-wide risk management framework. This oversight authority includes review of the strategies, processes, policies, and practices established by management to identify, assess, measure, and manage enterprise-wide risk.

Members Cybersecurity is part of the Operational Risk Management team participate in the Cybersecurity Committee established to help mitigate our enterprise-wide risk management framework. Processes for assessing, identifying, and managing cybersecurity risks. The role of the committee is to oversee cyber risks include cybersecurity risk assessments, monitor applicable use of key risk indicators, review vendor cybersecurity risk management, employee training, procedures, oversee including phishing exercises and cybersecurity awareness training, penetration testing, evaluation of cybersecurity insurance and periodic engagements by our internal audit department, which determines whether our cybersecurity program and information security practices align with relevant parts of the National Institute of Standards and Technology ("NIST") framework. We periodically engage penetration testing companies and law firms to assist in these processes. When we do so, we hire reputable companies, limit their access to only information necessary for the specific purpose and maintain security controls around confidential information, including personal information. We also maintain a Cybersecurity Incident Response Plan ("Response Plan") with processes to identify, contain, mitigate and engage third parties escalate cybersecurity incidents, utilizing cross-functional expertise and external resources as needed. We conduct tabletop exercises to conduct periodic penetration testing. The Head test our Response Plan and our reaction to various business disruption events, and the results of Information Technology Infrastructure is responsible for continuously reporting these tabletop exercises are reported to the Cybersecurity Committee throughout and the year regarding cybersecurity and related risks. Our Chief Technology Officer and ERC.



Head We also have processes in place to oversee and identify material risks from cybersecurity threats associated with our use of Information Technology Infrastructure are members of multiple industry associations that discuss industry threats, challenges and solutions to cybersecurity issues. Our cybersecurity risk assessment includes an evaluation of cyber risk related to sensitive data held by third parties on their systems. The Cybersecurity Committee periodically reports to the ERC and the relevant Board committees. Our internal audit department determines whether our cybersecurity program and information security practices align with relevant portions of the National Institute of Standards and Technology ("NIST") framework. There is no assurance that our efforts will effectively mitigate cybersecurity risk and mitigation efforts are not an assurance that no cybersecurity incidents will occur. We currently maintain cybersecurity insurance, however, there is no assurance that our current policy will cover all cybersecurity breaches or our related losses, or that we will be able to continue to maintain cybersecurity insurance in the future.

We depend on third party service providers, including mortgage loan servicers and sub-servicers, upon which we depend on to perform various business processes related to our operations, including mortgage loan servicers and sub-servicers. operations. Our vendor management policy establishes procedures for engaging, onboarding and monitoring the performance of third party vendors. These For mortgage loan servicers and sub-servicers, these procedures include assessing a vendor's financial health as well as oversight of its compliance with applicable laws and regulations, cybersecurity and business continuity programs and security of personally identifiable information. We also have processes to evaluate and classify cybersecurity risk related to sensitive data held by key third party service providers on their systems.

The Cybersecurity Committee has primary responsibility for these processes to manage cybersecurity risks, under the oversight of the ERC. Daily monitoring of cybersecurity defenses is performed by the IT Infrastructure Team and any issues are escalated to the Cybersecurity Committee as needed. The Cybersecurity Committee regularly meets to discuss both routine oversight of cybersecurity processes, policies and procedures and management of any cyber-specific events, including escalation to the ERC, the executive leadership team and/or the Board as appropriate.

The Cybersecurity Committee includes representatives from Operational Risk Management, Information Technology, Legal, Mortgage Operations and Internal Control. Certain members of the Cybersecurity Committee have relevant qualifications such as extensive work experience implementing data security measures, developing cybersecurity policies and procedures, and assessing, managing and reporting cybersecurity risk. Members also participate in cybersecurity-related professional organizations that discuss industry threats, challenges and solutions to cybersecurity issues. Our Head of IT Infrastructure has completed the "Cybersecurity: Managing Risk in the Information Age" certificate program from Harvard University.

The Cybersecurity Committee regularly discusses cybersecurity risk management and best practices with the ERC and with the Audit and Risk Committees of our Board. The Audit and Risk Committees jointly oversee processes, practices and policies related to cybersecurity and receive joint and individual presentations from management and external experts on cyber and technology-related risks. Two members of our Board have completed the Carnegie Mellon/NACD Cyber-Risk Oversight Program and earned the CERT Certificate in Cybersecurity Oversight and one member of our Board has completed the NACD Master Class: Cyber-Risk Oversight Program.

To date, we have not detected any risks from cybersecurity threats that have materially affected us. However, even though we take steps to employ reasonable cybersecurity efforts, not every cybersecurity incident can be prevented or detected. We also may be held responsible for cybersecurity threats affecting our third party service providers, including mortgage sub-servicers. Therefore, while we believe there are currently no risks from any potential cybersecurity threat or cybersecurity incident that are reasonably likely to have a material effect on our business strategy, results of operations or financial condition, the likelihood or severity of such risks are difficult to predict. For further discussion, please see the risk factors titled "We are highly dependent on information systems and networks, many of which are operated by third parties, and any failure of these systems or networks could materially and adversely affect our business" and "Cyberattacks or other information security breaches could adversely affect our business, reputation and financial condition" in Part I, Item 1A. "Risk Factors" in this Annual Report on Form 10-K.

***Compliance, Regulatory and Legal Risk Management***

Our business is organized as a REIT, and we seek to continue to meet the requirements for taxation as a REIT. The determination that we are a REIT requires an analysis of various factual matters and circumstances. Accordingly, we closely monitor our REIT status within our risk management program. We also regularly assess our risk management in respect of our regulated and licensed subsidiaries, which include our registered broker-dealer subsidiary Arcola, and our subsidiary that is registered with the SEC as an investment adviser under the Investment Advisers Act and our subsidiary that operates as a licensed mortgage aggregator and master servicer.

The financial services industry is highly regulated and receives significant attention from regulators, which may impact both our company and our business strategy. Our investments in residential whole loans and MSR require us to comply with applicable state and federal laws and regulations and maintain appropriate governmental licenses, approvals and exemptions. We proactively monitor the potential impact regulation may have both directly and indirectly on us. We maintain a process to actively monitor both actual and potential legal action that may affect us. Our risk management framework is designed to identify, measure and monitor these risks under the oversight of the ERC.



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We currently rely on the exemption from registration provided by Section 3(c)(5)(C) of the Investment Company Act, and we seek to continue to meet the requirements for this exemption from registration. The determination that we qualify for this exemption from registration depends on various factual matters and circumstances. Accordingly, in conjunction with our legal department, we closely monitor our compliance with Section 3(c)(5)(C) within our risk management program. The monitoring Compliance with Section 3(c)(5)(C) of this risk the Investment Company Act is also monitored by the FRDC under the oversight of the ERC.

As a result of the Dodd-Frank Act, the U.S. Commodity Futures Trading Commission ("CFTC") gained jurisdiction over the regulation of interest rate swaps. The CFTC has asserted that this causes the operators of mortgage real estate investment trusts that use swaps as part of their business model to fall within the statutory definition of Commodity Pool Operator ("CPO"), and, absent relief from the Division of Swap Dealer and Intermediary Oversight or the CFTC, to register as CPOs. On December 7, 2012, as a result of numerous requests for no-action relief from the CPO registration requirement for operators of mortgage real estate investment trusts, the Division of Swap Dealer and Intermediary Oversight of the CFTC issued no-action relief entitled "No-Action Relief from the Commodity Pool Operator Registration Requirement for Commodity Pool Operators of Certain Pooled Investment Vehicles Organized as Mortgage Real Estate Investment Trusts" that permits a CPO to receive relief by filing a claim to perfect the use of the relief. A claim submitted by a CPO will be effective upon filing, so long as the claim is materially complete. The conditions that must be met relate to initial margin and premiums requirements, net income derived annually from commodity interest positions that are not qualifying hedging transactions, marketing of interests in the mortgage real estate investment trust to the public, and identification of the entity as a mortgage real estate investment trust in its federal tax filings with the Internal Revenue Service. While we disagree with the CFTC's position that mortgage REITs that use swaps as part of their business model fall within the statutory definition of a CPO, we have submitted a claim for the relief set forth in the no-action relief entitled "No-Action Relief from the Commodity Pool Operator Registration Requirement for Commodity Pool Operators of Certain Pooled Investment Vehicles Organized as Mortgage Real Estate Investment Trusts" and believe we meet the criteria for such relief set forth therein.

ANNALY CAPITAL MANAGEMENT, INC. AND SUBSIDIARIES

**Item 7. Management's Discussion and Analysis**

**Critical Accounting Estimates**

The preparation of our consolidated financial statement in accordance with generally accepted accounting principles in the United States requires us to make estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ materially from these estimates and changes in assumptions could have a significant effect on the consolidated financial statements. Our critical accounting policies that require us to make significant judgments or estimates are described below. For more information on these critical accounting policies and other significant accounting policies, see refer to the Note titled "Significant Accounting Policies" in the Notes to the Consolidated Financial Statements included in Item 15. "Exhibits, Financial Statement Schedules."

***Valuation of Financial Instruments***

*Residential Securities*

Description: We carry residential securities at estimated fair value. There is an active market for our Agency mortgage-backed securities, CRT securities and non-Agency mortgage-backed securities.

Judgments and Uncertainties: Since we primarily invest in securities that can be valued using quoted prices for actively traded assets, there is a high degree of observable inputs and less subjectivity in measuring fair value. Internal fair values are determined using quoted prices from the TBA securities market, the Treasury curve and the underlying characteristics of the individual securities, which may include coupon, periodic and life caps, reset dates and the expected life of the security. While prepayment rates may be difficult to predict and require estimation and judgment in the valuation of Agency mortgage-backed securities, we use several third party models to validate prepayment speeds used in fair value measurements of residential securities. All internal fair values are compared to external pricing sources and/or dealer quotes to determine reasonableness. Additionally, securities used as collateral for repurchase agreements are priced daily by counterparties to ensure sufficient collateralization, providing additional verification of our internal pricing.

Sensitivity of Estimates to Change: Changes in underlying assumptions used in estimating fair value impact the carrying value of the residential securities as well as their yield. For example, an increase in CPR would decrease the carrying value and yield of our Agency mortgage-backed securities. Our valuations are most sensitive to changes in interest rate, which also impacts prepayment speeds. See Refer to the Experienced and Projected Long-Term CPR, Financial Condition – Residential Securities and the interest rate sensitivity and interest rate and MBS spread shock analysis and discussions within this Item 7. for further information.

*Residential Mortgage Loans*

Description: We elected to account for Residential Mortgage Loans at fair value. There is an active market for the residential whole loans in which we invest.

Judgments and Uncertainties: Since we primarily invest in residential loans that can be valued using actively quoted prices for similar assets, there are observable inputs in measuring fair value. Internal fair values are determined using quoted prices for similar market transactions, the swap curve and the underlying characteristics of the individual loans, which may include loan term, coupon, and reset dates. While prepayment rates may be difficult to predict and are a significant estimate requiring judgment in the valuation of residential whole loans, we validate prepayment speeds against those provided by independent pricing analytic providers specializing in residential mortgage loans. Internal fair values are generally compared to external pricing sources to determine reasonableness.

Sensitivity of Estimates to Change: Changes to model assumptions, including prepayment speeds may significantly impact the fair value estimate of residential mortgage loans as well as unrealized gains and losses and yield on these assets. Our valuations are most sensitive to changes in interest rate, which also impacts prepayment speeds. See Refer to the interest rate sensitivity and interest rate shock analysis and discussions within this Item 7. for further information.

*MSR*

Description: We elected to account for MSR at fair value. The market for MSR is considered less active and transparent compared to securities. As such fair value estimates for our investment in MSR are obtained from models, which use significant unobservable inputs in their valuations.

Judgments and Uncertainties: These valuations primarily utilize discounted cash flow models that incorporate unobservable market data inputs including prepayment rates, delinquency levels, costs to service and discount rates. Model valuations are then compared to valuations obtained from third party pricing providers. Management reviews the



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valuations received from



third party pricing providers and uses them as a point of comparison to modeled values. The valuation of MSR requires significant judgment by management and the third party pricing providers.

Sensitivity of Estimates to Change: Changes in the underlying assumptions used to estimate the fair value of MSR impact the carrying value as well as the related unrealized gains and losses recognized. For further discussion of the sensitivity of the model inputs see refer to the Note titled "Fair Value Measurements" in the Notes to the Consolidated Financial Statements included in Item 15. "Exhibits, Financial Statement Schedules."

*Interest Rate Swaps*

Description: We are required to account for derivative assets and liabilities at fair value, which may or may not be cleared through a derivative clearing organization. We value our cleared interest rate swaps using the prices provided by the derivatives clearing organization. We value uncleared derivatives using internal models with prices compared to counterparty marks.

Judgments and Uncertainties: We use the overnight indexed swap ("OIS") curve, the SOFR curve, or SOFR forward rates as an input to value substantially all of our uncleared interest rate swaps. Consistent with market practice, we exchange collateral (also called margin) based on the fair values of our interest rate swaps. Through this margining process, we may be able to compare our recorded fair value with the fair value calculated by the counterparty or derivatives clearing organization, providing additional verification of our recorded fair value of the uncleared interest rate swaps.

Sensitivity of Estimates to Change: Changes in the OIS curve will impact the carrying value of our interest rate swap assets and liabilities. Our valuations are most sensitive to changes in interest rate, which also impacts prepayment speeds. See the interest rate sensitivity and interest rate shock analysis and discussions within this Item 7. for further information.

***Revenue Recognition***

Description: Interest income from coupon payments is accrued based on the outstanding principal amounts of the Residential Securities and their contractual terms. Premiums and discounts associated with the purchase of the Residential Securities are amortized or accreted into interest income over the projected lives of the securities using the interest method. Gains or losses on sales of Residential Securities are recorded on trade date based on the specific identification method.

Judgments and Uncertainties: To aid in determining projected lives of the securities, we use third party model and market information to project prepayment speeds. Our prepayment speed projections incorporate underlying loan characteristics (i.e., coupon, term, original loan size, original loan-to-value ratio, etc.) and market data, including interest rate and home price index forecasts and expert judgment. Prepayment speeds vary according to the type of investment, conditions in the financial markets and other factors and cannot be predicted with any certainty.

Sensitivity of Estimates to Change: Changes to model assumptions, including interest rates and other market data, as well as periodic revisions to the model will cause changes in the results. Adjustments are made for actual prepayment activity as it relates to calculating the effective yield. The sensitivity of changes in interest rates to our economic net interest income is included in the interest rate shock analysis and discussions within this Item 7 for further information.

***Consolidation of Variable Interest Entities***

Description: We are required to determine if it is required to consolidate entities in which it holds a variable interest.

Judgments and Uncertainties: Determining whether an entity has a controlling financial interest in a VIE requires significant judgment related to assessing the purpose and design of the VIE and determination of the activities that most significantly impact its economic performance. We must also identify explicit and implicit variable interests in the entity and consider our involvement in both the design of the VIE and its ongoing activities. To determine whether consolidation of the VIE is required, we must apply judgment to assess whether we have the power to direct the most significant activities of the VIE and whether we have either the rights to receive benefits or the obligation to absorb losses that could be potentially significant to the VIE.

***Use of Estimates***

The use of GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ materially from those estimates.

ANNALY CAPITAL MANAGEMENT, INC. AND SUBSIDIARIES
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## Glossary of Terms



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## A

**Adjustable-Rate Loan / Security**
A loan / security on which interest rates are adjusted at regular intervals according to predetermined criteria. The adjustable interest rate is tied to an objective, published interest rate index.

**Agency**
Refers to a federally chartered corporation, such as the Federal National Mortgage Association, or the Federal Home Loan Mortgage Corporation, or an agency of the U.S. Government, such as the Government National Mortgage Association.

**Agency Mortgage-Backed Securities**
Refers to residential mortgage-backed securities that are issued or guaranteed by an Agency.

**Amortization**
Liquidation of a debt through installment payments. Amortization also refers to the process of systematically reducing a recognized asset or liability (e.g., a purchase premium or discount for a debt security) with an offset to earnings.

**Average GAAP Cost of Interest Bearing Liabilities and Average Economic Cost of Interest Bearing Liabilities**
Average GAAP cost of interest bearing liabilities represents annualized interest expense divided by average interest bearing liabilities. Average interest bearing liabilities is a non-GAAP financial measure that reflects the average balances during the period. Average economic cost of interest bearing liabilities represents annualized economic interest expense divided by average interest bearing liabilities.

**Average Life**
On a mortgage-backed security, the average time to receipt of each dollar of principal, weighted by the amount of each principal prepayment, based on prepayment assumptions.

**Average Yield on Interest Earnings Assets and Average Yield on Interest Earnings Assets (excluding PAA)**
Average yield on interest earning assets represents annualized interest income divided by average interest earning assets. Average interest earning assets reflects the average amortized cost of our investments during the period. Average yield on interest earning assets (excluding PAA) is a non-GAAP financial measure that is calculated using annualized interest income (excluding PAA).

## B

**Basis Point ("bp" or "bps")**
One hundredth of one percent, used in expressing differences in interest rates. One basis point is 0.01% of yield. For example, a bond's yield that changed from 3.00% to 3.50% would be said to have moved 50 basis points.

**Benchmark**
A bond or an index referencing a basket of bonds whose terms are used for comparison with other bonds of similar maturity. The global financial market typically looks to U.S. Treasury securities as benchmarks.

**Beneficial Owner**
One who benefits from owning a security, even if the security's title of ownership is in the name of a broker or bank.

**Board**
Refers to the board of directors of Annaly.

**Bond**
The written evidence of debt, bearing a stated rate or stated rates of interest, or stating a formula for determining that rate, and maturing on a date certain, on which date and upon presentation a fixed sum of money plus interest (usually represented by interest coupons attached to the bond) is payable to the holder or owner. Bonds are long-term securities with an original maturity of greater than one year.

**Book Value Per Share**
Calculated by summing common stock, additional paid-in capital, accumulated other comprehensive income (loss) and accumulated deficit and dividing that number by the total common shares outstanding.

**Broker**
Generic name for a securities firm engaged in both buying and selling securities on behalf of customers or its own account.

## C

**Capital Buffer**
Includes unencumbered financial assets which can be either sold or utilized as collateral to meet liquidity needs.

**Capital Ratio (GAAP Capital Ratio)**
Calculated as total stockholders' equity divided by total assets.



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**Carry**
The amount an asset earns over its hedging and financing costs. A positive carry happens when the rate on the securities being financed is greater than the rate on the funds borrowed. A negative carry is when the rate on the funds borrowed is greater than the rate on the securities that are being financed.

**CMBX**
The CMBX index is a synthetic tradable index referencing a basket of 25 CMBS of a particular rating and vintage. The CMBX index allows investors to take a long position (referred to as selling protection) or short position (referred to as purchasing protection) on the respective basket of CMBS securities and is structured as a "pay-as-you-go" contract whereby the protection seller receives and the protection buyer pays a standardized running coupon on the contracted notional amount. Additionally, the protection seller is obligated to pay to the protection buyer the amount of principal losses and/or coupon shortfalls on the underlying CMBS securities as they occur.

**Collateral**
Securities, cash or property pledged by a borrower or party to a derivative contract to secure payment of a loan or derivative. If the borrower fails to repay the loan or defaults under the derivative contract, the secured party may take ownership of the collateral.

**Collateralized Loan Obligation ("CLO")**
A securitization collateralized by loans and other debt instruments.

**Collateralized Mortgage Obligation ("CMO")**
A multiclass bond backed by a pool of mortgage pass-through securities or mortgage loans.

**Commodity Futures Trading Commission ("CFTC")**
An independent U.S. federal agency established by the Commodity Futures Trading Commission Act of 1974. The CFTC regulates the swaps, commodity futures and options markets. Its goals include the promotion of competitive and efficient futures markets and the protection of investors against manipulation, abusive trade practices and fraud.

**Commercial Mortgage-Backed Security ("CMBS" or "Commercial Securities")**
Securities collateralized by a pool of mortgages on commercial real estate in which all principal and interest from the mortgages flow to certificate holders in a defined sequence or manner.

**Constant Prepayment Rate ("CPR")**
The percentage of outstanding mortgage loan principal that prepays in one year, based on the annualization of the Single Monthly Mortality, which reflects the outstanding mortgage loan principal that prepays in one month.

**Convexity**
A measure of the change in a security's duration with respect to changes in interest rates. The more convex a security is, the more its duration will change with interest rate changes.

**Corporate Debt**
Non-government debt instruments issued by corporations. Long-term corporate debt can be issued as bonds or loans.

**Counterparty**
One of two entities in a transaction. For example, in the bond market a counterparty can be a state or local government, a broker-dealer or a corporation.

**Coupon**
The interest rate on a bond that is used to compute the amount of interest due on a periodic basis.

**Credit and Counterparty Risk**
Risk to earnings, capital or business, resulting from an obligor's or counterparty's failure to meet the terms of any contract or otherwise failure to perform as agreed. Credit and counterparty risk is present in lending, investing, funding and hedging activities.

**Credit Derivatives**
Derivative instruments that have one or more underlyings related to the credit risk of a specified entity (or group of entities) or an index that exposes the seller to potential loss from specified credit-risk related events. An example is credit derivatives referencing the commercial mortgage-backed securities index.

**Credit Risk Transfer ("CRT") Securities**
Credit Risk Transfer securities are risk sharing transactions issued by Fannie Mae and Freddie Mac and similarly structured transactions arranged by third party market participants. The securities issued in the CRT sector are designed to synthetically transfer mortgage credit risk from Fannie Mae, Freddie Mac and/or third parties to private investors.

**Current Face**
The current remaining monthly principal on a mortgage security. Current face is computed by multiplying the original face value of the security by the current principal balance factor.

## D

**Dealer**
Person or organization that underwrites, trades and sells securities, e.g., a principal market-maker in securities.

**Default Risk**
Possibility that a bond issuer will fail to pay principal or interest when due.



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**Derivative**
A financial product that derives its value from the price, price fluctuations and price expectations of an underlying instrument, index or reference pool (e.g. futures contracts, options, interest rate swaps, interest rate swaptions and certain to-be-announced securities).

**Discount Price**
When the dollar price is below face value, it is said to be selling at a discount.

**Duration**
The weighted maturity of a fixed-income investment's cash flows, used in the estimation of the price sensitivity of fixed-income securities for a given change in interest rates.

## E

**Earnings available for distribution ("EAD") and Earnings available for distribution Per Average Common Share**
Non-GAAP financial measure defined as the sum of (a) economic net interest income, (b) TBA dollar roll income and CMBX coupon income, (c) net servicing income less realized amortization of MSR, (d) other income (loss) (excluding depreciation expense related to commercial real estate and amortization of intangibles, non-EAD income allocated to equity method investments and other non-EAD 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-EAD income (loss) items) and excludes (g) 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 our Agency mortgage-backed securities. Earnings available for distribution per average common share is a non-GAAP financial measure calculated by dividing earnings available for distribution by average basic common shares for the period.

This metric was previously labeled Core Earnings (excluding PAA) and Core Earnings (excluding PAA) Per Average Common Share). The definition of EAD is identical to the definition of Core Earnings (excluding PAA) from prior reporting periods.

**Economic Capital**
A measure of the risk a firm is subject to. It is the amount of capital a firm needs as a buffer to protect against risk. It is a probabilistic measure of potential future losses at a given confidence level over a given time horizon.

**Economic Capital Ratio**
Non-GAAP financial measure that is calculated as total stockholders' equity divided by total economic assets. Total economic assets includes the implied market value of TBA derivatives and are net of debt issued by securitization vehicles. vehicles .

**Economic Interest Expense**
Non-GAAP financial measure that is comprised of GAAP interest expense and the net interest component of interest rate swaps.

**Economic Leverage Ratio (Economic Debt-to-Equity Ratio)**
Non-GAAP financial measure that is calculated as the sum of recourse debt, cost basis of TBA and CMBX derivatives 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). Certain credit facilities (included within other secured financing), debt and U.S. Treasury securities sold, not yet purchased. Debt issued by securitization vehicles and participations issued, and mortgages payable are non-recourse to us and are excluded from this measure.

**Economic Net Interest Income**
Non-GAAP financial measure that is composed of GAAP net interest income less Economic Interest Expense.

**Economic Return**
Refers to the Company's change in book value plus dividends declared divided by the prior period's book value.

**Encumbered Assets**
Assets on the company's balance sheet which have been pledged as collateral against a liability.

**Eurodollar ESG**
A U.S. dollar deposit held in Europe or elsewhere outside the United States. Environmental, social, and governance.

## F

**Face Amount**
The par value (i.e., principal or maturity value) of a security appearing on the face of the instrument.

**Factor**
A decimal value reflecting the proportion of the outstanding principal balance of a mortgage security, which changes over time, in relation to its original principal value.

**Fannie Mae**
Federal National Mortgage Association.



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**Federal Deposit Insurance Corporation ("FDIC")**
An independent agency created by the U.S. Congress to maintain stability and public confidence in the nation's financial system by insuring deposits, examining and supervising financial institutions for safety and soundness and consumer protection, and managing receiverships.

**Federal Funds Rate**
The interest rate charged by banks on overnight loans of their excess reserve funds to other banks.

**Federal Housing Financing Agency ("FHFA")**
The FHFA is an independent regulatory agency that oversees vital components of the secondary mortgage market including Fannie Mae, Freddie Mac and the Federal Home Loan Banks.

**Financial Industry Regulatory Authority, Inc. ("FINRA")**
FINRA is a non-governmental organization tasked with regulating all business dealings conducted between dealers, brokers and all public investors.

**Fixed-Rate Mortgage**
A mortgage featuring level monthly payments, determined at the outset, which remain constant over the life of the mortgage.

**Fixed Income Clearing Corporation ("FICC")**
The FICC is an agency that deals with the confirmation, settlement and delivery of fixed-income assets in the U.S. The agency ensures the systematic and efficient settlement of U.S. Government securities and mortgage-backed security transactions in the market.

**Floating Rate Bond**
A bond for which the interest rate is adjusted periodically according to a predetermined formula, usually linked to an index.

**Floating Rate CMO**
A CMO tranche which pays an adjustable rate of interest tied to a representative interest rate index such as the LIBOR, SOFR, the Constant Maturity Treasury or the Cost of Funds Index.

**Freddie Mac**
Federal Home Loan Mortgage Corporation.

**Futures Contract**
A legally binding agreement to buy or sell a commodity or financial instrument in a designated future month at a price agreed upon at the initiation of the contract by the buyer and seller. Futures contracts are standardized according to the quality, quantity, and delivery time and location for each commodity. A futures contract differs from an option in that an option gives one of the counterparties a right and the other an obligation to buy or sell, while a futures contract represents an obligation of both counterparties, one to deliver and the other to accept delivery. A futures contract is part of a class of financial instruments called derivatives.

## G

**GAAP**
U.S. generally accepted accounting principles.

**Ginnie Mae**
Government National Mortgage Association.

## H

**Hedge**
An investment made with the intention of minimizing the impact of adverse movements in interest rates or securities prices.

## I

**In-the-Money**
Description for an option that has intrinsic value and can be sold or exercised for a profit; a call option is in-the-money when the strike price (execution price) is below the market price of the underlying security.

**Interest Bearing Liabilities**
Refers to repurchase agreements, debt issued by securitization vehicles, U.S. Treasury securities sold, not yet purchased, and credit facilities. Average interest bearing liabilities is based on daily balances.

**Interest Earning Assets**
Refers to Residential Securities, U.S. Treasury securities, reverse repurchase agreements, commercial real estate debt and preferred equity interests, residential mortgage loans and corporate debt. Average interest earning assets is based on daily balances.

**Interest-Only (IO) Bond**
The interest portion of mortgage, Treasury or bond payments, which is separated and sold individually from the principal portion of those same payments.



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**Interests in MSR**
Represents agreements to purchase all, or a component of, net servicing cash flows.

**Interest Rate Risk**
The risk that an investment's value will change due to a change in the absolute level of interest rates, in the spread between two rates, in the shape of the yield curve or in any other interest rate relationship. As market interest rates rise, the value of current fixed income investment holdings declines. Diversifying, deleveraging and hedging techniques are utilized to mitigate this risk. Interest rate risk is a form of market risk.

**Interest Rate Swap**
A binding agreement between counterparties to exchange periodic interest payments on some predetermined dollar principal, which is called the notional principal amount. For example, one party will pay fixed and receive a variable rate.

**Interest Rate Swaption**
Options on interest rate swaps. The buyer of a swaption has the right to enter into an interest rate swap agreement at some specified date in the future. The swaption agreement will specify whether the buyer of the swaption will be a fixed-rate receiver or a fixed-rate payer.

**International Swaps and Derivatives Association ("ISDA") Master Agreement**
Standardized contract developed by ISDA used as an umbrella under which bilateral derivatives contracts are entered into.

**Inverse IO Bond**
An interest-only bond whose coupon is determined by a formula expressing an inverse relationship to a benchmark rate, such as LIBOR. SOFR. As the benchmark rate changes, the IO coupon adjusts in the opposite direction. When the benchmark rate is relatively low, the IO pays a relatively high coupon payment, and vice versa.

**Investment/Market Risk**
Risk to earnings, capital or business resulting in the decline in value of our assets caused from changes in market variables, such as interest rates, which affect the values of Residential Securities and other investment instruments.

**Investment Advisers Act**
Refers to the Investment Advisers Act of 1940, as amended.

**Investment Company Act**
Refers to the Investment Company Act of 1940, as amended.

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**Monetary Policy**
Action taken by the Federal Open Market Committee of the Federal Reserve System to influence the money supply or interest rates.

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## L

**Leverage**
The use of borrowed money to increase investing power and economic returns.

**Leverage Ratio (GAAP Leverage Ratio or Debt-to-Equity Ratio)**
Calculated as total debt to total stockholders' equity. For purposes of calculating this ratio total debt includes repurchase agreements, other secured financing, debt issued by securitization vehicles, participations issued, and mortgages payable. Certain credit facilities (included within other secured financing), debt U.S. Treasury securities sold, not yet purchased. Debt issued by securitization vehicles and participations issued and mortgages payable are non-recourse to us.

**LIBOR (London Interbank Offered Rate)**
The A rate banks charge each other for short-term Eurodollar loans. LIBOR is frequently previously used as the base a benchmark for resetting rates on floating-rate securities and the floating-rate legs financial transactions. All tenors of interest rate swaps. The United Kingdom Financial Conduct Authority, which regulates LIBOR announced that all LIBOR tenors relevant to us will cease to be are either no longer published or will are no longer be representative after June 30, 2023. representative.

**Liquidity Risk**
Risk to earnings, capital or business arising from our inability to meet our obligations when they come due without incurring unacceptable losses because of inability to liquidate assets or obtain adequate funding.

**Long-Term CPR**
Our projected prepayment speeds for certain Agency mortgage-backed securities using third party model and market information. Our prepayment speed projections incorporate underlying loan characteristics (e.g., coupon, term, original loan size, original loan-to-value ratio, etc.) and market data, including interest rate and home price index forecasts. Changes to model assumptions, including interest rates and other market data, as well as periodic revisions to the model will cause changes in the results.

**Long-Term Debt**
Debt which matures in more than one year.

## M

**Market Agreed Coupon ("MAC") Interest Rate Swap**
An interest rate swap contract structure with pre-defined, market agreed terms, developed by SIFMA and ISDA with the purpose of promoting liquidity and simplified administration.



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**Mortgage-Backed Security ("MBS")**
A security representing a direct interest in a pool of mortgage loans. The pass-through issuer or servicer collects the payments on the loans in the pool and "passes through" the principal and interest to the security holders on a pro rata basis.

**Mortgage Loan**
A mortgage loan granted by a bank, thrift or other financial institution that is based solely on real estate as security and is not insured or guaranteed by a government agency.

**Mortgage Servicing Rights ("MSR")**
Contractual agreements constituting the right to service an existing mortgage where the holder receives the benefits and bears the costs and risks of servicing the mortgage.

## N

**NAV**
Net asset value.

**Net Interest Income**
Represents interest income earned on our portfolio investments, less interest expense paid for borrowings.

**Net Interest Margin and Net Interest Margin (excluding PAA)**
Net interest margin represents our interest income less interest expense divided by average interest earning assets. Net interest margin (excluding PAA) is a non-GAAP financial measure that represents the sum of our interest income (excluding PAA) 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 outstanding TBA contract and CMBX balances.

**Net Interest Spread and Net Interest Spread (excluding PAA)**
Net interest spread represents the average yield on interest earning assets less the average GAAP cost of interest bearing liabilities. Net interest spread (excluding PAA) is a non-GAAP financial measure that represents the average yield on interest earning assets (excluding PAA) less the average economic cost of interest bearing liabilities.

**Non-Performing Loan ("NPL")**
A loan that is close to defaulting or is in default.

**Notional Amount**
A stated principal amount in a derivative contract on which the contract is based.

## O

**Operational Risk**
Risk to earnings, capital, reputation or business arising from inadequate or failed internal processes or systems, human factors or external events.

**Option Contract**
A contract in which the buyer has the right, but not the obligation, to buy or sell an asset at a set price on or before a given date. Buyers of call options bet that a security will be worth more than the price set by the option (the strike price), plus the price they pay for the option itself. Buyers of put options bet that the security's price will drop below the price set by the option. An option is part of a class of financial instruments called derivatives, which means these financial instruments derive their value from the worth of an underlying investment.

**Original Face**
The face value or original principal amount of a security on its issue date.

**Out-of-the-Money**
Description for an option that has no intrinsic value and would be worthless if it expired today; for a call option, this situation occurs when the strike price is higher than the market price of the underlying security; for a put option, this situation occurs when the strike price is less than the market price of the underlying security.

**Overnight Index Swaps ("OIS")**
An interest rate swap in which a fixed rate is exchanged for an overnight floating rate.

**Over-The-Counter ("OTC") Market**
A securities market that is conducted by dealers throughout the country through negotiation of price rather than through the use of an auction system as represented by a stock exchange.

## P

**Par**
Price equal to the face amount of a security; 100%.

**Par Amount**
The principal amount of a bond or note due at maturity. Also known as par value.

**Pass-Through Security**
A securitization structure where a GSE or other entity "passes" the amount collected from the borrowers every month to the investor, after deducting fees and expenses.



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**Pool**
A collection of mortgage loans assembled by an originator or master servicer as the basis for a security. In the case of Ginnie Mae, Fannie Mae, or Freddie Mac mortgage pass-through securities, pools are identified by a number assigned by the issuing agency.

**Premium**
The amount by which the price of a security exceeds its principal amount. When the dollar price of a bond is above its face value, it is said to be selling at a premium.

**Premium Amortization Adjustment ("PAA")**
The cumulative impact on prior periods, but not the current period, of quarter-over-quarter changes in estimated long-term prepayment speeds related to our Agency mortgage-backed securities.

**Prepayment**
The unscheduled partial or complete payment of the principal amount outstanding on a mortgage loan or other debt before it is due.

**Prepayment Risk**
The risk that falling interest rates will lead to increased prepayments of mortgage or other loans, forcing the investor to reinvest at lower prevailing rates.

**Prepayment Speed**
The estimated rate at which mortgage borrowers will pay off the mortgages that underlie an MBS.

**Primary Market**
Market for offers or sales of new bonds by the issuer.

**Prime Rate**
The indicative interest rate on loans that banks quote to their best commercial customers.

**Principal and Interest**
The term used to refer to regularly scheduled payments or prepayments of principal and payments of interest on a mortgage or other security.

## R

**Rate Reset**
The adjustment of the interest rate on a floating-rate security according to a prescribed formula.

**Real Estate Investment Trust ("REIT")**
A special purpose investment vehicle that provides investors with the ability to participate directly in the ownership or financing of real-estate related assets by pooling their capital to purchase and manage mortgage loans and/or income property.

**Recourse Debt**
Debt on which the economic borrower is obligated to repay the entire balance regardless of the value of the pledged collateral. By contrast, the economic borrower's obligation to repay non-recourse debt is limited to the value of the pledged collateral. Recourse debt consists of repurchase agreements, and other secured financing (excluding certain non-recourse credit facilities). Certain credit facilities (included within other secured financing), debt and U.S. Treasury securities sold, not yet purchased. Debt issued by securitization vehicles and participations issued and mortgages payable are non-recourse to us and are excluded from this measure.

**Reinvestment Risk**
The risk that interest income or principal repayments will have to be reinvested at lower rates in a declining rate environment.

**Re-Performing Loan ("RPL")**
A type of loan in which payments were previously delinquent by at least 90 days but have resumed.

**Repurchase Agreement**
The sale of securities to investors with the agreement to buy them back at a higher price after a specified time period; a form of short-term borrowing. For the party on the other end of the transaction (buying the security and agreeing to sell in the future) it is a reverse repurchase agreement.

**Residential Credit Securities**
Refers to CRT securities and non-Agency mortgage-backed securities.

**Residential Securities**
Refers to Agency mortgage-backed securities, CRT securities and non-Agency mortgage-backed securities.

**Residual**
In securitizations, the residual is the tranche that collects any cash flow from the collateral that remains after obligations to the other tranches have been met.

**Return on Average Equity**
Calculated by taking earnings divided by average stockholders' equity.

**Reverse Repurchase Agreement**
Refer to Repurchase Agreement. The buyer of securities effectively provides a collateralized loan to the seller.

**Risk Appetite Statement**
Defines the types and levels of risk we are willing to take in order to achieve our business objectives, and reflects our risk management philosophy.



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## S

**Secondary Market**
Ongoing market for bonds previously offered or sold in the primary market.

**Secured Overnight Financing Rate ("SOFR")**
Broad measure of the cost of borrowing cash overnight collateralized by Treasury securities and was chosen by the Alternative Reference Rate Committee as the preferred benchmark rate to replace dollar LIBOR in coming years. LIBOR.

**Settlement Date**
The date securities must be delivered and paid for to complete a transaction.

**Short-Term Debt**
Generally, debt which matures in one year or less. However, certain securities that mature in up to three years may be considered short-term debt.

**Spread**
When buying or selling a bond through a brokerage firm, investors will be charged a commission or spread, which is the difference between the market price and cost of purchase, and sometimes a service fee. Spreads differ based on several factors including liquidity.

## T

**Target Assets**
Includes Agency mortgage-backed securities, to-be-announced forward contracts, CRT securities, MSR, non-Agency mortgage-backed securities, residential mortgage loans, and commercial real estate investments.

**Tangible Economic Return**
Refers to the Company's change in tangible book value (calculated by summing common stock, additional paid-in capital, accumulated other comprehensive income (loss) and accumulated deficit less intangible assets) plus dividends declared divided by the prior period's tangible book value.

**Taxable REIT Subsidiary ("TRS")**
An entity that is owned directly or indirectly by a REIT and has jointly elected with the REIT to be treated as a TRS for tax purposes. Annaly and certain of its direct and indirect subsidiaries have made separate joint elections to treat these subsidiaries as TRSs.

**Term SOFR**
The term secured overnight financing rate published by the Chicago Mercantile Exchange, which is used as a benchmark for financial transactions.

**TBA Dollar Roll Income**
TBA dollar roll income is defined as the difference in price between two TBA contracts with the same terms but different settlement dates. The TBA contract settling in the later month typically prices at a discount to the earlier month contract with the difference in price commonly referred to as the "drop". TBA dollar roll income represents the equivalent of interest income on the underlying security less an implied cost of financing.

**Total Return**
Investment performance measure over a stated time period which includes coupon interest, interest on interest, and any realized and unrealized gains or losses.

**Total Return Swap**
A derivative instrument where one party makes payments at a predetermined rate (either fixed or variable) while receiving a return on a specific asset (generally an equity index, loan or bond) held by the counterparty.

## U

**To-Be-Announced ("TBA") Securities**
A contract for the purchase or sale of a mortgage-backed security to be delivered at a predetermined price, face amount, issuer, coupon and stated maturity on an agreed-upon future date but does not include a specified pool number and number of pools.



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**Unencumbered Assets**
Assets on our balance sheet which have not been pledged as collateral against an existing liability.

**U.S. Government-Sponsored Enterprise ("GSE") Obligations**
Obligations of Agencies originally established or chartered by the U.S. government to serve public purposes as specified by the U.S. Congress, such as Fannie Mae and Freddie Mac; these obligations are not explicitly guaranteed as to the timely payment of principal and interest by the full faith and credit of the U.S. government.

## V

**Value-at-Risk ("VaR")**
A statistical technique which measures the potential loss in value of an asset or portfolio over a defined period for a given confidence interval.

**Variable Interest Entity ("VIE")**
An entity in which equity investors (i) do not have the characteristics of a controlling financial interest, and/or (ii) do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties.



**Variation Margin**
Cash or securities provided by a party to collateralize its obligations under a transaction as a result of a change in value of such transaction since the trade was executed or the last time collateral was provided.

ANNALY CAPITAL MANAGEMENT, INC. AND SUBSIDIARIES
**Item 7. Management's Discussion and Analysis**



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**Volatility**
A statistical measure of the variance of price or yield over time. Volatility is low if the price does not change very much over a short period of time, and high if there is a greater change.

**Voting Interest Entity ("VOE")**
An entity that has sufficient equity to finance its activities without additional subordinated financial support from other parties and in which equity investors have a controlling financial interest.

**W**

**Warehouse Lending**
A line of credit extended to a loan originator to fund mortgages extended by the loan originators to property purchasers. The loan typically lasts from the time the mortgage is originated to when the mortgage is sold into the secondary market, whether directly or through a securitization. Warehouse lending can provide liquidity to the loan origination market.

**Weighted Average Coupon**
The weighted average interest rate of the underlying mortgage loans or pools that serve as collateral for a security, weighted by the size of the principal loan balances.

**Weighted Average Life ("WAL")**
The assumed weighted average amount of time that will elapse from the date of a security's issuance until each dollar of principal is repaid to the investor. The WAL will change as the security ages and depending on the actual realized rate at which principal, scheduled and unscheduled, is paid on the loans underlying the MBS.

**Y**

**Yield-to-Maturity**
The expected rate of return of a bond if it is held to its maturity date; calculated by taking into account the current market price, stated redemption value, coupon payments and time to maturity and assuming all coupons are reinvested at the same rate; equivalent to the internal rate of return.

ANNALY CAPITAL MANAGEMENT, INC. AND SUBSIDIARIES

## ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Quantitative and qualitative disclosures about market risk are contained within the section titled "Risk Management" of Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations."

## ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Our financial statements and the related notes, together with the Report of Independent Registered Public Accounting Firm thereon, are set forth beginning on page F-1 of this Form 10-K.

## ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

## ITEM 9A. CONTROLS AND PROCEDURES

Our management, including our Chief Executive Officer (the CEO) and Chief Financial Officer (the CFO), reviewed and evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) of the Securities Exchange Act) as of the end of the period covered by this report. Based on that review and evaluation, the CEO and CFO have concluded that our current disclosure controls and procedures, as designed, (1) were effective in ensuring that information required to be disclosed by Annaly in reports it files or submits under the Securities Exchange Act is accumulated and communicated to our management, including our CEO and



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CFO, as appropriate to allow timely decisions regarding required disclosure and (2) were effective in ensuring that information required to be disclosed by Annaly in reports it files or submits under the Securities Exchange Act is recorded, processed, summarized and reported within the time periods specified by the SEC's rules and forms.

There have been no changes in our internal controls over financial reporting that occurred during the three months ended December 31, 2022 December 31, 2023 that have materially affected, or are reasonably likely to materially affect our internal control over financial reporting.

**Management's Annual Report On Internal Control Over Financial Reporting**

Management of Annaly is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rules 13a-15(f) or 15d-15(f) under the Securities Exchange Act. Our internal control over financial reporting is a process designed by, or under the supervision of, Annaly's CEO and CFO and effected by the Annaly's board of directors, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

- pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of Annaly;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of Annaly are being made only in accordance with authorizations of management and directors of Annaly; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of Annaly's assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. As a result, even systems determined to be effective can provide only reasonable assurance regarding the preparation and presentation of financial statements. Moreover, projections of any evaluation of effectiveness to future periods are subject to the

ANNALY CAPITAL MANAGEMENT, INC. AND SUBSIDIARIES

risks that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

Annaly's management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2022 December 31, 2023. In making this assessment, the Company's management used criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission's ("COSO") Internal Control-Integrated Framework (2013).

Based on the Annaly's management's evaluation under the framework in Internal Control—Integrated Framework (2013), Annaly's management concluded that its internal control over financial reporting was effective as of December 31, 2022 December 31, 2023. Annaly's independent registered public accounting firm, Ernst & Young LLP, has issued an attestation report on Annaly's internal control over financial reporting, which is included herein.

ANNALY CAPITAL MANAGEMENT, INC. AND SUBSIDIARIES

**Report of Independent Registered Public Accounting Firm**

To the Stockholders and the Board of Directors of Annaly Capital Management, Inc.

**Opinion on Internal Control Over Financial Reporting**

We have audited Annaly Capital Management, Inc. and Subsidiaries' subsidiaries' internal control over financial reporting as of December 31, 2022 December 31, 2023, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Annaly Capital Management, Inc. and Subsidiaries subsidiaries (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2022 December 31, 2023, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated statements of financial condition as of December 31, 2022 December 31, 2023 and 2021, 2022, the related consolidated statements of comprehensive income (loss), stockholders' equity and cash flows for each of the three years in the period ended December 31, 2022 December 31, 2023, and the related notes and our report dated February 16, 2023 February 15, 2024 expressed an unqualified opinion thereon.

**Basis for Opinion**

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.



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Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

**Definition and Limitations of Internal Control Over Financial Reporting**

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

New York, NY
February 16, 2023 15, 2024

ANNALY CAPITAL MANAGEMENT, INC. AND SUBSIDIARIES

## ITEM 9B. OTHER INFORMATION

None. During the quarter ended December 31, 2023, no director or officer of the Company adopted, modified or terminated any Rule 10b5-1 trading arrangement or non-Rule 10b5-1 trading arrangement, each as defined in Item 408 of Regulation S-K.

## ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

ANNALY CAPITAL MANAGEMENT, INC. AND SUBSIDIARIES

# PART III

## ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by Item 10 as to our directors is incorporated herein by reference to the proxy statement to be filed with the SEC within 120 days after December 31, 2022 December 31, 2023. The information regarding our executive officers required by Item 10 appears in Part I of this Form 10-K. The information required by Item 10 as to our compliance with Section 16(a) of the Securities Exchange Act of 1934 is incorporated by reference to the proxy statement to be filed with the SEC within 120 days after December 31, 2022 December 31, 2023.

We have adopted a Code of Business Conduct and Ethics within the meaning of Item 406(b) of Regulation S-K. This Code of Business Conduct and Ethics applies to our principal executive officer, principal financial officer and principal accounting officer. This Code of Business Conduct and Ethics is publicly available on our website at www.annaly.com. We intend to satisfy the disclosure requirements regarding amendments to, or waivers from, certain provisions of this Code of Business Conduct and Ethics by posting on our website.

We have adopted an Insider Trading Policy within the meaning of Item 408(b) of Regulation S-K, which prohibits our directors, officers and employees, as well as those of our subsidiaries, from buying or selling our securities on the basis of material nonpublic information and prohibits communicating material nonpublic information about our company to others. Our Insider Trading Policy prohibits our directors, officers and employees from (1) holding our stock in a margin account as eligible collateral, or otherwise pledging our stock as collateral for a loan, or (2) engaging in any hedging transactions with respect to our equity securities held by them.

The information regarding certain matters pertaining to our corporate governance required by Item Items 407(c)(3), (d)(4) and (d)(5) of Regulation S-K is incorporated by reference to the Proxy Statement to be filed with the SEC within 120 days after December 31, 2022 December 31, 2023.

## ITEM 11. EXECUTIVE COMPENSATION



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The information required by Item 11 is incorporated herein by reference to the proxy statement to be filed with the SEC within 120 days after December 31, 2022 December 31, 2023.

## ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

**Equity Compensation Plan Information**

On May 20, 2020, at our 2020 Annual Meeting of Stockholders, our stockholders approved the 2020 Equity Incentive Plan. The 2020 Equity Incentive Plan authorizes us to grant options, stock appreciation rights, dividend equivalent rights, or other share-based awards, including restricted shares up to an aggregate of 31,250,000 shares, subject to adjustments for any awards that were outstanding under our 2010 Equity Incentive Plan (the "Prior Incentive Plan," together with the 2020 Equity Incentive Plan, the "Incentive Plans") on the effective date of the 2020 Equity Incentive Plan and subsequently expire, terminate, or are surrendered or forfeited.

Since the adoption of the 2020 Equity Incentive Plan, no further awards have been made under the Prior Incentive Plan, although existing awards remained effective.

The following table provides information as of December 31, 2022 December 31, 2023 concerning shares of our common stock authorized for issuance under the Incentive Plans.

| | (a) | (b) | (c) |
|---|---|---|---|
| Plan Category | Number of securities to be issued upon exercise of outstanding options, warrants and rights | Weighted-average exercise price of outstanding options, warrants and rights | Number of securities remaining available for future issuance under the Incentive Plans (excluding securities in column 'a') |
| Equity compensation plans approved by security holders | — | $ — | 29,447,507 28,654,814 |
| Equity compensation plans not approved by security holders | — | — | — |
| **Total** | — | $ — | 29,447,507 28,654,814 |

Information with respect to security ownership of certain beneficial owners and management is incorporated herein by reference to the proxy statement to be filed with the SEC within 120 days after December 31, 2022 December 31, 2023.

ANNALY CAPITAL MANAGEMENT, INC. AND SUBSIDIARIES

## ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by Item 13 is incorporated herein by reference to the proxy statement to be filed with the SEC within 120 days after December 31, 2022 December 31, 2023.

## ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by Item 14 is incorporated herein by reference to the proxy statement to be filed with the SEC within 120 days after December 31, 2022 December 31, 2023.

ANNALY CAPITAL MANAGEMENT, INC. AND SUBSIDIARIES

# PART IV

## ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) Documents filed as part of this report:

1. Financial Statements. See Index to Financial Statements below.
2. Schedules to Financial Statements. See Index to Financial Statements below

All financial statement schedules not included have been omitted because they are either inapplicable or the information required is provided in our Financial Statements and Notes thereto.

3. Exhibits. See Exhibit Index below.

## EXHIBIT INDEX



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| Exhibit Number | Exhibit Description |
|---|---|
| 3.1 | Articles of Amendment and Restatement of the Articles of Incorporation of the Registrant (incorporated by reference to Exhibit 3.2 to the Registrant's Registration Statement on Form S-11 (Registration No. 333-32913) filed August 5, 1997). |
| 3.2 | Articles of Amendment of the Articles of Incorporation of the Registrant (incorporated by reference to Exhibit 3.1 of the Registrant's Registration Statement on Form S-3 (Registration Statement 333-74618) filed June 12, 2002). |
| 3.3 | Articles of Amendment of the Articles of Incorporation of the Registrant (incorporated by reference to Exhibit 3.1 of the Registrant's Current Report on Form 8-K filed August 3, 2006). |
| 3.4 | Articles of Amendment of the Articles of Incorporation of the Registrant (incorporated by reference to Exhibit 3.4 of the Registrant's Quarterly Report on Form 10-Q filed May 7, 2008). |
| 3.5 | Articles of Amendment of the Articles of Incorporation of the Registrant (incorporated by reference to Exhibit 3.1 of the Registrant's Current Report on Form 8-K filed June 23, 2011). |
| 3.6 | Articles of Amendment of the Articles of Incorporation of the Registrant (incorporated by reference to Exhibit 3.1 of the Registrant's Current Report on Form 8-K filed May 23, 2019). |
| 3.7 | Articles of Amendment to the Articles of Incorporation of the Registration Registrant (incorporated by reference to Exhibit 3.1 of the Registrant's Current Report on Form 8-K filed September 23, 2022). |
| 3.8 | Articles of Amendment to the Articles of Incorporation of the Registration Registrant (incorporated by reference to Exhibit 3.2 of the Registrant's Current Report on Form 8-K filed September 23, 2022). |
| 3.9 | Articles of Amendment to the Articles of Incorporation of the Registrant (incorporated by reference to Exhibit 3.1 of the Registrant's Current Report on Form 8-K filed May 19, 2023). |
| 3.10 | Articles Supplementary designating the Registrant's 6% Series B Cumulative Convertible Preferred Stock, liquidation preference $25.00 per share (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on 8-K filed April 10, 2006). |
| 3.10 3.11 | Articles Supplementary designating the Registrant's 7.625% Series C Cumulative Redeemable Preferred Stock, liquidation preference $25.00 per share (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed May 16, 2012). |
| 3.11 3.12 | Articles Supplementary designating the Registrant's 7.50% Series D Cumulative Redeemable Preferred Stock, liquidation preference $25.00 per share (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed September 13, 2012). |
| 3.12 3.13 | Articles Supplementary designating the Registrant's 7.625% Series E Cumulative Redeemable Preferred Stock, liquidation preference $25.00 (incorporated by reference to Exhibit 3.12 to the Registrant's Registration Statement on Form 8-A filed July 12, 2016). |
| 3.13 3.14 | Articles Supplementary reclassifying the Registrant's 6% Series B Cumulative Convertible Preferred Stock, liquidation preference $25.00 per share (incorporated by reference to Exhibit 3.13 to the Registrant's Registration Statement on Form 8-A filed July 27, 2017). |

ANNALY CAPITAL MANAGEMENT, INC. AND SUBSIDIARIES

| | |
|---|---|
| 3.14 3.15 | Articles Supplementary designating the Registrant's 6.95% Series F Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock, liquidation preference $25.00 per share (incorporated by reference to Exhibit 3.14 to the Registrant's Registration Statement on Form 8-A filed July 27, 2017). |

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| | |
|---|---|
| 3.15 3.16 | Articles Supplementary reclassifying and designating (1) 7,412,500 authorized but unissued shares of the Registrant's preferred stock, $0.01 par value per share, without designation as to series or class, as shares of undesignated Common Stock; (2) 650,000 authorized but unissued shares of the Registrant's 7.625% Series C Cumulative Redeemable Preferred Stock, $0.01 par value per share, as shares of undesignated Common Stock; and (3) 3,400,000 authorized but unissued shares of the Registrant's 6.95% Series F Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock, $0.01 par value per share, as shares of undesignated Common Stock. (incorporated by reference to Exhibit 3.15 of the Registrant's Quarterly Report on Form 10-Q filed November 3, 2017). |
| 3.16 3.17 | Articles Supplementary designating Annaly's 6.50% Series G Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock, liquidation preference $25.00 per share (incorporated by reference to Exhibit 3.16 to the Registrant's Registration Statement on Form 8-A filed January 10, 2018). |
| 3.17 3.18 | Articles Supplementary reclassifying and designating (i) 11,500,000 authorized but unissued shares of the Registrant's preferred stock, $0.01 par value per share, without designation as to series or class, as shares of Registrant's undesignated common stock and (ii) 5,000,000 authorized but unissued shares of Registrant's 7.625% Series C Cumulative Redeemable Preferred Stock, $0.01 par value per share, as shares of Registrant's undesignated common stock (incorporated by reference to Exhibit 3.1 to the Registrant's Quarterly Report on Form 10-Q filed August 3, 2018). |
| 3.18 3.19 | Form of Articles Supplementary designating Annaly's 8.125% Series H Cumulative Redeemable Preferred Stock, liquidation preference $25.00 per share (incorporated by reference to Exhibit 3.17 to the Registrant's Registration Statement on Form 8-A filed September 7, 2018). |
| 3.19 3.20 | Articles Supplementary reclassifying and designating 2,200,000 authorized but unissued shares of the Registrant's preferred stock, $0.01 par value per share, without designation as to series or class, as shares of undesignated Common Stock (incorporated by reference to Exhibit 3.1 of the Registrant's Current Report on Form 8-K filed June 3, 2019). |
| 3.20 3.21 | Articles Supplementary designating Annaly's 6.750% Series I Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock, liquidation preference $25.00 per share (incorporated by reference to Exhibit 3.20 to the Registrant's Registration Statement on Form 8-A filed June 26, 2019). |
| 3.21 3.22 | Articles Supplementary reclassifying and designating 7,000,000 authorized but unissued shares of Registrant's 7.625% Series C Cumulative Redeemable Preferred Stock, $0.01 par value per share, as shares of Registrant's undesignated common stock (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed July 22, 2019). |
| 3.22 3.23 | Articles Supplementary filed with the State Department of Assessments and Taxation of Maryland effective on January 4, 2021 (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed January 5, 2021). |
| 3.23 3.24 | Amended and Restated Bylaws of the Registrant, December8, 2022 December 8, 2022 (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed December9, 2022). December 9, 2022). |
| 4.1 | Specimen Common Stock Certificate (incorporated by reference to Exhibit 4.1 to Amendment No. 1 to the Registrant's Registration Statement on Form S-11 (Registration No. 333-32913) filed September 17, 1997). |
| 4.2 | Specimen Preferred Stock Certificate (incorporated by reference to Exhibit 4.2 to the Registrant's Registration Statement on Form S-3 (Registration No. 333-74618) filed on December 5, 2001). |
| 4.3 | Specimen Series F Preferred Stock Certificate (incorporated by reference to Exhibit 4.8 to the Registrant's Registration Statement on Form 8-A filed July 27, 2017). |
| 4.4 | Specimen Series G Preferred Stock Certificate (incorporated by reference to Exhibit 4.9 to the Registrant's Registration Statement on Form 8-A filed January 10, 2018). |
| 4.5 | Specimen Series I Preferred Stock Certificate (incorporated by reference to Exhibit 4.7 to the Registrant's Registration Statement on Form 8-A filed June 26, 2019). |
| 4.6 | Indenture, dated as of February 12, 2010, between the Registrant and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed February 12, 2010). |
| 4.7 | Indenture, dated as of February 1, 2019, between the Registrant and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.7 to the Registrant's Current Report on Form S-3 filed February 1, 2019). |
| 4.8 | Supplemental Indenture, dated as of February 12, 2010, between the Registrant and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K filed February 12, 2010). |

ANNALY CAPITAL MANAGEMENT, INC. AND SUBSIDIARIES

| | |
|---|---|
| 4.9 | Second Supplemental Indenture, dated as of May 14, 2012, between the Registrant and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K filed May 14, 2012). |

ANNALY CAPITAL MANAGEMENT, INC. AND SUBSIDIARIES



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| | |
|---|---|
| 4.10 | Description of Securities. † |
| 10.1 | Form of Master Repurchase Agreement (incorporated by reference to Exhibit 10.7 to the Registrant's Registration Statement on Form S-11 (Registration No. 333-32913) filed August 5, 1997). |
| 10.2 | Registrant's 2010 Equity Incentive Plan (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed June 1, 2010).* |
| 10.3 | Registrant's Deferred Compensation Plan for Directors (incorporated by reference to Exhibit 10.5 to the Registrant's Annual Report on Form 10-K filed February 23, 2017).* |
| 10.4 10.3 | Form of Indemnification Agreement (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed March 20, 2017). |
| 10.5 10.4 | 2020 Equity Incentive Plan (incorporated herein by reference to Annex A to the Registrant's proxy statement dated April 8, 2020).* |
| 10.6 10.5 | Form of Deferred Stock Unit Award for Directors (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed May 21, 2020).* |
| 10.7 10.6 | Annaly Capital Management, Inc. Executive Severance Plan (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed July 1, 2020).* |
| 10.8 10.7 | Form of 2020 Performance Stock Unit Award (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed July 1, 2020).* |
| 10.9 10.8 | Form of 2020 Restricted Stock Unit Award (incorporated by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K filed July 1, 2020).* |
| 10.10 10.9 | Form of 2022 Performance Stock Unit Award (incorporated by reference to Exhibit 10.10 to the Registrant's Annual Report on Form 10-K filed February 18, 2022).* |
| 10.10 | Form of 2022 Restricted Stock Unit Award (incorporated by reference to Exhibit 10.11 to the Registrant's Annual Report on Form 10-K filed February 18, 2022.* |
| 10.11 | Form of 2022 Restricted 2023 Performance Stock Unit Award (incorporated (incorporated by reference to Exhibit 10.11 Exhibit 10.12 to the Registrant's Registrant's Annual Report Report on Form 10-K filed February 18, 2022. February 16, 2023).* |
| 10.12 | Form of 2023 Performance Restrictive Stock Unit Award. Award (incorporated by reference to Exhibit 10.13 to the Registrant's Annual Report on Form 10-K filed February 16, 2023).*† |
| 10.13 19.1 | Form of 2023 Restrictive Stock Unit Award.* Insider Trading Policy† |
| 21.1 | Subsidiaries of Registrant. † |
| 23.1 | Consent of Ernst & Young LLP. † |
| 97.1 | Dodd-Frank Clawback Policy † |
| 31.1 | Certification of David L. Finkelstein, Chief Executive Officer and President Chief Investment Officer (Principal Executive Officer) of the Registrant, pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. † |
| 31.2 | Certification of Serena Wolfe, Chief Financial Officer (Principal Financial Officer) of the Registrant, pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. † |
| 32.1 | Certification of David L. Finkelstein, Chief Executive Officer and President Chief Investment Officer (Principal Executive Officer) of the Registrant, pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. † |
| 32.2 | Certification of Serena Wolfe, Chief Financial Officer (Principal Financial Officer) of the Registrant, pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. † |
| 101.INS XBRL | The instance document does not appear in the interactive data file because its Extensible Business Reporting Language (XBRL) tags are embedded within the Inline XBRL document. The following documents are formatted in Inline XBRL: (i) Consolidated Statements of Financial Condition at December 31, 2022 December 31, 2023 and 2021; 2022; (ii) Consolidated Statements of Comprehensive Income (Loss) for the years ended December 31, 2022 December 31, 2023, 2021 2022 and 2020; 2021; (iii) Consolidated Statements of Stockholders' Equity for the years ended December 31, 2022 December 31, 2023, 2021 2022 and 2020; 2021; (iv) Consolidated Statements of Cash Flows for the years ended December 31, 2022 December 31, 2023, 2021 2022 and 2020; 2021; and (v) Notes to Consolidated Financial Statements. |
| 101.SCH XBRL | Taxonomy Extension Schema Document † |
| 101.CAL XBRL | Taxonomy Extension Calculation Linkbase Document † |
| 101.DEF XBRL | Additional Taxonomy Extension Definition Linkbase Document Created† |

ANNALY CAPITAL MANAGEMENT, INC. AND SUBSIDIARIES

| | |
|---|---|
| 101.LAB XBRL | Taxonomy Extension Label Linkbase Document † |
| 101.PRE XBRL | Taxonomy Extension Presentation Linkbase Document † |
| 104 | The cover page for the Registrant's Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023 (formatted in Inline XBRL and contained in Exhibit 101). |

* Exhibit Numbers 10.2, 10.3, 10.5, 10.6, 10.7,

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10.8, 10.9, 10.10, 10.11 are management contracts or compensatory plans required to be filed as Exhibits to this Form 10-K.

† Submitted electronically herewith.

ANNALY CAPITAL MANAGEMENT, INC. AND SUBSIDIARIES

## ITEM 16. FORM 10-K SUMMARY

None.

ANNALY CAPITAL MANAGEMENT, INC. AND SUBSIDIARIES


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**Report of Independent Registered Public Accounting Firm**

To the Stockholders and the Board of Directors of Annaly Capital Management, Inc.

**Opinion on the Financial Statements**

We have audited the accompanying consolidated statements of financial condition of Annaly Capital Management, Inc. and Subsidiaries subsidiaries (the Company) as of December 31, 2022 December 31, 2023 and 2021, 2022, the related consolidated statements of comprehensive income (loss), stockholders' equity and cash flows for each of the three years in the period ended December 31, 2022 December 31, 2023, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2022 December 31, 2023 and 2021, 2022, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2022 December 31, 2023, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2022 December 31, 2023, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated February 16, 2023 February 15, 2024 expressed an unqualified opinion thereon.

**Basis for Opinion**

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

**Critical Audit Matter**

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the account or disclosure to which it relates.



ANNALY CAPITAL MANAGEMENT, INC. AND SUBSIDIARIES
**Financial Statements**



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***Valuation of mortgage servicing rights***

*Description of the Matter*

The Company invests in servicing related assets comprised of mortgage servicing rights ("MSR") totaling $1.7 billion $2.1 billion as of December 31, 2022 December 31, 2023 as included in Note 7 to the consolidated financial statements. The Company records MSR at fair value on a recurring basis with changes in fair value recognized in the statement of comprehensive income (loss). These fair value estimates are based on valuation techniques used to estimate future cash flows that incorporate significant unobservable assumptions, which include including discount rates, rate, prepayment rates rate, delinquency rate and servicing costs. cost to service.

Auditing the valuation of MSR is complex and required the use of a specialist due to the high degree of judgement in the assumptions made by management which are unobservable in nature. Additionally, selecting and applying audit procedures to address the estimation uncertainty involves auditor subjectivity and industry-specific knowledge of MSR, including the current market conditions considered by a market participant.

*How We Addressed the Matter in Our Audit*

We obtained an understanding, evaluated and tested the Company's processes and the design and operating effectiveness of internal controls addressing the valuation of MSR, comprising management's governance over the functionality of the discounted cash flow model utilized to estimate fair value; management's review of the completeness and accuracy reasonableness of the significant unobservable assumptions used in the discounted cash flow model (i.e., discount rates, rate, prepayment rates rate, delinquency rate and servicing costs) cost to service); management's comparison of the assumptions used to independent third-party data; and management's evaluation of the internal fair value mark to third-party independent valuation firms' ranges, as well as their evaluation of the competence and objectivity of those third-party independent valuation firms, to assess the reasonableness of the fair values developed by the Company.

To test the valuation of MSR, our audit procedures included, among others, evaluating the Company's valuation techniques used to estimate future cash flows, validating the accuracy and completeness of model objective inputs by agreeing these inputs to the Company's underlying records and third-party data, evaluating the Company's model, and testing the significant unobservable assumptions used by management by comparing them to current industry, market and economic trends. We involved our valuation specialists to assist in our evaluation of the Company's valuation techniques and the assumptions used by management, and to independently develop a range of fair values for the MSR. We compared the assumptions made by management and management's estimate of fair value to the assumptions and fair value ranges developed by management's valuation specialists and our independent ranges to assess management's estimates of fair value. We also assessed the competence and objectivity of management's independent valuation firms engaged to evaluate the reasonableness of the fair values developed by the Company.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2012.

New York, NY
February 16, 2023 15, 2024





**ANNALY CAPITAL MANAGEMENT, INC. AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION**
**(dollars in thousands, except per share data)**

| | December 31, 2023 | December 31, | December 31, 2023 | December 31, 2022 |
|---|---|---|---|---|
| Assets | | | Assets | |
| Cash and cash equivalents (includes pledged assets of $1,136,298 and $1,424,160, respectively) (1) | | | | |



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| | | | |
|---|---|---|---|
| Securities (includes pledged assets of $65,400,248 and $60,660,121, respectively) (2) | | | |
| Loans, net (includes pledged assets of $2,082,419 and $1,653,464, respectively) (3) | | | |
| Mortgage servicing rights (includes pledged assets of $1,781,279 and $684,703, respectively) | | | |

| | | 2022 | 2021 |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents (includes pledged assets of $1,424,160 and $1,222,505, respectively) (1) | | **$ 1,576,714** | $ 1,342,090 |
| Securities (includes pledged assets of $60,660,121 and $56,675,447, respectively) (2) | | **65,789,907** | 63,655,674 |
| Loans, net (includes pledged assets of $1,653,464 and $2,462,776, respectively) (3) | | **1,809,832** | 4,242,043 |
| Mortgage servicing rights (includes pledged assets of $684,703 and $—, respectively) | | **1,748,209** | 544,562 |
| Interests in MSR | | **—** | 69,316 |
| Assets transferred or pledged to securitization vehicles | | | |
| Assets transferred or pledged to securitization vehicles | | | |
| Assets transferred or pledged to securitization vehicles | Assets transferred or pledged to securitization vehicles | **9,121,912** | 6,086,308 |
| Assets of disposal group held for sale | | **—** | 194,138 |
| Derivative assets | | | |
| Derivative assets | | | |
| Derivative assets | Derivative assets | **342,064** | 170,370 |
| Receivable for unsettled trades | Receivable for unsettled trades | **575,091** | 2,656 |
| Receivable for unsettled trades | | | |
| Receivable for unsettled trades | | | |
| Principal and interest receivable | Principal and interest receivable | **637,301** | 234,983 |



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| | | | | | | |
|---|---|---|---|---|---|---|
| Goodwill and intangible assets, net | | **16,679** | 24,241 | | | |
| Intangible assets, net | | | | | | |
| Intangible assets, net | | | | | | |
| Intangible assets, net | | | | | | |
| Other assets | Other assets | **233,003** | 197,683 | | | |
| **Total assets** | | | | | | |
| **Total assets** | | | | | | |
| **Total assets** | **Total assets** | **$81,850,712** | $76,764,064 | | | |
| **Liabilities and stockholders' equity** | **Liabilities and stockholders' equity** | | | **Liabilities and stockholders' equity** | | |
| **Liabilities** | **Liabilities** | | | **Liabilities** | | |
| Repurchase agreements | Repurchase agreements | **$59,512,597** | $54,769,643 | | | |
| Other secured financing | Other secured financing | **250,000** | 903,255 | | | |
| Debt issued by securitization vehicles | Debt issued by securitization vehicles | **7,744,160** | 5,155,633 | | | |
| Debt issued by securitization vehicles | | | | | | |
| Debt issued by securitization vehicles | | | | | | |
| Participations issued | Participations issued | **800,849** | 1,049,066 | | | |
| U.S. Treasury securities sold, not yet purchased | | | | | | |
| Liabilities of disposal group held for sale | | **—** | 154,956 | | | |
| Derivative liabilities | | | | | | |
| Derivative liabilities | | | | | | |
| Derivative liabilities | Derivative liabilities | **204,172** | 881,537 | | | |
| Payable for unsettled trades | Payable for unsettled trades | **1,157,846** | 147,908 | | | |
| Interest payable | Interest payable | **325,280** | 91,176 | | | |
| Dividends payable | | | | | | |
| Dividends payable | | | | | | |
| Dividends payable | Dividends payable | **412,113** | 321,142 | | | |
| Other liabilities | Other liabilities | **74,269** | 94,423 | | | |
| **Total liabilities** | **Total liabilities** | **70,481,286** | 63,568,739 | | | |
| **Stockholders' equity** | **Stockholders' equity** | | | **Stockholders' equity** | | |
| Preferred stock, par value $0.01 per share, 63,500,000 authorized, issued and outstanding, respectively | | **1,536,569** | 1,536,569 | | | |



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| | | | |
|---|---|---|---|
| Common stock, par value $0.01 per share, 2,936,500,000 and 2,936,500,000 authorized, respectively, 468,309,810 and 364,934,065 issued and outstanding, respectively | | **4,683** | 3,649 |
| Preferred stock, par value $0.01 per share, 63,500,000 authorized, issued and outstanding | | | |
| Preferred stock, par value $0.01 per share, 63,500,000 authorized, issued and outstanding | | | |
| Preferred stock, par value $0.01 per share, 63,500,000 authorized, issued and outstanding | | | |
| Common stock, par value $0.01 per share, 1,468,250,000 and 2,936,500,000 authorized, 500,080,287 and 468,309,810 issued and outstanding, respectively | | | |
| Additional paid-in capital | Additional paid-in capital | **22,981,320** | 20,324,780 |
| Accumulated other comprehensive income (loss) | Accumulated other comprehensive income (loss) | **(3,708,896)** | 958,410 |
| Accumulated deficit | Accumulated deficit | **(9,543,233)** | (9,653,582) |
| **Total stockholders' equity** | **Total stockholders' equity** | **11,270,443** | 13,169,826 |
| Noncontrolling interests | Noncontrolling interests | **98,983** | 25,499 |
| **Total equity** | **Total equity** | **11,369,426** | 13,195,325 |
| **Total liabilities and equity** | **Total liabilities and equity** | **$81,850,712** | $76,764,064 |

(1) Includes cash of consolidated Variable Interest Entities ("VIEs") of $2.2 million and $16.2 million at December 31, 2022 and 2021, respectively.

(2) Excludes $0.0 million and $44.2 million at December 31, 2022 and 2021, respectively, of agency mortgage-backed securities, $1.0 billion and $350.4 million at December 31, 2022 and 2021, respectively, of non-Agency mortgage-backed securities in consolidated VIEs pledged as collateral and eliminated from the Company's Consolidated Statements of Financial Condition.

(3) Includes $1.3 million and $2.3 million of residential mortgage loans held for sale at December 31, 2022 and 2021, respectively.

(1) Includes cash of consolidated Variable Interest Entities ("VIEs") of $2.0 million and $2.2 million at December 31, 2023 and 2022, respectively.

(1) Includes cash of consolidated Variable Interest Entities ("VIEs") of $2.0 million and $2.2 million at December 31, 2023 and 2022, respectively.

(1) Includes cash of consolidated Variable Interest Entities ("VIEs") of $2.0 million and $2.2 million at December 31, 2023 and 2022, respectively.



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| | |
|---|---|
| (2) Excludes $1.5 billion and $1.0 billion at December 31, 2023 and 2022, respectively, of non-Agency mortgage-backed securities in consolidated VIEs pledged as collateral and eliminated from the Company's Consolidated Statements of Financial Condition. | (2) Excludes $1.5 billion and $1.0 billion at December 31, 2023 and 2022, respectively, of non-Agency mortgage-backed securities in consolidated VIEs pledged as collateral and eliminated from the Company's Consolidated Statements of Financial Condition. |
| (3) Includes $1.2 million and $1.3 million of residential mortgage loans held for sale at December 31, 2023 and 2022, respectively. | (3) Includes $1.2 million and $1.3 million of residential mortgage loans held for sale at December 31, 2023 and 2022, respectively. |

See notes to consolidated financial statements.





**ANNALY CAPITAL MANAGEMENT, INC. AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**
**(dollars in thousands, except per share data)**

| | For The Years Ended December 31, | | | | | For The Years Ended December 31, | | |
|---|---|---|---|---|---|---|---|---|
| | | 2022 | 2021 | 2020 | | 2023 | 2022 | 2021 |
| **Net interest income** | **Net interest income** | | | | **Net interest income** | | | |
| Interest income | Interest income | **$ 2,778,887** | $ 1,983,036 | $ 2,229,625 | | | | |
| Interest expense | Interest expense | **1,309,735** | 249,243 | 899,112 | | | | |
| **Net interest income** | **Net interest income** | **1,469,152** | 1,733,793 | 1,330,513 | | | | |
| **Net servicing income** | **Net servicing income** | | | | | | | |
| Servicing and related income | Servicing and related income | **246,926** | 69,018 | 94,190 | | | | |
| Servicing and related income | | | | | | | | |



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| | | | | |
|---|---|---|---|---|
| Servicing and related income | | | | |
| Servicing and related expense | Servicing and related expense | **25,145** | 12,202 | 26,437 |
| **Net servicing income** | **Net servicing income** | **221,781** | 56,816 | 67,753 |
| **Other income (loss)** | **Other income (loss)** | | | |
| Net gains (losses) on investments and other | | | | |
| Net gains (losses) on investments and other | | | | |
| Net gains (losses) on investments and other | Net gains (losses) on investments and other | **(4,602,456)** | 120,958 | 358,489 |
| Net gains (losses) on derivatives | Net gains (losses) on derivatives | **4,859,174** | 807,730 | (2,273,732) |
| Loan loss (provision) reversal | Loan loss (provision) reversal | **20,660** | 145,066 | (147,581) |
| Business divestiture-related gains (losses) | Business divestiture-related gains (losses) | **(40,258)** | (278,559) | — |
| Other, net | | | | |
| Other, net | | | | |
| Other, net | Other, net | **6,667** | 1,165 | (31,442) |
| **Total other income (loss)** | **Total other income (loss)** | **243,787** | 796,360 | (2,094,266) |
| **General and administrative expenses** | **General and administrative expenses** | | | |
| Compensation and management fee | | **112,703** | 118,451 | 131,685 |
| **General and administrative expenses** | | | | |
| **General and administrative expenses** | | | | |
| Compensation expense | | | | |
| Compensation expense | | | | |
| Compensation expense | | | | |
| Other general and administrative expenses | Other general and administrative expenses | **50,026** | 67,563 | 90,510 |
| **Total general and administrative expenses** | **Total general and administrative expenses** | **162,729** | 186,014 | 222,195 |
| **Income (loss) before income taxes** | **Income (loss) before income taxes** | **1,771,991** | 2,400,955 | (918,195) |
| **Income taxes** | **Income taxes** | **45,571** | 4,675 | (28,423) |



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| | | | | |
|---|---|---|---|---|
| **Net income (loss)** | **Net income (loss)** | **1,726,420** | 2,396,280 | (889,772) |
| **Net income (loss) attributable to noncontrolling interests** | **Net income (loss) attributable to noncontrolling interests** | **1,095** | 6,384 | 1,391 |
| **Net income (loss) attributable to Annaly** | **Net income (loss) attributable to Annaly** | **1,725,325** | 2,389,896 | (891,163) |
| **Dividends on preferred stock** | **Dividends on preferred stock** | **110,623** | 107,532 | 142,036 |
| **Net income (loss) available (related) to common stockholders** | **Net income (loss) available (related) to common stockholders** | **$ 1,614,702** | $ 2,282,364 | $ (1,033,199) |
| **Net income (loss) per share available (related) to common stockholders** | **Net income (loss) per share available (related) to common stockholders** | | | |
| Basic | Basic | **$ 3.93** | $ 6.40 | $ (2.92) |
| Diluted | Diluted | **$ 3.92** | $ 6.39 | $ (2.92) |
| **Weighted average number of common shares outstanding** | **Weighted average number of common shares outstanding** | | | |
| Basic | Basic | **411,348,484** | 356,856,520 | 353,664,860 |
| Diluted | Diluted | **411,621,758** | 357,142,251 | 353,664,860 |
| **Other comprehensive income (loss)** | **Other comprehensive income (loss)** | | | |
| **Net income (loss)** | **Net income (loss)** | **$ 1,726,420** | $ 2,396,280 | $ (889,772) |
| Unrealized gains (losses) on available-for-sale securities | Unrealized gains (losses) on available-for-sale securities | **(8,204,542)** | (2,419,618) | 2,012,878 |
| Reclassification adjustment for net (gains) losses included in net income (loss) | Reclassification adjustment for net (gains) losses included in net income (loss) | **3,537,236** | 3,693 | (776,734) |
| **Other comprehensive income (loss)** | **Other comprehensive income (loss)** | **(4,667,306)** | (2,415,925) | 1,236,144 |
| Comprehensive income (loss) | Comprehensive income (loss) | **(2,940,886)** | (19,645) | 346,372 |



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| | | | | |
|---|---|---|---|---|
| Comprehensive income (loss) attributable to noncontrolling interests | Comprehensive income (loss) attributable to noncontrolling interests | **1,095** | 6,384 | 1,391 |
| **Comprehensive income (loss) attributable to Annaly** | **Comprehensive income (loss) attributable to Annaly** | **(2,941,981)** | (26,029) | 344,981 |
| Dividends on preferred stock | Dividends on preferred stock | **110,623** | 107,532 | 142,036 |
| **Comprehensive income (loss) attributable to common stockholders** | **Comprehensive income (loss) attributable to common stockholders** | **$ (3,052,604)** | $ (133,561) | $ 202,945 |

See notes to consolidated financial statements.

See notes to consolidated financial statements.

See notes to consolidated financial statements.





**ANNALY CAPITAL MANAGEMENT, INC. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**

**(dollars in thousands)**

| | | For The Years Ended December 31, | | |
|---|---|---|---|---|
| | | 2022 | 2021 | 2020 |
| **Preferred stock** | **Preferred stock** | | | |
| Beginning of period | Beginning of period | | | |
| Beginning of period | Beginning of period | **$ 1,536,569** | $ 1,536,569 | $ 1,982,026 |
| Redemption | | **—** | — | (445,457) |
| **End of period** | | | | |
| **End of period** | | | | |
| **End of period** | **End of period** | **$ 1,536,569** | $ 1,536,569 | $ 1,536,569 |
| **Common stock** | **Common stock** | | | |
| Beginning of period | Beginning of period | **$ 3,649** | $ 3,496 | $ 3,575 |
| Beginning of period | Beginning of period | | | |
| Issuance | Issuance | **1,031** | 152 | — |
| Buyback of common stock | | **—** | — | (80) |
| Stock-based award activity | Stock-based award activity | **3** | 1 | — |
| Direct purchase and dividend reinvestment | | **—** | — | 1 |
| Stock-based award activity | | | | |
| Stock-based award activity | | | | |
| **End of period** | | | | |
| **End of period** | | | | |

| For The Years Ended December 31, | | |
|---|---|---|
| 2023 | 2022 | 2021 |



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| | | | | |
|---|---|---|---|---|
| **End of period** | **End of period** | **$ 4,683** | $ 3,649 | $ 3,496 |
| **Additional paid-in capital** | **Additional paid-in capital** | | | |
| Beginning of period | Beginning of period | **$ 20,324,780** | $ 19,761,304 | $ 19,977,649 |
| Beginning of period | Beginning of period | | | |
| Issuance | Issuance | **2,634,969** | 552,063 | (93) |
| Buyback of common stock | | **—** | — | (209,338) |
| Issuance | Issuance | | | |
| Stock-based award activity | Stock-based award activity | **21,571** | 11,413 | 6,452 |
| Redemption of preferred stock | | **—** | — | (14,543) |
| Direct purchase and dividend reinvestment | | **—** | — | 1,177 |
| Stock-based award activity | | | | |
| Stock-based award activity | | | | |
| **End of period** | | | | |
| **End of period** | | | | |
| **End of period** | **End of period** | **$ 22,981,320** | $ 20,324,780 | $ 19,761,304 |
| **Accumulated other comprehensive income (loss)** | **Accumulated other comprehensive income (loss)** | | | |
| Beginning of period | Beginning of period | | | |
| Beginning of period | Beginning of period | **$ 958,410** | $ 3,374,335 | $ 2,138,191 |
| Unrealized gains (losses) on available-for-sale securities | Unrealized gains (losses) on available-for-sale securities | **(8,204,542)** | (2,419,618) | 2,012,878 |
| Reclassification adjustment for net gains (losses) included in net income (loss) | Reclassification adjustment for net gains (losses) included in net income (loss) | **3,537,236** | 3,693 | (776,734) |
| **End of period** | **End of period** | **$ (3,708,896)** | $ 958,410 | $ 3,374,335 |
| **Accumulated deficit** | **Accumulated deficit** | | | |
| Beginning of period - unadjusted | | **$ (9,653,582)** | $(10,667,388) | $ (8,309,424) |
| Cumulative effect of change in accounting principle for credit losses | | — | — | (39,641) |
| Beginning of period - adjusted | | **(9,653,582)** | (10,667,388) | (8,349,065) |
| Beginning of period | | | | |
| Beginning of period | | | | |
| Beginning of period | | | | |
| Net income (loss) attributable to Annaly | Net income (loss) attributable to Annaly | **1,725,325** | 2,389,896 | (891,163) |
| Dividends declared on preferred stock [1] | Dividends declared on preferred stock [1] | **(110,623)** | (107,532) | (142,036) |



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| | | | | |
|---|---|---|---|---|
| Dividends and dividend equivalents declared on common stock and stock-based awards (1) | Dividends and dividend equivalents declared on common stock and stock-based awards (1) | **(1,504,353)** | (1,268,558) | (1,285,124) |
| **End of period** | **End of period** | **$ (9,543,233)** | $ (9,653,582) | $ (10,667,388) |
| **End of period** | | | | |
| **End of period** | | | | |
| **Total stockholder's equity** | **Total stockholder's equity** | **$ 11,270,443** | $ 13,169,826 | $ 14,008,316 |
| **Noncontrolling interests** | **Noncontrolling interests** | | | |
| Beginning of period | | | | |
| Beginning of period | | | | |
| Beginning of period | Beginning of period | **$ 25,499** | $ 13,480 | $ 4,327 |
| Net income (loss) attributable to noncontrolling interests | Net income (loss) attributable to noncontrolling interests | **1,095** | 6,384 | 1,391 |
| Equity contributions from (distributions to) noncontrolling interests | Equity contributions from (distributions to) noncontrolling interests | **72,389** | 5,635 | 7,762 |
| **End of period** | **End of period** | **$ 98,983** | $ 25,499 | $ 13,480 |
| **Total equity** | **Total equity** | **$ 11,369,426** | $ 13,195,325 | $ 14,021,796 |

(1) Refer to the "Capital Stock" Note for dividends per share for each class of shares.

See notes to consolidated financial statements.





**ANNALY CAPITAL MANAGEMENT, INC. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**(dollars in thousands)**

| | | For The Years Ended December 31, | | |
|---|---|---|---|---|
| | | 2022 | 2021 | 2020 |
| **Cash flows from operating activities** | **Cash flows from operating activities** | | | |
| Net income (loss) | Net income (loss) | **$ 1,726,420** | $ 2,396,280 | $ (889,772) |
| **Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities** | **Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities** | | | |

| | For The Years Ended December 31, | | |
|---|---|---|---|
| | 2023 | 2022 | 2021 |
| Cash flows from operating activities | | | |



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| | | | | |
|---|---|---|---|---|
| Amortization of premiums and discounts of investments, net | Amortization of premiums and discounts of investments, net | **87,154** | 784,110 | 1,371,178 |
| Amortization of premiums and discounts of investments, net | | | | |
| Amortization of premiums and discounts of investments, net | | | | |
| Amortization of securitized debt premiums and discounts and deferred financing costs | Amortization of securitized debt premiums and discounts and deferred financing costs | **(4,733)** | (6,620) | (11,576) |
| Depreciation, amortization and other noncash expenses | Depreciation, amortization and other noncash expenses | **20,506** | 24,636 | 41,357 |
| Net (gains) losses on investments and derivatives | Net (gains) losses on investments and derivatives | **109,443** | (1,204,830) | 1,707,366 |
| Business divestiture-related (gains) losses | Business divestiture-related (gains) losses | **40,258** | 278,559 | — |
| Income (loss) from unconsolidated joint ventures | Income (loss) from unconsolidated joint ventures | **(11,454)** | 12,181 | 7,072 |
| Loan loss provision (reversal) | Loan loss provision (reversal) | **(20,660)** | (145,066) | 147,581 |
| Payments on purchases of loans held for sale | Payments on purchases of loans held for sale | **—** | (51,403) | (147,833) |
| Payments on purchases of loans held for sale | | | | |
| Payments on purchases of loans held for sale | | | | |
| Proceeds from sales and repayments of loans held for sale | | | | |
| Proceeds from sales and repayments of loans held for sale | | | | |
| Proceeds from sales and repayments of loans held for sale | Proceeds from sales and repayments of loans held for sale | **4,597** | 90,020 | 168,716 |
| Proceeds from U.S. Treasury securities | | | | |
| Proceeds from U.S. Treasury securities | | | | |
| Proceeds from U.S. Treasury securities | | | | |



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| | | | | |
|---|---|---|---|---|
| Net receipts (payments) on derivatives | | | | |
| Net receipts (payments) on derivatives | | | | |
| Net receipts (payments) on derivatives | Net receipts (payments) on derivatives | **3,643,954** | 932,867 | (1,958,131) |
| **Net change in** | **Net change in** | | | |
| Other assets | | | | |
| Other assets | | | | |
| Other assets | Other assets | **(11,437)** | 31,044 | 249,778 |
| Interest receivable | Interest receivable | **(403,613)** | 32,926 | 159,320 |
| Interest payable | Interest payable | **233,753** | (99,590) | (285,219) |
| Other liabilities | Other liabilities | **(41,777)** | 1,725 | (31,870) |
| **Net cash provided by (used in) operating activities** | **Net cash provided by (used in) operating activities** | **5,372,411** | 3,076,839 | 527,967 |
| **Cash flows from investing activities** | **Cash flows from investing activities** | | | |
| Payments on purchases of securities | Payments on purchases of securities | **(45,474,466)** | (22,344,751) | (32,676,856) |
| Proceeds from sales of securities | Proceeds from sales of securities | **25,055,929** | 11,670,321 | 52,639,778 |
| Principal payments on securities | Principal payments on securities | **9,541,036** | 18,742,951 | 19,571,476 |
| Payments on purchases and origination of loans | Payments on purchases and origination of loans | **(6,137,067)** | (7,715,200) | (2,257,314) |
| Proceeds from sales of loans | Proceeds from sales of loans | **1,930,367** | 1,213,745 | 624,026 |
| Principal payments on loans | Principal payments on loans | **1,562,308** | 2,610,912 | 2,222,500 |
| Payments on purchases of MSR | Payments on purchases of MSR | **(1,009,349)** | (473,035) | — |
| Proceeds from sales of MSR | Proceeds from sales of MSR | **9,085** | 82,175 | 72,160 |
| Payments on purchases of interests in MSR | Payments on purchases of interests in MSR | **(4,913)** | (65,107) | — |
| Investments in real estate | Investments in real estate | **—** | (2,329) | (7,450) |
| Proceeds from sales of real estate | Proceeds from sales of real estate | **—** | 53,910 | 149,600 |



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| | | | | |
|---|---|---|---|---|
| Proceeds from reverse repurchase agreements | Proceeds from reverse repurchase agreements | **24,500,024** | 16,734,313 | 58,800,000 |
| Payments on reverse repurchase agreements | Payments on reverse repurchase agreements | **(24,500,024)** | (16,734,313) | (58,800,000) |
| Distributions in excess of cumulative earnings from unconsolidated joint ventures | Distributions in excess of cumulative earnings from unconsolidated joint ventures | **—** | 290 | 7,590 |
| Proceeds from sale of equity securities | Proceeds from sale of equity securities | **—** | 6,957 | — |
| Cash acquired (paid) in asset acquisition | | **—** | — | 6,264 |
| Proceeds from sale of equity securities | Proceeds from sale of equity securities | | | |
| Net proceeds from business divestiture | Net proceeds from business divestiture | | | |
| Net proceeds from business divestiture | Net proceeds from business divestiture | **—** | 1,118,440 | — |
| **Net cash provided by (used in) investing activities** | **Net cash provided by (used in) investing activities** | **(14,527,070)** | 4,899,279 | 40,351,774 |
| **Cash flows from financing activities** | **Cash flows from financing activities** | | | |
| Proceeds from repurchase agreements and other secured financing | Proceeds from repurchase agreements and other secured financing | **3,571,043,066** | 2,288,704,788 | 2,776,331,362 |
| Payments on repurchase agreements and other secured financing | Payments on repurchase agreements and other secured financing | **(3,566,953,367)** | (2,298,775,005) | (2,816,805,618) |
| Proceeds from issuances of securitized debt | Proceeds from issuances of securitized debt | **5,473,311** | 3,719,027 | 2,385,374 |
| Proceeds from issuances of securitized debt | Proceeds from issuances of securitized debt | | | |



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| | | | | |
|---|---|---|---|---|
| Principal payments on securitized debt | Principal payments on securitized debt | **(1,234,090)** | (1,716,196) | (1,238,962) |
| Payments on purchases of securitized debt | Payments on purchases of securitized debt | **(8,495)** | — | — |
| Payment of deferred financing cost | Payment of deferred financing cost | **—** | (9,279) | (553) |
| Net proceeds from stock offerings, direct purchases and dividend reinvestments | Net proceeds from stock offerings, direct purchases and dividend reinvestments | **2,636,000** | 552,215 | 1,175 |
| Redemptions of preferred stock | | **—** | — | (460,000) |
| Proceeds from participations issued | | | | |
| Proceeds from participations issued | | | | |
| Proceeds from participations issued | Proceeds from participations issued | **1,908,204** | 1,847,821 | 38,741 |
| Payments on repurchases of participations issued | Payments on repurchases of participations issued | **(1,973,666)** | (818,575) | — |
| Principal payments on participations issued | Principal payments on participations issued | **(50,712)** | (23,374) | — |
| Net principal receipts (payments) on mortgages payable | Net principal receipts (payments) on mortgages payable | **—** | (2,237) | (60,980) |
| Net contributions (distributions) from (to) noncontrolling interests | Net contributions (distributions) from (to) noncontrolling interests | **72,389** | 5,635 | 7,762 |
| Net payments on share repurchase | | **—** | — | (209,418) |
| Settlement of stock-based awards in satisfaction of withholding tax requirements | | | | |
| Settlement of stock-based awards in satisfaction of withholding tax requirements | | | | |



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| | | | | |
|---|---|---|---|---|
| Settlement of stock-based awards in satisfaction of withholding tax requirements | Settlement of stock-based awards in satisfaction of withholding tax requirements | **(4,108)** | (2,830) | — |
| Dividends paid | Dividends paid | **(1,519,249)** | (1,359,721) | (1,475,650) |
| **Net cash provided by (used in) financing activities** | **Net cash provided by (used in) financing activities** | **9,389,283** | (7,877,731) | (41,486,767) |
| **Net (decrease) increase in cash and cash equivalents** | **Net (decrease) increase in cash and cash equivalents** | **234,624** | 98,387 | (607,026) |
| **Cash and cash equivalents including cash pledged as collateral, beginning of period** | **Cash and cash equivalents including cash pledged as collateral, beginning of period** | **1,342,090** | 1,243,703 | 1,850,729 |
| **Cash and cash equivalents including cash pledged as collateral, end of period** | **Cash and cash equivalents including cash pledged as collateral, end of period** | **$ 1,576,714** | $ 1,342,090 | $ 1,243,703 |
| **Supplemental disclosure of cash flow information** | **Supplemental disclosure of cash flow information** | | | **Supplemental disclosure of cash flow information** |
| **Interest received** | **Interest received** | **$ 2,459,012** | $ 2,701,381 | $ 3,681,826 |
| **Dividends received** | **Dividends received** | **$ —** | $ 51 | $ 4,643 |
| **Interest paid (excluding interest paid on interest rate swaps)** | **Interest paid (excluding interest paid on interest rate swaps)** | **$ 866,829** | $ 269,244 | $ 1,166,977 |
| **Interest paid (excluding interest paid on interest rate swaps)** | | | | |
| **Interest paid (excluding interest paid on interest rate swaps)** | | | | |
| **Net interest received (paid) on interest rate swaps** | **Net interest received (paid) on interest rate swaps** | **$ 15,621** | $ (340,738) | $ 296,621 |
| **Taxes received (paid)** | **Taxes received (paid)** | **$ (492)** | $ (3,797) | $ 1,515 |
| **Noncash investing and financing activities** | **Noncash investing and financing activities** | | | **Noncash investing and financing activities** |
| **Receivable for unsettled trades** | **Receivable for unsettled trades** | **$ 575,091** | $ 2,656 | $ 15,912 |



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| | | | | |
|---|---|---|---|---|
| Payable for unsettled trades | Payable for unsettled trades | $ 1,157,846 | $ 147,908 | $ 884,069 |
| Net change in unrealized gains (losses) on available-for-sale securities, net of reclassification adjustment | Net change in unrealized gains (losses) on available-for-sale securities, net of reclassification adjustment | $ (4,667,306) | $ (2,415,925) | $ 1,236,144 |
| Dividends declared, not yet paid | Dividends declared, not yet paid | $ 412,113 | $ 321,142 | $ 307,613 |
| Dividends declared, not yet paid | | | | |
| Dividends declared, not yet paid | | | | |
| Derecognition of assets of consolidated VIEs | Derecognition of assets of consolidated VIEs | $ 424,005 | $ 3,075,961 | $ 1,222,221 |
| Derecognition of securitized debt of consolidated VIEs | Derecognition of securitized debt of consolidated VIEs | $ 391,928 | $ 2,506,799 | $ 1,141,311 |
| Derecognition of mortgages payable | Derecognition of mortgages payable | $ — | $ 314,485 | $ — |

See notes to consolidated financial statements.

See notes to consolidated financial statements.

See notes to consolidated financial statements.





**ANNALY CAPITAL MANAGEMENT, INC. AND SUBSIDIARIES**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
**FOR THE YEARS ENDED December 31, 2022 December 31, 2023, 2021 2022 and 2020 2021**

## 1. DESCRIPTION OF BUSINESS

Annaly Capital Management, Inc. (the “Company” or “Annaly”) is a Maryland corporation that commenced operations on February 18, 1997. The Company is a leading diversified capital manager with investment strategies across mortgage finance. The Company owns a portfolio of real estate related investments, including mortgage pass-through certificates, collateralized mortgage obligations, credit risk transfer (“CRT”) securities, other securities representing interests in or obligations backed by pools of mortgage loans, residential mortgage loans and mortgage servicing rights (“MSR”). The Company’s principal business objective is to generate net income for distribution to its stockholders and optimize its returns through prudent management of its diversified investment strategies.

The Company is an internally-managed company that has elected to be taxed as a Real Estate Investment Trust (“REIT”) as defined under the Internal Revenue Code of 1986, as amended, and regulations promulgated thereunder (the “Code”). Prior to the closing of the Internalization (as defined in “Related Party Transactions” Note) on June 30, 2020, the Company was externally managed by Annaly Management Company LLC (the “Former Manager”).

The Company's three investment groups are primarily comprised of the following:



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| Investment Groups | Description |
|---|---|
| **Annaly Agency Group** | Invests in Agency mortgage-backed securities ("MBS") collateralized by residential mortgages which are guaranteed by Fannie Mae, Freddie Mac or Ginnie Mae and complementary investments within the Agency market, including Agency commercial mortgage-backed securities. MBS. |
| **Annaly Residential Credit Group** | Invests primarily in non-Agency residential whole loans and securitized products within the residential and commercial markets. |
| **Annaly Mortgage Servicing Rights Group** | Invests in MSR, mortgage servicing rights ("MSR"), which provide the right to service residential mortgage loans in exchange for a portion of the interest payments made on the loans. |

In April 2022, the Company announced that it had entered into a definitive agreement to sell substantially all of the assets that comprise the Annaly Middle Market Lending ("MML") portfolio, including assets held on balance sheet as well as assets managed for third parties. The vast majority of these assets were legally transferred at the end of the third quarter of 2022 and the remaining assets were transferred by the end of the fourth quarter of 2022. Refer to the "Sale of Middle Market Lending Portfolio" Note for additional information on the transaction.

In March 2021, the Company announced that it had entered into a definitive agreement to sell and exit its Commercial Real Estate ("CRE") business. During the year ended December 31, 2021, the platform and the significant majority of the assets were transferred with the remaining assets transferred by the end of the year ended December 31, 2022. Refer to the "Sale of Commercial Real Estate Business" Note for additional information.

## 2. BASIS OF PRESENTATION

The accompanying consolidated financial statements and related notes of the Company have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP").

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported balance sheet amounts and/or disclosures at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ materially from those estimates.

Certain line items in the Company's Consolidated Statements of Cash Flows were aggregated to simplify presentation. Prior periods have been adjusted to conform to the current presentation.

Beginning with the quarter ended March 31, 2022, in light of the continued growth of its mortgage servicing rights portfolio the Company enhanced its financial disclosures by separately reporting servicing income and servicing expense in its Consolidated Statements of Comprehensive Income (Loss). Servicing income and servicing expense were previously included within Other income (loss). As a result of this change, prior periods have been adjusted to conform to the current presentation.

In addition, beginning with the quarter ended March 31, 2022, the Company consolidated certain line items in its Consolidated Statements of Comprehensive Income (Loss) in an effort to streamline and simplify its financial presentation. Amounts previously reported under Net interest component of interest rate swaps, Realized gains (losses) on termination or maturity of interest rate swaps, Unrealized gains (losses) on interest rate swaps and Net gains (losses) on other derivatives are combined





into a single line item titled Net gains (losses) on derivatives. Similarly, amounts previously reported under Net gains (losses) on disposal of investments and other and Net unrealized gains (losses) on instruments measured at fair value through earnings are combined into a single line item titled Net gains (losses) on investments and other. As a result of these changes, prior periods have been adjusted to conform to the current presentation.

**Reverse Stock Split**

On September 8, 2022, the Company announced that its Board had unanimously approved a reverse stock split of the Company's common stock at a ratio of 1-for-4 (the "Reverse Stock Split"). The Reverse Stock Split was effective following the close of business on September 23, 2022 (the "Effective Time"). Accordingly, at the Effective Time, every four issued and outstanding shares of the Company's common stock were converted into one share of the Company's common stock. No fractional shares were issued in connection with the Reverse Stock Split. Instead, each stockholder that would have held fractional shares as a result of the Reverse Stock Split received cash in lieu of such fractional shares. The par value per share of the Company's common stock remained unchanged at $0.01 per share after the Reverse Stock Split. Accordingly, for all historical periods presented, an amount equal to the par value of the reduced number of shares resulting from the Reverse Stock Split was reclassified from Common stock to Additional paid in capital in the Company's Consolidated Statements of Financial





Condition. All references made to share or per share amounts in the accompanying consolidated financial statements and applicable disclosures have been retroactively adjusted to reflect the effects of the Reverse Stock Split.

## 3. SIGNIFICANT ACCOUNTING POLICIES



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The Company's significant accounting policies are described below or are included elsewhere in these notes to the consolidated financial statements.

***Principles of Consolidation*** – The consolidated financial statements include the accounts of the entities where the Company has a controlling financial interest. In order to determine whether the Company has a controlling financial interest, it first evaluates whether an entity is a voting interest entity ("VOE") or a variable interest entity ("VIE"). All intercompany balances and transactions have been eliminated in consolidation.

***Voting Interest Entities*** – A VOE is an entity that has sufficient equity and in which equity investors have a controlling financial interest. The Company consolidates VOEs where it has a majority of the voting equity of such VOE.

***Variable Interest Entities*** – A VIE is defined as an entity in which equity investors (i) do not have the characteristics of a controlling financial interest, and/or (ii) do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. A VIE is required to be consolidated by its primary beneficiary, which is defined as the party that has both (i) the power to control the activities that most significantly impact the VIE's economic performance and (ii) the obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant to the VIE.

The Company performs ongoing reassessments of whether changes in the facts and circumstances regarding the Company's involvement with a VIE causes the Company's consolidation conclusion to change. Refer to the "Variable Interest Entities" Note for further information.

***Equity Method Investments*** - For entities that are not consolidated, but where the Company has significant influence over the operating or financial decisions of the entity, the Company accounts for the investment under the equity method of accounting. In accordance with the equity method of accounting, the Company will recognize its share of earnings or losses of the investee in the period in which they are reported by the investee. The Company also considers whether there are any indicators of other-than-temporary impairment of joint ventures accounted for under the equity method. These investments are included in Other assets with income or loss included in Other, net.

***Cash and Cash Equivalents –*** Cash and cash equivalents include cash on hand, cash held in money market funds on an overnight basis and cash pledged as collateral with counterparties. Cash deposited with clearing organizations is carried at cost, which approximates fair value. Cash and securities deposited with clearing organizations and collateral held in the form of cash on margin with counterparties to the Company's interest rate swaps and other derivatives totaled $1.1 billion and $1.4 billion at December 31, 2023 and $1.2 billion at December 31, 2022 and December 31, 2021, respectively.

***Fair Value Measurements and the Fair Value Option*** – The Company reports various investments at fair value, including certain eligible financial instruments elected to be accounted for under the fair value option ("FVO"). The Company chooses to elect the FVO in order to simplify the accounting treatment for certain financial instruments. Items for which the FVO has been elected are presented at fair value in the Consolidated Statements of Financial Condition and any change in fair value is recorded in Net gains (losses) on investments and other in the Consolidated Statements of Comprehensive Income (Loss). For



additional information regarding financial instruments for which the Company has elected the FVO see refer to the table in the "Financial Instruments" Note.

Refer to the "Fair Value Measurements" Note for a complete discussion on the methodology utilized by the Company to estimate the fair value of certain financial instruments.

***Offsetting Assets and Liabilities -*** The Company elected to present all derivative instruments on a gross basis as discussed in the "Derivative Instruments" Note. Reverse repurchase and repurchase agreements are presented net in the Consolidated Statements of Financial Condition if they meet the offsetting criteria. Please see below and refer Refer to the "Secured Financing" Note for further discussion on reverse repurchase and repurchase agreements.

***Derivative Instruments –*** Derivatives are recognized as either assets or liabilities at fair value in the Consolidated Statements of Financial Condition with changes in fair value recognized in the Consolidated Statements of Comprehensive Income (Loss). The changes in the estimated fair value are presented within Net gains (losses) on derivatives. None of the Company's derivative transactions have been designated as hedging instruments for accounting purposes. Refer to the "Derivative Instruments" Note for further discussion.

***Stock-Based Compensation*** – The Company measures compensation expense for stock-based awards at fair value, which is generally based on the grant-date fair value of the Company's common stock. Compensation expense is recognized ratably over



the vesting or requisite service period of the award. Stock-based awards that contain market-based conditions are valued using a model.

Compensation expense for awards with performance conditions is recognized based on the probable outcome of the performance condition at each reporting date. Compensation expense for awards with market conditions is recognized irrespective of the probability of the market condition being achieved and is not reversed if the market condition is not met. Stock-based awards that do not require future service (i.e., vested awards) are expensed immediately. Forfeitures are recorded when they occur. The Company generally issues new shares of common stock upon delivery of stock-based awards.

***Interest Income -*** The Company recognizes interest income primarily on Residential Securities (as defined in the "Securities" Note), residential mortgage loans, commercial investments and reverse repurchase agreements. Interest accrued but not received is recognized as Interest receivable on the Consolidated Statements of Financial Condition. Interest income is presented as a separate line item on the Consolidated Statements of Comprehensive Income (Loss). Refer to the "Interest Income and Interest Expense" Note for further discussion.

For its securities, the Company recognizes coupon income, which is a component of interest income, based upon the outstanding principal amounts of the financial instruments and their contractual terms. In addition, the Company amortizes or accretes premiums or discounts into interest income for its Agency mortgage-backed securities (other than interest-only securities, multifamily and reverse mortgages), taking into account estimates of future principal prepayments in the calculation of the effective yield. The Company recalculates the effective yield as differences between anticipated and actual prepayments occur. Using third party model and market information to project future cash flows and expected remaining lives of securities, the effective interest rate determined for each security is applied as if it had been in place from the date of the security's acquisition. The amortized cost



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of the security is then adjusted to the amount that would have existed had the new effective yield been applied since the acquisition date, which results in a cumulative premium amortization adjustment in each period. The adjustment to amortized cost is offset with a charge or credit to interest income. Changes in interest rates and other market factors will impact prepayment speed projections and the amount of premium amortization recognized in any given period.

Premiums or discounts associated with the purchase of Agency interest-only securities, reverse mortgages and residential credit securities are amortized or accreted into interest income based upon current expected future cash flows with any adjustment to yield made on a prospective basis.

Premiums or discounts associated with the purchase of multifamily securities are amortized or accreted into interest income based upon their contractual payment terms. If a prepayment occurs, an adjustment is made to the unpaid principal balance and unamortized premium or discount in the current period and the original effective yield continues to be applied.

Premiums and discounts associated with the purchase of residential mortgage loans and with those transferred or pledged to securitization trusts are primarily amortized or accreted into interest income over their estimated remaining lives using the effective interest rates inherent in the estimated cash flows from the mortgage loans. Amortization of premiums and accretion of discounts are presented in Interest income in the Consolidated Statements of Comprehensive Income (Loss).

If collection of a loan's principal or interest is in doubt or the loan is 90 days or more past due, interest income is not accrued. For nonaccrual status loans carried at fair value or held for sale, interest is not accrued but is recognized on a cash basis. For nonaccrual status loans carried at amortized cost, if collection of principal is not in doubt but collection of interest is in doubt, interest income is recognized on a cash basis. If collection of principal is in doubt, any interest received is applied against principal until collectability of the remaining balance is no longer in doubt; at that point, any interest income is recognized on a cash basis. Generally, a loan is returned to accrual status when the borrower has resumed paying the full amount of the scheduled contractual obligation, if all principal and interest amounts contractually due are reasonably assured of repayment within a reasonable period of time and there is a sustained period of repayment performance by the borrower. Refer to the "Interest Income and Interest Expense" Note for further discussion on interest.



The Company has made an accounting policy election not to measure an allowance for loans losses for accrued interest receivable. If interest receivable is deemed to be uncollectible or not collected within 90 days of its contractual due date for commercial loans or 120 days for corporate debt carried at amortized cost, it is written off through a reversal of interest income. Any interest written off that is recovered is recognized as interest income.

Refer to the "Interest Income and Interest Expense" Note for further discussion of interest income.

***Income Taxes*** – The Company has elected to be taxed as a REIT and intends to comply with the provisions of the Code, with respect thereto. As a REIT, the Company will not incur federal income tax to the extent that it distributes its taxable income to its stockholders. The Company and certain of its direct and indirect subsidiaries have made separate joint elections to treat these subsidiaries as taxable REIT subsidiaries ("TRSs"). As such, each of these TRSs is taxable as a domestic C corporation and subject to federal, state and local income taxes based upon its taxable income. Refer to the "Income Taxes" Note for further discussion on income taxes.



**Recent Accounting Pronouncements**

The Company considers has early adopted ASU 2023-07, Improvements to Segment Reporting, as its Residential Credit and MSR operating segments have become a more significant component of consolidated results. Refer to the applicability "Segments" Note for more information.

The Company reviewed additional recently issued ASUs and impact of all Accounting Standards Updates ("ASUs"). There determined that they were no recent ASUs that are not expected to have a significant impact on the Company's Company's consolidated financial statements when adopted or had did not have a significant impact on the Company's Company's consolidated financial statements upon adoption.



## 4. FINANCIAL INSTRUMENTS

The following table presents characteristics for certain of the Company's financial instruments at December 31, 2022 December 31, 2023 and 2021. 2022.

| | | | | | | Financial Instruments (1) | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Balance Sheet Line Item | Balance Sheet Line Item | Type / Form | Measurement Basis | December 31, 2022 | December 31, 2021 | Balance Sheet Line Item | Type / Form | Measurement Basis | December 31, 2023 | December 31, 2022 |
| | | Assets | (dollars in thousands) | | | | | | | |
| | Assets | | | | | | | | | |



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| | | | | | |
|---|---|---|---|---|---|
| Securities | Securities | Agency mortgage-backed securities (2) | Fair value, with unrealized gains (losses) through other comprehensive income | **$34,528,515** | $59,939,383 |
| Securities | Securities | Agency mortgage-backed securities (3) | Fair value, with unrealized gains (losses) through earnings | **27,746,380** | 586,222 |
| Securities | Securities | Residential credit risk transfer securities | Fair value, with unrealized gains (losses) through earnings | **997,557** | 936,228 |
| Securities | Securities | Non-agency mortgage-backed securities | Fair value, with unrealized gains (losses) through earnings | **1,991,146** | 1,663,336 |
| Securities | Securities | Commercial real estate debt investments - CMBS | Fair value, with unrealized gains (losses) through earnings | **508,406** | 521,440 |
| Securities | Securities | Commercial real estate debt investments - credit risk transfer securities | Fair value, with unrealized gains (losses) through earnings | **17,903** | 9,065 |
| Securities | | | | | |
| Securities | | | | | |
| Securities | | | | | |
| Securities | | | | | |
| Securities | | | | | |
| Securities | | | | | |
| **Total securities** | **Total securities** | | | **65,789,907** | 63,655,674 |
| Loans, net | Loans, net | Residential mortgage loans | Fair value, with unrealized gains (losses) through earnings | **1,809,832** | 2,272,072 |
| Loans, net | Loans, net | Residential mortgage loan warehouse facility | Fair value, with unrealized gains (losses) through earnings | **—** | 980 |
| Loans, net | | | | | |
| Loans, net | | Corporate debt, held for investment | Amortized cost | **—** | 1,968,991 |
| **Total loans, net** | **Total loans, net** | | | **1,809,832** | 4,242,043 |



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| | | | | | |
|---|---|---|---|---|---|
| Interests in MSR | | Interest in net servicing cash flows | Fair value, with unrealized gains (losses) through earnings | — | 69,316 |
| **Total loans, net** | | | | | |
| **Total loans, net** | | | | | |
| Assets transferred or pledged to securitization vehicles | Assets transferred or pledged to securitization vehicles | Agency mortgage-backed securities | Fair value, with unrealized gains (losses) through other comprehensive income | — | 589,873 |
| Assets transferred or pledged to securitization vehicles | | | | | |
| Assets transferred or pledged to securitization vehicles | Assets transferred or pledged to securitization vehicles | Residential mortgage loans | Fair value, with unrealized gains (losses) through earnings | **9,121,912** | 5,496,435 |
| **Total assets transferred or pledged to securitization vehicles** | **Total assets transferred or pledged to securitization vehicles** | | | **9,121,912** | 6,086,308 |
| **Total assets transferred or pledged to securitization vehicles** | | | | | |
| | **Liabilities** | | | | |
| **Total assets transferred or pledged to securitization vehicles** | | | | | |
| | **Liabilities** | | | | |
| | **Liabilities** | | | | |
| | **Liabilities** | | | | |
| Repurchase agreements | | | | | |
| Repurchase agreements | | | | | |
| Repurchase agreements | Repurchase agreements | Repurchase agreements | Amortized cost | **59,512,597** | 54,769,643 |
| Other secured financing | Other secured financing | Loans | Amortized cost | **250,000** | 903,255 |
| Debt issued by securitization vehicles | Debt issued by securitization vehicles | Securities | Fair value, with unrealized gains (losses) through earnings | **7,744,160** | 5,155,633 |
| Participations issued | Participations issued | Participations issued | Fair value, with unrealized gains (losses) through earnings | **800,849** | 1,049,066 |
| U.S. Treasury securities sold, not yet purchased | | | | | |



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(1) Receivable for unsettled trades, Principal and interest receivable, Payable for unsettled trades, Interest payable and Dividends payable are accounted for at cost. Interests in MSR are considered financial assets whereas directly held MSR are servicing assets or obligations.

(2) Includes Agency pass-through, collateralized mortgage obligation ("CMO") and multifamily securities purchased prior to July 1, 2022.

(3) Includes interest-only securities and reverse mortgages and, effective July 1, 2022, newly purchased Agency pass-through, collateralized mortgage obligation ("CMO") and multifamily securities.

(1) Receivable for unsettled trades, Principal and interest receivable, Payable for unsettled trades, Interest payable and Dividends payable are accounted for at cost.

(2) Includes Agency pass-through, collateralized mortgage obligation ("CMO") and multifamily securities purchased prior to July 1, 2022.

(3) Includes interest-only securities and reverse mortgages and, effective July 1, 2022, newly purchased Agency pass-through, collateralized mortgage obligation ("CMO") and multifamily securities.

(1) Receivable for unsettled trades, Principal and interest receivable, Payable for unsettled trades, Interest payable and Dividends payable are accounted for at cost.

(2) Includes Agency pass-through, collateralized mortgage obligation ("CMO") and multifamily securities purchased prior to July 1, 2022.

(3) Includes interest-only securities and reverse mortgages and, effective July 1, 2022, newly purchased Agency pass-through, collateralized mortgage obligation ("CMO") and multifamily securities.

(1) Receivable for unsettled trades, Principal and interest receivable, Payable for unsettled trades, Interest payable and Dividends payable are accounted for at cost.

(2) Includes Agency pass-through, collateralized mortgage obligation ("CMO") and multifamily securities purchased prior to July 1, 2022.

(3) Includes interest-only securities and reverse mortgages and, effective July 1, 2022, newly purchased Agency pass-through, collateralized mortgage obligation ("CMO") and multifamily securities.

## 5. SECURITIES

The Company's investments in securities include agency, credit risk transfer, non-agency and commercial mortgage-backed securities. All of the debt securities are classified as available-for-sale. Available-for-sale debt securities are carried at fair value, with changes in fair value recognized in other comprehensive income, unless the fair value option is elected in which case changes in fair value are recognized in Net gains (losses) on investments and other in the Consolidated Statements of Comprehensive Income (Loss). Effective July 1, 2022, the Company elected the fair value option for any newly purchased Agency mortgage-backed securities in order to simplify the accounting for these securities. For the years ended December 31, 2023 and 2022, $611.5 million and ($665.6) million of unrealized gains (losses) on Agency mortgage-backed securities, for which the fair value option was elected effective July 1, 2022, were reported in Net gains (losses) on investments and other in the Company's Consolidated Statements of Comprehensive Income (Loss). Agency mortgage-backed securities purchased prior to July 1, 2022, are still classified as available-for-sale with changes in fair value recognized in other comprehensive income. During The Company has also elected the year ended December 31, 2022, ($665.6) million of unrealized gains (losses) on Agency fair value option for CRT securities, interest only securities, Non-Agency and commercial mortgage-backed securities purchased on or after July 1, 2022, were reported in Net gains (losses) on investments and other in order to simplify the Company's Consolidated Statements of Comprehensive Income (Loss). accounting. Transactions for regular-way securities are recorded on trade date, including to-be-announced ("TBA") securities that meet the regular-way securities scope exception from



derivative accounting. Gains and losses on disposals of securities are recorded on trade date based on the specific identification method.

***Impairment*** – Management evaluates available-for-sale securities where the fair value option has not been elected and held-to-maturity debt securities for impairment at least quarterly, and more frequently when economic or market conditions warrant such evaluation. When the fair value of an available-for-sale security is less than its amortized cost, the security is considered impaired. For securities that are impaired, the Company determines if it (1) has the intent to sell the security, (2) is more likely

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than not that it will be required to sell the security before recovery of its amortized cost basis, or (3) does not expect to recover the entire amortized cost basis of the security. Further, the security is analyzed for credit loss (the difference between the present value of cash flows expected to be collected and the amortized cost basis). The credit loss, if any, will then be recognized in the Consolidated Statements of Comprehensive Income (Loss) as a securities loss provision and reflected as an allowance for credit losses on securities on the Consolidated Statements of Financial Condition, while the balance of losses related to other factors will be recognized as a component of Other comprehensive income



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(loss). For the year ended December 31, 2021, the Company recognized a $0.4 million impairment on a commercial mortgage-backed security that it intended to sell. There was no impairment recognized for the years ended December 31, 2022 December 31, 2023 and 2020. 2022. When the fair value of a held-to-maturity security is less than the cost, the Company performs an analysis to determine whether it expects to recover the entire cost basis of the security.

***Agency Mortgage-Backed Securities -*** The Company invests in mortgage pass-through certificates, collateralized mortgage obligations and other MBS representing interests in or obligations backed by pools of residential or multifamily mortgage loans and certificates. Many of the underlying loans and certificates are guaranteed by the Government National Mortgage Association ("Ginnie Mae"), the Federal Home Loan Mortgage Corporation ("Freddie Mac") or the Federal National Mortgage Association ("Fannie Mae") (collectively, "Agency mortgage-backed securities").

Agency mortgage-backed securities may include forward contracts for Agency mortgage-backed securities purchases or sales of a generic pool, on a to-be-announced basis. TBA securities without intent to accept delivery ("TBA derivatives") are accounted for as derivatives as discussed in the "Derivative Instruments" Note.

***CRT Securities -*** CRT securities are risk sharing instruments issued by Fannie Mae and Freddie Mac, and similarly structured transactions arranged by third party market participants. CRT securities are designed to synthetically transfer mortgage credit risk from Fannie Mae and Freddie Mac to private investors.

***Non-Agency Mortgage-Backed Securities -*** The Company invests in non-Agency mortgage-backed securities such as those issued in prime loan, prime jumbo loan, Alt-A loan, subprime loan, non-performing loan ("NPL") and re-performing loan ("RPL") securitizations.

Agency mortgage-backed securities, non-Agency mortgage-backed securities and residential CRT securities are referred to herein as "Residential Securities." Although the Company generally intends to hold most of its Residential Securities until maturity, it may, from time to time, sell any of its Residential Securities as part of the overall management of its portfolio.

***Commercial Mortgage-Backed Securities ("Commercial Securities") -*** The Company invests in Commercial Securities such as conduit, credit CMBS, single-asset single borrower and collateralized loan obligations.

The following represents a rollforward of the activity for the Company's securities excluding securities transferred or pledged to securitization vehicles, for the year ended December 31, 2022 December 31, 2023:

| | Agency Securities | Residential Credit Securities | Commercial Securities | Total |
|---|---|---|---|---|
| | (dollars in thousands) | | | |
| Beginning balance January 1, 2022 | $60,525,605 | $2,599,564 | $ 530,505 | $63,655,674 |

| | Agency Securities | Agency Securities | Residential Credit Securities | Commercial Securities | Total |
|---|---|---|---|---|---|
| | (dollars in thousands) | | | | |
| Beginning balance January 1, 2023 | | | | | |
| Purchases | Purchases | 44,470,550 | 1,728,916 | 262,634 | 46,462,100 |
| Sales and transfers | | (28,360,527) | (573,571) | (247,935) | (29,182,033) |
| Sales | | | | | |
| Principal paydowns | Principal paydowns | (8,942,437) | (520,743) | (4,375) | (9,467,555) |
| (Amortization) / accretion | (Amortization) / accretion | (53,880) | 7,403 | 827 | (45,650) |
| Fair value adjustment | Fair value adjustment | (5,364,416) | (252,866) | (15,347) | (5,632,629) |
| **Ending balance December 31, 2022** | | $62,274,895 | $2,988,703 | $ 526,309 | $65,789,907 |
| **Ending balance December 31, 2023** | | | | | |

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The following tables present the Company's securities portfolio excluding securities transferred or pledged to securitization vehicles, that were carried at their fair value at December 31, 2022 December 31, 2023 and 2021: 2022:

| | December 31, 2022 | | | | | | | December 31, 2023 | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Principal / Notional | Remaining Premium | Remaining Discount | Amortized Cost | Unrealized Gains | Unrealized Losses | Estimated Fair Value | Principal / Notional | Remaining Premium | Remaining Discount | Amortized Cost | Unrealized Gains | Unrealized Losses | Estim Fair V |
| **Agency** | Agency | (dollars in thousands) | | | | | | Agency | (dollars in thousands) | | | | | |



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| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Fixed-rate pass-through | Fixed-rate pass-through | $63,232,479 | $2,105,813 | $(1,003,225) | $64,335,067 | $ 62,060 | $(4,367,369) | $60,029,758 |
| Adjustable-rate pass-through | Adjustable-rate pass-through | 232,028 | 17,065 | (85) | 249,008 | 2,138 | (16,759) | 234,387 |
| CMO | CMO | 101,543 | 1,781 | — | 103,324 | — | (13,714) | 89,610 |
| Interest-only | Interest-only | 1,824,339 | 438,295 | — | 438,295 | 153 | (220,371) | 218,077 |
| Multifamily (1) | Multifamily (1) | 9,801,375 | 311,785 | (1,021) | 1,750,737 | 7,588 | (84,160) | 1,674,165 |
| Reverse mortgages | Reverse mortgages | 28,478 | 3,379 | — | 31,857 | — | (2,959) | 28,898 |
| **Total agency securities** | **Total agency securities** | $75,220,242 | $2,878,118 | $(1,004,331) | $66,908,288 | $ 71,939 | $(4,705,332) | $62,274,895 |
| **Residential credit** | **Residential credit** | | | | | | | |
| Credit risk transfer (2) | | $ 1,013,368 | $ 6,790 | $ (4,828) | $ 1,015,330 | $ 6,629 | $ (24,402) | $ 997,557 |
| Credit risk transfer | | | | | | | | |
| Alt-A | Alt-A | 111,009 | 9 | (5,048) | 105,970 | — | (14,754) | 91,216 |
| Prime (3) | | 1,946,186 | 19,496 | (17,375) | 240,694 | 1,528 | (44,352) | 197,870 |
| Prime (2) | | | | | | | | |
| Subprime | Subprime | 202,304 | — | (32,188) | 170,116 | 1,275 | (15,078) | 156,313 |
| Subprime | | | | | | | | |
| NPL/RPL | NPL/RPL | 1,426,616 | 1,624 | (15,500) | 1,412,740 | 87 | (95,673) | 1,317,154 |
| Prime jumbo (>=2010 vintage) (4) | | 5,717,558 | 37,260 | (29,242) | 272,623 | 1,685 | (45,715) | 228,593 |
| Prime jumbo (>=2010 vintage) (3) | | | | | | | | |
| **Total residential credit securities** | | | | | | | | |
| **Total residential credit securities** | | | | | | | | |
| **Total residential credit securities** | **Total residential credit securities** | $10,417,041 | $ 65,179 | $ (104,181) | $ 3,217,473 | $ 11,204 | $ (239,974) | $ 2,988,703 |
| **Total residential securities** | **Total residential securities** | $85,637,283 | $2,943,297 | $(1,108,512) | $70,125,761 | $ 83,143 | $(4,945,306) | $65,263,598 |
| **Commercial** | **Commercial** | | | | | | | |
| Commercial securities | Commercial securities | $ 546,499 | — | $ (2,405) | $ 544,094 | $ — | $ (17,785) | $ 526,309 |
| Commercial securities | | | | | | | | |
| Commercial securities | | | | | | | | |
| **Total securities** | **Total securities** | $86,183,782 | $2,943,297 | $(1,110,917) | $70,669,855 | $ 83,143 | $(4,963,091) | $65,789,907 |

| | | December 31, 2021 | | | | | | | December 31, 2022 | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Principal / Notional | Remaining Premium | Remaining Discount | Amortized Cost | Unrealized Gains | Unrealized Losses | Estimated Fair Value | Principal / Notional | Remaining Premium | Remaining Discount | Amortized Cost | Unrealized Gains | Unrealized Losses | Estim Fair V |
| **Agency** | **Agency** | (dollars in thousands) | | | | | | | **Agency** | (dollars in thousands) | | | | | | |
| Fixed-rate pass-through | Fixed-rate pass-through | $54,432,252 | $3,008,185 | $ (18,314) | $57,422,123 | $1,349,125 | $ (474,643) | $58,296,605 | | | | | | | | |



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| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Adjustable-rate pass-through | Adjustable-rate pass-through | 305,211 | 1,965 | (2,124) | 305,052 | 16,223 | (2) | 321,273 |
| CMO | CMO | 114,533 | 1,888 | — | 116,421 | 5,277 | — | 121,698 |
| Interest-only | Interest-only | 1,912,415 | 456,683 | — | 456,683 | 428 | (163,197) | 293,914 |
| Interest-only | Interest-only | | | | | | | |
| Multifamily (1) | Multifamily (1) | 5,671,138 | 273,553 | — | 1,453,946 | 15,330 | (16,563) | 1,452,713 |
| Reverse mortgages | Reverse mortgages | 36,807 | 3,550 | — | 40,357 | — | (955) | 39,402 |
| **Total agency investments** | **Total agency investments** | $62,472,356 | $3,745,824 | $ (20,438) | $59,794,582 | $1,386,383 | $ (655,360) | $60,525,605 |
| **Residential credit** | **Residential credit** | | | | | | | **Residential credit** |
| Credit risk transfer (2) | | $ 924,101 | $ 8,754 | $ (1,176) | $ 927,555 | $ 9,641 | $ (968) | $ 936,228 |
| Credit risk transfer | | | | | | | | |
| Alt-A | Alt-A | 83,213 | 31 | (17,133) | 66,111 | 3,627 | (251) | 69,487 |
| Prime (3) | | 323,062 | 9,841 | (14,757) | 268,117 | 10,853 | (3,529) | 275,441 |
| Prime (2) | | | | | | | | |
| Subprime | Subprime | 170,671 | 349 | (16,111) | 154,909 | 8,285 | (118) | 163,076 |
| Subprime | Subprime | | | | | | | |
| NPL/RPL | NPL/RPL | 987,415 | 950 | (1,698) | 986,667 | 2,739 | (5,968) | 983,438 |
| Prime jumbo (>=2010 vintage) (4) | | 299,783 | 5,680 | (6,410) | 172,598 | 4,272 | (4,976) | 171,894 |
| Prime jumbo (>=2010 vintage) (3) | | | | | | | | |
| **Total residential credit securities** | | | | | | | | |
| **Total residential credit securities** | | | | | | | | |
| **Total residential credit securities** | **Total residential credit securities** | $ 2,788,245 | $ 25,605 | $ (57,285) | $ 2,575,957 | $ 39,417 | $ (15,810) | $ 2,599,564 |
| **Total residential securities** | **Total residential securities** | $65,260,601 | $3,771,429 | $ (77,723) | $62,370,539 | $1,425,800 | $ (671,170) | $63,125,169 |
| **Commercial** | **Commercial** | | | | | | | |
| Commercial securities | Commercial securities | $ 533,071 | $ — | $ (127) | $ 532,944 | $ 165 | $ (2,604) | $ 530,505 |
| Commercial securities | | | | | | | | |
| Commercial securities | | | | | | | | |
| **Total securities** | **Total securities** | $65,793,672 | $3,771,429 | $ (77,850) | $62,903,483 | $1,425,965 | $ (673,774) | $63,655,674 |



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(1) Principal/Notional amount includes $8.4 billion and $4.5 billion of Agency Multifamly interest-only securities as of December 31, 2022 and December 31, 2021, respectively.

(2) Principal/Notional amount includes $0.0 million and $4.1 million of a CRT interest-only security as of December 31, 2022 and December 31, 2021, respectively.

(3) Principal/Notional amount includes $1.7 billion and $50.0 million of Prime interest-only securities as of December 31, 2022 and December 31, 2021, respectively.

(4) Principal/Notional amount includes $5.5 billion and $126.5 million of Prime Jumbo interest-only securities as of December 31, 2022 and December 31, 2021, respectively.

(1) Principal/Notional amount includes $14.0 billion and $8.4 billion of Agency Multifamly interest-only securities as of December 31, 2023 and December 31, 2022, respectively.

(2) Principal/Notional amount includes $0.9 billion and $1.7 billion of Prime interest-only securities as of December 31, 2023 and December 31, 2022, respectively.

(3) Principal/Notional amount includes $9.1 billion and $5.5 billion of Prime Jumbo interest-only securities as of December 31, 2023 and December 31, 2022, respectively.

(1) Principal/Notional amount includes $14.0 billion and $8.4 billion of Agency Multifamly interest-only securities as of December 31, 2023 and December 31, 2022, respectively.

(2) Principal/Notional amount includes $0.9 billion and $1.7 billion of Prime interest-only securities as of December 31, 2023 and December 31, 2022, respectively.

(3) Principal/Notional amount includes $9.1 billion and $5.5 billion of Prime Jumbo interest-only securities as of December 31, 2023 and December 31, 2022, respectively.

(1) Principal/Notional amount includes $14.0 billion and $8.4 billion of Agency Multifamly interest-only securities as of December 31, 2023 and December 31, 2022, respectively.

(2) Principal/Notional amount includes $0.9 billion and $1.7 billion of Prime interest-only securities as of December 31, 2023 and December 31, 2022, respectively.

(3) Principal/Notional amount includes $9.1 billion and $5.5 billion of Prime Jumbo interest-only securities as of December 31, 2023 and December 31, 2022, respectively.

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The following table presents the Company's Agency mortgage-backed securities portfolio excluding securities transferred or pledged to securitization vehicles, by issuing Agency at December 31, 2022 December 31, 2023 and 2021: 2022:

| | December 31, 2022 | December 31, 2021 | | December 31, 2023 | December 31, 2022 |
|---|---|---|---|---|---|
| December 31, 2023 | | | | | |
| **Investment Type** | Investment Type | (dollars in thousands) | Investment Type | (dollars in thousands) | |
| Fannie Mae | Fannie Mae | **$54,043,015** | $48,404,991 | | |
| Freddie Mac | Freddie Mac | **8,174,080** | 10,880,033 | | |
| Ginnie Mae | Ginnie Mae | **57,800** | 1,240,581 | | |
| **Total** | **Total** | **$62,274,895** | $60,525,605 | | |

Actual maturities of the Company's Residential Securities are generally shorter than stated contractual maturities because actual maturities of the portfolio are affected by periodic payments and prepayments of principal on the underlying mortgages.

The following table summarizes the Company's Residential Securities excluding securities transferred or pledged to securitization vehicles, at December 31, 2022 December 31, 2023 and 2021, 2022, according to their estimated weighted average life classifications:

| | December 31, 2022 | | December 31, 2021 | | December 31, 2023 | December 31, 2022 |
|---|---|---|---|---|---|---|
| | Estimated Fair Value | Amortized Cost | Estimated Fair Value | Amortized Cost | | |



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| | Estimated Fair Value | | | | | Estimated Fair Value | Amortized Cost | Estimated Fair Value | Amortized Cost |
|---|---|---|---|---|---|---|---|---|---|
| **Estimated weighted average life** | **Estimated weighted average life** | (dollars in thousands) | | | | Estimated weighted average life | (dollars in thousands) | | |
| Less than one year | Less than one year | **$ 247,921** | **$ 264,637** | $ 253,129 | $ 250,689 | | | | |
| Greater than one year through five years | Greater than one year through five years | **3,002,471** | **3,206,250** | 16,155,017 | 15,766,307 | | | | |
| Greater than five years through ten years | Greater than five years through ten years | **55,593,990** | **59,658,578** | 45,470,212 | 45,102,607 | | | | |
| Greater than ten years | Greater than ten years | **6,419,216** | **6,996,296** | 1,246,811 | 1,250,936 | | | | |
| **Total** | **Total** | **$65,263,598** | **$70,125,761** | $63,125,169 | $62,370,539 | | | | |

The estimated weighted average lives of the Residential Securities at December 31, 2022 December 31, 2023 and 2021 2022 in the table above are based upon projected principal prepayment rates. The actual weighted average lives of the Residential Securities could be longer or shorter than projected.

The following table presents the gross unrealized losses and estimated fair value of the Company's Agency mortgage-backed securities, accounted for as available-for-sale where the fair value option has not been elected, by length of time that such securities have been in a continuous unrealized loss position at December 31, 2022 December 31, 2023 and 2021. 2022.

| | | December 31, 2022 | | | December 31, 2021 | | | December 31, 2023 | | | December 31, 2022 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Estimated Fair Value (1) | Gross Unrealized Losses (1) | Number of Securities (1) | Estimated Fair Value (1) | Gross Unrealized Losses (1) | Number of Securities (1) | Estimated Fair Value (1) | Gross Unrealized Losses (1) | Number of Securities (1) | Estimated Fair Value (1) | Gross Unrealized Losses (1) | Number of Securities (1) |
| | | (dollars in thousands) | | | | | | (dollars in thousands) | | | | | |
| Less than 12 months | Less than 12 months | **$33,061,267** | **$(3,448,120)** | **2,481** | $22,828,156 | $(475,064) | 571 | | | | | | |
| 12 Months or more | 12 Months or more | **1,260,378** | **(266,686)** | **129** | 383,815 | (10,960) | 19 | | | | | | |
| **Total** | **Total** | **$34,321,645** | **$(3,714,806)** | **2,610** | $23,211,971 | $(486,024) | 590 | | | | | | |

(1) Excludes interest-only mortgage-backed securities and reverse mortgages and, effective July 1, 2022, newly purchased Agency pass-through, collateralized mortgage obligation ("CMO") and multifamily securities.

(1) Excludes interest-only mortgage-backed securities and reverse mortgages and, effective July 1, 2022, newly purchased Agency pass-through, collateralized mortgage obligation ("CMO") and multifamily securities.

(1) Excludes interest-only mortgage-backed securities and reverse mortgages and, effective July 1, 2022, newly purchased Agency pass-through, collateralized mortgage obligation ("CMO") and multifamily securities.

The decline in value of these securities is solely due to market conditions and not the quality of the assets. Substantially all of the Agency mortgage-backed securities have an actual or implied credit rating that is the same as that of the U.S. government. An impairment has not been recognized in earnings related to these investments because the decline in value is not related to credit quality, the Company currently has not made a decision to sell the securities nor is it more likely than not that the securities will be required to be sold before recovery.



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During the years ended December 31, 2022 December 31, 2023 and 2021, 2022, the Company disposed of $36.4 billion and $28.9 billion and $11.5 billion, respectively, amortized cost basis of Residential Securities. Securities, respectively. The following table presents the Company's net gains (losses) from the disposal of Residential Securities for the years ended December 31, 2022 December 31, 2023 and 2021, 2022, which is included in Net gains (losses) on investments and other in the Consolidated Statements of Comprehensive Income (Loss).

| | Gross Realized Gains | Gross Realized Losses | Net Realized Gains (Losses) |
|---|---|---|---|
| For the year ended | For the year ended | (dollars in thousands) | |
| December 31, 2023 | | | |
| December 31, 2022 | December 31, 2022 | $ 66,587 | $(3,663,446) | $(3,596,859) |
| December 31, 2021 | $102,567 | $ (105,646) | $ (3,079) |

| | Gross Realized Gains | Gross Realized Losses | Net Realized Gains (Losses) |
|---|---|---|---|
| For the year ended | (dollars in thousands) | | |

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## 6. LOANS

The Company invests in residential loans. Loans are classified as either held for investment or held for sale. Loans are eligible to be accounted for under the fair value option. If loans are elected under the fair value option, they are carried at fair value with changes in fair value recognized in earnings. Otherwise, loans held for investment are carried at cost less impairment and loans held for sale are accounted for at the lower of cost or fair value.

Excluding loans transferred or pledged to securitization vehicles and loan warehouse facilities, as of December 31, 2022 December 31, 2023 and 2021, 2022, the Company reported $1.8 $2.4 billion and $2.3 $1.8 billion, respectively, of loans for which the fair value option was elected. If the Company intends to sell or securitize the loans and the securitization vehicle is not expected to be consolidated, the loans are classified as held for sale. If loans are held for sale and the fair value option was not elected, they are accounted for at the lower of cost or fair value. Any origination fees and costs or purchase premiums or discounts are deferred and recognized upon sale. The Company determines the fair value of loans held for sale on an individual loan basis. The carrying value of the Company's residential loans held for sale was $1.2 million and $1.3 million at December 31, 2023 and $2.3 million at December 31, 2022 and 2021, 2022, respectively.

***Allowance for Losses*** – Prior to the sale of its corporate debt and commercial loan portfolios, the Company evaluated the need for a loss reserve on each of its loans classified as held-for investment and carried at amortized cost based upon estimated current expected credit losses.

The Company recorded net loan loss (provisions) reversals of $0.2 million, $20.7 million $145.1 million and ($147.6) $145.1 million for the years ended December 31, 2022 December 31, 2023, 2021 2022 and 2020, 2021, respectively. As of December 31, 2022 December 31, 2023 and 2021, 2022, the Company's loan loss allowance was $0 and $27.9 million, $0, respectively.

The following table presents the activity of the Company's loan investments, excluding loans transferred or pledged to securitization vehicles and loan warehouse facilities, for the year ended December 31, 2022 December 31, 2023:

| | Residential | Corporate Debt | Total |
|---|---|---|---|
| | | (dollars in thousands) | |
| Beginning balance January 1, 2022 | $ 2,272,072 | $ 1,968,991 | $ 4,241,063 |
| Purchases / originations | 5,983,775 | 185,269 | 6,169,044 |
| Sales and transfers (1) | (6,106,109) | (1,902,444) | (8,008,553) |
| Principal payments | (111,589) | (231,190) | (342,779) |
| Gains / (losses) (2) | (220,130) | (23,320) | (243,450) |
| (Amortization) / accretion | (8,187) | 2,694 | (5,493) |
| **Ending balance December 31, 2022** | $ 1,809,832 | $ — | $ 1,809,832 |

(1) Includes securitizations, syndications, transfers to securitization vehicles and corporate debt transfers to assets of disposal group held for sale and other assets. Includes transfer of residential loans to securitization vehicles with a carrying value of $6.1 billion during the year ended December 31, 2022.

(2) Includes loan loss allowances.



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| | Residential Loans |
|---|---|
| | (dollars in thousands) |
| Beginning balance January 1, 2023 | $ 1,809,832 |
| Purchases / originations | 5,497,162 |
| Sales and transfers (1) | (4,905,106) |
| Principal payments | (118,932) |
| Gains / (losses) | 78,315 |
| (Amortization) / accretion | (8,187) |
| **Ending balance December 31, 2023** | $ 2,353,084 |

(1) Includes transfer of residential loans to securitization vehicles with a carrying value of $4.9 billion during the year ended December 31, 2023.

***Residential***

The Company's residential mortgage loans are primarily comprised of performing adjustable-rate and fixed-rate whole loans. The Company's residential loans are accounted for under the fair value option with changes in fair value reflected in Net gains (losses) on investments and other in the Consolidated Statements of Comprehensive Income (Loss). The Company also consolidates securitization trusts in which it had purchased subordinated securities because it also has certain powers and rights to direct the activities of such trusts. Refer to the "Variable Interest Entities" Note for further information related to the Company's consolidated residential mortgage loan trusts.

The mortgage loans are secured by first liens on primarily one-to-four family residential properties. A subsidiary of the Company has engaged a third party to act as its custodian, agent and bailee for the purposes of receiving and holding certain documents, instruments and papers related to the residential mortgage loans it purchases. Pursuant to the Company's custodial agreement, the custodian segregates and maintains continuous custody of all documents constituting the mortgage file with respect to each mortgage loan owned by the subsidiary in secure and fire resistant facilities and in a manner consistent with the standard of care employed by prudent mortgage loan document custodians. At or prior to the funding of any residential mortgage loan, the related seller, pursuant to the terms of our mortgage loan purchase agreement, must deliver to the custodian, the mortgage loan documents including the mortgage note, the mortgage and other related loan documents. In addition, a complete credit file for the related mortgage and borrower must be delivered to the subsidiary prior to the date of purchase.

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The following table presents the fair value and the unpaid principal balances of the residential mortgage loan portfolio, including loans transferred or pledged to securitization vehicles and excluding loan warehouse facilities, at December 31, 2022 December 31, 2023 and 2021: 2022:

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| | December 31, 2023 | December 31, 2022 |
| | (dollars in thousands) | (dollars in thousands) |
| Fair value | Fair value **$10,931,744** | $7,768,507 |
| Unpaid principal balance | Unpaid principal balance **$12,247,346** | $7,535,855 |

The following table provides information regarding the line items and amounts recognized in the Consolidated Statements of Comprehensive Income (Loss) for December 31, 2022 December 31, 2023 and 2021 2022 for these investments, excluding loan warehouse facilities:

| | For the Years Ended | |
|---|---|---|
| | December 31, 2022 | December 31, 2021 |
| | For the Years Ended December 31, 2023 | For the Years Ended December 31, 2022 |
| | (dollars in thousands) | (dollars in thousands) |
| Interest income | Interest income **$ 410,195** | $ 182,325 |



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| | | | |
|---|---|---|---|
| Net gains (losses) on disposal of investments (1) | Net gains (losses) on disposal of investments (1) | **(12,842)** | (37,212) |
| Net unrealized gains (losses) on instruments measured at fair value through earnings (1) | Net unrealized gains (losses) on instruments measured at fair value through earnings (1) | **(1,420,645)** | 19,545 |
| **Total included in net income (loss)** | **Total included in net income (loss)** | **$(1,023,292)** | $ 164,658 |

(1) These amounts are presented in the line item Net gains (losses) on investments and other on the Consolidated Statements of Comprehensive Income (loss).

(1) These amounts are presented in the line item Net gains (losses) on investments and other on the Consolidated Statements of Comprehensive Income (loss).

(1) These amounts are presented in the line item Net gains (losses) on investments and other on the Consolidated Statements of Comprehensive Income (loss).

The following table provides the geographic concentrations based on the unpaid principal balances at December 31, 2022 December 31, 2023 and 2021 2022 for the residential mortgage loans, including loans transferred or pledged to securitization vehicles:

| December 31, 2022 | | | December 31, 2021 | | Geographic Concentrations of Residential Mortgage Loans | | | |
|---|---|---|---|---|---|---|---|---|
| December 31, 2023 | | | | | December 31, 2023 | | December 31, 2022 | |
| **Property location** | **Property location** | **% of Balance** | **Property location** | **% of Balance** | **Property location** | **% of Balance** | **Property location** | **% of Balance** |
| California | California | **44.8%** | California | 50.2% | California | **40.1%** | California | 44.8% |
| Florida | | | | | Florida | **10.6%** | New York | 10.3% |
| New York | New York | **10.3%** | New York | 10.9% | New York | **10.5%** | Florida | 8.3% |
| Florida | | **8.3%** | Florida | 6.1% | | | | |
| Texas | Texas | **5.1%** | All other (none individually greater than 5%) | 32.8% | Texas | **5.6%** | Texas | 5.1% |
| All other (none individually greater than 5%) | All other (none individually greater than 5%) | **31.5%** | | | All other (none individually greater than 5%) | **33.2%** | All other (none individually greater than 5%) | 31.5% |
| **Total** | **Total** | **100.0%** | | 100.0% | | | | |
| **Total** | | | | | | | | |
| **Total** | | | | | | **100.0%** | | 100.0% |

The following table provides additional data on the Company's residential mortgage loans, including loans transferred or pledged to securitization vehicles, at December 31, 2022 December 31, 2023 and 2021: 2022:

| | December 31, 2022 | December 31, 2021 | December 31, 2023 | December 31, 2022 |
|---|---|---|---|---|



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| | | Portfolio Range | Portfolio Weighted Average | Portfolio Range | Portfolio Weighted Average | | Portfolio Range | Portfolio Weighted Average | | Portfolio Range | Portfolio Weighted Average | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | (dollars in thousands) | | | | | | (dollars in thousands) | | | | |
| Unpaid principal balance | Unpaid principal balance | **$3 - $4,396** | **$489** | $1 - $4,382 | $513 | Unpaid principal balance | **$1 - $4,396** | | **$477** | $3 - $4,396 | | $489 |
| Interest rate | Interest rate | **2.00% - 15.00%** | **4.61%** | 0.75% - 9.24% | 4.04% | Interest rate | **2.00% - 13.25%** | | **5.63%** | 2.00% - 15.00% | | 4.61% |
| Maturity | Maturity | **7/1/2029 - 1/1/2063** | **10/6/2051** | 7/1/2029 - 12/1/2061 | 12/22/2050 | Maturity | **7/1/2029 - 12/1/2063** | | **4/22/2052** | 7/1/2029 - 1/1/2063 | | 10/6/2051 |
| FICO score at loan origination | FICO score at loan origination | **588 - 831** | **759** | 604 - 831 | 762 | FICO score at loan origination | **549 - 850** | | **758** | 588 - 831 | | 759 |
| Loan-to-value ratio at loan origination | Loan-to-value ratio at loan origination | **5% - 100%** | **68%** | 8% - 103% | 66% | Loan-to-value ratio at loan origination | **3% - 100%** | | **68%** | 5% - 100% | | 68% |

At December 31, 2022 December 31, 2023 and 2021, 2022, approximately 11% and 16% 11%, respectively, of the carrying value of the Company's residential mortgage loans, including loans transferred or pledged to securitization vehicles, were adjustable-rate.

The Company participates participated in an arrangement that provides provided a residential mortgage loan warehouse facility to a third-party third party originator. The arrangement was not renewed and expired during the quarter-ended September 30, 2023. The Company has had elected to apply the fair value option to this lending facility in order to simplify the accounting and keep the accounting consistent with other residential credit financial instruments with similar characteristics. At December 31, 2022 both December 31, 2023 and December 31, 2021 December 31, 2022, the fair value and carrying value of there were no outstanding balances on this warehouse facility was approximately $0.0 million and $1.0 million, respectively, and reported as Loans, net in the Consolidated Statements of Financial Condition. As of December 31, 2022, the lending facility was not on nonaccrual status nor past due. facility.

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As of December 31, 2021, commercial real estate loans were reported in Assets of disposal group held for sale in the Consolidated Statements of Financial Condition and classified as held for sale. Refer to the "Sale of Commercial Real Estate Business" Note for additional information on the transaction.

***Corporate Debt***

In April 2022, the Company entered into a definitive agreement to sell substantially all of the corporate loan interests held by the MML business operated by the Company, as well as assets managed for third parties (collectively, the "MML Portfolio"), to Ares Capital Management LLC ("Ares"). The vast majority of these assets were legally transferred to Ares at the end of the third quarter and the remaining assets were transferred by the end of the fourth quarter of 2022. Refer to the "Sale of Middle Market Lending Portfolio" Note for additional information on the transaction.

## 7. MORTGAGE SERVICING RIGHTS

MSR represent the rights and obligations associated with servicing pools of residential mortgage loans. The Company and its subsidiaries do not originate or directly service residential mortgage loans. Rather, these activities are carried out by duly licensed subservicers who perform substantially all servicing functions for the loans underlying the MSR. The Company generally intends to hold the MSR as investments and elected to account for all of its investments in MSR at fair value. As such, they are recognized at fair value on the accompanying Consolidated Statements of Financial Condition with changes in the estimated fair value presented as a component of Net gains (losses) on investments and other in the Consolidated Statements of Comprehensive Income (Loss).

Interests in MSR represent agreements to purchase all, or a component of, net servicing cash flows. A third party acted as a master servicer for the loans providing the net servicing cash flows represented by the Interests in MSR. The Company accounts for its Interests in MSR at fair value with change in fair value presented in Net gains (losses) on investments and other in the Consolidated Statements of Comprehensive Income (Loss). Cash flows received for Interests in MSR are recorded in Other, net in the Consolidated Statements of Comprehensive Income (Loss).

The following table presents tables present activity related to MSR and Interests in MSR for the years ended December 31, 2022 December 31, 2023 and 2021: 2022:

| Mortgage Servicing Rights | December 31, 2022 | December 31, 2021 |
|---|---|---|
| | (dollars in thousands) | |
| Fair value, beginning of period | **$ 544,562** | $ 100,895 |



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| | | |
|---|---|---|
| Purchases (1) | **1,009,351** | 468,196 |
| Transfers (2) | **82,650** | — |
| Sales | **(9,084)** | (82,176) |
| Change in fair value due to | | |
| Changes in valuation inputs or assumptions (3) | **205,463** | 120,879 |
| Other changes, including realization of expected cash flows | **(84,733)** | (63,232) |
| **Fair value, end of period** | **$ 1,748,209** | $ 544,562 |

(1) Includes adjustments to original purchase price from early payoffs, defaults, or loans that were delivered but were deemed to not be acceptable.

(2) Transfers from Interests in MSR - Refer to the "Variable Interest Entities" Note for additional information.

(3) Principally represents changes in discount rates and prepayment speed inputs used in valuation model, primarily due to changes in interest rates.

| Interests in MSR | December 31, 2022 | December 31, 2021 |
|---|---|---|
| | (dollars in thousands) | |
| Beginning balance | **$ 69,316** | **$ —** |
| Purchases (1) | 4,860 | 65,107 |
| Transfers (2) | (82,650) | — |
| Gain (loss) included in net income | 8,474 | 4,209 |
| **Ending balance December 31, 2022** | **$ —** | **$ 69,316** |

(1) Includes adjustments to original purchase price from early payoffs, defaults, or loans that were delivered but were deemed to not be acceptable.

(2) Transfers to MSR - Refer to the "Variable Interest Entities" Note for additional information

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| Mortgage Servicing Rights | December 31, 2023 | December 31, 2022 |
|---|---|---|
| | (dollars in thousands) | |
| Fair value, beginning of period | **$ 1,748,209** | $ 544,562 |
| Purchases (1) | **397,585** | 1,009,351 |
| Transfers | **—** | 82,650 |
| Sales | **—** | (9,084) |
| Change in fair value due to | | |
| Changes in valuation inputs or assumptions (2) | **92,374** | 205,463 |
| Other changes, including realization of expected cash flows | **(115,972)** | (84,733) |
| **Fair value, end of period** | **$ 2,122,196** | $ 1,748,209 |

(1) Includes adjustments to original purchase price from early payoffs, defaults, or loans that were delivered but were deemed to not be acceptable.

(2) Principally represents changes in discount rates and prepayment speed inputs used in valuation model, primarily due to changes in interest rates.

| Interests in MSR | December 31, 2023 |
|---|---|
| | (dollars in thousands) |
| Beginning balance | **$ 69,316** |
| Purchases (1) | 4,860 |
| Transfers | (82,650) |
| Gain (loss) included in net income | 8,474 |
| **Ending balance** | **$ —** |

(1) Includes adjustments to original purchase price from early payoffs, defaults, or loans that were delivered but were deemed to not be acceptable.

## 8. VARIABLE INTEREST ENTITIES

The Company's exposure to the obligations of its VIEs is generally limited to the Company's investment in the VIEs of $1.0 billion $1.4 billion at December 31, 2022 December 31, 2023. Assets of the VIEs may only be used to settle obligations of the VIEs. Creditors of the VIEs have no recourse to the general credit of the Company. The Company is not contractually required to provide and has not provided any form of financial support to the VIEs. No gains or losses were recognized upon consolidation of existing VIEs. Interest income and expense are recognized using the effective interest method.

***Multifamily Securitization***



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In March 2020, the Company repackaged Fannie Mae guaranteed multifamily mortgage-backed securities with a principal cut-off balance of $0.5 billion and retained interest-only securities with a notional balance of $0.5 billion. At the inception of this arrangement, the Company determined that it was the primary beneficiary based upon its involvement in the design of this VIE and through the retention of a significant variable interest in the VIE. The Company elected the fair value option for the financial liabilities of this VIE in order to simplify the accounting; however, the financial assets were not eligible for the fair value option as it was not elected at purchase.



During the year ended December 31, 2022, the Company deconsolidated the 2020 multifamily VIE since it sold all of its interest-only securities and no longer retains a significant variable interest in the entity. As a result of the deconsolidation of this VIE, the Company derecognized approximately $424.0 million of securities and approximately $391.9 million of debt issued by securitization vehicles and recognized a realized gain of $33.4 million, which is included in Net gains (losses) on investments and other in the Consolidated Statements of Comprehensive Income (Loss).

***Residential Securitizations***

The Company also invests in residential mortgage-backed securities issued by entities that are VIEs because they do not have sufficient equity at risk for the entities to finance their activities without additional subordinated financial support from other parties. The Company is not the primary beneficiary because it does not have the power to direct the activities that most significantly impact the VIEs' economic performance. For these entities, the Company's maximum exposure to loss is the amortized cost basis of the securities it owns and it does not provide any liquidity arrangements, guarantees or other commitments to these VIEs. See Refer to the "Securities" Note for further information on Residential Securities.

***OBX Trusts***

Residential securitizations are issued by entities generally referred to collectively as the "OBX Trusts." These securitizations represent financing transactions which provide non-recourse financing to the Company that are collateralized by residential mortgage loans purchased by the Company. Residential securitizations closed during the year are included in the table below.

| Securitization | Date of Closing | | Face Value at Closing |
|---|---|---|---|
| | | | (dollars in thousands) |
| OBX 2022-NQM1 2023-NQM1 | January 2022 2023 | $ | 556,696 405,209 |
| OBX 2022-INV1 2023-J1 | January 2022 February 2023 | $ | 377,275 305,755 |
| OBX 2022-INV2 2023-NQM2 | February 2022 2023 | $ | 466,686 420,650 |
| OBX 2022-NQM2 2023-NQM3 | February 2022 April 2023 | $ | 439,421 407,525 |
| OBX 2022-INV3 2023-NQM4 | March 2022 May 2023 | $ | 330,823 394,291 |
| OBX 2022-NQM3 2023-INV1 | March 2022 May 2023 | $ | 315,843 314,839 |
| OBX 2022-NQM4 2023-NQM5 | May 2022 June 2023 | $ | 457,285 390,271 |
| OBX 2022-J1 2023-NQM6 | May 2022 July 2023 | $ | 389,334 400,530 |
| OBX 2022-NQM5 2023-NQM7 | June 2022 September 2023 | $ | 390,775 411,133 |
| OBX 2022-INV4 2023-NQM8 | June 2022 October 2023 | $ | 335,900 406,663 |
| OBX 2022-NQM6 2023-J2 | June 2022 November 2023 | $ | 387,913 303,008 |
| OBX 2022-J2 2023-NQM9 | August 2022 November 2023 | $ | 305,969 393,507 |
| OBX 2022-NQM7 2023-NQM10 | August 2022 December 2023 | $ | 358,931 387,556 |
| OBX 2022-NQM8 | September 2022 | $ | 397,470 |
| OBX 2022-INV5 | November 2022 | $ | 326,226 |
| OBX 2022-NQM9 | December 2022 | $ | 359,380 |

As of December 31, 2022 December 31, 2023 and 2021, 2022, a total carrying value of $7.7 $11.6 billion and $4.6 $7.7 billion, respectively, of bonds were held by third parties and the Company retained $1.4 billion and $1.0 billion, and $780.8 million, respectively, of mortgage-backed securities, MBS, which were eliminated in consolidation. The Company is deemed to be the primary beneficiary and consolidates the OBX Trusts because it has power to direct the activities that most significantly impact the OBX Trusts' performance and holds a variable interest that

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could be potentially significant to these VIEs. The Company has elected the fair value option for the financial assets and liabilities of these VIEs. Effective August 1, 2022, upon initial consolidation of new securitization entities, the Company elected to apply the measurement alternative for consolidated collateralized financing entities in order to simplify the accounting and valuation processes. The liabilities of these securitization entities are deemed to be more observable and are used to measure the fair value of the assets. During the years ended December 31, 2022 December 31, 2023 and 2021, 2022, the Company incurred $7.6 million $8.2 million and $5.6 $7.6 million, respectively, of costs in connection with these securitizations that were expensed as incurred. The contractual principal amount of the OBX Trusts' debt held by third parties was $12.6 billion and $9.0 billion at December 31, 2023 and $4.6 billion at December 31, 2022 and 2021, 2022, respectively. During the years ended December 31, 2022 December 31, 2023 and 2021, 2022, the Company recorded $1.2 billion ($305.2) million and ($69.4) million, $1.2 billion, respectively, of unrealized gains (losses) on debt held by third parties, which is reported in Net gains (losses) on investments and other in the Company's Consolidated Statements of Comprehensive Income (Loss).

Although the residential mortgage loans have been sold for bankruptcy and state law purposes, the transfers of the residential mortgage loans to the OBX Trusts did not qualify for sale accounting and are reflected as intercompany secured borrowings that are eliminated upon consolidation.



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***Credit Facility VIEs***

In connection with the sale of all of the assets that comprise the MML Portfolio, the credit facilities which provided financing for the Company's corporate debt were paid-off and terminated during the year ended December 31, 2022. Refer to the "Sale of Middle Market Lending Portfolio" Note for additional information on the transaction.

## MSR VIEs

The Company owns variable interests in an entity that invests in MSR and has structured its operations, funding and capitalization into pools of assets and liabilities, each referred to as a "silo." Owners of variable interests in a given silo are entitled to all of the returns and subjected to the risk of loss on the investments and operations of that silo and have no substantive recourse to the assets of any other silo. While the Company previously held 100% of the voting interests in this entity, in August 2017, the Company sold 100% of such interests, and entered into an agreement with the entity's affiliated portfolio manager giving the Company the power over the silo in which it owns all of the beneficial interests. As a result, the Company is considered to be the primary beneficiary and consolidates this silo.

The Company owned variable interests in entities that invested in Interests in MSR. These entities were VIEs because they did not have sufficient equity at risk to finance their activities and the Company was the primary beneficiary because it had power to remove the decision makers with or without cause and held substantially all of the variable interests in the entities. During the quarter ended September 30, 2022, the Company terminated its contracts previously classified as Interests in MSR on its Consolidated Statements of Financial Condition and purchased the underlying mortgage servicing rights. As a result, consolidated VIEs holding the Interests in MSR and related assets and liabilities were liquidated. No gain or loss was recognized upon deconsolidation. The underlying MSR were initially recognized at fair value and subsequent changes in fair value are recognized in earnings. See the "Mortgage Servicing Rights" Note and "Fair Value Measurements" Note for further information regarding MSR.

The statements of financial condition of the Company's VIEs, excluding the multifamily securitization, credit facility VIEs and OBX Trusts as the transfers of loans or securities did not meet the criteria to be accounted for as sales, that are reflected in the Company's Consolidated Statements of Financial Condition at December 31, 2022 and 2021 are as follows:

| December 31, 2022 | | |
|---|---|---|
| | | MSR VIE |
| **Assets** | | (dollars in thousands) |
| Cash and cash equivalents | $ | 2,239 |
| Loans | | 1,293 |
| Mortgage servicing rights | | 27 |
| Other assets | | 1,238 |
| **Total assets** | $ | 4,797 |
| **Liabilities** | | |
| Payable for unsettled trades | $ | 2,152 |
| Other liabilities | | 1,409 |
| **Total liabilities** | $ | 3,561 |



| December 31, 2021 | | |
|---|---|---|
| | | MSR VIE |
| **Assets** | | (dollars in thousands) |
| Cash and cash equivalents | $ | 16,187 |
| Loans | | 2,347 |
| Mortgage servicing rights | | 7,254 |
| Interests in MSR | | 69,316 |
| Other assets | | 10,406 |
| **Total assets** | $ | 105,510 |
| **Liabilities** | | |
| Payable for unsettled trades | $ | 1,911 |
| Other liabilities | | 14,582 |
| **Total liabilities** | $ | 16,493 |

***Corporate Debt Funds***

The Company managed parallel funds investing in senior secured first and second lien corporate loans (the "Fund Entities"). The Fund Entities were considered VIEs because the investors did not have substantive liquidation, kick-out or participating rights. The fees that the Company earned were not considered variable interests of the VIE. The Company was not the primary beneficiary of the Fund Entities and therefore did not consolidate the Fund Entities. The corporate loans in the Fund Entities were assets managed for third parties and were part of the MML Portfolio transferred to Ares during the three months ended June 30, 2022. Refer to the "Sale of Middle Market Lending Portfolio" Note for additional information on the transaction.



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***Residential Credit Fund***

The Company manages a fund investing in participations in residential mortgage loans. The residential credit fund is deemed to be a VIE because the entity does not have sufficient equity at risk to permit the legal entity to finance its activities without additional subordinated financial support provided by any parties, including equity holders, as capital commitments are not considered equity at risk. The Company is not the primary beneficiary and does not consolidate the residential credit fund as its only interest in the fund is the management and performance fees that it earns, which are not considered variable interests in the entity. As of December 31, 2022 December 31, 2023 and 2021 2022 the Company had outstanding participating interests in residential mortgage loans of $0.8 $1.1 billion and $1.0 $0.8 billion, respectively. These transfers do not meet the criteria for sale accounting and are accounted for as secured borrowings, thus the residential loans are reported as Loans, net and the associated liability is reported as Participations issued in the Consolidated Statements of Financial Condition. The Company elected to fair value the participations issued through earnings to more accurately reflect the economics of the transfers as the underlying loans are carried at fair value through earnings.

## 9. SALE OF COMMERCIAL REAL ESTATE BUSINESS

On March 25, 2021, the Company entered into a definitive agreement to sell substantially all of the assets that comprise its CRE business to Slate Asset Management L.P. and Slate Grocery REIT (together, “Slate”) for $2.33 billion. The transaction included equity interests, loan assets and associated liabilities, and CMBS (other than commercial CRTs). The Company also sold nearly all of the remaining CRE business assets that were not included in the transaction with Slate. Certain employees who primarily supported the CRE business joined Slate in connection with the sale. In connection with the execution of the definitive agreement to sell the CRE business, during the year ended December 31, 2021, the Company performed an assessment of goodwill, which was related to the Company’s 2013 acquisition of CreXus Investment Corp., and recognized an impairment of $71.8 million. During the year ended December 31, 2021, the Company reported Business divestiture-related gains (losses) of ($262.0) million, in its Consolidated Statements of Comprehensive Income (Loss) which includes the aforementioned goodwill impairment as well as valuation adjustments resulting from classifying the CRE assets as held for sale and estimated transaction costs. As of December 31, 2022, the assets held for sale and the associated liabilities were transferred to Slate.

## 10. SALE OF MIDDLE MARKET LENDING PORTFOLIO

In April 2022, the Company entered into a definitive agreement to sell substantially all of the corporate loan interests held by the MML business operated by the Company, as well as assets managed for third parties (collectively, the “MML Portfolio”), to Ares Capital Management LLC (“Ares”) for $2.4 billion. The Company’s loans, having an unpaid principal balance of $1.9 billion, were transferred to Ares for cash proceeds of $1.9 billion and a realized gain of $20.4 million was recorded during the year ended December 31, 2022. As of December 31, 2022, all loans were transferred to Ares.



## 11. DERIVATIVE INSTRUMENTS

Derivative instruments include, but are not limited to, interest rate swaps, options to enter into interest rate swaps (“swaptions”), TBA derivatives, options on TBA securities (“MBS options”), U.S. Treasury and Eurodollar SOFR futures contracts and certain forward purchase commitments. The Company may also enter into other types of mortgage derivatives such as interest-only securities, credit derivatives referencing the commercial mortgage-backed securities index and synthetic total return swaps.

In connection with the Company’s investment/market rate risk management strategy, the Company economically hedges a portion of its interest rate risk by entering into derivative financial instrument contracts, which include interest rate swaps, swaptions and futures contracts. The Company may also enter into TBA derivatives, MBS options and U.S. Treasury or Eurodollar futures contracts, certain forward purchase commitments and credit derivatives to economically hedge its exposure to market risks. The purpose of using derivatives is to manage overall portfolio risk with the potential to generate additional income for distribution to stockholders. These derivatives are subject to changes in market values resulting from changes in interest rates, volatility, Agency mortgage-backed security spreads to U.S. Treasuries and market liquidity. The use of derivatives also creates exposure to credit risk relating to potential losses that could be recognized if the counterparties to these instruments fail to perform their obligations



under the stated contract. Additionally, the Company may have to pledge cash or assets as collateral for the derivative transactions, the amount of which may vary based on the market value and terms of the derivative contract. In the case of market agreed coupon (“MAC”) interest rate swaps, the Company may make or receive a payment at the time of entering into such interest rate swaps, which represents fair value of these swaps, to compensate for the out of market nature of such interest rate swaps. Subsequent changes in fair value from inception of these interest rate swaps are reflected within Net gains (losses) on derivatives in the Consolidated Statements of Comprehensive Income (Loss). Similar to other interest rate swaps, the Company may have to pledge cash or assets as collateral for the MAC interest rate swap transactions. In the event of a default by the counterparty, the Company could have difficulty obtaining its pledged collateral as well as receiving payments in accordance with the terms of the derivative contracts.

Derivatives are recognized as either assets or liabilities at fair value in the Consolidated Statements of Financial Condition with changes in fair value recognized in the Consolidated Statements of Comprehensive Income (Loss). The changes in the estimated fair value are presented within Net gains (losses) on derivatives. None of the Company’s derivative transactions have been designated as hedging instruments for accounting purposes.

The Company also maintains collateral in the form of cash on margin with counterparties to its interest rate swaps and other derivatives. In accordance with a clearing organization’s rulebook, the Company presents the fair value of centrally cleared interest rate swaps net of variation margin pledged or received under such transactions. At December 31, 2022 December 31, 2023 and 2021, 2022, ($3.2) 2.4) billion and ($0.4) 3.2) billion, respectively, of variation margin was reported as an adjustment to interest rate swaps, at fair value.



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*Interest Rate Swap Agreements* – Interest rate swap agreements are the primary instruments used to mitigate interest rate risk. In particular, the Company uses interest rate swap agreements to manage its exposure to changing interest rates on its repurchase agreements by economically hedging cash flows associated with these borrowings. The Company may have outstanding interest rate swap agreements where the floating leg is linked to the London Interbank Offered Rate ("LIBOR"), SOFR, the overnight index swap rate or another index. Interest rate swap agreements may or may not be cleared through a derivatives clearing organization ("DCO"). Uncleared interest rate swaps are fair valued using internal pricing models and compared to the counterparty market values. Centrally cleared interest rate swaps, including MAC interest rate swaps, are generally fair valued using the DCO's market values. If an interest rate swap is terminated, the realized gain (loss) on the interest rate swap would be equal to the difference between the cash received or paid and fair value.

*Swaptions* – Swaptions are purchased or sold to mitigate the potential impact of increases or decreases in interest rates. Interest rate swaptions provide the option to enter into an interest rate swap agreement for a predetermined notional amount, stated term and pay and receive interest rates in the future. The Company's swaptions are not centrally cleared. The premium paid or received for swaptions is reported as an asset or liability in the Consolidated Statements of Financial Condition. If a swaption expires unexercised, the realized gain (loss) on the swaption would be equal to the premium received or paid. If the Company sells or exercises a swaption, the realized gain (loss) on the swaption would be equal to the difference between the cash received or the fair value of the underlying interest rate swap received and the premium paid. The fair value of swaptions are estimated using internal pricing models and compared to the counterparty market values.

*TBA Dollar Rolls* – TBA dollar roll transactions are accounted for as a series of derivative transactions. The fair value of TBA derivatives is based on methods similar to those used to value Agency mortgage-backed securities.

*MBS Options* – MBS options are generally options on TBA contracts, which help manage mortgage market risks and volatility while providing the potential to enhance returns. MBS options are over-the-counter traded instruments and those written on current-coupon mortgage-backed securities are typically the most liquid. MBS options are measured at fair value using internal pricing models and compared to the counterparty market values.

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*Futures Contracts* – Futures contracts are derivatives that track the prices of specific assets or benchmark rates. Short sales of futures contracts help to mitigate the potential impact of changes in interest rates on the portfolio performance. The Company maintains margin accounts which are settled daily with Futures Commission Merchants ("FCMs"). The margin requirement varies based on the market value of the open positions and the equity retained in the account. Futures contracts are fair valued based on exchange pricing.

*Forward Purchase Commitments* – The Company may enter into forward purchase commitments with counterparties whereby the Company commits to purchasing residential mortgage loans at a particular price, provided the residential mortgage loans close with the counterparties. The counterparties are required to deliver the committed loans on a "best efforts" basis.

*Credit Derivatives* – The Company may enter into credit derivatives referencing a commercial mortgage-backed securities index, such as the CMBX index, and synthetic total return swaps.

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The following table below summarizes fair value information about the Company's derivative assets and liabilities at December 31, 2022 December 31, 2023 and 2021: 2022:

| Derivatives Instruments | Derivatives Instruments | December 31, 2022 | December 31, 2021 | December 31, 2023 | December 31, 2022 |
|---|---|---|---|---|---|
| Assets | Assets | (dollars in thousands) | | Assets | (dollars in thousands) |
| Interest rate swaps | Interest rate swaps | $ 33,006 | $ — | | |
| Interest rate swaptions | Interest rate swaptions | 256,991 | 105,710 | | |
| TBA derivatives | TBA derivatives | 17,056 | 52,693 | | |
| Futures contracts | Futures contracts | 33,179 | 9,028 | | |
| Purchase commitments | Purchase commitments | 1,832 | 1,779 | | |
| Credit derivatives (1) | | — | 1,160 | | |
| **Total derivative assets** | | | | | |



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| | | | |
|---|---|---|---|
| **Total derivative assets** | **Total derivative assets** | **$ 342,064** | $ 170,370 |
| **Liabilities** | **Liabilities** | | |
| Interest rate swaps | Interest rate swaps | **$ 108,724** | $ 747,036 |
| TBA derivatives | | | |
| TBA derivatives | | | |
| TBA derivatives | TBA derivatives | **69,270** | 3,916 |
| Futures contracts | Futures contracts | **11,919** | 129,134 |
| Purchase commitments | Purchase commitments | **460** | 870 |
| Credit derivatives (1) | Credit derivatives (1) | **13,799** | 581 |
| **Total derivative liabilities** | **Total derivative liabilities** | **$ 204,172** | $ 881,537 |

(1) The maximum potential amount of future payments is the notional amount of credit derivatives in which the Company sold protection of $420.0 million and $400.0 million at December 31, 2022 and December 31, 2021, respectively, plus any coupon shortfalls on the underlying tranche. As of December 31, 2022 and 2021, the credit derivative tranches referencing the basket of bonds had a range of ratings between AAA and AA.

(1) The maximum potential amount of future payments is the notional amount of credit derivatives in which the Company sold protection of $420.0 million at December 31, 2022, respectively, plus any coupon shortfalls on the underlying tranche. As of December 31, 2022, the credit derivative tranches referencing the basket of bonds had a range of ratings between AAA and AA.

(1) The maximum potential amount of future payments is the notional amount of credit derivatives in which the Company sold protection of $420.0 million at December 31, 2022, respectively, plus any coupon shortfalls on the underlying tranche. As of December 31, 2022, the credit derivative tranches referencing the basket of bonds had a range of ratings between AAA and AA.

(1) The maximum potential amount of future payments is the notional amount of credit derivatives in which the Company sold protection of $420.0 million at December 31, 2022, respectively, plus any coupon shortfalls on the underlying tranche. As of December 31, 2022, the credit derivative tranches referencing the basket of bonds had a range of ratings between AAA and AA.

The following tables summarize certain characteristics of the Company's interest rate swaps at December 31, 2023 and 2022:

| December 31, 2023 | | | | |
|---|---|---|---|---|
| Maturity | Current Notional (1)(2) | Weighted Average Pay Rate | Weighted Average Receive Rate | Weighted Average Years to Maturity (3) |
| | (dollars in thousands) | | | |
| 0 - 3 years | **$ 21,397,358** | **3.17 %** | **5.26 %** | **1.23** |



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| | | | | |
|---|---|---|---|---|
| 3 - 6 years | 12,461,799 | 3.09 % | 5.37 % | 4.75 |
| 6 - 10 years | 22,949,150 | 2.85 % | 5.34 % | 8.02 |
| Greater than 10 years | 2,021,247 | 3.53 % | 5.27 % | 22.71 |
| **Total / Weighted average** | $ 58,829,554 | 3.04 % | 5.31 % | 5.36 |

| December 31, 2022 | | | | |
|---|---|---|---|---|
| Maturity | Current Notional (1)(2) | Weighted Average Pay Rate | Weighted Average Receive Rate | Weighted Average Years to Maturity (3) |
| | (dollars in thousands) | | | |
| 0 - 3 years | $ 26,355,700 | 0.88 % | 4.33 % | 0.75 |
| 3 - 6 years | 1,120,400 | 2.53 % | 3.95 % | 4.07 |
| 6 - 10 years | 22,492,200 | 2.54 % | 4.24 % | 8.76 |
| Greater than 10 years | 2,309,000 | 3.49 % | 4.26 % | 22.93 |
| **Total / Weighted average** | $ 52,277,300 | 1.74 % | 4.28 % | 5.25 |

(1) As of December 31, 2023, 94% and 6% of the Company's interest rate swaps were linked to the Secured Overnight Financing Rate and the Federal funds rate, respectively. As of December 31, 2022, 60%, 23% and 17% of the Company's interest rate swaps were linked to the Secured Overnight Financing Rate, the Federal funds rate and LIBOR, respectively.

(2) There were no forward starting swaps at December 31, 2023 and December 31, 2022.

(3) The weighted average years to maturity of payer interest rate swaps is offset by the weighted average years to maturity of receiver interest rate swaps. As such, the net weighted average years to maturity for each maturity bucket may fall outside of the range listed.

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The following table summarizes certain characteristics of the Company's interest rate swaps at December 31, 2022 and 2021:

| December 31, 2022 | | | | |
|---|---|---|---|---|
| Maturity | Current Notional (1)(2) | Weighted Average Pay Rate | Weighted Average Receive Rate | Weighted Average Years to Maturity (3) |
| | (dollars in thousands) | | | |
| 0 - 3 years | $ 26,355,700 | 0.88 % | 4.33 % | 0.75 |
| 3 - 6 years | 1,120,400 | 2.53 % | 3.95 % | 4.07 |
| 6 - 10 years | 22,492,200 | 2.54 % | 4.24 % | 8.76 |
| Greater than 10 years | 2,309,000 | 3.49 % | 4.26 % | 22.93 |
| **Total / Weighted average** | $ 52,277,300 | 1.74 % | 4.28 % | 5.25 |

| December 31, 2021 | | | | |
|---|---|---|---|---|
| Maturity | Current Notional (1)(2) | Weighted Average Pay Rate | Weighted Average Receive Rate | Weighted Average Years to Maturity (3) |
| | (dollars in thousands) | | | |
| 0 - 3 years | $ 32,709,300 | 0.25 % | 0.06 % | 1.10 |
| 3 - 6 years | 2,780,000 | 0.21 % | 0.07 % | 3.46 |
| 6 - 10 years | 9,118,000 | 1.43 % | 0.13 % | 9.05 |
| Greater than 10 years | 1,300,000 | 4.04 % | 0.11 % | 18.70 |
| **Total / Weighted average** | $ 45,907,300 | 0.59 % | 0.08 % | 3.32 |

(1) As of December 31, 2022, 17%, 23% and 60% of the Company's interest rate swaps were linked to LIBOR, the Federal funds rate and the Secured Overnight Financing Rate, respectively. As of December 31, 2021, 18%, 53% and 29% of the Company's interest rate swaps were linked to LIBOR, the Federal funds rate and the Secured Overnight Financing Rate, respectively.

(2) There were no forward starting swaps at December 31, 2022 and December 31, 2021.

(3) At December 31, 2022 and December 31, 2021, the weighted average years to maturity of payer interest rate swaps is offset by the weighted average years to maturity of receiver interest rate swaps. As such, the net weighted average years to maturity for each maturity bucket may fall outside of the range listed.

The following table summarizes tables summarize certain characteristics of the Company's swaptions at December 31, 2022 December 31, 2023 and 2021: 2022:

| December 31, 2022 |
|---|



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| | | Current Underlying Notional | Weighted Average Underlying Fixed Rate | Weighted Average Underlying Floating Rate | Weighted Average Underlying Years to Maturity | Weighted Average Months to Expiration | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| December 31, 2023 | | | | | | | December 31, 2023 | | | | | |
| | | Current Underlying Notional | | | | | | Current Underlying Notional | Weighted Average Underlying Fixed Rate | Weighted Average Underlying Floating Rate | Weighted Average Underlying Years to Maturity | Weighted Average Months to Expiration |
| | | (dollars in thousands) | | | | | | | | | | |
| Long pay | Long pay | $2,500,000 | 2.02% | 3M LIBOR | 8.19 | 14.28 | Long pay | $1,250,000 | 2.21% | SOFR | 7.69 | 8.21 |
| Long receive | Long receive | $750,000 | 1.57% | 3M LIBOR | 11.07 | 12.82 | Long receive | $500,000 | 1.65% | SOFR | 10.30 | 3.53 |

| | | Current Underlying Notional | Weighted Average Underlying Fixed Rate | Weighted Average Underlying Floating Rate | Weighted Average Underlying Years to Maturity | Weighted Average Months to Expiration | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| December 31, 2022 | | | | | | | December 31, 2021 | | | | | |
| December 31, 2022 | | | | | | | | | | | | |
| December 31, 2022 | | | | | | | | | | | | |
| | | Current Underlying Notional | | | | | | Current Underlying Notional | Weighted Average Underlying Fixed Rate | Weighted Average Underlying Floating Rate | Weighted Average Underlying Years to Maturity | Weighted Average Months to Expiration |
| | | (dollars in thousands) | | | | | | | | | | |
| Long pay | Long pay | $4,050,000 | 2.00% | 3M LIBOR | 9.65 | 19.50 | Long pay | $2,500,000 | 2.02% | 3M LIBOR | 8.19 | 14.28 |
| Long receive | Long receive | $2,000,000 | 1.47% | 3M LIBOR | 10.95 | 11.38 | Long receive | $750,000 | 1.57% | 3M LIBOR | 11.07 | 12.82 |

The following table summarizes tables summarize certain characteristics of the Company's TBA derivatives at December 31, 2022 December 31, 2023 and 2021: 2022:

| December 31, 2022 | | | | |
|---|---|---|---|---|
| Purchase and sale contracts for derivative TBAs | Notional | Implied Cost Basis | Implied Market Value | Net Carrying Value |
| | (dollars in thousands) | | | |
| Purchase contracts | $ 10,589,000 | $ 10,675,739 | $ 10,623,350 | $ (52,389) |
| Sale contracts | (44,000) | (44,849) | (44,674) | 175 |
| Net TBA derivatives | $ 10,545,000 | $ 10,630,890 | $ 10,578,676 | $ (52,214) |

| December 31, 2021 | | | | |
|---|---|---|---|---|
| Purchase and sale contracts for derivative TBAs | Notional | Implied Cost Basis | Implied Market Value | Net Carrying Value |
| | (dollars in thousands) | | | |
| Purchase contracts | $ 20,133,000 | $ 20,289,856 | $ 20,338,633 | $ 48,777 |

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| December 31, 2023 | | | |
|---|---|---|---|
| Purchase and sale contracts for derivative TBAs | Notional | Implied Cost Basis | Implied Market Value | Net Carrying Value |



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| | | | | |
|---|---|---|---|---|
| | (dollars in thousands) | | | |
| Purchase contracts | $ 988,000 | $ 920,626 | $ 915,790 | $ (4,836) |
| Sale contracts | (1,491,000) | (1,475,847) | (1,489,392) | (13,545) |
| Net TBA derivatives | $ (503,000) | $ (555,221) | $ (573,602) | $ (18,381) |

| December 31, 2022 | | | | |
|---|---|---|---|---|
| Purchase and sale contracts for derivative TBAs | Notional | Implied Cost Basis | Implied Market Value | Net Carrying Value |
| | (dollars in thousands) | | | |
| Purchase contracts | $ 10,589,000 | $ 10,675,739 | $ 10,623,350 | $ (52,389) |
| Sale contracts | (44,000) | (44,849) | (44,674) | 175 |
| Net TBA derivatives | $ 10,545,000 | $ 10,630,890 | $ 10,578,676 | $ (52,214) |

The following table summarizes tables summarize certain characteristics of the Company's futures derivatives at December 31, 2022 December 31, 2023 and 2021: 2022:

| December 31, 2023 | December 31, 2023 | | |
|---|---|---|---|
| | Notional - Long Positions | Notional - Short Positions | Weighted Average Years to Maturity |
| U.S. Treasury futures - 2 year | | | |
| U.S. Treasury futures - 2 year | | | |
| U.S. Treasury futures - 2 year | $ — | $ (5,001,400) | 1.97 |
| U.S. Treasury futures - 10 year and greater | | | |
| U.S. Treasury futures - 10 year and greater | | | |
| U.S. Treasury futures - 10 year and greater | — | (1,733,600) | 14.26 |
| **Total** | **Total** $ — | $ (6,735,000) | 5.13 |

| December 31, 2022 | | | | | | |
|---|---|---|---|---|---|---|
| December 31, 2022 | | | | | | |
| | | | | December 31, 2022 | | |
| | | Notional - Long Positions | Notional - Short Positions | Weighted Average Years to Maturity | Notional - Long Positions | Notional - Short Positions | Weighted Average Years to Maturity |
| | | (dollars in thousands) | | | | | |
| U.S. Treasury futures - 2 year | U.S. Treasury futures - 2 year | $ — | $ (8,518,400) | 1.96 | | | |
| U.S. Treasury futures - 5 year | | — | (5,803,400) | 4.37 | | | |
| U.S. Treasury futures - 10 year and greater | | — | (6,866,900) | 8.15 | | | |
| **Total** | | $ — | $ (21,188,700) | 4.63 | | | |

| December 31, 2021 | | | |
|---|---|---|---|
| Notional - Long Positions | Notional - Short Positions | Weighted Average Years to Maturity | |
| (dollars in thousands) | | | |



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| | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| U.S. Treasury futures - 2 year | | | | | | | | | | | | | | |
| U.S. Treasury futures - 2 year | U.S. Treasury futures - 2 year | $ — | $ (7,509,200) | 1.96 | $ | — | $ | $ (8,518,400) | | 1.96 | | | 1.96 | |
| U.S. Treasury futures - 5 year | U.S. Treasury futures - 5 year | — | (5,644,900) | 4.38 | U.S. Treasury futures - 5 year | | — | (5,803,400) | | (5,803,400) | 4.37 | | | 4.37 |
| U.S. Treasury futures - 10 year and greater | U.S. Treasury futures - 10 year and greater | — | (9,381,000) | 6.84 | U.S. Treasury futures - 10 year and greater | | — | (6,866,900) | | (6,866,900) | 8.15 | | | 8.15 |
| **Total** | **Total** | $ — | $ (22,535,100) | 4.60 | **Total** | $ | — | $ | $ | (21,188,700) | 4.63 | | | 4.63 |

The Company presents derivative contracts on a gross basis in the Consolidated Statements of Financial Condition. Derivative contracts may contain legally enforceable provisions that allow for netting or setting off receivables and payables with each counterparty.

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The following tables present information about derivative assets and liabilities that are subject to such provisions and can be offset in the Company's Consolidated Statements of Financial Condition at December 31, 2022 December 31, 2023 and 2021, 2022, respectively.

| December 31, 2023 | | | | | | |
|---|---|---|---|---|---|---|
| | | December 31, 2023 | | | | |
| | | | Amounts Eligible for Offset | | | |
| | | Gross Amounts | Financial Instruments | Cash Collateral | Net Amounts | |
| Assets | Assets | (dollars in thousands) | | | | |
| Interest rate swaps, at fair value | | | | | | |
| Interest rate swaptions, at fair value | | | | | | |
| TBA derivatives, at fair value | | | | | | |
| Purchase commitments | | | | | | |
| Purchase commitments | | | | | | |
| Purchase commitments | | | | | | |
| Liabilities | | | | | | |
| Liabilities | | | | | | |
| Liabilities | | | | | | |
| Interest rate swaps, at fair value | | | | | | |
| TBA derivatives, at fair value | | | | | | |
| Futures contracts, at fair value | | | | | | |
| Purchase commitments | | | | | | |

December 31, 2022



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| | | Gross Amounts | Amounts Eligible for Offset: Financial Instruments | Amounts Eligible for Offset: Cash Collateral | Net Amounts |
|---|---|---|---|---|---|
| **Assets** | Assets | | (dollars in thousands) | | |
| Interest rate swaps, at fair value | Interest rate swaps, at fair value | **$ 33,006** | **$ (24,625)** | **$ —** | **$ 8,381** |
| Interest rate swaptions, at fair value | Interest rate swaptions, at fair value | **256,991** | **—** | **—** | **256,991** |
| TBA derivatives, at fair value | TBA derivatives, at fair value | **17,056** | **(16,875)** | **—** | **181** |
| Futures contracts, at fair value | Futures contracts, at fair value | **33,179** | **(2,414)** | **—** | **30,765** |
| Purchase commitments | Purchase commitments | **1,832** | **—** | **—** | **1,832** |
| **Liabilities** | Liabilities | | | | |
| Interest rate swaps, at fair value | | **$108,724** | **$ (24,625)** | **$ (1,251)** | **$ 82,848** |
| TBA derivatives, at fair value | | **69,270** | **(16,875)** | **—** | **52,395** |
| Futures contracts, at fair value | | **11,919** | **(2,414)** | **(9,505)** | **—** |
| Purchase commitments | | **460** | **—** | **—** | **460** |
| Credit derivatives | | **13,799** | **—** | **(9,291)** | **4,508** |

| | | Gross Amounts | Amounts Eligible for Offset: Financial Instruments | Amounts Eligible for Offset: Cash Collateral | Net Amounts |
|---|---|---|---|---|---|
| | | | **December 31, 2021** | | |
| Assets | | | (dollars in thousands) | | |
| Interest rate swaptions, at fair value | | $105,710 | $ — | $ — | $105,710 |
| TBA derivatives, at fair value | | 52,693 | (3,876) | — | 48,817 |
| Futures contracts, at fair value | | 9,028 | (9,028) | — | — |
| Purchase commitments | | 1,779 | — | — | 1,779 |
| Credit derivatives | | 1,160 | (516) | — | 644 |
| Liabilities | | | | | |
| **Liabilities** | Liabilities | | | | |
| Interest rate swaps, at fair value | Interest rate swaps, at fair value | $747,036 | $ — | $(77,607) | $669,429 |
| TBA derivatives, at fair value | TBA derivatives, at fair value | 3,916 | (3,876) | (40) | — |
| Futures contracts, at fair value | Futures contracts, at fair value | 129,134 | (9,028) | (120,106) | — |
| Purchase commitments | Purchase commitments | 870 | — | — | 870 |
| Credit derivatives | Credit derivatives | 581 | (516) | (65) | — |



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The effect of interest rate swaps in the Consolidated Statements of Comprehensive Income (Loss) is as follows:

| | | | | Location on Consolidated Statements of Comprehensive Income (Loss) | | |
|---|---|---|---|---|---|---|
| | Net Interest Component of Interest Rate Swaps (1) | Realized Gains (Losses) on Termination of Interest Rate Swaps (1) | Unrealized Gains (Losses) on Interest Rate Swaps (1) | Net Interest Component of Interest Rate Swaps (1) | Realized Gains (Losses) on Termination of Interest Rate Swaps (1) | Unrealized Gains (Losses) on Interest Rate Swaps (1) |
| For the years ended | For the years ended | (dollars in thousands) | | For the years ended | (dollars in thousands) | |
| December 31, 2023 | | | | | | |
| December 31, 2022 | December 31, 2022 | $ 366,161 | $ (266,427) | $3,480,708 | | |
| December 31, 2021 | December 31, 2021 | $ (276,142) | $(1,236,349) | $2,198,486 | | |
| December 31, 2020 | | $ (207,877) | $(1,917,628) | $ (904,532) | | |

(1) Included in Net gains (losses) on derivatives in the Consolidated Statements of Comprehensive Income (Loss).

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The effect of other derivative contracts in the Company's Consolidated Statements of Comprehensive Income (Loss) is as follows:

| | | | | | Year Ended December 31, 2022 | | | |
|---|---|---|---|---|---|---|---|---|
| Year Ended December 31, 2023 | | | | | Year Ended December 31, 2023 | | | |
| Derivative Instruments | Derivative Instruments | Realized Gain (Loss) | Unrealized Gain (Loss) | Amount of Gain/(Loss) Recognized in Net Gains (Losses) on Other Derivatives and Financial Instruments | Derivative Instruments | Realized Gain (Loss) | Unrealized Gain (Loss) | Amount of Gain/(Loss) Recognized in Net Gains (Losses) on Other Derivatives and Financial Instruments |
| (dollars in thousands) | | | | | | | | |
| Net TBA derivatives | Net TBA derivatives | $(2,729,866) | $(100,990) | $(2,830,856) | | | | |
| Net interest rate swaptions | Net interest rate swaptions | (43,124) | 195,084 | 151,960 | | | | |
| Futures | Futures | 3,825,072 | 141,366 | 3,966,438 | | | | |
| Purchase commitments | Purchase commitments | — | 460 | 460 | | | | |
| Credit derivatives | Credit derivatives | 3,657 | (12,927) | (9,270) | | | | |
| Total | Total | | | $ 1,278,732 | | | | |



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| Year Ended December 31, 2022 | | | | | Year Ended December 31, 2021 | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | Year Ended December 31, 2022 | | | |
| Derivative Instruments | Derivative Instruments | Realized Gain (Loss) | Unrealized Gain (Loss) | Amount of Gain/(Loss) Recognized in Net Gains (Losses) on Other Derivatives and Financial Instruments | Derivative Instruments | Realized Gain (Loss) | Unrealized Gain (Loss) | Amount of Gain/(Loss) Recognized in Net Gains (Losses) on Other Derivatives and Financial Instruments |
| (dollars in thousands) | | | | | | | | |
| Net TBA derivatives | Net TBA derivatives | $(354,410) | $ (47,332) | $ (401,742) | | | | |
| Net interest rate swaptions | Net interest rate swaptions | (78,431) | 2,387 | (76,044) | | | | |
| Futures | Futures | 683,534 | (101,199) | 582,335 | | | | |
| Purchase commitments | Purchase commitments | — | 860 | 860 | | | | |
| Credit derivatives | Credit derivatives | 8,234 | 6,931 | 15,165 | | | | |
| **Total** | **Total** | | | $ 120,574 | | | | |

Certain of the Company's derivative contracts are subject to International Swaps and Derivatives Association Master Agreements or other similar agreements which may contain provisions that grant counterparties certain rights with respect to the applicable agreement upon the occurrence of certain events such as (i) a decline in stockholders' equity in excess of specified thresholds or dollar amounts over set periods of time, (ii) the Company's failure to maintain its REIT status, (iii) the Company's failure to comply with limits on the amount of leverage, and (iv) the Company's stock being delisted from the New York Stock Exchange.

Upon the occurrence of any one of items (i) through (iv), or another default under the agreement, the counterparty to the applicable agreement has a right to terminate the agreement in accordance with its provisions. The aggregate fair value of all derivative instruments with the aforementioned features were that are in a net asset liability position at December 31, 2022. December 31, 2023 was approximately $184.9 million, which represents the maximum amount the Company would be required to pay upon termination.

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## 12. FAIR VALUE MEASUREMENTS

The Company follows fair value guidance in accordance with GAAP to account for its financial instruments and MSR that are accounted for at fair value. The fair value of a financial instrument and MSR is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

GAAP requires classification of financial instruments and MSR into a three-level hierarchy based on the priority of the inputs to the valuation technique. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

If the inputs used to measure the financial instrument and MSR fall within different levels of the hierarchy, the categorization is based on the lowest priority input that is significant to the fair value measurement of the instrument. Financial assets and liabilities recorded at fair value on the Consolidated Statements of Financial Condition or disclosed in the related notes are categorized based on the inputs to the valuation techniques as follows:

Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets and liabilities in active markets.

Level 2 – inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 – inputs to the valuation methodology are unobservable and significant to overall fair value.

The Company designates its securities as trading, available-for-sale or held-to-maturity depending upon the type of security and the Company's intent and ability to hold such security to maturity. Securities classified as available-for-sale and trading are reported at fair value on a recurring basis.

The following is a description of the valuation methodologies used for instruments carried at fair value. These methodologies are applied to assets and liabilities across the three-level fair value hierarchy, with the observability of inputs determining the appropriate level.

Futures contracts and U.S. Treasury securities are valued using quoted prices for identical instruments in active markets and are classified as Level 1.



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Residential Securities, interest rate swaps, swaptions and other derivatives are valued using quoted prices or internally estimated prices for similar assets using internal models. The Company incorporates common market pricing methods, including a spread measurement to the Treasury curve as well as underlying characteristics of the particular security including coupon, prepayment speeds, periodic and life caps, rate reset period and expected life of the security in its estimates of fair value. Fair value estimates for residential mortgage loans are generated by a discounted cash flow model and are primarily based on observable market-based inputs including discount rates, prepayment speeds, delinquency levels, and credit losses. Management reviews and indirectly corroborates its estimates of the fair value derived using internal models by comparing its results to independent prices provided by dealers in the securities and/or third party pricing services. Certain liquid asset classes, such as Agency fixed-rate pass-throughs, may be priced using independent sources such as quoted prices for TBA securities.

Residential Securities, residential mortgage loans, interest rate swap and swaption markets and TBA derivatives and MBS options are considered to be active markets such that participants transact with sufficient frequency and volume to provide transparent pricing information on an ongoing basis. The liquidity of the Residential Securities, residential mortgage loans, interest rate swaps, swaptions and TBA derivatives and MBS options markets and the similarity of the Company's securities to those actively traded enable the Company to observe quoted prices in the market and utilize those prices as a basis for formulating fair value measurements. Consequently, the Company has classified Residential Securities, residential mortgage loans, interest rate swaps, swaptions and TBA derivatives and MBS options as Level 2 inputs in the fair value hierarchy.

The fair value of commercial mortgage-backed securities classified as available-for-sale is determined based upon quoted prices of similar assets in recent market transactions and requires the application of judgment due to differences in the underlying collateral. Consequently, commercial real estate debt investments carried at fair value are classified as Level 2.

For the fair value of debt issued by securitization vehicles, refer to the "Variable Interest Entities" Note for additional information.

The Company classifies its investments in MSR and Interests in MSR as Level 3 in the fair value measurements hierarchy. Fair value estimates for these investments are obtained from models, which use significant unobservable inputs in their valuations. These valuations primarily utilize discounted cash flow models that incorporate unobservable market data inputs including discount rates, prepayment rates, delinquency levels and costs to service. Model valuations are then compared to valuations



obtained from third party pricing providers. Management reviews the valuations received from third party pricing providers and

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uses them as a point of comparison to modeled values. The valuation of MSR and Interests in MSR require significant judgment by management and the third party pricing providers. Assumptions used for which there is a lack of observable inputs may significantly impact the resulting fair value and therefore the Company's financial statements.

The following tables present the estimated fair values of financial instruments and MSR measured at fair value on a recurring basis. There were no transfers between levels of the fair value hierarchy during the periods presented.

| | December 31, 2023 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Assets | | (dollars in thousands) | | |
| **Securities** | | | | |
| Agency mortgage-backed securities | $ — | $ 66,308,788 | $ — | $ 66,308,788 |
| Credit risk transfer securities | — | 974,059 | — | 974,059 |
| Non-Agency mortgage-backed securities | — | 2,108,274 | — | 2,108,274 |
| Commercial mortgage-backed securities | — | 222,444 | — | 222,444 |
| **Loans** | | | | |
| Residential mortgage loans | — | 2,353,084 | — | 2,353,084 |
| **Mortgage servicing rights** | — | — | 2,122,196 | 2,122,196 |
| **Assets transferred or pledged to securitization vehicles** | — | 13,307,622 | — | 13,307,622 |
| **Derivative assets** | | | | |
| Interest rate swaps | — | 26,344 | — | 26,344 |
| Other derivatives | — | 136,213 | — | 136,213 |
| **Total assets** | $ — | $ 85,436,828 | $ 2,122,196 | $ 87,559,024 |
| Liabilities | | | | |
| **Debt issued by securitization vehicles** | $ — | $ 11,600,338 | $ — | $ 11,600,338 |
| **Participations issued** | — | 1,103,835 | — | 1,103,835 |
| **U.S. Treasury securities sold, not yet purchased** | 2,132,751 | — | — | 2,132,751 |
| **Derivative liabilities** | | | | |
| Interest rate swaps | — | 83,051 | — | 83,051 |
| Other derivatives | 179,835 | 39,409 | — | 219,244 |



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| | | | | |
|---|---|---|---|---|
| **Total liabilities** | **$ 2,312,586** | **$ 12,826,633** | **$ —** | **$ 15,139,219** |

| December 31, 2022 | | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| **Assets** | | (dollars in thousands) | | |
| **Securities** | | | | |
| Agency mortgage-backed securities | $ — | $ 62,274,895 | $ — | $ 62,274,895 |
| Credit risk transfer securities | — | 997,557 | — | 997,557 |
| Non-Agency mortgage-backed securities | — | 1,991,146 | — | 1,991,146 |
| Commercial mortgage-backed securities | — | 526,309 | — | 526,309 |
| **Loans** | | | | |
| Residential mortgage loans | — | 1,809,832 | — | 1,809,832 |
| **Mortgage servicing rights** | — | — | 1,748,209 | 1,748,209 |
| **Assets transferred or pledged to securitization vehicles** | — | 9,121,912 | — | 9,121,912 |
| **Derivative assets** | | | | |
| Interest rate swaps | — | 33,006 | — | 33,006 |
| Other derivatives | 33,179 | 275,879 | — | 309,058 |
| **Total assets** | $ 33,179 | $ 77,030,536 | $ 1,748,209 | $ 78,811,924 |
| **Liabilities** | | | | |
| **Debt issued by securitization vehicles** | $ — | $ 7,744,160 | $ — | $ 7,744,160 |
| **Participations issued** | — | 800,849 | — | 800,849 |
| **Derivative liabilities** | | | | |
| Interest rate swaps | — | 108,724 | — | 108,724 |
| Other derivatives | 11,919 | 83,529 | — | 95,448 |
| **Total liabilities** | $ 11,919 | $ 8,737,262 | $ — | $ 8,749,181 |

| December 31, 2021 | | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| **Assets** | | (dollars in thousands) | | |
| **Securities** | | | | |
| Agency mortgage-backed securities | $ — | $ 60,525,605 | $ — | $ 60,525,605 |
| Credit risk transfer securities | — | 936,228 | — | 936,228 |
| Non-Agency mortgage-backed securities | — | 1,663,336 | — | 1,663,336 |
| Commercial mortgage-backed securities | — | 530,505 | — | 530,505 |
| **Loans** | | | | |
| Residential mortgage loans | — | 2,272,072 | — | 2,272,072 |
| Residential mortgage loan warehouse facility | — | 980 | — | 980 |
| **Mortgage servicing rights** | — | — | 544,562 | 544,562 |
| **Interests in MSR** | — | — | 69,316 | 69,316 |
| **Assets transferred or pledged to securitization vehicles** | — | 6,086,308 | — | 6,086,308 |
| **Derivative assets** | | | | |
| Other derivatives | 9,028 | 161,342 | — | 170,370 |
| **Total assets** | $ 9,028 | $ 72,176,376 | $ 613,878 | $ 72,799,282 |
| **Liabilities** | | | | |
| **Debt issued by securitization vehicles** | $ — | $ 5,155,633 | $ — | $ 5,155,633 |
| **Participations issued** | — | 1,049,066 | — | 1,049,066 |
| **Derivative liabilities** | | | | |
| Interest rate swaps | — | 747,036 | — | 747,036 |
| Other derivatives | 129,134 | 5,367 | — | 134,501 |
| **Total liabilities** | $ 129,134 | $ 6,957,102 | $ — | $ 7,086,236 |



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***Qualitative and Quantitative Information about Level 3 Fair Value Measurements***

The Company considers unobservable inputs to be those for which market data is not available and that are developed using the best information available to us about the assumptions that market participants would use when pricing the asset. Relevant inputs vary depending on the nature of the instrument being measured at fair value. The sensitivities of significant unobservable inputs along with interrelationships between and among the significant unobservable inputs and their impact on the fair value measurements are described below. The effect of a change in a particular assumption in the sensitivity analysis below is considered independently from changes in any other assumptions. In practice, simultaneous changes in assumptions may not always have a linear effect on the inputs discussed below. Interrelationships may also exist between observable and unobservable inputs. Such relationships have not been included in the discussion below. For each of the individual relationships described below, the inverse relationship would also generally apply. For MSR and Interests in MSR, in general, increases in the discount, prepayment or delinquency rates or in annual servicing costs in isolation would result in a lower fair value measurement. A decline in interest rates could lead to higher-than-expected prepayments of mortgages underlying the Company's investments in MSR and Interests in MSR, which in turn could result in a decline in the estimated fair value of MSR and Interests in MSR. Refer to the "Mortgage Servicing Rights" Note for additional information, including rollforwards.

The following table below presents information about the significant unobservable inputs used for recurring fair value measurements for Level 3 MSR and Interests in MSR. The table does not give effect to the Company's risk management practices that might offset risks inherent in these Level 3 investments.

| | December 31, 2022 | | | |
|---|---|---|---|---|
| | Unobservable Input (1) | Range (Weighted Average) (2) | | |
| | December 31, 2022 | December 31, 2022 | | |
| | Discount rate | Prepayment rate | Delinquency rate | Cost to service |
| MSR held directly | 7.0% - 12.0% (8.6%) | 8.4% - 10.7% (9.7%) | | |
| Prepayment rate | 4.8% - 11.0% (5.6%) | 4.8% - 8.1% (5.4%) | | |
| Delinquency rate | 0.2% - 4.2% (1.3%) | 0.2% - 4.5% (1.3%) | | |
| Cost to service | $84 - $111 ($94) | $86 - $118 ($95) | | |

| | December 31, 2021 | | | |
|---|---|---|---|---|
| | Unobservable Input (1) | Range (Weighted Average) (2) | | |
| | Discount rate | Prepayment rate | Delinquency rate | Cost to service |
| MSR held directly | 3.3% - 11.1% (7.0%) | 7.3% - 15.9% (9.4%) | 0.2% - 2.5% (1.2%) | $90 - $103 ($96) |
| Interests in MSR | 8.4% - 8.4% (8.4%) | 5.0% - 14.4% (9.1%) | 0.0% - 0.2% (0.1%) | $78 - $84 ($81) |

(1) Represents rates, estimates and assumptions that the Company believes would be used by market participants when valuing these assets.

(2) Weighted average discount rate computed based on the fair value of MSR, weighted average prepayment rate, delinquency rate and cost to service based on unpaid principal balances of loans underlying the MSR.

The following table summarizes the estimated fair values for financial assets and liabilities that are not carried at fair value at December 31, 2022 December 31, 2023 and 2021. 2022.

| | December 31, 2022 | | December 31, 2021 | |
|---|---|---|---|---|
| | Carrying Value | Fair Value | Carrying Value | Fair Value |
| Financial assets | (dollars in thousands) | | | |
| **Loans** | | | | |

| December 31, 2023 | | | December 31, 2022 | |
|---|---|---|---|---|
| | Carrying Value | Fair Value | Carrying Value | Fair Value |
| Corporate debt, held for investment | $— | $— | $1,968,991 | $1,986,379 |
| **Financial liabilities** | Financial liabilities | | | |
| Financial liabilities | | | | |
| Financial liabilities | | | | |
| Repurchase agreements | | | | |



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| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Repurchase agreements | | | | | | | | | | | | |
| Repurchase agreements | Repurchase agreements | **$59,512,597** | **$59,512,597** | $54,769,643 | $54,769,643 | **$62,201,543** | | **$62,201,543** | | $59,512,597 | | $59,512,597 |
| Other secured financing | Other secured financing | **250,000** | **250,000** | 903,255 | 903,255 | Other secured financing **500,000** | | **500,000** | | 250,000 | | 250,000 |

Corporate debt, held for investment is valued using Level 3 inputs. Refer to the "Sale of Middle Market Lending Portfolio" Note for additional information. The carrying values of repurchase agreements and short term other secured financing approximate fair value and are considered Level 2 fair value measurements. Long term other secured financing is valued using Level 2 inputs.

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## 13. GOODWILL AND INTANGIBLE ASSETS

***Goodwill***

The Company's acquisitions are accounted for using the acquisition method if the acquisition is deemed to be a business. Under the acquisition method, net assets and results of operations of acquired companies are included in the consolidated financial statements from the date of acquisition. The purchase prices are allocated to the assets acquired, including identifiable intangible assets, and the liabilities assumed based on their estimated fair values at the date of acquisition. The excess of the purchase price over the fair value of the net assets acquired is recognized as goodwill. Conversely, any excess of the fair value of the net assets acquired over the purchase price is recognized as a bargain purchase gain.

The Company tests goodwill for impairment on an annual basis or more frequently when events or circumstances may make it more likely than not that an impairment has occurred. If a qualitative analysis indicates that there may be an impairment, a quantitative analysis is performed. The quantitative impairment test for goodwill compares the fair value of a reporting unit with its carrying value, including goodwill. If the carrying value of a reporting unit exceeds its fair value, an impairment loss is recognized in amount equal to that excess, limited to the total amount of goodwill allocated to that reporting unit. At December 31, 2022 and 2021, there was no goodwill balance.

***Intangible assets, net***

Finite life intangible assets are amortized over their expected useful lives. As part of the Company's management internalization transaction, which closed on June 30, 2020, the Company recognized an intangible asset for the acquired assembled workforce of approximately $41.2 million based on the replacement cost of the employee base acquired by the Company.

The following table presents the activity of finite lived intangible assets for the year ended December 31, 2022 December 31, 2023.

| Intangible Assets, net | |
|---|---|
| (dollars in thousands) | |
| Beginning balance January 1, 2022 | $ 24,241 |
| Impairment | (4,157) |
| Less: amortization expense | (3,405) |
| **Ending balance December 31, 2022 January 1, 2023** | $ 16,679 |
| Impairment | (1,626) |
| Less: amortization expense | (2,947) |
| **Ending balance December 31, 2023** | $ 12,106 |

## 14. SECURED FINANCING

***Reverse Repurchase and Repurchase Agreements*** – The Company finances a significant portion of its assets with repurchase agreements. At the inception of each transaction, the Company assessed each of the specified criteria in ASC 860, *Transfers and Servicing*, and has determined that each of the financing agreements should be treated as a securing secured financing.

The Company enters into reverse repurchase agreements to earn a yield on excess cash balances. To mitigate credit exposure, the Company monitors the market value of these securities and delivers or obtains additional collateral based on changes in market value of these securities. Generally, the Company receives or posts collateral with a fair value approximately equal to or greater than the value of the secured financing.

Reverse repurchase agreements and repurchase agreements with the same counterparty and the same maturity are presented net in the Consolidated Statements of Financial Condition when the terms of the agreements meet the criteria to permit netting. The Company reports cash flows on repurchase agreements as financing activities and cash flows on reverse repurchase agreements as investing activities in the Consolidated Statements of Cash Flows.

The Company had outstanding $59.5 billion $62.2 billion and $54.8 billion $59.5 billion of repurchase agreements with weighted average remaining maturities of 44 days and 27 days and 52 days weighted average rates of 5.70% and 4.29% at December 31, 2022 December 31, 2023 and 2021, 2022, respectively. The In connection with its residential mortgage loans, the Company has select arrangements with counterparties to enter into repurchase agreements for $1.8 billion $2.4 billion with remaining capacity of $1.1 billion $1.5 billion at December 31, 2022 December 31, 2023.



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At December 31, 2023 and 2022, the repurchase agreements had the following remaining maturities and collateral types:

| December 31, 2023 | | | | | | |
|---|---|---|---|---|---|---|
| | Agency Mortgage-Backed Securities | CRTs | Non-Agency Mortgage-Backed Securities | Residential Mortgage Loans | Commercial Mortgage-Backed Securities | Total Repurchase Agreements |
| | (dollars in thousands) | | | | | |
| 1 day | $ — | $ — | $ — | $ — | $ — | $ — |
| 2 to 29 days | 33,492,952 | 555,568 | 840,400 | — | 191,276 | 35,080,196 |
| 30 to 59 days | 18,090,265 | — | 528,341 | — | — | 18,618,606 |
| 60 to 89 days | 6,479,206 | 139,952 | 579,611 | — | — | 7,198,769 |
| 90 to 119 days | — | — | 39,714 | 207,592 | — | 247,306 |
| Over 119 days (1) | 2,511,003 | — | 169,697 | 644,259 | — | 3,324,959 |
| **Total** | $ 60,573,426 | $ 695,520 | $ 2,157,763 | $ 851,851 | $ 191,276 | $ 64,469,836 |
| Amounts offset in accordance with netting arrangements | | | | | | $ (2,268,293) |
| Net amounts of Repurchase agreements as presented in the Consolidated Statements of Financial Condition | | | | | | $ 62,201,543 |

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At December 31, 2022 and 2021, the repurchase agreements had the following remaining maturities, collateral types and weighted average rates:

| December 31, 2022 | | | | | | | |
|---|---|---|---|---|---|---|---|
| | Agency Mortgage-Backed Securities | CRTs | Non-Agency Mortgage-Backed Securities | Residential Mortgage Loans | Commercial Mortgage-Backed Securities | Total Repurchase Agreements | Weighted Average Rate |
| | (dollars in thousands) | | | | | | |
| 1 day | $ — | $ — | $ — | $ — | $ — | $ — | — % |
| 2 to 29 days | 30,244,050 | 193,069 | 524,432 | 200,931 | 263,711 | 31,426,193 | 4.27 % |
| 30 to 59 days | 21,200,770 | 149,733 | 632,673 | — | 124,390 | 22,107,566 | 4.18 % |
| 60 to 89 days | 4,410,473 | — | 782,905 | — | 68,647 | 5,262,025 | 4.59 % |
| 90 to 119 days | — | 125,893 | 73,251 | 168,656 | — | 367,800 | 5.82 % |
| Over 119 days (2) | — | — | — | 349,013 | — | 349,013 | 6.37 % |
| **Total** | $ 55,855,293 | $ 468,695 | $ 2,013,261 | $ 718,600 | $ 456,748 | $ 59,512,597 | 4.29 % |

| December 31, 2022 | | | | | | | | December 31, 2021 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| December 31, 2022 | | | | | | | | | | | | | |
| December 31, 2022 | | | | | | | | | | | | | |
| | Agency Mortgage-Backed Securities | CRTs | Non-Agency Mortgage-Backed Securities | Residential Mortgage Loans | Commercial Mortgage-Backed Securities (1) | Total Repurchase Agreements | Weighted Average Rate | Agency Mortgage-Backed Securities | CRTs | Non-Agency Mortgage-Backed Securities | Residential Mortgage Loans | Commercial Mortgage-Backed Securities | Total Repurchase Agreements |
| | (dollars in thousands) | | | | | | | (dollars in thousands) | | | | | |
| 1 day | 1 day $ — | $ — | $ — | $ — | $ — | $ — | — % | | | | | | |
| 2 to 29 days | 2 to 29 days 26,435,408 | 133,525 | 246,707 | — | 197,834 | 27,013,474 | 0.14 % | | | | | | |



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| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| 30 to 59 days | 30 to 59 days | 9,743,872 | 38,854 | 270,377 | 159,350 | — | 10,212,453 | 0.19 % |
| 60 to 89 days | 60 to 89 days | 6,021,850 | 4,071 | 351,426 | — | — | 6,377,347 | 0.17 % |
| 90 to 119 days | 90 to 119 days | 4,812,345 | — | 12,573 | — | — | 4,824,918 | 0.15 % |
| Over 119 days (2) | | 5,711,448 | — | 96,283 | 345,651 | 188,069 | 6,341,451 | 0.27 % |
| Over 119 days (1) | | | | | | | | |
| **Total** | **Total** | $52,724,923 | $176,450 | $ 977,366 | $ 505,001 | $ 385,903 | $54,769,643 | 0.17 % |

(1) Includes commercial mortgage-backed securities held for sale.

(2) No repurchase agreements had a remaining maturity over 1 year at December 31, 2022 and 2021.

Amounts offset in accordance with netting arrangements

Amounts offset in accordance with netting arrangements

Amounts offset in accordance with netting arrangements

Net amounts of Repurchase agreements as presented in the Consolidated Statements of Financial Condition

(1) No repurchase agreements had a remaining maturity over 1 year at December 31, 2023 and 2022.

(1) No repurchase agreements had a remaining maturity over 1 year at December 31, 2023 and 2022.

(1) No repurchase agreements had a remaining maturity over 1 year at December 31, 2023 and 2022.

(1) No repurchase agreements had a remaining maturity over 1 year at December 31, 2023 and 2022.

(1) No repurchase agreements had a remaining maturity over 1 year at December 31, 2023 and 2022.

(1) No repurchase agreements had a remaining maturity over 1 year at December 31, 2023 and 2022.

(1) No repurchase agreements had a remaining maturity over 1 year at December 31, 2023 and 2022.

(1) No repurchase agreements had a remaining maturity over 1 year at December 31, 2023 and 2022.

(1) No repurchase agreements had a remaining maturity over 1 year at December 31, 2023 and 2022.

(1) No repurchase agreements had a remaining maturity over 1 year at December 31, 2023 and 2022.

(1) No repurchase agreements had a remaining maturity over 1 year at December 31, 2023 and 2022.

(1) No repurchase agreements had a remaining maturity over 1 year at December 31, 2023 and 2022.

(1) No repurchase agreements had a remaining maturity over 1 year at December 31, 2023 and 2022.

(1) No repurchase agreements had a remaining maturity over 1 year at December 31, 2023 and 2022.

(1) No repurchase agreements had a remaining maturity over 1 year at December 31, 2023 and 2022.

(1) No repurchase agreements had a remaining maturity over 1 year at December 31, 2023 and 2022.

(1) No repurchase agreements had a remaining maturity over 1 year at December 31, 2023 and 2022.

(1) No repurchase agreements had a remaining maturity over 1 year at December 31, 2023 and 2022.

(1) No repurchase agreements had a remaining maturity over 1 year at December 31, 2023 and 2022.

(1) No repurchase agreements had a remaining maturity over 1 year at December 31, 2023 and 2022.

(1) No repurchase agreements had a remaining maturity over 1 year at December 31, 2023 and 2022.



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(1) No repurchase agreements had a remaining maturity over 1 year at December 31, 2023 and 2022.

(1) No repurchase agreements had a remaining maturity over 1 year at December 31, 2023 and 2022.

(1) No repurchase agreements had a remaining maturity over 1 year at December 31, 2023 and 2022.

(1) No repurchase agreements had a remaining maturity over 1 year at December 31, 2023 and 2022.

(1) No repurchase agreements had a remaining maturity over 1 year at December 31, 2023 and 2022.

(1) No repurchase agreements had a remaining maturity over 1 year at December 31, 2023 and 2022.

(1) No repurchase agreements had a remaining maturity over 1 year at December 31, 2023 and 2022.

(1) No repurchase agreements had a remaining maturity over 1 year at December 31, 2023 and 2022.

(1) No repurchase agreements had a remaining maturity over 1 year at December 31, 2023 and 2022.

(1) No repurchase agreements had a remaining maturity over 1 year at December 31, 2023 and 2022.

(1) No repurchase agreements had a remaining maturity over 1 year at December 31, 2023 and 2022.

(1) No repurchase agreements had a remaining maturity over 1 year at December 31, 2023 and 2022.

(1) No repurchase agreements had a remaining maturity over 1 year at December 31, 2023 and 2022.

(1) No repurchase agreements had a remaining maturity over 1 year at December 31, 2023 and 2022.

The following table summarizes the gross amounts of reverse repurchase agreements and repurchase agreements, amounts offset in accordance with netting arrangements and net amounts of reverse repurchase agreements and reverse repurchase agreements as presented in the Consolidated Statements of Financial Condition at December 31, 2022 December 31, 2023 and 2021. 2022. Refer to the "Derivative Instruments" Note for information related to the effect of netting arrangements on the Company's derivative instruments.

| | | December 31, 2022 | | December 31, 2021 | | December 31, 2023 | | December 31, 2022 | |
|---|---|---|---|---|---|---|---|---|---|
| | | Reverse Repurchase Agreements | Repurchase Agreements | Reverse Repurchase Agreements | Repurchase Agreements | Reverse Repurchase Agreements | Repurchase Agreements | Reverse Repurchase Agreements | Repurchase Agreements |
| | | (dollars in thousands) | | | | (dollars in thousands) | | | |
| Gross amounts | Gross amounts | **$ —** | **$59,512,597** | $ — | $54,769,643 | | | | |
| Amounts offset | Amounts offset | **—** | **—** | — | — | | | | |
| **Netted amounts** | **Netted amounts** | **$ —** | **$59,512,597** | $ — | $54,769,643 | | | | |

The fair value of collateral received in connection with reverse repurchase agreements was $2.3 billion, of which the Company sold $2.1 billion as of December 31, 2023. The amount of collateral sold is reported at fair value in the Company's Consolidated Statements of Financial Condition as U.S. Treasury securities sold, not yet purchased. There were no reverse repurchase agreements or related collateral sold as of December 31, 2022.

***Other Secured Financing*** - As of December 31, 2022 December 31, 2023, the Company had a $500 million $1.25 billion in committed credit facility facilities to finance a portion of its MSR portfolio. Outstanding borrowings under this facility as of December 31, 2022 December 31, 2023 totaled $250.0 million $500.0 million with maturities ranging between onesix months to three years. one year. The weighted average interest average rate of the advances borrowings was 7.07% 8.09% as of December 31, 2022 December 31, 2023. Borrowings are reported in Other secured financing in the Company's Consolidated Statements of Financial Condition.

Refer to the "Variable Interest Entities" Note for additional information on the Company's other secured financing arrangements at December 31, 2021 December 31, 2022.

Investments pledged as collateral under secured financing arrangements and interest rate swaps, excluding residential mortgage loans of consolidated VIEs, had an estimated fair value and accrued interest of $68.2 billion and $279.5 million, respectively, at December 31, 2023 and $62.2 billion and $226.4 million, respectively, at December 31, 2022 and $59.2 billion and $160.8 million, respectively, at December 31, 2021.

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## 15. CAPITAL STOCK

(A) Common Stock

The following table provides a summary of the Company's common shares authorized, and issued and outstanding at December 31, 2022 December 31, 2023 and 2021. 2022.

| | Shares authorized | | Shares issued and outstanding | | |
|---|---|---|---|---|---|
| | December 31, 2022 | December 31, 2021 | December 31, 2022 | December 31, 2021 | Par Value |
| Common stock | **2,936,500,000** | 2,936,500,000 | **468,309,810** | 364,934,065 | $0.01 |



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| | Shares authorized | | Shares issued and outstanding | | |
|---|---|---|---|---|---|
| | December 31, 2023 | December 31, 2022 | December 31, 2023 | December 31, 2022 | Par Value |
| Common stock | **1,468,250,000** | 2,936,500,000 | **500,080,287** | 468,309,810 | $0.01 |

In December 2020, the Company announced that its Board authorized the repurchase of up to $1.5 billion of its outstanding common shares through December 31, 2021 (the "Prior Share Repurchase Program"). In January 2022, the Company announced that its Board authorized the repurchase of up to $1.5 billion of its outstanding shares of common stock through December 31, 2024 (the "Current Share Repurchase Program"). The Current Share Repurchase Program replaced the Prior Share Repurchase Program. During the years ended December 31, 2022 December 31, 2023 and 2021, 2022, no shares were purchased repurchased under the Current Share Repurchase Program or Prior Share Repurchase Program.

On August 6, 2020, the Company entered into separate Amended and Restated Distribution Agency Agreements (as amended by Amendment No. 1 to the Amended and Restated Distribution Agency Agreements on August 6, 2021, and Amendment No. 2 to the Amended and Restated Distribution Agency Agreements on November 3, 2022, collectively, the "Sales Agreements") with each of Barclays Capital Inc., BofA Securities, Inc., Citigroup Global Markets Inc., Goldman Sachs & Co. LLC, Keefe, Bruyette & Woods, Inc., J.P. Morgan Securities LLC, RBC Capital Markets, LLC, UBS Securities LLC and Wells Fargo Securities, LLC (collectively, the "Sales Agents"). Pursuant to the Sales Agreements, the Company may offer and sell shares of its common stock, having an aggregate offering price of up to $1.5 billion, from time to time through any of the Sales Agents (the "at-the-market sales program").

During the year ended December 31, 2023, under the at-the-market sales program, the Company issued 31.4 million shares for proceeds of $0.7 billion, net of commissions and fees. During the year ended December 31, 2022, under the at-the-market sales program, the Company issued 45.7 million shares for proceeds of $1.1 billion, net of commissions and fees. The foregoing share amounts have been retroactively adjusted to reflect the effects of the Reverse Stock Split.

During the year ended December 31, 2022, the Company closed two public offerings for an aggregate original issuance of 50 million shares of common stock for aggregate proceeds of $1.31 billion before deducting offering expenses. In connection with each offering, the Company granted the underwriters a thirty-day option to purchase up to an additional 3.75 million shares of common stock, which the underwriters exercised in full in both instances, resulting in an additional $196.5 million in proceeds before deducting offering expenses for the year ended December 31, 2022. The stock offerings conducted during the year ended December 31, 2022 were completed prior to the Reverse Stock Split and the foregoing share amounts have been retroactively adjusted to reflect the effects thereof.

On August 6, 2020, the Company entered into separate Amended and Restated Distribution Agency Agreements (as amended by Amendment No. 1 to the Amended and Restated Distribution Agency Agreements on August 6, 2021, and Amendment No. 2 to the Amended and Restated Distribution Agency Agreements on November 3, 2022, collectively, the "Sales Agreements") with each of RBC Capital Markets, LLC, Barclays Capital Inc., BofA Securities, Inc., Citigroup Global Markets Inc., Credit Suisse Securities (USA) LLC, Goldman Sachs & Co. LLC, Keefe, Bruyette & Woods, Inc., J.P. Morgan Securities LLC, UBS Securities LLC and Wells Fargo Securities, LLC (collectively, the "Sales Agents"). Pursuant to the Sales Agreements, the Company may offer and sell shares of its common stock, having an aggregate offering price of up to $1.5 billion, from time to time through any of the Sales Agents (the "at-the-market sales program").

During the year ended December 31, 2022, under the at-the-market sales program, the Company issued 45.7 million shares for proceeds of $1.1 billion, net of commissions and fees. During the year ended December 31, 2021, under the at-the-market sales program, the Company issued 15.2 million shares for proceeds of $552.4 million, net of commissions and fees. The foregoing share amounts have been retroactively adjusted to reflect the effects of the Reverse Stock Split.

(B) Preferred Stock

The following is a summary of the Company's cumulative redeemable preferred stock outstanding at December 31, 2022 December 31, 2023 and 2021, 2022. In the event of a liquidation or dissolution of the Company, the Company's then outstanding preferred stock takes precedence over the Company's common stock with respect to payment of dividends and the distribution of assets.

| | Shares Authorized | | | | | | | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | December 31, 2023 | | | | | | | | | | | | | | | | | | | | | | | |
| | | Shares Authorized | | Shares Issued And Outstanding | | Carrying Value | | | | Date At Which Dividend Rate Becomes Floating | | | | Shares Authorized | | | | Shares Issued Outstandin | | | |
| | | December 31, 2022 | December 31, 2021 | December 31, 2022 | December 31, 2021 | December 31, 2022 | December 31, 2021 | Contractual Rate | Earliest Redemption Date (1) | | Floating Annual Rate | | | December 31, 2023 | December 31, 2022 | December 31, 2023 | Dec 31, |
| Fixed-to-floating rate | | | | | | | | | | | | | | | | | | | | | | | | |
| Fixed-to-floating rate | | | | | | | | | | | | | | | | | | | | | | | | |
| **Fixed-to-floating rate** | | | | | | | | | | | | | | | | | | | | | | | | |
| Series F | Series F | **28,800,000** | 28,800,000 | **28,800,000** | 28,800,000 | **696,910** | 696,910 | 6.95% | 9/30/2022 | | 3M LIBOR + 4.993% | Series F | **28,800,000** | 28,800,000 | 28,800,000 | **28,800,000** | **28,800,000** | 28,800,000 | 28,800,000 |
| Series G | Series G | **17,000,000** | 17,000,000 | **17,000,000** | 17,000,000 | **411,335** | 411,335 | 6.50% | 3/31/2023 | | 3M LIBOR + 4.172% | Series G | **17,000,000** | 17,000,000 | 17,000,000 | **17,000,000** | **17,000,000** | 17,000,000 | 17,000,000 |
| Series I | Series I | **17,700,000** | 17,700,000 | **17,700,000** | 17,700,000 | **428,324** | 428,324 | 6.75% | 6/30/2024 | | 3M LIBOR + 4.989% | Series I | **17,700,000** | 17,700,000 | 17,700,000 | **17,700,000** | **17,700,000** | 17,700,000 | 17,700,000 |
| **Total** | **Total** | **63,500,000** | 63,500,000 | **63,500,000** | 63,500,000 | **$1,536,569** | $1,536,569 | | | | | | | | | | | | |



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| | |
|---|---|
| | (1) Subject to the Company's right under limited circumstances to redeem preferred stock qualification as a REIT or under limited circumstances related to a change in control of the Com |
| (1) Subject to the Company's right under limited circumstances to redeem preferred stock earlier in order to preserve its qualification as a REIT or under limited circumstances related to a change in control of the Company.<br>(2) For each series of fixed-to-floating rate cumulative redeemable preferred stock, the floating rate is calculated as 3-month CME Term SOFR (plus a spread adjustment of 0.26161%) plus the spread specified in the prospectus. | |
| (1) Subject to the Company's right under limited circumstances to redeem preferred stock earlier in order to preserve its qualification as a REIT or under limited circumstances related to a change in control of the Company.<br>(2) For each series of fixed-to-floating rate cumulative redeemable preferred stock, the floating rate is calculated as 3-month CME Term SOFR (plus a spread adjustment of 0.26161%) plus the spread specified in the prospectus. | |
| (1) Subject to the Company's right under limited circumstances to redeem preferred stock earlier in order to preserve its qualification as a REIT or under limited circumstances related to a change in control of the Company.<br>(2) For each series of fixed-to-floating rate cumulative redeemable preferred stock, the floating rate is calculated as 3-month CME Term SOFR (plus a spread adjustment of 0.26161%) plus the spread specified in the prospectus. | |

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Each series of preferred stock has a par value of $0.01 per share and a liquidation and redemption price of $25.00, plus accrued and unpaid dividends through their redemption date. Through December 31, 2022 December 31, 2023, the Company had declared and paid all required quarterly dividends on the Company's preferred stock.

The Series F Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock, Series G Fixed-to-Floating Rate Cumulative Preferred Stock and Series I Fixed-to-Floating Rate Cumulative Preferred Stock rank senior to the common stock of the Company.

On November 3, 2022, the Company's Board of Directors approved a repurchase plan for all of its existing outstanding Preferred Stock (as defined below, the "Preferred Stock Repurchase Program"). Under the terms of the plan, the Company is authorized to repurchase up to an aggregate of 63,500,000 shares of Preferred Stock, comprised of up to (i) 28,800,000 shares of its 6.95% Series F Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock, par value $0.01 per share (the "Series F Preferred Stock"), (ii) 17,000,000 shares of its 6.50% Series G Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock, par value $0.01 per share (the "Series G Preferred Stock"), and (iii) 17,700,000 shares of its 6.75% Series I Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock, par value $0.01 per share (the "Series I Preferred Stock", and together with Series F Preferred Stock and Series G Preferred Stock, the "Preferred Stock"). The aggregate liquidation value of the Preferred Stock that may be repurchased by the Company pursuant to the Preferred Stock Repurchase Program, as of November 3, 2022, was approximately $1.6 billion. The Preferred Stock Repurchase Program became effective on November 3, 2022, and shall expire on December 31, 2024. No shares were repurchased to with respect to the Preferred Stock Repurchase Program during the year ended December 31, 2022 December 31, 2023.

(C) Distributions to Stockholders

The following table provides a summary of the Company's dividend distribution activity for the periods presented:

| | | For the Years Ended | | | For the Years Ended | |
|---|---|---|---|---|---|---|
| | | December 31, 2022 | December 31, 2021 | | December 31, 2023 | December 31, 2022 |
| | | (dollars in thousands, except per share data) | | | (dollars in thousands, except per share data) | |
| Dividends and dividend equivalents declared on common stock and share-based awards | Dividends and dividend equivalents declared on common stock and share-based awards | **$1,504,353** | $1,268,558 | | | |
| Distributions declared per common share (1) | Distributions declared per common share (1) | **$ 3.52** | $ 3.52 | | | |
| Distributions paid to common stockholders after period end | Distributions paid to common stockholders after period end | **$ 412,113** | $ 321,142 | | | |



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| | | | | | | |
|---|---|---|---|---|---|---|
| Distributions paid per common share after period end | Distributions paid per common share after period end | **$ 0.88** | $ 0.88 | | | |
| Date of distributions paid to common stockholders after period end | Date of distributions paid to common stockholders after period end | **January 31, 2023** | January 31, 2022 | Date of distributions paid to common stockholders after period end | **January 31, 2024** | January 31, 2023 |
| Dividends declared to series F preferred stockholders | Dividends declared to series F preferred stockholders | **$ 53,131** | $ 50,040 | | | |
| Dividends declared to series F preferred stockholders | | | | | | |
| Dividends declared to series F preferred stockholders | | | | | | |
| Dividends declared per share of series F preferred stock (2) | Dividends declared per share of series F preferred stock (2) | **$ 1.845** | $ 1.738 | | | |
| Dividends declared to series G preferred stockholders | Dividends declared to series G preferred stockholders | **$ 27,624** | $ 27,624 | | | |
| Dividends declared per share of series G preferred stock (2) | Dividends declared per share of series G preferred stock (2) | **$ 1.625** | $ 1.625 | | | |
| Dividends declared to series I preferred stockholders | Dividends declared to series I preferred stockholders | **$ 29,868** | $ 29,868 | | | |
| Dividends declared to series I preferred stockholders | | | | | | |
| Dividends declared to series I preferred stockholders | | | | | | |
| Dividends declared per share of series I preferred stock (2) | Dividends declared per share of series I preferred stock (2) | **$ 1.688** | $ 1.688 | | | |



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(1) For the year ended December 31, 2022, 86.5% and 13.5% of common stock dividend distributions of $3.52 per share was taxable as ordinary income and a return of capital, respectively. For the year ended December 31, 2021, 100% of common stock dividend distributions of $3.49 per share were taxable as a return of capital.

(2) For the year ended December 31, 2022, 100% of the preferred stock dividend distributions per share were taxable as ordinary income. For the year ended December 31, 2021, 100% of the preferred stock dividend distributions per share were taxable as a return of capital.



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(1) For the year ended December 31, 2023, 100.0% of common stock dividend distributions of $2.83 per share paid in calendar year 2023 and 0.65 per share paid on January 31, 2024 were taxable as ordinary income. For the year ended December 31, 2022, 86.5% and 13.5% of common stock dividend distributions of $3.52 per share paid in calendar year 2022 were taxable as ordinary income and a return of capital, respectively.

(2) For the years ended December 31, 2023 and 2022, 100% of the preferred stock dividend distributions per share were taxable as ordinary income.

(1) For the year ended December 31, 2023, 100.0% of common stock dividend distributions of $2.83 per share paid in calendar year 2023 and 0.65 per share paid on January 31, 2024 were taxable as ordinary income. For the year ended December 31, 2022, 86.5% and 13.5% of common stock dividend distributions of $3.52 per share paid in calendar year 2022 were taxable as ordinary income and a return of capital, respectively.

(2) For the years ended December 31, 2023 and 2022, 100% of the preferred stock dividend distributions per share were taxable as ordinary income.

## 16. LONG-TERM STOCK INCENTIVE PLAN



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Employees, Directors and other service providers of the Company are eligible to participate in the Company's 2020 Equity Incentive Plan (the "Plan"), which provides for equity-based compensation in the form of stock options, share appreciation rights, dividend equivalent rights, restricted shares, restricted stock units ("RSUs"), and other share-based awards. The Company has the ability to award up to an aggregate of 31,250,000 shares under the terms of the Plan, subject to adjustment for any awards that were outstanding under the Company's 2010 Equity Incentive Plan (the "Prior Plan", collectively the "Plans") on the effective date of the Plan and subsequently expire, terminate, or are surrendered or forfeited. No new awards are permitted to be made under the Prior Plan, although existing awards remain effective.

*Restricted Stock Units*

The Company grants RSUs (including RSUs subject to performance conditions ("PSUs")) to employees, which are generally valued based on the closing price of the underlying shares on the date of grant. For RSUs that vest, the underlying shares of common stock are delivered (net of required withholding tax) as outlined in the applicable award agreements. PSUs are subject



to the Company's achievement of specified performance criteria and the number of awards that vest can range from zero to

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150% of the grant amount. Award agreements generally provide that vesting is accelerated in certain circumstances, such as death and disability. Delivery of the underlying shares of common stock, which generally occurs over a three-year period, is conditioned on the grantees satisfying certain vesting and other requirements outlined in the award agreements.

The Company recognized equity-based compensation expense of $19.4 million $17.3 million for the year ended December 31, 2022 December 31, 2023. As of December 31, 2022 December 31, 2023, there was $20.9 million $22.9 million of total unrecognized compensation cost related to non-vested share-based compensation arrangements. This cost is expected to be recognized over a weighted average period of 1.85 1.70 years.

## 17. INTEREST INCOME AND INTEREST EXPENSE

Refer to the "Significant Accounting Policies" Note for details surrounding the Company's accounting policy related to net interest income on securities and loans.

The following table summarizes the interest income recognition methodology for Residential Securities:

| | Interest Income Methodology |
|---|---|
| **Agency** | |
| Fixed-rate pass-through (1) | Effective yield (3) |
| Adjustable-rate pass-through (1) | Effective yield (3) |
| Multifamily (1) | Contractual Cash Flows |
| CMO (1) | Effective yield (3) |
| Reverse mortgages (2) | Prospective |
| Interest-only (2) | Prospective |
| **Residential credit** | |
| CRT (2) | Prospective |
| Alt-A (2) | Prospective |
| Prime (2) | Prospective |
| Subprime (2) | Prospective |
| NPL/RPL (2) | Prospective |
| Prime jumbo (2) | Prospective |

(1) Changes in fair value are recognized in Other comprehensive income (loss) on the accompanying Consolidated Statements of Comprehensive Income (Loss) for securities purchased prior to July 1, 2022. Effective July 1, 2022, changes in fair value are recognized in Net gains (losses) on investments and other on the accompanying Consolidated Statements of Comprehensive Income (Loss) for newly purchased securities.

(2) Changes in fair value are recognized in Net gains (losses) on investments and other on the accompanying Consolidated Statements of Comprehensive Income (Loss).

(3) Effective yield is recalculated for differences between estimated and actual prepayments and the amortized cost is adjusted as if the new effective yield had been applied since inception.

The following table presents the components of the Company's interest income and interest expense for the years ended December 31, 2022 December 31, 2023, 2021 2022 and 2020. 2021.

| | For the Years Ended December 31, | | | For the Years Ended December 31, | | |
|---|---|---|---|---|---|---|
| | 2022 | 2021 | 2020 | 2023 | 2022 | 2021 |



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| Interest income | Interest income | (dollars in thousands) | | |
|---|---|---|---|---|
| Agency securities (1) | Agency securities (1) | **$2,144,696** | $1,484,354 | $1,661,566 |
| Agency securities (1) | | | | |
| Agency securities (1) | | | | |
| Residential credit securities | Residential credit securities | **140,220** | 78,681 | 57,394 |
| Residential mortgage loans (1) | Residential mortgage loans (1) | **410,229** | 182,359 | 170,259 |
| Commercial investment portfolio (1) (2) | Commercial investment portfolio (1) (2) | **81,855** | 237,597 | 338,763 |
| Reverse repurchase agreements | | | | |
| Reverse repurchase agreements | | | | |
| Reverse repurchase agreements | Reverse repurchase agreements | **1,887** | 45 | 1,643 |
| **Total interest income** | **Total interest income** | **$2,778,887** | $1,983,036 | $2,229,625 |

| Interest expense | Interest expense | | | |
|---|---|---|---|---|
| Repurchase agreements | Repurchase agreements | **1,026,201** | 116,974 | 705,218 |
| Debt issued by securitization vehicles | Debt issued by securitization vehicles | **225,216** | 93,006 | 142,602 |
| Debt issued by securitization vehicles | | | | |
| Debt issued by securitization vehicles | | | | |
| Participations issued | Participations issued | **39,366** | 12,071 | 78 |
| U.S. Treasury securities sold, not yet purchased | | | | |
| Other | Other | **18,952** | 27,192 | 51,214 |
| **Total interest expense** | **Total interest expense** | **1,309,735** | 249,243 | 899,112 |
| **Net interest income** | **Net interest income** | **$1,469,152** | $1,733,793 | $1,330,513 |

(1) Includes assets transferred or pledged to securitization vehicles.

(2) Includes commercial real estate debt and preferred equity and corporate debt.

(1) Includes assets transferred or pledged to securitization vehicles.

(2) Includes commercial real estate debt and preferred equity and corporate debt.

(1) Includes assets transferred or pledged to securitization vehicles.

(2) Includes commercial real estate debt and preferred equity and corporate debt.



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## 18. NET INCOME (LOSS) PER COMMON SHARE

The following table presents a reconciliation of net income (loss) and shares used in calculating basic and diluted net income (loss) per share for the years ended December 31, 2022 December 31, 2023, 2021 2022 and 2020, 2021.

| | | For the Years Ended | | | For the Years Ended | | |
|---|---|---|---|---|---|---|---|
| | | December 31, 2022 | December 31, 2021 | December 31, 2020 | December 31, 2023 | December 31, 2022 | December 31, 2021 |
| | | (dollars in thousands, except per share data) | | | (dollars in thousands, except per share data) | | |
| Net income (loss) | Net income (loss) | **$ 1,726,420** | $ 2,396,280 | $ (889,772) | | | |
| Net income (loss) attributable to noncontrolling interests | Net income (loss) attributable to noncontrolling interests | **1,095** | 6,384 | 1,391 | | | |
| **Net income (loss) attributable to Annaly** | **Net income (loss) attributable to Annaly** | **1,725,325** | 2,389,896 | (891,163) | | | |
| Dividends on preferred stock | Dividends on preferred stock | **110,623** | 107,532 | 142,036 | | | |
| **Net income (loss) available (related) to common stockholders** | **Net income (loss) available (related) to common stockholders** | **$ 1,614,702** | $ 2,282,364 | $ (1,033,199) | | | |
| **Weighted average shares of common stock outstanding-basic** | **Weighted average shares of common stock outstanding-basic** | **411,348,484** | 356,856,520 | 353,664,860 | | | |
| **Weighted average shares of common stock outstanding-basic** | | | | | | | |
| **Weighted average shares of common stock outstanding-basic** | | | | | | | |
| Add: Effect of stock awards, if dilutive | Add: Effect of stock awards, if dilutive | **273,274** | 285,731 | — | | | |
| **Weighted average shares of common stock outstanding-diluted** | **Weighted average shares of common stock outstanding-diluted** | **411,621,758** | 357,142,251 | 353,664,860 | | | |



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| | | | | | |
|---|---|---|---|---|---|
| Net income (loss) per share available (related) to common share | Net income (loss) per share available (related) to common share | | | | |
| Basic | Basic | $ 3.93 | $ 6.40 | $ (2.92) | |
| Basic | | | | | |
| Basic | | | | | |
| Diluted | Diluted | $ 3.92 | $ 6.39 | $ (2.92) | |

The computations of diluted net income (loss) per share available (related) to common share for the years ended December 31, 2022 December 31, 2023 and 2020 2022 exclude 0.7 1.9 million and 1.0 0.7 million, respectively, of potentially dilutive restricted stock units and performance stock units because their effect would have been anti-dilutive.

## 19. INCOME TAXES

For the year ended December 31, 2022 December 31, 2023 the Company was qualified to be taxed as a REIT under Code Sections 856 through 860. As a REIT, the Company will not incur federal income tax to the extent that it distributes its taxable income to its stockholders. To maintain qualification as a REIT, the Company must distribute at least 90% of its annual REIT taxable income to its stockholders and meet certain other requirements that relate to, among other things, assets it may hold, income it may generate and its stockholder composition. It is generally the Company's policy to distribute 100% of its REIT taxable income.

To the extent there is any undistributed REIT taxable income at the end of a year, the Company distributes such shortfall within the next year as permitted by the Code.

The Company and certain of its direct and indirect subsidiaries, including Annaly TRS, Inc. and certain subsidiaries of Mountain Merger Sub Corp., joint ventures, have made separate joint elections to treat these subsidiaries as TRSs. As such, each of these TRSs is taxable as a domestic C corporation and subject to federal, state and local income taxes based upon their taxable income.

The provisions of ASC 740, Income Taxes ("ASC 740"), clarify the accounting for uncertainty in income taxes recognized in financial statements and prescribe a recognition threshold and measurement attribute for uncertain tax positions taken or expected to be taken on a tax return. ASC 740 also requires that interest and penalties related to unrecognized tax benefits be recognized in the financial statements. The Company does not have any unrecognized tax benefits that would affect its financial position. Thus, no accruals for penalties and interest were deemed necessary at December 31, 2022 December 31, 2023 and 2021. 2022.

The state and local tax jurisdictions for which the Company is subject to tax-filing obligations recognize the Company's status as a REIT and, therefore, the Company generally does not pay income tax in such jurisdictions. The Company may, however, be subject to certain minimum state and local tax filing fees as well as certain excise, franchise or business taxes. The Company's TRSs are subject to federal, state and local taxes.

During the years ended December 31, 2022 December 31, 2023, 2021 2022 and 2020 2021 the Company recorded $45.6 million $39.4 million, $4.7 million $45.6 million and ($28.4) million, $4.7 million, respectively, of income tax expense (benefit) attributable to its TRSs. The Company's federal, state and local tax returns from 2019 2020 and forward remain open for examination.



## 20. SEGMENTS

20.

The Company operates in three reportable segments further described in the "Description of Business" Note. The accounting policies applied to the segments are the same as those described in the summary of significant accounting policies, with the exception of allocations between segments related to net interest income and other comprehensive income (loss), which are reflected in Other income (loss), and allocations between segments related to investment balances, which are presented net of associated financings in Total Assets. These allocations are made to reflect the economic hedging relationship between investments within different operating segments. Activities that are not directly attributable or not allocated to any of the three current operating segments (such as investments in commercial mortgage-backed securities, preferred stock dividends and corporate existence costs) are reported under Corporate and Other as reconciling items to the Company's consolidated financial statements. The tables below summarize the result of operations and total assets by segment that are provided to the Chief Operating Decision Maker (CODM), which is the Company's Operating Committee. Comprehensive income is the measure of segment profit or loss that is determined in accordance with the measurement principles used in measuring the corresponding amounts in the consolidated financial statements and is a key determinant of the Company's economic return (computed as the change in stockholders' equity attributable to common shareholders plus common stock dividends declared divided by the prior period's stockholders' equity attributable to common shareholders), a measure which is used by the CODM to evaluate segment results and is one of the factors considered in determining capital allocation among the segments.

The following table presents the results of operations of the Company's reportable operating segments for the years ended December 31, 2023 and 2022:

| December 31, 2023 | | | | | |
|---|---|---|---|---|---|
| | Agency | Residential Credit | MSR | Corporate & Other | Consolidated |
| | | | (dollars in thousands) | | |
| Interest income | $ 2,772,963 | $ 930,232 | $ — | $ 28,386 | $ 3,731,581 |



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| | | | | | |
|---|---|---|---|---|---|
| Interest expense | 3,096,245 | 728,273 | — | 18,447 | 3,842,965 |
| **Net interest income** | (323,282) | 201,959 | — | 9,939 | (111,384) |
| Servicing and related income | — | — | 364,157 | — | 364,157 |
| Servicing and related expense | — | — | 37,652 | — | 37,652 |
| **Net servicing income** | — | — | 326,505 | — | 326,505 |
| **Other income (loss)** | (1,824,323) | 171,678 | 13,975 | (12,921) | (1,651,591) |
| **Less: Total general and administrative expenses** | 58,852 | 49,021 | 29,872 | 24,808 | 162,553 |
| **Income (loss) before income taxes** | (2,206,457) | 324,616 | 310,608 | (27,790) | (1,599,023) |
| **Income taxes** | 1,629 | 17,121 | 21,070 | (386) | 39,434 |
| **Net income (loss)** | (2,208,086) | 307,495 | 289,538 | (27,404) | (1,638,457) |
| **Less: Net income (loss) attributable to noncontrolling interest** | — | 4,714 | — | — | 4,714 |
| **Net income (loss) attributable to Annaly** | (2,208,086) | 302,781 | 289,538 | (27,404) | (1,643,171) |
| **Dividends on preferred stock** | — | — | — | 141,676 | 141,676 |
| **Net income (loss) available (related) to common stockholders** | (2,208,086) | 302,781 | 289,538 | (169,080) | (1,784,847) |
| Unrealized gains (losses) on available-for-sale securities | 580,680 | — | — | — | 580,680 |
| Reclassification adjustment for net (gains) losses included in net income (loss) | 1,792,816 | — | — | — | 1,792,816 |
| **Other comprehensive income (loss)** | 2,373,496 | — | — | — | 2,373,496 |
| Comprehensive income (loss) | 165,410 | 307,495 | 289,538 | (27,404) | 735,039 |
| Comprehensive income (loss) attributable to noncontrolling interests | — | 4,714 | — | — | 4,714 |
| **Comprehensive income (loss) attributable to Annaly** | $ 165,410 | $ 302,781 | $ 289,538 | $ (27,404) | $ 730,325 |
| **Noncash investing and financing activities:** | | | | | |
| Receivable for unsettled trades | 2,709,398 | — | 826 | — | 2,710,224 |
| Payable for unsettled trades | 3,232,941 | 10 | 16,438 | — | 3,249,389 |
| Net change in unrealized gains (losses) on available-for-sale securities, net of reclassification adjustment | 2,373,496 | — | — | — | 2,373,496 |
| Dividends declared, not yet paid | — | — | — | 325,052 | 325,052 |
| **Total assets** | | | | | |
| Total assets | $ 71,167,416 | $ 19,149,003 | $ 2,578,644 | $ 332,173 | $ 93,227,236 |

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| | December 31, 2022 | | | | |
|---|---|---|---|---|---|
| | Agency | Residential Credit | MSR | Corporate & Other | Consolidated |
| | | | (dollars in thousands) | | |
| Interest income | $ 2,146,583 | $ 550,449 | $ — | $ 81,855 | $ 2,778,887 |
| Interest expense | 936,063 | 344,669 | 6,202 | 22,801 | 1,309,735 |
| **Net interest income** | 1,210,520 | 205,780 | (6,202) | 59,054 | 1,469,152 |
| Servicing and related income | — | — | 246,926 | — | 246,926 |
| Servicing and related expense | — | — | 25,145 | — | 25,145 |
| **Net servicing income** | — | — | 221,781 | — | 221,781 |
| **Other income (loss)** | 480,383 | (147,908) | (47,510) | (41,178) | 243,787 |
| **Less: Total general and administrative expenses** | 50,817 | 47,005 | 29,784 | 35,123 | 162,729 |
| **Income (loss) before income taxes** | 1,640,086 | 10,867 | 138,285 | (17,247) | 1,771,991 |
| **Income taxes** | (792) | (10,485) | 57,055 | (207) | 45,571 |
| **Net income (loss)** | 1,640,878 | 21,352 | 81,230 | (17,040) | 1,726,420 |
| **Less: Net income (loss) attributable to noncontrolling interest** | — | 1,088 | — | 7 | 1,095 |
| **Net income (loss) attributable to Annaly** | 1,640,878 | 20,264 | 81,230 | (17,047) | 1,725,325 |
| **Dividends on preferred stock** | — | — | — | 110,623 | 110,623 |
| **Net income (loss) available (related) to common stockholders** | 1,640,878 | 20,264 | 81,230 | (127,670) | 1,614,702 |
| Unrealized gains (losses) on available-for-sale securities | (8,204,542) | — | — | — | (8,204,542) |



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| | | | | | |
|---|---|---|---|---|---|
| Reclassification adjustment for net (gains) losses included in net income (loss) | 3,537,236 | — | — | — | 3,537,236 |
| **Other comprehensive income (loss)** | (4,667,306) | — | — | — | (4,667,306) |
| Comprehensive income (loss) | (3,026,428) | 21,352 | 81,230 | (17,040) | (2,940,886) |
| Comprehensive income (loss) attributable to noncontrolling interests | — | 1,088 | — | 7 | 1,095 |
| **Comprehensive income (loss) attributable to Annaly** | $ (3,026,428) | $ 20,264 | $ 81,230 | $ (17,047) | $ (2,941,981) |
| **Noncash investing and financing activities:** | | | | | |
| Receivable for unsettled trades | 572,089 | — | 3,002 | — | 575,091 |
| Payable for unsettled trades | 1,108,386 | 38 | 49,422 | — | 1,157,846 |
| Net change in unrealized gains (losses) on available-for-sale securities, net of reclassification adjustment | (4,667,306) | — | — | — | (4,667,306) |
| Dividends declared, not yet paid | — | — | — | 412,113 | 412,113 |
| **Total assets** | | | | | |
| Total assets | $ 65,080,130 | $ 14,152,927 | $ 1,931,176 | $ 686,479 | $ 81,850,712 |

## 21. RISK MANAGEMENT

The primary risks to the Company are capital, liquidity and funding risk, investment/market risk, credit risk and operational risk. Interest rates are highly sensitive to many factors, including governmental monetary and tax policies, domestic and international economic and political considerations and other factors beyond the Company's control. Changes in the general level of interest rates can affect net interest income, which is the difference between the interest income earned on interest earning assets and the interest expense incurred in connection with the interest bearing liabilities, by affecting the spread between the interest earning assets and interest bearing liabilities. Changes in the level of interest rates can also affect the value of the interest earning assets and the Company's ability to realize gains from the sale of these assets. A decline in the value of the interest earning assets pledged as collateral for borrowings under repurchase agreements and derivative contracts could result in the counterparties demanding additional collateral or liquidating some of the existing collateral to reduce borrowing levels.

The Company may seek to mitigate the potential financial impact by entering into interest rate agreements such as interest rate swaps, interest rate swaptions and other hedges.

Weakness in the mortgage market, the shape of the yield curve, changes in the expectations for the volatility of future interest rates and deterioration of financial conditions in general may adversely affect the performance and market value of the Company's investments. This could negatively impact the Company's book value. Furthermore, if many of the Company's lenders are unwilling or unable to provide additional financing, the Company could be forced to sell its investments at an inopportune time when prices are depressed. The Company has established policies and procedures for mitigating risks, including conducting scenario and sensitivity analyses and utilizing a range of hedging strategies.

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The payment of principal and interest on the Freddie Mac and Fannie Mae Agency mortgage-backed securities, which exclude CRT securities issued by Freddie Mac and Fannie Mae, is guaranteed by those respective agencies and the payment of principal and interest on Ginnie Mae Agency mortgage-backed securities is backed by the full faith and credit of the U.S. government.

The Company faces credit risk on the portions of its portfolio which are not guaranteed by the respective Agency or by the full faith and credit of the U.S. government. The Company is exposed to credit risk on commercial mortgage-backed securities, residential mortgage loans, CRT securities and other non-Agency mortgage-backed securities and corporate debt. securities. MSR values may also be adversely impacted by rising borrower delinquencies which would reduce servicing income and increase overall costs to service the underlying mortgage loans. The Company is exposed to risk of loss if an issuer, borrower or counterparty fails to perform its obligations under contractual terms. The Company has established policies and procedures for mitigating credit risk, including reviewing and establishing limits for credit exposure, limiting transactions with specific counterparties, pre-purchase due diligence, maintaining qualifying collateral and continually assessing the creditworthiness of issuers, borrowers and counterparties, credit rating monitoring and active servicer oversight.

The Company depends on third-party third party service providers to perform various business processes related to its operations, including mortgage loan servicers and sub-servicers. The Company's vendor management policy establishes procedures for engaging, onboarding and monitoring the performance of third-party third party vendors. These For mortgage loan servicers and sub-servicers, these procedures include assessing a vendor's financial health as well as oversight of its compliance with applicable laws and regulations, cybersecurity and business continuity programs and security of personally identifiable information.

## 21. RELATED PARTY TRANSACTIONS

*Closing of the Internalization and Termination of Management Agreement*

On February 12, 2020, the Company entered into an internalization agreement (the "Internalization Agreement") with the Former Manager and certain affiliates of the Former Manager. Pursuant to the Internalization Agreement, the Company agreed to acquire all of the outstanding equity interests of the Former Manager and the Former Manager's direct and indirect parent companies from their respective owners (the "Internalization") for nominal cash consideration ($1.00). In connection with the closing of the Internalization, on June 30, 2020, the Company acquired all of the assets and liabilities of the Former Manager (the net effect of which was immaterial in amount), and the Company transitioned from an externally-managed REIT to an internally-managed REIT. At the closing, all employees of the Former Manager became employees of the Company. The parties also terminated the Amended and Restated Management Agreement by and between the Company and the Former Manager (the "Management Agreement") and therefore the Company no longer



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pays a management fee to, or reimburses expenses of, the Former Manager. Pursuant to the Internalization Agreement, the Former Manager waived any Acceleration Fee (as defined in the Management Agreement).

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Prior to the closing of the Internalization, the Former Manager, under the Management Agreement and subject to the supervision and direction of the Board, was responsible for (i) the selection, purchase and sale of assets for the Company's investment portfolio; (ii) recommending alternative forms of capital raising; (iii) supervising the Company's financing and hedging activities; and (iv) day to day management functions. The Former Manager also performed such other supervisory and management services and activities relating to the Company's assets and operations as appropriate. In exchange for the management services, the Company paid the Former Manager a monthly management fee, and the Former Manager was responsible for providing personnel to manage the Company. Prior to the closing of the Internalization, the Company had paid the Former Manager a monthly management fee for its management services in an amount equal to 1/12th of the sum of (i) 1.05% of Stockholders' Equity (as defined in the Management Agreement) up to $17.28 billion, and (ii) 0.75% of Stockholders' Equity (as defined in the Management Agreement) in excess of $17.28 billion. The Company did not pay the Former Manager any incentive fees.

For the six months ended June 30, 2020, the compensation and management fee computed in accordance with the Management Agreement was $77.9 million and reimbursement payments to the former manager was $14.2 million.

## 22. LEASE COMMITMENTS AND CONTINGENCIES

The Company's operating leases are primarily comprised of corporate office leases with a remaining lease terms of approximately three two years and five years, respectively. four years. The corporate office leases include options to extend for up to five years, however the extension terms were not included in the operating lease liability calculation. Leases with an initial term of 12 months or less are not recorded on the balance sheet. The Company recognizes lease expense for these leases on a straight-line basis over the lease term. The lease cost for the year ended December 31, 2022 December 31, 2023 was $3.2 million $3.3 million.

Supplemental information related to leases as of and for the year ended December 31, 2022 December 31, 2023 was as follows:

| Operating Leases | Classification | December 31, 2022 2023 |
|---|---|---|
| **Assets** | | (dollars in thousands) |
| Operating lease right-of-use assets | Other assets | $ 8,872 5,945 |
| **Liabilities** | | |
| Operating lease liabilities (1) | Other liabilities | $ 11,265 7,511 |
| **Lease term and discount rate** | | |
| Weighted average remaining lease term | | 2.9 2.0 years |
| Weighted average discount rate (1) | | 3.2% 3.3% |
| **Cash paid for amounts included in the measurement of lease liabilities** | | |
| Operating cash flows from operating leases | | $ 3,872 4,081 |

(1) For the Company's leases that do not provide an implicit rate, the Company uses an incremental borrowing rate based on the information available at adoption date in determining the present value of lease payments.

The following table provides details related to maturities of lease liabilities:

| Maturity of Lease Liabilities | | |
|---|---|---|
| Years ended December 31, | Years ended December 31, | (dollars in thousands) |
| 2023 | | $ 4,061 |
| 2024 | | |
| 2024 | | |
| 2024 | 2024 | 4,107 |
| 2025 | 2025 | 3,149 |
| 2026 | 2026 | 261 |
| 2027 | | |

| Maturity of Lease Liabilities | |
|---|---|
| Years ended December 31, | (dollars in thousands) |



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| | | |
|---|---|---|
| Later years | Later years | 291 |
| **Total lease payments** | **Total lease payments** | **$ 11,869** |
| Less imputed interest | Less imputed interest | 604 |
| **Present value of lease liabilities** | **Present value of lease liabilities** | **$ 11,265** |

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***Contingencies***

From time to time, the Company is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material effect on the Company's consolidated financial statements. There were no material contingencies at December 31, 2022 December 31, 2023 and 2021. 2022.

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## 23. SUBSEQUENT EVENTS

In January 2023, 2024, the Company completed and closed the two securitization of residential mortgage loans, OBX 2023-NQM1, 2024-NQM1, with a face value of $405.2 $413.6 million, and OBX 2024-NQM2, with a face value of $496.0 million. The In February 2024, the Company completed and closed one securitization represents of residential mortgage loans, OBX 2024-HYB1, with a face value of $412.1 million. These securitizations represent financing transactions which provided non-recourse financing to the Company collateralized by residential mortgage loans purchased by the Company.

In January 2023, the Company upsized capacity of an existing credit facility by $200 million for the Company's residential mortgage loans.

In February 2023, the Company closed a $250 million credit facility for Annaly's MSR platform.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: February 16, 2023February 15, 2024

By: /s/ David L. Finkelstein

David L. Finkelstein

Chief Executive Officer and Chief Investment Officer (Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.



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| Signature | Title | Date |
|---|---|---|
| /s/ David L. Finkelstein<br>David L. Finkelstein | Chief Executive Officer, Chief Investment Officer, and Director (Principal Executive Officer) | February 16, 2023 15, 2024 |
| /s/ Serena Wolfe<br>Serena Wolfe | Chief Financial Officer<br>(Principal Financial Officer and Principal Accounting Officer) | February 16, 2023 15, 2024 |
| /s/ Francine J. Bovich<br>Francine J. Bovich | Director | February 16, 2023 15, 2024 |
| /s/ Wellington J. Denahan<br>Wellington J. Denahan | Director, Vice Chair of the Board | February 16, 2023 |
| /s/ Thomas Edward Hamilton<br>Thomas Edward Hamilton | Director | February 16, 2023 15, 2024 |
| /s/ Kathy Hopinkah Hannan<br>Kathy Hopinkah Hannan | Director | February 16, 2023 15, 2024 |
| /s/ Michael E. Haylon<br>Michael E. Haylon | Director, Chair of the Board | February 16, 2023 15, 2024 |
| /s/ Martin Laguerre<br>Martin Laguerre | Director | February 15, 2024 |
| /s/ Manon Laroche<br>Manon Laroche | Director | February 15, 2024 |
| /s/ Eric A. Reeves<br>Eric A. Reeves | Director | February 16, 2023 15, 2024 |
| /s/ John H. Schaefer<br>John H. Schaefer | Director | February 16, 2023 15, 2024 |
| /s/ Glenn A. Votek<br>Glenn A. Votek | Director | February 16, 2023 15, 2024 |
| /s/ Scott Wede<br>Scott Wede | Director | February 15, 2024 |
| /s/ Vicki Williams<br>Vicki Williams | Director | February 16, 2023 15, 2024 |



Annaly Capital Management, Inc.

**DESCRIPTION OF THE REGISTRANT'S SECURITIES**

**REGISTERED PURSUANT TO SECTION 12 OF THE**

**SECURITIES EXCHANGE ACT OF 1934**

As of December 31, 2022 December 31, 2023, Annaly Capital Management, Inc. ("Annaly" or the "Company") had four classes of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"):

- common stock, $0.01 par value per share;
- 6.95% Series F Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock, $0.01 par value per share ("Series F Preferred Stock");
- 6.50% Series G Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock, $0.01 par value per share ("Series G Preferred Stock"); and
- 6.750% Series I Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock, $0.01 par value per share ("Series I Preferred Stock").

Each of the Company's securities registered under Section 12 of the Exchange Act are listed on The New York Stock Exchange.

**Description of Equity Securities**

The following description of the terms of our equity securities is only a summary. This summary is not complete and is qualified by the provisions of our charter and bylaws, which have been filed with the U.S. Securities and Exchange Commission (the "SEC") and incorporated by reference herein, and the Maryland General Corporation Law (the "MGCL").



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**Authorized Stock**

As of January 1, 2023, our charter provides that the total number of shares of stock of all classes which we have the authority to issue is 3,000,000,000 1,531,750,000 shares of capital stock, consisting of 2,936,500,000 1,468,250,000 shares of our common stock, 28,800,000 shares of Series F Preferred Stock, 17,000,000 shares of Series G Preferred Stock, and 17,700,000 shares of Series I Preferred Stock. The aggregate par value of all shares of stock having par value is $30,000,000.

Our Board of Directors (the "Board") may classify and reclassify any unissued shares of capital stock by setting or changing in any one or more respects the preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends and other distributions, qualifications or terms or conditions of redemption of such shares of stock. $15,317,500.

**Classification or Reclassification of Common Stock or Preferred Stock**

Our charter authorizes our Board of Directors (the "Board") to reclassify any unissued shares of stock into other classes or series of shares, to establish the number of shares in each class or series and to set the preferences, conversion and other rights, voting powers, restrictions, limitations, and restrictions on ownership, limitations as to dividends or other distributions, qualifications, and terms or conditions of redemption for each class or series.

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**Restrictions on Ownership and Transfer**

To assist us in qualifying as a real estate investment trust (a "REIT"), among other purposes, our charter prohibits anyone from acquiring or holding, directly or constructively, ownership of 9.8% or more, in number of shares or value, of any class of our outstanding capital

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stock. We refer to this restriction as the "9.8% ownership limit." For this purpose, the term "ownership" generally means either direct ownership or constructive ownership in accordance with the constructive ownership provisions of Section 544 of the Internal Revenue Code of 1986, as amended (the "Code"), as modified in Section 856(h) of the Code.

The constructive ownership provisions of Section 544 of the Code generally (a) attribute ownership of securities owned by a corporation, partnership, estate or trust proportionately to its stockholders, partners or beneficiaries; (b) attribute ownership of securities owned by family members to other members of the same family; and (c) set forth rules for attributing securities constructively owned by one person to another person. To determine whether a person holds or would hold capital stock in excess of the 9.8% ownership limit, a person will be treated as owning not only shares of capital stock actually owned, but also any shares of capital stock attributed to that person under the attribution rules described above. Accordingly, a person who individually owns less than 9.8% of the shares outstanding may nevertheless be in violation of the 9.8% ownership limit.

Any transfer of shares of capital stock that would cause us to be disqualified as a REIT or that would (a) create a direct or constructive ownership of shares of capital stock in excess of the 9.8% ownership limit, (b) result in the shares of capital stock being beneficially owned (within the meaning of Section 856(a) of the Code) by fewer than 100 persons (determined without reference to any rules of attribution), or (c) result in us being "closely held" within the meaning of Section 856(h) of the Code, will be null and void, and the intended transferee (the "purported transferee") will acquire no rights to those shares. These restrictions on transferability and ownership will not apply if our Board determines that it is no longer in our best interests to attempt to, or to continue to, qualify as a REIT.

Any purported transfer of shares of capital stock that would result in a purported transferee owning (directly or constructively) shares of capital stock in excess of the 9.8% ownership limit due to the unenforceability of the transfer restrictions described above will constitute "excess securities." Excess securities will be transferred by operation of law to a trust that we will establish for the exclusive benefit of a charitable organization or



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charitable organizations (the “charitable beneficiary”), until such time as the trustee of the trust retransfers the excess securities. The trustee will be a banking institution designated by us that is not affiliated with the purported transferee or us. While the excess securities are held in trust, the purported transferee will not be entitled to vote or to share in any dividends or other distributions with respect to the securities. Subject to the 9.8% ownership limit, excess securities may be transferred by the trust to any person (if such transfer would not result in excess securities). Upon such a transfer, the purported transferee shall receive a price for such excess securities equal to the lesser of (i) the price per share such purported transferee paid in the transfer that resulted in the excess securities (or, if the purported transferee did not give value for such excess securities (such as through a gift, devise or other transaction), a price per share equal to the Market Price (as defined in our charter) for the excess securities on the date of the purported transfer that resulted in the excess securities), or (ii) the price per share for the excess securities received by the trust from the sale or other disposition of the excess securities to the new owner, at which point the excess securities will automatically cease to be excess securities.

Upon a purported transfer of excess securities, the purported transferee will cease to be entitled to distributions, voting rights and other benefits with respect to the shares of capital stock except the right to payment of the purchase price for the shares of capital stock on the retransfer

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of securities as provided above. Any dividend or distribution paid to a purported transferee on excess securities prior to our discovery that shares of capital stock have been transferred in violation of our charter shall be paid to the trust for the exclusive benefit of the charitable beneficiary. If any of the transfer restrictions in our charter are determined to be void, invalid or unenforceable by a court of competent jurisdiction, then the purported transferee of any excess

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securities may be deemed, at our option, to have acted as an agent on our behalf in acquiring the excess securities and to hold the excess securities on our behalf. All certificates representing shares of capital stock will bear a legend referring to the restrictions described above.

Any person who acquires shares in violation of our charter, or any person who is a purported transferee such that excess securities results, must immediately give written notice or, in the event of a proposed or attempted transfer that would be void as set forth above, give at least 15 days’ prior written notice to us of such event and shall provide us such other information as we may request in order to determine the effect, if any, of the transfer on our qualification as a REIT. In addition, every record owner of more than 5.0% of the number or value of our outstanding shares of capital stock must send us an annual written notice by January 30 stating the name and address of the record owner, the number of shares beneficially owned and describing how the shares are held. Further, each beneficial owner and each person (including the stockholder of record) who is holding stock for a beneficial owner is required to disclose to us in information with respect to the direct and constructive ownership of shares as we may reasonably request in order to comply with the REIT provisions of the Code, to comply with the requirements of any taxing authority or governmental agency or to determine any such compliance.

Notwithstanding the above, our Board may increase or decrease the 9.8% ownership limit unless, after giving effect to any increased ownership limit, five or fewer persons could beneficially own, in the aggregate, more than 50% in value of the shares of our capital stock then outstanding. In addition, to the extent consistent with the REIT provisions of the Code, our Board may, upon receipt of a ruling from the IRS or an opinion of our tax advisor or other documents or evidence satisfactory to our Board and upon such other conditions as our Board may direct, waive the 9.8% ownership limit for a purchaser of our stock.

The provisions described above may inhibit market activity and may delay, defer or prevent a change in control or other transaction and the resulting opportunity for the holders of our capital stock to receive a premium for their shares that might otherwise exist in the absence of such



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provisions. Such provisions also may make us an unsuitable investment vehicle for any person seeking to obtain ownership of more than 9.8%, in number of shares or value, of the outstanding shares of any class or series of our capital stock.

**Certain Provisions of Maryland Law and of Our Charter and Bylaws**

We have summarized certain terms and provisions of our charter and bylaws and the MGCL. This summary is not complete and is qualified by the provisions of our charter and bylaws, which are filed with the SEC and incorporated by reference herein, and the MGCL.

*Number of Directors; Vacancies and Removal of Directors*

Our charter and bylaws provide that the number of directors we have may be established, only by a majority of our Board of directors and may not be fewer than the minimum number required by the MGCL. Pursuant to our bylaws, the number of directors may not be more than 15. All directors will be elected to serve until the next annual meeting of stockholders and until their successors are duly elected and qualify. Our bylaws also provide that, except in the case of a vacancy, a majority of our Board must (i) meet the independence requirements under the rules

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and regulations of the New York Stock Exchange as in effect from time to time and (ii) not be an officer, member or employee of the Company.

Our bylaws provide that any vacancy on our Board for any cause other than an increase in the number of directors may be filled by a majority of the remaining directors, even if such majority is less than a quorum; provided, however, that, pursuant to Maryland law, stockholders

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will have the concurrent power to elect a director to fill a vacancy resulting from the removal of a director by a vote of the stockholders. Any vacancy on our Board created by an increase in the number of directors may be filled by a majority of the entire Board. Pursuant to the MGCL, a director may be removed at any time, with or without cause, upon the affirmative vote of a majority of the votes entitled to be cast in the election of directors.

*Limitation of Liability and Indemnification of Directors and Officers*

The MGCL permits the charter of a Maryland corporation to include a provision limiting the liability of its directors and officers to the corporation and its stockholders for money damages, except to the extent that (1) it is proved that the person actually received an improper benefit or profit in money, property or services; or (2) a judgment or other final adjudication adverse to the person is entered in a proceeding based on a finding that the person's action, or failure to act, was the result of active and deliberate dishonesty and was material to the cause of action adjudicated in the proceeding. Our charter provides for elimination of the liability of our directors and officers to us or our stockholders for money damages to the maximum extent permitted by Maryland law from time to time.

The MGCL requires us (unless our charter were to provide otherwise, which it does not) to indemnify a director or officer who has been successful, on the merits or otherwise, in the defense of any proceeding to which he or she is made a party by reason of his or her service in that capacity. The MGCL permits us to indemnify our present and former directors and officers, among others, against judgments, penalties, fines, settlements and reasonable expenses actually incurred by them in connection with any proceeding to or in which they may be made or threatened to be made a party or witness by reason of their service in those or certain other capacities unless it is established that:

- the act or omission of the director or officer was material to the matter giving rise to the proceeding and (a) was committed in bad faith or (b) was the result of active and deliberate dishonesty;



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- the director or officer actually received an improper personal benefit in money, property or services; or
- in the case of any criminal proceeding, the director or officer had reasonable cause to believe that the act or omission was unlawful.

The MGCL prohibits us from indemnifying a director or officer who has been adjudged liable in a suit by us or on our behalf or in which the director or officer was adjudged liable on the basis that a personal benefit was improperly received. A court may order indemnification if it determines that the director or officer is fairly and reasonably entitled to indemnification, even though the director or officer did not meet the prescribed standard of conduct or was adjudged liable on the basis that a personal benefit was improperly received; however, indemnification for an adverse judgment in a suit by us or on our behalf, or for a judgment of liability on the basis that a personal benefit was improperly received, is limited to expenses.

In addition, the MGCL permits us to advance reasonable expenses to a director or officer upon our receipt of (a) a written affirmation by the director or officer of his or her good faith

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belief that he or she has met the standard of conduct necessary for indemnification and (b) a written undertaking by him or her or on his or her behalf to repay the amount paid or reimbursed if it is ultimately determined that the standard of conduct was not met.

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To the maximum extent permitted by Maryland law, our charter and bylaws obligate us to indemnify any individual who is made or threatened to be made a party to or witness in a proceeding by reason of his or her service:

- as a present or former director or officer of us; or
- while a director or officer and at our request, as a director, officer, trustee, member, manager or partner of another corporation, real estate investment trust, limited liability company, partnership, joint venture, trust, employee benefit plan or other enterprise,

in each case, from and against any claim or liability to which he or she may become subject or that he or she may incur by reason of his or her service in any of these capacities, and to pay or reimburse his or her reasonable expenses in advance of final disposition of a proceeding. Our charter and bylaws also permit us, with the approval of our Board, to indemnify and advance expenses to any individual who served any of our predecessors in any of the capacities described above and any employee or agent of ours or any of our predecessors.

*Exclusive Forum*

Our bylaws provide that unless we consent in writing to the selection of an alternative forum, the Circuit Court for Baltimore City, Maryland, or if that court does not have jurisdiction, the United States District Court for the District of Maryland, Northern Division, will be the sole and exclusive forum for (1) any derivative action or proceeding brought on our behalf, (2) any action asserting a claim of breach of any duty owed by any director or officer or other employee of ours to us or our stockholders, (3) any action asserting a claim against us or any director or officer or other employee of ours arising pursuant to any provision of the MGCL or the our charter or our bylaws, or (4) any other action asserting a claim against us or any director or officer or other employee of ours that is governed by the internal affairs doctrine.

*Maryland Business Combination Act*



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The MGCL establishes special requirements for “business combinations” between a Maryland corporation and “interested stockholders” unless exemptions are applicable. An interested stockholder is defined as (i) any person who beneficially owns 10% or more of the voting power of a corporation’s then outstanding voting stock or (ii) an affiliate or associate of the corporation who, at any time within the two-year period immediately before the date in question, was the beneficial owner of 10% or more of the voting power of the corporation’s then outstanding voting stock. Among other things, the law prohibits for a period of five years a merger and other similar transactions between a corporation and an interested stockholder unless the corporation’s board of directors approves the transaction prior to the party becoming an interested stockholder. The five-year period runs from the most recent date on which the interested stockholder became an interested stockholder. The law also requires a supermajority stockholder vote for such transactions after the end of the five-year period. This means that the transaction must be approved by at least:

- 80% of the votes entitled to be cast by holders of outstanding voting shares; and

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- two-thirds of the votes entitled to be cast by holders of outstanding voting shares other than shares held by the interested stockholder or an affiliate or associate of the interested stockholder with whom the business combination is to be effected.

These super-majority vote requirements do not apply if the corporation’s common stockholders receive a minimum price, as defined under the MGCL, for their shares in the form

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of cash or other consideration in the same form as previously paid by the interested stockholder for its shares.

The MGCL permits various exemptions from its provisions, including business combinations that are exempted by our Board before the time that the interested stockholder becomes an interested stockholder. Pursuant to the MGCL, we have elected not to be governed by the Maryland business combination statute. We made this election by opting out of this statute in our charter. If, however, we amend our charter to opt back in to the statute, which amendment would be subject to stockholder approval, the business combination statute could have the effect of discouraging offers to acquire us and of increasing the difficulty of consummating any such offers, even if our acquisition would be in our stockholders’ best interests.

*Maryland Control Share Acquisition Act*

Maryland law provides that “control shares” of a Maryland corporation acquired in a “control share acquisition” have no voting rights except to the extent approved by a vote of the other stockholders. Two-thirds of the shares eligible to vote must vote in favor of granting the “control shares” voting rights.

Shares held by (i) the person who has made or proposes to make such acquisition, (ii) any officer of the corporation and (iii) any employee of the corporation who is also a director of the corporation are not eligible to vote. “Control shares” are shares of stock that, taken together with all other shares of stock the acquirer previously acquired, would entitle the acquirer to exercise voting power in electing directors within one of the following ranges of voting power:

- one-tenth or more but less than one-third of all voting power;
- one-third or more but less than a majority of all voting power; or
- a majority or more of all voting power.

Control shares do not include shares of stock the acquiring person is entitled to vote as a result of having previously obtained stockholder approval . A “control share acquisition” means the acquisition of control shares, subject to certain exceptions.



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If a person who has made (or proposes to make) a control share acquisition satisfies certain conditions (including agreeing to pay expenses and making an “acquiring person statement” as described in the MGCL), he or she may compel our Board to call a special meeting of stockholders to consider the voting rights of the shares. If such a person makes no request for a meeting, we have the option to present the question at any stockholders’ meeting.

If voting rights are not approved at a meeting of stockholders, then, subject to certain conditions and limitations, we may redeem any or all of the control shares (except those for which voting rights have previously been approved) for fair value. We will determine the fair value of the shares, without regard to the absence of voting rights, as of the date of either:

- the last control share acquisition; or

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- if we hold a meeting where stockholders consider and do not approve voting rights of the control shares, as of the date of such meeting.

If voting rights for control shares are approved at a stockholders’ meeting and the acquirer becomes entitled to vote a majority of the shares of stock entitled to vote, all other stockholders may obtain rights as objecting stockholders and, thereunder, exercise appraisal

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rights. This means that stockholders would be able to force us to redeem such stock for fair value. Under Maryland law, the fair value may not be less than the highest price per share paid in the control share acquisition. Furthermore, certain limitations otherwise applicable to the exercise of dissenters’ rights would not apply in the context of a control share acquisition. The control share acquisition statute would not apply to shares acquired in a merger, consolidation or share exchange if we were a party to the transaction. The control share acquisition statute could have the effect of discouraging offers to acquire us and of increasing the difficulty of consummating any such offers, even if our acquisition would be in our stockholders’ best interests.

*Amendment to Charter and Bylaws*

Except as provided in the MGCL, amendments to our charter must be advised by our Board and approved by the affirmative vote of our stockholders entitled to cast a majority of all of the votes entitled to be cast on the matter. Our bylaws may be amended by our Board or by the affirmative vote of our stockholders entitled to cast a majority of the votes entitled to be cast on the matter.

*Subtitle 8*

Subtitle 8 of Title 3 of the MGCL permits a Maryland corporation with a class of equity securities registered under the Exchange Act and at least three independent directors to elect, by provision in its charter or bylaws or a resolution of its board of directors and notwithstanding any contrary provision in the charter or bylaws, to be subject to any or all of the following five provisions:

- a classified board;
- a two-thirds vote requirement for removing a director;
- a requirement that the number of directors be fixed only by vote of the directors;
- a requirement that a vacancy on the board be filled only by a vote of the remaining directors (whether or not they constitute a quorum) and for the remainder of the full term of the class of directors in which the vacancy occurred and until a successor is elected and qualifies; or
- a majority requirement for the calling of a special meeting of stockholders.



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Although we have not specifically elected to be subject to any of the provisions of Subtitle 8, through provisions in our bylaws unrelated to Subtitle 8, we (1) require, unless called by the chair of our Board, our chief executive officer, our president or our Board, the request of stockholders entitled to cast not less than 25% of all the votes entitled to be cast at the meeting to call a special meeting of stockholders, and (2) allow a majority of our Board to fix the number of directors without stockholder approval.

*Meetings of Stockholders*

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Under our bylaws and pursuant to Maryland law, annual meetings of stockholders will be held each year at a date and at the time and place determined by our Board. Special meetings of stockholders may be called by our Board, the chair of our Board, our president or our chief executive officer. Additionally, subject to the provisions of our bylaws, special meetings of the stockholders to act on any matter must be called by our secretary upon the written request of stockholders entitled to cast not less than 25% of all the votes entitled to be cast on such matter at such meeting, or upon the written request of stockholders entitled to cast not less than a majority

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of all the votes entitled to be cast on such matter at such meeting if the request is to consider a substantially similar matter that was voted on at any special meeting in the preceding twelve months, in each case who have requested the special meeting in accordance with the procedures set forth in, and provided the information and certifications required by, our bylaws. Only matters set forth in the notice of the special meeting may be considered and acted upon at such a meeting. Our secretary will inform the requesting stockholders of the reasonably estimated cost of preparing and delivering the notice of meeting (including our proxy materials), and the requesting stockholder or stockholders must pay such estimated cost before our secretary may prepare and deliver the notice of the special meeting.

*Advance Notice of Director Nominations and New Business*

Our bylaws provide that:

- with respect to an annual meeting of stockholders, nominations of individuals for election to our Board and the proposal of business to be considered by stockholders at the annual meeting may be made only:
  - pursuant to our notice of the meeting;
  - by or at the direction of our Board; or
  - by a stockholder who was a stockholder of record at the record date set by our Board for the meeting, at the time of giving of the notice of the meeting and at the time of the annual meeting (and any postponement or adjustment thereof), who is entitled to vote at the meeting in the election of each individual so nominated or on such other business and who has complied with the advance notice procedures set forth in, and provided the information and certifications required by, our bylaws; and
- with respect to special meetings of stockholders, only the business specified in our notice of meeting may be brought before the special meeting of stockholders, and nominations of individuals for election to our Board may be made only:
  - by or at the direction of our Board;
  - by a stockholder that has requested a special meeting be called for the purpose of electing directors in compliance with our bylaws; or



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o – provided that the meeting has been called in accordance with our bylaws for the purpose of electing directors, by a stockholder who is a stockholder of record at the record date set by our Board for the meeting, at the time of giving of the notice required by our bylaws and at the time of the meeting (and any postponement or adjustment thereof), who is entitled to vote at the meeting in the election of each individual so nominated and who has complied with the advance notice provisions set forth in, and provided the information and certifications required by, our bylaws.

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The purpose of requiring stockholders to give advance notice of nominations and other proposals is to afford our Board and our stockholders the opportunity to consider the qualifications of the proposed nominees or the advisability of the other proposals and, to the extent considered necessary by our Board, to inform stockholders and make recommendations regarding the nominations or other proposals. Although our bylaws do not give our Board the power to disapprove timely stockholder nominations and proposals, our bylaws may have the effect of precluding a contest for the election of directors or proposals for other action if the proper procedures are not followed, and of discouraging or deterring a third party from

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conducting a solicitation of proxies to elect its own slate of directors to our Board or to approve its own proposal.

**Description of Common Stock**

The following description of the terms of our common stock is only a summary. This summary is not complete and is qualified by the provisions of our charter and bylaws, which have been filed with the SEC and incorporated by reference herein, and the MGCL.

**General**

Our charter provides that we may issue up to 2,936,500,000 1,468,250,000 shares of our common stock. All of the outstanding shares of the common stock are duly authorized, fully paid and nonassessable.

**Voting**

Subject to our charter restrictions on ownership and transfer of our stock and the terms of any other class or series of our stock, including the Series F Preferred Stock, Series G Preferred Stock and Series I Preferred Stock, each outstanding share of our common stock entitles the holder thereof to one vote on all matters submitted to a vote of stockholders, including the election of directors. Cumulative voting in the election of directors is not permitted. Each nominee for director shall be elected by a majority of the votes cast. A majority of the votes cast means the affirmative vote of a majority of the total votes cast “for” and “against” such nominee. Notwithstanding the foregoing, a nominee for director shall be elected by a plurality of the votes cast if the number of nominees exceeds the number of directors to be elected. If an incumbent director fails to receive the required vote for re-election, under our current bylaws our Board is required to publicly disclose whether it has requested and accepted the resignation of such director and, if applicable, its decision regarding any tendered resignation and its rationale.

**Dividends; Liquidation; Other Rights**

Holders of our common stock are entitled to receive dividends if and when authorized by our Board and declared by us out of legally available funds. The right of holders of our common stock to receive dividends is subordinate to the rights of holders of our preferred stock or other senior securities. If we liquidate, dissolve or wind-up, our holders of common stock will share ratably in all of our assets remaining after the payment of all of our liabilities and the payment of all liquidation and other preference amounts to holders of our preferred stock and other senior securities. Holders of



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our common stock have no preemptive or other subscription rights, and there are no conversion rights, or redemption or sinking fund provisions, relating to the shares of common stock.

**Listing**

The Company's common stock is listed on The New York Stock Exchange under the trading symbol "NLY."

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**Transfer Agent and Registrar**

Computershare Inc. is the transfer agent and registrar for our common stock.

**Description of the Series F Preferred Stock**

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The description of certain terms of the Series F Preferred Stock in this exhibit does not purport to be complete and is in all respects subject to, and qualified in its entirety by references to the relevant provisions of our charter, the articles supplementary for Series F Preferred Stock, our bylaws and Maryland law. In this section, (i) our "Junior Stock" means our common stock and any class or series of stock we may issue in the future that by its terms ranks junior to the Series F Preferred Stock with respect to the payment of dividends and the distribution of assets in the event of our liquidation, dissolution, or winding up, (ii) our "Parity Stock" means our Series G Preferred Stock, our Series I Preferred Stock, and any other class or series of stock issued by us from time to time that by its terms ranks on parity with the Series F Preferred Stock, Series G Preferred Stock and Series I Preferred Stock with respect to the payment of dividends and the distribution of assets in the event of our liquidation, dissolution or winding up, and (iii) our "Senior Stock" means any class or series of stock we may issue in the future that by its terms ranks senior to the Series F Preferred Stock with respect to the payment of dividends and the distribution of assets in the event of our liquidation, dissolution or winding up. The term "stock" does not include any convertible or exchangeable debt securities we may issue in the future.

**General**

Pursuant to our charter, our Board and a committee of the Board classified and designated 28,800,000 shares of the Series F Preferred Stock. Our Board may, without the approval of holders of Series F Preferred Stock, Series G Preferred Stock, Series I Preferred Stock or our common stock, designate additional classes or series of authorized preferred stock ranking junior to or on parity with the Series F Preferred Stock or designate additional shares of the Series F Preferred Stock and authorize the issuance of such shares.

**Listing**

The Series F Preferred Stock is listed on the New York Stock Exchange under the symbol "NYL.F".

**Transfer Agent and Registrar**

The registrar, transfer agent and dividend and redemption price disbursing agent in respect of the Series F Preferred Stock is Computershare Inc.

**Maturity**

The Series F Preferred Stock has no stated maturity and is not subject to any sinking fund or mandatory redemption. Shares of the Series F Preferred Stock will remain outstanding indefinitely unless we decide to redeem or otherwise repurchase them or they become convertible and are



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converted as described below under "—Conversion Rights." We are not required to set apart for payment the funds to redeem the Series F Preferred Stock.

**Ranking**

The Series F Preferred Stock ranks, with respect to rights to the payment of dividends and the distribution of assets upon our liquidation, dissolution or winding up:

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- senior to all classes or series of our common stock and any other Junior Stock we may issue;
- on a parity with our Parity Stock;
- junior to any Senior Stock we may issue; and

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- effectively junior to all of our existing and future indebtedness (including indebtedness convertible into or exchangeable for our common stock or preferred stock) and the indebtedness of our existing and future subsidiaries.

**Dividends**

Holders of shares of the Series F Preferred Stock are entitled to receive, when, as and if authorized by our Board and declared by us, out of funds legally available for the payment of dividends, cumulative cash dividends. The initial dividend rate for the Series F Preferred Stock from and including the date of original issuance to, but not including, September 30, 2022 (the "Fixed Rate Period") will be 6.95% of the $25.00 per share liquidation preference per annum (equivalent to $1.7375 per annum per share). On and after September 30, 2022 (the "Floating Rate Period"), dividends on the Series F Preferred Stock will accumulate at a percentage of the $25.00 liquidation preference equal to an annual floating rate of the Three-Month LIBOR Rate plus a spread of 4.993%. Dividends on the Series F Preferred Stock will accumulate daily and be cumulative from, and including, the date of original issue and will be payable quarterly in arrears on the last day of each March, June, September and December (each, a "dividend payment date"); provided that if any dividend payment date is not a business day, as defined in the articles supplementary classifying and designating the Series F Preferred Stock, then the dividend which would otherwise have been payable on that dividend payment date may be paid on the next succeeding business day with the same force and effect as if paid on such dividend payment date. No interest, additional dividends or sums in lieu of interest will be payable for the period from and after that dividend payment date to that next succeeding business day. Any dividend payable on the Series F Preferred Stock, including dividends payable for any partial Dividend Period, will be computed on the basis of a 360-day year consisting of twelve 30-day months. Dividends will be payable to holders of record as they appear on our stock records at the close of business on the applicable record date, which will be no fewer than ten days and no more than 35 days prior to the applicable dividend payment date, as shall be fixed by the board of directors (each, a "dividend record date"). The dividends payable on any dividend payment date shall include dividends accumulated to, but not including, such dividend payment date.

For each Dividend Period during the Floating Rate Period, LIBOR (the London interbank offered rate) ("Three-Month LIBOR Rate") will be determined by us, as of the applicable Dividend Determination Date (as defined below), in accordance with the following provisions:

- LIBOR will be the rate (expressed as a percentage per year) for deposits in U.S. dollars having an index maturity of three months, in amounts of at least $1,000,000, as such rate appears on "Reuters Page LIBOR01" at approximately 11:00 a.m. (London time) on the relevant Dividend Determination Date; or



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- if no such rate appears on “Reuters Page LIBOR01” or if the “Reuters Page LIBOR01” is not available at approximately 11:00 a.m. (London time) on the relevant Dividend Determination Date, then we will select four nationally-recognized banks in the London interbank market and request that the principal London offices of those four selected banks provide us with their offered quotation for deposits in U.S. dollars for a period of three months, commencing on the first day of the applicable Dividend Period, to prime banks in the London

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interbank market at approximately 11:00 a.m. (London time) on that Dividend Determination Date for the applicable Dividend Period. Offered quotations must be based on a principal amount equal to an amount that, in our discretion, is representative of a single transaction in U.S. dollars in the London interbank market at that time. If at least two quotations are provided, the Three-Month LIBOR Rate for such Dividend Period will be the arithmetic mean (rounded upward if necessary, to the nearest 0.00001 of 1%) of those quotations. If fewer than two quotations are provided, the Three-Month LIBOR Rate for such Dividend Period will be the arithmetic mean (rounded upward if necessary, to the nearest 0.00001 of 1%) of the rates

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quoted at approximately 11:00 a.m. (New York City time) on that Dividend Determination Date for such Dividend Period by three nationally-recognized banks in New York, New York selected by us, for loans in U.S. dollars to nationally-recognized European banks (as selected by us), for a period of three months commencing on the first day of such Dividend Period. The rates quoted must be based on an amount that, in our discretion, is representative of a single transaction in U.S. dollars in that market at that time. If fewer than three New York City banks selected by us do not quote rates in the manner described above, the Three-Month LIBOR Rate for the applicable Dividend Period will be the same as for the immediately preceding Dividend Period, or, if there was no such Dividend Period, the dividend shall be calculated at the dividend rate in effect for the immediately preceding Dividend Period.

“Dividend Determination Date” means the London Business Day (as defined below) immediately preceding the first date of the applicable Dividend Period.

“Dividend Period” means the period from, and including, a dividend payment date to, but excluding, the next succeeding dividend payment date, except for the initial Dividend Period, which will be the period from, and including, the original issue date of the Series F Preferred Stock to, but excluding, December 31, 2017.

“London Business Day” means any day on which dealings in deposits in U.S. dollars are transacted in the London interbank market.

“Reuters Page LIBOR01” means the display so designated on the Reuters 3000 Xtra (or such other page as may replace the LIBOR01 page on that service, or such other service as may be nominated by the ICE Benchmark Administration Limited, or ICE, or its successor, or such other entity assuming the responsibility of ICE or its successor in the event ICE or its successor no longer does so, as the successor service, for the purpose of displaying London interbank offered rates for U.S. dollar deposits).

No dividends on shares of Series F Preferred Stock may be authorized by our Board or paid or set apart for payment by us at any time when the terms and provisions of any agreement of ours, including any agreement relating to our indebtedness, prohibit the authorization, payment or setting apart for payment thereof or provide that the authorization, payment or setting apart for payment thereof would constitute a breach of the agreement or a default under the agreement, or if the authorization, payment or setting apart for payment is restricted or prohibited by law.



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Notwithstanding the foregoing, dividends on the Series F Preferred Stock will accumulate whether or not (i) the terms and provisions of any laws or agreements referred to in the preceding paragraph at any time prohibit the current payment of dividends, (ii) we have earnings, (iii) there are funds legally available for the payment of those dividends and (iv) those dividends are declared. No interest, or sum in lieu of interest, will be payable in respect of any dividend payment or payments on the Series F Preferred Stock which may be in arrears, and holders of

Series F Preferred Stock will not be entitled to any dividends in excess of full cumulative dividends described above. Any dividend payment made on the Series F Preferred Stock will first be credited against the earliest accumulated but unpaid dividend due with respect to those shares.

Future dividends on our common stock and preferred stock, including the Series F Preferred Stock, will be at the discretion of our Board and will depend on, among other things, our results of operations, cash flow from operations, financial condition and capital requirements, the annual distribution requirements under the REIT provisions of the Code, applicable law, any debt service requirements and any other factors our Board deems relevant. Accordingly, we

cannot guarantee that we will be able to make cash distributions on the Series F Preferred Stock or what the actual dividends will be for any future period.

Except as noted below, unless full cumulative dividends on the Series F Preferred Stock have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof is set apart for payment for all past Dividend Periods, no dividends (other than in shares of our common stock or other Junior Stock we may issue) may be declared or paid or set apart for payment upon our common stock or other Junior Stock or our Parity Stock and no other distribution may be declared or made upon our common stock or other Junior Stock or our Parity Stock. In addition, our common stock and other Junior Stock or Parity Stock we may issue may not be redeemed, purchased or otherwise acquired for any consideration (or any moneys be paid to or made available for a sinking fund for the redemption of any such securities) by us (except by conversion into or exchange for shares of, or options, warrants or rights to purchase or subscribe for, our common stock or other Junior Stock we may issue or pursuant to an exchange offer made on the same terms to all holders of Series F Preferred Stock and all Parity Stock). The foregoing will not, however, prevent the redemption, purchase or acquisition by us of shares of any class or series of stock for the purpose of enforcing restrictions on transfer and ownership of our stock contained in our charter, including in order to preserve our qualification as a REIT, or the redemption, purchase or acquisition by us of shares of our common stock for purposes of and in compliance with any incentive or benefit plan of ours.

When dividends are not paid in full (or a sum sufficient for such full payment is not so set apart) upon the Series F Preferred Stock and our Parity Stock, all dividends declared upon the Series F Preferred Stock and such Parity Stock must be declared pro rata so that the amount of dividends declared per share of Series F Preferred Stock and such Parity Stock will in all cases bear to each other the same ratio that accumulated dividends per share on the Series F Preferred Stock and such Parity Stock (which will not include any accrual in respect of unpaid dividends for prior Dividend Periods if such other Parity Stock do not have a cumulative dividend) bear to each other. No interest, or sum of money in lieu of interest, will be payable in respect of any dividend payment or payments on the Series F Preferred Stock which may be in arrears.

**Liquidation Preference**

In the event of our voluntary or involuntary liquidation, dissolution or winding up, the holders of Series F Preferred Stock will be entitled to be paid out of the assets we have legally available for distribution to our stockholders, subject to the preferential rights of the holders of any Senior Stock, a liquidation preference of $25.00 per share, plus any accumulated and unpaid dividends thereon (whether or not authorized or declared) to, but



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excluding, the payment date, before any distribution of assets is made to holders of common stock or other Junior Stock we may issue; and the holders of Series F Preferred Stock will not be entitled to any further payment.

In the event that, upon any such voluntary or involuntary liquidation, dissolution or winding up, our available assets are insufficient to pay the amount of the liquidating distributions

on all outstanding shares of Series F Preferred Stock, Series G Preferred Stock, Series I Preferred Stock and any other Parity Stock we may issue, then the holders of Series F Preferred Stock, Series G Preferred Stock, Series I Preferred Stock and such other Parity Stock will share ratably in any such distribution of assets in proportion to the full liquidating distributions to which they would otherwise be respectively entitled.

Notice of any such liquidation stating the payment date or dates when, and the place or places where, the amounts distributable in each circumstance shall be payable, will be given no fewer than 30 days and no more than 60 days prior to the payment date, to each holder of record of Series F Preferred Stock at the address of such holder as it appears on our stock records. After

payment of the full amount of the liquidating distributions to which they are entitled, the holders of Series F Preferred Stock will have no right or claim to any of our remaining assets. The consolidation, conversion or merger of us with or into any other corporation, trust or entity or of any other entity with or into us, the sale, lease, transfer or conveyance of all or substantially all of our property or business or a statutory share exchange, will not be deemed to constitute a liquidation, dissolution or winding up of us (although such events may give rise to the special optional redemption and contingent conversion rights described below).

In determining whether a distribution (other than upon voluntary or involuntary liquidation), by dividend, redemption or other acquisition of shares of stock or otherwise, is permitted under Maryland law with respect to any share of any class or series of our stock, amounts that would be needed, if we were to be dissolved at the time of the distribution, to satisfy the preferential rights upon dissolution of holders of shares of Series F Preferred Stock will not be added to our total liabilities.

**Redemption**

The Series F Preferred Stock is not redeemable by us prior to September 30, 2022, except under circumstances where it is necessary to preserve our qualification as a REIT for U.S. federal income tax purposes (please see “Description of Equity Securities—Restrictions on Ownership and Transfer” in this exhibit) and except as described below under “—Special Optional Redemption” upon the occurrence of a Change of Control (as defined herein).

*Optional Redemption*. On and after September 30, 2022, we may, at our option, upon not less than 30 nor more than 60 days’ notice, redeem the Series F Preferred Stock, in whole or in part, at any time or from time to time, for cash at a redemption price of $25.00 per share, plus any accumulated and unpaid dividends thereon (whether or not authorized or declared) to, but excluding, the redemption date, without interest.

*Special Optional Redemption*. Upon the occurrence of a Change of Control (as defined below), we may, at our option, upon not less than 30 nor more than 60 days’ notice, redeem the Series F Preferred Stock, in whole or in part, within 120 days after the first date on which such Change of Control occurred, for cash at a redemption price of $25.00 per share, plus any accumulated and unpaid dividends thereon (whether or not authorized or declared) to, but excluding, the redemption date. If, prior to the Change of Control Conversion Date (as defined below), we have provided notice of



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our election to redeem some or all of the shares of Series F Preferred Stock (whether pursuant to our optional redemption right described above under "—Optional Redemption" or this special optional redemption right), the holders of Series F Preferred Stock will not have the Change of Control Conversion Right (as defined below) described below under "—Conversion Rights" with respect to the shares called for redemption.

A "Change of Control" is deemed to occur when, after the original issuance of the Series F Preferred Stock, the following have occurred and are continuing:

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- the acquisition by any person, including any syndicate or group deemed to be a "person" under Section 13(d)(3) of the Exchange Act, of beneficial ownership, directly or indirectly, through a purchase, merger or other acquisition transaction or series of purchases, mergers or other acquisition transactions of our stock entitling that person to exercise more than 50% of the total voting power of all our stock entitled to vote generally in the election of our directors (except that such person will be deemed to have beneficial ownership of all securities that such person has the right to acquire, whether such right is currently exercisable or is exercisable only upon the occurrence of a subsequent condition); and

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- following the closing of any transaction referred to in the bullet point above, neither we nor the acquiring or surviving entity has a class of common securities (or American Depositary Receipts representing such securities) listed on the NYSE, the NYSE American LLC or the Nasdaq Stock Market, or listed or quoted on an exchange or quotation system that is a successor to the NYSE, the NYSE American LLC or the Nasdaq Stock Market.

*Redemption Procedures*. In the event we elect to redeem Series F Preferred Stock pursuant to our optional redemption right or our special optional redemption right, the notice of redemption will be given to each holder of record of Series F Preferred Stock called for redemption at such holder's address as it appears on our stock records and will state the following:

- the redemption date;
- the number of shares of Series F Preferred Stock to be redeemed;
- the redemption price;
- the place or places where certificates (if any) for the Series F Preferred Stock are to be surrendered for payment of the redemption price;
- that dividends on the shares to be redeemed will cease to accumulate on the redemption date;
- if applicable, that such redemption is being made in connection with a Change of Control and, in that case, a brief description of the transaction or transactions constituting such Change of Control; and
- if such redemption is being made in connection with a Change of Control, that the holders of the shares of Series F Preferred Stock being so called for redemption will not be able to tender such shares of Series F Preferred Stock for conversion in connection with the Change of Control and that each share of Series F Preferred Stock tendered for conversion that is called, prior to the Change of Control Conversion Date, for redemption will be redeemed on the related date of redemption instead of converted on the Change of Control Conversion Date.

If less than all of the Series F Preferred Stock held by any holder is to be redeemed, the notice given to such holder shall also specify the number of shares of Series F Preferred Stock held by such holder to be redeemed. No failure to give such notice or any defect thereto or in the giving



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thereof will affect the validity of the proceedings for the redemption of any shares of Series F Preferred Stock, except as to the holder to whom notice was defective or not given.

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Holders of shares of Series F Preferred Stock to be redeemed must surrender such shares at the place designated in the notice of redemption and will be entitled to the redemption price and any accumulated and unpaid dividends payable upon the redemption following the surrender.

If notice of redemption of any shares of Series F Preferred Stock has been given and if we have irrevocably set apart for payment the funds necessary for redemption (including any accumulated and unpaid dividends) in trust for the benefit of the holders of the shares of Series F Preferred Stock so called for redemption, then from and after the redemption date (unless we default in providing for the payment of the redemption price plus accumulated and unpaid dividends, if any), dividends will cease to accumulate on those shares of Series F Preferred Stock, those shares of Series F Preferred Stock will no longer be deemed outstanding and all rights of the holders of those shares will terminate, except the right to receive the redemption price plus accumulated and unpaid dividends, if any, payable upon redemption.

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If any redemption date is not a business day, then the redemption price and accumulated and unpaid dividends, if any, payable upon redemption may be paid on the next business day and no interest, additional dividends or other sums will accumulate on the amount payable for the period from and after that redemption date to that next business day.

If less than all of the outstanding shares of Series F Preferred Stock are to be redeemed, the shares of Series F Preferred Stock to be redeemed will be selected pro rata (as nearly as may be practicable without creating fractional shares) or by lot. If such redemption is to be by lot and if, as a result of such redemption, any holder of Series F Preferred Stock would own, or be deemed by virtue of certain attribution provisions of the Code to own, in excess of 9.8% in value or in number of shares (whichever is more restrictive) of any class or series of our stock (including the Series F Preferred Stock), or violate any other restriction or limitation of our stock set forth in our charter, then, except as otherwise provided in our charter, we will redeem the requisite number of shares of Series F Preferred Stock of that holder such that the holder will not own or be deemed by virtue of certain attribution provisions of the Code to own, subsequent to the redemption, in excess of 9.8% in value or in number of shares (whichever is more restrictive) of any class or series of our stock or violate any other restriction or limitation of our stock set forth in our charter. See the heading “Description of Equity Securities—Restrictions on Ownership and Transfer” in this exhibit.

Immediately prior to any redemption of Series F Preferred Stock, we will pay, in cash, any accumulated and unpaid dividends to, but excluding, the redemption date, unless a redemption date falls after a dividend record date and prior to the corresponding dividend payment date, in which case each holder of Series F Preferred Stock at the close of business on such dividend record date will be entitled to the dividend payable on such shares on the corresponding dividend payment date notwithstanding the redemption of such shares before such dividend payment date. Except as provided above, we will make no payment or allowance for unpaid dividends, whether or not in arrears, on shares of the Series F Preferred Stock to be redeemed.

Unless full cumulative dividends on all shares of Series F Preferred Stock have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof has been or contemporaneously is set apart for payment for all past Dividend Periods, no shares of Series F Preferred Stock may be redeemed unless all outstanding shares of Series F Preferred Stock are simultaneously redeemed, and we may not purchase or otherwise acquire directly or indirectly any shares of Series F Preferred Stock (except by conversion into or exchange for shares of, or options, warrants or rights to purchase or subscribe for, our common stock or other Junior Stock we may issue or pursuant to a purchase or exchange offer made on the same terms to all holders of Series F Preferred Stock and all Parity Stock); provided, however, that the foregoing will not prevent the redemption, purchase or acquisition by us of



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shares of Series F Preferred Stock for the purpose of enforcing restrictions on ownership and transfer of our stock contained in our charter, including in order to preserve our qualification as a REIT.

Subject to applicable law, we may purchase shares of Series F Preferred Stock in the open market, by tender or by privately negotiated transactions. Any shares of Series F Preferred Stock that we acquire, by redemption or otherwise, shall be reclassified as authorized but unissued shares of preferred stock, without designation as to class or series, and may thereafter be issued as any class or series of preferred stock.

**Conversion Rights**

Upon the occurrence of a Change of Control, each holder of Series F Preferred Stock will have the right (unless, prior to the Change of Control Conversion Date, we have provided notice

of our election to redeem some or all of the shares of Series F Preferred Stock held by such holder as described above under "—Redemption," in which case such holder will have the right only with respect to shares of Series F Preferred Stock that are not called for redemption) to convert some or all of the shares of the Series F Preferred Stock held by such holder (the "Change of Control Conversion Right") on the Change of Control Conversion Date into a number of shares of our common stock per share of Series F Preferred Stock (the "Common Stock Conversion Consideration") equal to the lesser of:

- the quotient obtained by dividing (i) the sum of the $25.00 liquidation preference per share of Series F Preferred Stock, plus any accumulated and unpaid dividends thereon (whether or not authorized or declared) to, but excluding, the Change of Control Conversion Date (unless the Change of Control Conversion Date is after a dividend record date and prior to the corresponding dividend payment date for the Series F Preferred Stock, in which case no additional amount for such accumulated and unpaid dividends to be paid on such dividend payment date will be included in this sum) by (ii) the Common Stock Price, as defined below (such quotient, the "Conversion Rate"); and
- The "Share Cap," originally, 4.19815, now 1.0495375 as a result of a reverse stock split of our common stock at a ratio of 1-for-4 (the "Reverse Stock Split"), subject to certain adjustments as described below.

Notwithstanding anything in our charter to the contrary and except as otherwise required by law, the persons who are the holders of record of shares of Series F Preferred Stock at the close of business on a dividend record date will be entitled to receive the dividend payable on the corresponding dividend payment date notwithstanding the conversion of those shares after such dividend record date and on or prior to such dividend payment date and, in such case, the full amount of such dividend will be paid on such dividend payment date to the persons who were the holders of record at the close of business on such dividend record date. Except as provided in this paragraph, we will make no allowance for unpaid dividends that are not in arrears on the shares of Series F Preferred Stock to be converted.

The Share Cap is subject to pro rata adjustments for any share splits (including those effected pursuant to a distribution of our common stock to existing holders of our common stock), subdivisions or combinations (in each case, a "Share Split") with respect to our common stock as follows: the adjusted Share Cap as the result of a Share Split will be the number of shares of our common stock that is equivalent to the product obtained by multiplying (i) the Share Cap in effect immediately prior to such Share Split by (ii) a fraction, the numerator of which is the number of shares of our common stock outstanding immediately after giving effect



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to such Share Split and the denominator of which is the number of shares of our common stock outstanding immediately prior to such Share Split.

For the avoidance of doubt, subject to the immediately succeeding paragraph, the aggregate number of shares of our common stock (or equivalent Alternative Conversion Consideration, as applicable) issuable or deliverable, as applicable, in connection with the exercise of the Change of Control Conversion Right will not exceed the product of the Share Cap then in effect times the aggregate number of shares of the Series F Preferred Stock issued and outstanding at the Change of Control Conversion Date (or equivalent Alternative Conversion Consideration, as applicable) (the “Exchange Cap”). The Exchange Cap is subject to pro rata adjustments for any Share Splits on the same basis as the corresponding adjustment to the Share Cap.

In the case of a Change of Control pursuant to which our common stock is or will be converted into cash, securities or other property or assets (including any combination thereof) (the “Alternative Form Consideration”), a holder of Series F Preferred Stock will receive upon

conversion of such shares of the Series F Preferred Stock the kind and amount of Alternative Form Consideration which such holder would have owned or been entitled to receive upon the Change of Control had such holder held a number of shares of our common stock equal to the Common Stock Conversion Consideration immediately prior to the effective time of the Change of Control (the “Alternative Conversion Consideration”). The Common Stock Conversion Consideration or the Alternative Conversion Consideration, whichever shall be applicable to a Change of Control, is referred to as the “Conversion Consideration.”

If the holders of our common stock have the opportunity to elect the form of consideration to be received in the Change of Control, the Conversion Consideration in respect of such Change of Control will be deemed to be the kind and amount of consideration actually received by holders of a majority of the outstanding shares of our common stock that made or voted for such an election (if electing between two types of consideration) or holders of a plurality of the outstanding shares of our common stock that made or voted for such an election (if electing between more than two types of consideration), as the case may be, and will be subject to any limitations to which all holders of our common stock are subject, including, without limitation, pro rata reductions applicable to any portion of the consideration payable in such Change of Control.

We will not issue fractional shares of our common stock upon the conversion of the Series F Preferred Stock in connection with a Change of Control. Instead, we will make a cash payment equal to the value of such fractional shares based upon the Common Stock Price used in determining the Common Stock Conversion Consideration for such Change of Control.

Within 15 days following the occurrence of a Change of Control, provided that we have not exercised our right to redeem all shares of Series F Preferred Stock pursuant to the redemption provisions described above, we will provide to holders of Series F Preferred Stock a notice of occurrence of the Change of Control that describes the resulting Change of Control Conversion Right, which notice shall be delivered to the holders of record of the shares of Series F Preferred Stock to their addresses as they appear on our stock records. No failure to give such notice or any defect thereto or in the giving thereof will affect the validity of the proceedings for the conversion of any shares of Series F Preferred Stock except as to the holder to whom notice was defective or not given. This notice will state the following:

- the events constituting the Change of Control;
- the date of the Change of Control;



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- the last date on which the holders of Series F Preferred Stock may exercise their Change of Control Conversion Right;

- the method and period for calculating the Common Stock Price;
- the Change of Control Conversion Date;
- that if, prior to the Change of Control Conversion Date, we have provided notice of our election to redeem all or any shares of Series F Preferred Stock, holders of Series F Preferred Stock that are subject to such notice of redemption will not be able to convert the shares of Series F Preferred Stock called for redemption and such shares will be redeemed on the related redemption date, even if such shares have already been tendered for conversion pursuant to the Change of Control Conversion Right;
- if applicable, the type and amount of Alternative Conversion Consideration entitled to be received per share of Series F Preferred Stock;

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- the name and address of the paying agent, transfer agent and conversion agent for the Series F Preferred Stock;
- the procedures that the holders of Series F Preferred Stock must follow to exercise the Change of Control Conversion Right (including procedures for surrendering shares of Series F Preferred Stock for conversion through the facilities of a Depositary (as defined below)), including the form of conversion notice to be delivered by such holders as described below; and
- the last date on which holders of Series F Preferred Stock may withdraw shares of Series F Preferred Stock surrendered for conversion and the procedures that such holders must follow to effect such a withdrawal.

Under such circumstances, we also will issue a press release containing such notice for publication on the Wall Street Journal, Business Wire, PR Newswire or Bloomberg Business News (or, if these organizations are not in existence at the time of issuance of the press release, such other news or press organization as is reasonably calculated to broadly disseminate the relevant information to the public), and post a notice on our website (if any), in any event prior to the opening of business on the first business day following any date on which we provide the notice described above to the holders of Series F Preferred Stock.

To exercise the Change of Control Conversion Right, the holders of Series F Preferred Stock will be required to deliver, on or before the close of business on the Change of Control Conversion Date, the certificates (if any) representing the shares of Series F Preferred Stock to be converted, duly endorsed for transfer (or, in the case of any shares of Series F Preferred Stock held in book-entry form through a Depositary or shares directly registered with the transfer agent therefor, to deliver, on or before the close of business on the Change of Control Conversion Date, the shares of Series F Preferred Stock to be converted through the facilities of such Depositary or through such transfer agent, respectively), together with a written conversion notice in the form provided by us, duly completed, to our transfer agent. The conversion notice must state:

- the relevant Change of Control Conversion Date;
- the number of shares of Series F Preferred Stock to be converted; and

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- that the shares of the Series F Preferred Stock are to be converted pursuant to the applicable provisions of the articles supplementary designating the Series F Preferred Stock.



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The “Change of Control Conversion Date” is the date the Series F Preferred Stock is to be converted, which will be a business day selected by us that is no fewer than 20 days nor more than 35 days after the date on which we provide the notice described above to the holders of Series F Preferred Stock.

The “Common Stock Price” is (i) if the consideration to be received in the Change of Control by the holders of our common stock is solely cash, the amount of cash consideration per share of our common stock or (ii) if the consideration to be received in the Change of Control by holders of our common stock is other than solely cash (x) the average of the closing sale prices per share of our common stock (or, if no closing sale price is reported, the average of the closing bid and ask prices per share or, if more than one in either case, the average of the average closing bid and the average closing ask prices per share) for the ten consecutive trading days immediately preceding, but not including, the date on which such Change of Control occurred as reported on the principal U.S. securities exchange on which our common stock is then traded, or (y) if our common stock is not then listed for trading on a U.S. securities exchange, the average of the last quoted bid prices for our common stock in the over-the-counter market as reported by

OTC Markets Group Inc. or similar organization for the ten consecutive trading days immediately preceding, but not including, the date on which such Change of Control occurred.

Holders of Series F Preferred Stock may withdraw any notice of exercise of a Change of Control Conversion Right (in whole or in part) by a written notice of withdrawal delivered to our transfer agent prior to the close of business on the business day prior to the Change of Control Conversion Date. The notice of withdrawal delivered by any holder must state:

- the number of withdrawn shares of Series F Preferred Stock;
- if certificated shares of Series F Preferred Stock have been surrendered for conversion, the certificate numbers of the withdrawn shares of Series F Preferred Stock; and
- the number of shares of Series F Preferred Stock, if any, which remain subject to the holder’s conversion notice.

Notwithstanding the foregoing, if any shares of Series F Preferred Stock are held in book-entry form through The Depository Trust Company (“DTC”) or a similar depositary (each, a “Depositary”), the conversion notice and/or the notice of withdrawal, as applicable, must comply with applicable procedures, if any, of the applicable Depositary.

Shares of Series F Preferred Stock as to which the Change of Control Conversion Right has been properly exercised and for which the conversion notice has not been properly withdrawn will be converted into the applicable Conversion Consideration in accordance with the Change of Control Conversion Right on the Change of Control Conversion Date, unless prior to the Change of Control Conversion Date we have provided notice of our election to redeem some or all of the shares of Series F Preferred Stock, as described above under “—Redemption,” in which case only the shares of Series F Preferred Stock properly surrendered for conversion and not properly withdrawn that are not called for redemption will be converted as aforesaid. If we elect to redeem shares of Series F Preferred Stock that would otherwise be converted into the applicable Conversion Consideration on a Change of Control Conversion Date, such shares of Series F Preferred Stock will not be so converted and the holders of such shares will be entitled



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to receive on the applicable redemption date the redemption price described above under "—Redemption."

We will deliver all securities, cash and any other property owing upon conversion no later than the third business day following the Change of Control Conversion Date. Notwithstanding the foregoing, the persons entitled to receive any shares of our common stock or other securities delivered on conversion will be deemed to have become the holders of record thereof as of the Change of Control Conversion Date.

In connection with the exercise of any Change of Control Conversion Right, we will comply with all applicable federal and state securities laws and stock exchange rules in connection with any conversion of shares of the Series F Preferred Stock into shares of our common stock or other property. Notwithstanding any other provision of the Series F Preferred Stock, no holder of Series F Preferred Stock will be entitled to convert such shares of the Series F Preferred Stock into shares of our common stock to the extent that receipt of such shares of common stock would cause such holder (or any other person) to violate the applicable restrictions on transfer and ownership of our stock contained in our charter, unless we provide an exemption from this limitation to such holder pursuant to the terms of our charter. Please see the section entitled "Description of Equity Securities—Restrictions on Ownership and Transfer" in this exhibit.

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The Change of Control conversion feature may make it more difficult for a third party to acquire us or discourage a party from acquiring us.

Except as provided above in connection with a Change of Control, the Series F Preferred Stock is not convertible into or exchangeable for any other securities or property.

**Voting Rights**

Holders of Series F Preferred Stock do not have any voting rights, except as set forth below.

Whenever dividends on any shares of Series F Preferred Stock are in arrears for six or more full quarterly Dividend Periods, whether or not consecutive, the number of directors constituting our Board will be automatically increased by two (if not already increased by two by reason of the election of directors by the holders of any other class or series of Parity Stock upon which like voting rights have been conferred and are exercisable) and the holders of Series F Preferred Stock, voting as a single class with holders of the Parity Stock upon which like voting rights have been conferred and are exercisable, will be entitled to vote for the election of those two additional directors at a special meeting called by us at the request of the holders of record of at least 25% of the outstanding shares of Series F Preferred Stock and all other classes or series of Parity Stock upon which like voting rights have been conferred and are exercisable to be held no later than 90 days after our receipt of such request (unless the request is received less than 90 days before the date fixed for the next annual or special meeting of our stockholders, in which case, such vote will be held at the earlier of the next annual or special meeting of the stockholders to the extent permitted by applicable law), and at each subsequent annual meeting until all dividends accumulated on the Series F Preferred Stock for all past Dividend Periods and the then current Dividend Period will have been fully paid. In that case, the right of holders of Series F Preferred Stock to elect any directors will cease and, unless there are other classes or series of Parity Stock upon which like voting rights have been conferred and are exercisable, the term of office of any directors elected by holders of Series F Preferred Stock will immediately terminate and the number of directors constituting the board of directors will be reduced accordingly. For the avoidance of doubt, in no event will the total number of directors elected by holders of Series F Preferred Stock (voting together as a single class with the Parity Stock upon

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which like voting rights have been conferred and are exercisable) pursuant to these voting rights exceed two. The directors elected by the holders of the Series F Preferred Stock and the holders of the Parity Stock upon which like voting rights have been conferred and are exercisable will be elected by a plurality of the votes cast by the holders of the outstanding shares of Series F Preferred Stock when they have the voting rights described in this paragraph and the Parity Stock upon which like voting rights have been conferred and are exercisable (voting together as a single class) to serve until our next annual meeting of stockholders and until their successors are duly elected and qualify or until such directors' right to hold the office terminates as described above, whichever occurs earlier.

On each matter on which holders of Series F Preferred Stock are entitled to vote, each share of Series F Preferred Stock will be entitled to one vote, except that when shares of any other class or series of preferred stock we may issue, including the Parity Stock, have the right to vote with the Series F Preferred Stock as a single class on any matter, the Series F Preferred Stock, the Parity Stock and each such other class or series of stock will have one vote for each $25.00 of liquidation preference (excluding accumulated dividends). If, at any time when the voting rights conferred upon the Series F Preferred Stock are exercisable, any vacancy in the office of a director elected by the holders of the Parity Stock upon which like voting rights have been conferred and are exercisable will occur, then such vacancy may be filled only by the remaining director or by vote of the holders of the outstanding Series F Preferred Stock and any

other classes or series of Parity Stock upon which like voting rights have been conferred and are exercisable.

Any director elected by holders of shares of Series F Preferred Stock and any class or series of Parity Stock upon which like voting rights have been conferred and are exercisable may be removed at any time, with or without cause, by the vote of, and may not be removed otherwise than by the vote of, the holders of record of a majority of the outstanding shares of Series F Preferred Stock and any class or series of Parity Stock we may issue when they have the voting rights described above (voting as a single class with all other classes or series of Parity Stock upon which like voting rights have been conferred and are exercisable).

So long as any shares of Series F Preferred Stock remain outstanding, we will not, without the affirmative vote or consent of the holders of at least two-thirds of the shares of Series F Preferred Stock, and Parity Stock upon which like voting rights have been conferred and are exercisable (voting together as a single class), (i) authorize, create, or increase the authorized or issued amount of, any class or series of Senior Stock or reclassify any of our authorized stock into such shares, or create or authorize or issue any obligation or security convertible into or evidencing the right to purchase any such shares or (ii) amend, alter or repeal the provisions of our charter, whether by merger, conversion, consolidation or otherwise, so as to materially and adversely affect any right, preference, privilege or voting power of the Series F Preferred Stock (each, an "Event"); provided, however, with respect to the occurrence of any event Event set forth in clause (ii) above, so long as the Series F Preferred Stock remains outstanding with the terms thereof materially unchanged, or the holders of Series F Preferred Stock receive shares of stock or other equity interests with rights, preferences, privileges and voting powers substantially the same as those of the Series F Preferred Stock, taking into account that upon the occurrence of an Event we may not be the successor entity, the occurrence of any such Event will not be deemed to materially and adversely affect the rights, preferences, privileges or voting power of holders of Series F Preferred Stock; and, provided further, that any increase in the amount of the authorized or issued Series F Preferred Stock or the creation or issuance, or any increase in the amounts authorized of any Parity Stock, including the Series G Preferred Stock, Series I Preferred Stock, or Junior Stock will not be deemed to materially and adversely affect the rights, preferences, privileges or voting powers of holders of Series F Preferred Stock. Notwithstanding the foregoing, if any amendment, alteration or repeal of any provision of our charter would materially and adversely affect the rights, preferences or privileges of the Series F Preferred



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Stock disproportionately relative to other classes or series of Parity Stock, including the Series G Preferred Stock and Series I Preferred Stock, then the affirmative vote or consent of the holders of at least two-thirds of the outstanding shares of Series F Preferred Stock (voting as a separate class) shall also be required.

The foregoing voting provisions will not apply if, at or prior to the time when the act with respect to which such vote would otherwise be required shall be effected, all outstanding shares of Series F Preferred Stock have been redeemed or called for redemption upon proper notice and sufficient funds have been irrevocably set apart to effect such redemption.

Except as expressly stated in our charter or as may be required by applicable law, the Series F Preferred Stock do not have any relative, participating, optional or other special voting rights or powers and the consent of the holders thereof will not be required for the taking of any corporate action. The holders of Series F Preferred Stock have exclusive voting rights on any amendment to our charter that would alter the contract rights, as expressly set forth in the charter, of only the Series F Preferred Stock.

**Information Rights**

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During any period in which we are not subject to Section 13 or 15(d) of the Exchange Act and any shares of Series F Preferred Stock are outstanding, we will use our best efforts to (i) transmit through our website at http://www.annaly.com (or other permissible means under the Exchange Act) copies of the Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q that we would have been required to file with the SEC pursuant to Section 13 or 15(d) of the Exchange Act if we were subject thereto (other than any exhibits that would have been required). We will use our best efforts to provide such reports on our website within 15 days after the respective dates by which we would have been required to file such reports with the SEC if we were subject to Section 13 or 15(d) of the Exchange Act and we were a “non-accelerated filer” within the meaning of the Exchange Act.

**Restrictions on Transfer and Ownership**

To assist us in qualifying as a REIT, our charter prohibits anyone from acquiring or holding, directly or constructively, ownership of 9.8%, in number of shares or value, of each class or series of our outstanding shares. For this purpose the term “ownership” generally means either direct ownership or constructive ownership in accordance with the constructive ownership provisions of Section 544 of the Code, as modified in Section 856(h) of the Code. These provisions may restrict the ability of a holder of Series F Preferred Stock to convert such stock into our common stock as described above under “—Conversion Rights.” Our board of directors may, in its sole discretion, exempt a person from the 9.8% ownership limit under certain circumstances as described under “Description of Equity Securities—Restrictions on Ownership and Transfer” in this exhibit.

For further information regarding restrictions on ownership and transfer of the Series F Preferred Stock, please see the section entitled “Description of Equity Securities—Restrictions on Ownership and Transfer” in this exhibit.

**Preemptive Rights**

No holders of Series F Preferred Stock, as holders of Series F Preferred Stock, have any preemptive rights to purchase or subscribe for our common stock or any of our other securities.

**Book-Entry Procedures**

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DTC acts as securities depositary for the Series F Preferred Stock, which were issued in the form of global securities held in book-entry form. We will not issue certificates to holders of the Series F Preferred Stock for the shares of Series F Preferred Stock that are purchased, unless DTC’s services are discontinued as described below.



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Title to book-entry interests in the Series F Preferred Stock will pass by book-entry registration of the transfer within the records of DTC in accordance with its procedures. Book-entry interests in the securities may be transferred within DTC in accordance with procedures established for these purposes by DTC. Each person owning a beneficial interest in shares of the Series F Preferred Stock must rely on the procedures of DTC and the participant through which such person owns its interest to exercise its rights as a holder of the Series F Preferred Stock.

DTC has advised us that it is a limited-purpose trust company organized under the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code and a “clearing agency” registered under the provisions of Section 17A of the Exchange Act. DTC holds securities that its participants (“Direct Participants”) deposit with DTC. DTC also facilitates the settlement among Direct Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Direct Participants’ accounts,

thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. Access to the DTC system is also available to others such as securities brokers and dealers, including the underwriters, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). The rules applicable to DTC and its Direct and Indirect Participants are on file with the SEC.

When shares of Series F Preferred Stock are purchased within the DTC system, the purchase must be by or through a Direct Participant. The Direct Participant will receive a credit for the Series F Preferred Stock on DTC’s records. Holders of the Series F Preferred Stock will be considered to be the “beneficial owner” of the Series F Preferred Stock. Such beneficial ownership interest will be recorded on the Direct and Indirect Participants’ records, but DTC will have no knowledge of individual ownership. DTC’s records reflect only the identity of the Direct Participants to whose accounts shares of Series F Preferred Stock are credited.

Holders of the Series F Preferred Stock will not receive written confirmation from DTC of the purchase. The Direct or Indirect Participants through whom the Series F Preferred Stock were purchased should send such holders written confirmations providing details of the transactions, as well as periodic statements of the holdings. The Direct and Indirect Participants are responsible for keeping an accurate account of the holdings of their customers.

Transfers of ownership interests held through Direct and Indirect Participants will be accomplished by entries on the books of Direct and Indirect Participants acting on behalf of the beneficial owners.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to beneficial owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

We understand that, under DTC’s existing practices, in the event that we request any action of the holders, or an owner of a beneficial interest in a global security, such as a holder of the Series F Preferred Stock, desires to take any action which a holder is entitled to take under our charter (including the articles supplementary designating the Series F Preferred Stock), DTC

would authorize the Direct Participants holding the relevant shares to take such action, and those Direct Participants and any Indirect Participants would authorize beneficial owners owning through those Direct and Indirect Participants to take such action or would otherwise act upon the



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instructions of beneficial owners owning through them.

Any redemption notices with respect to the Series F Preferred Stock will be sent to Cede & Co. If less than all of the outstanding shares of Series F Preferred Stock are being redeemed, DTC will reduce each Direct Participant's holdings of shares of Series F Preferred Stock in accordance with its procedures.

In those instances where a vote is required, neither DTC nor Cede & Co. itself will consent or vote with respect to the shares of Series F Preferred Stock. Under its usual procedures, DTC would mail an omnibus proxy to us as soon as possible after the record date. The omnibus proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants whose accounts the shares of Series F Preferred Stock are credited to on the record date, which are identified in a listing attached to the omnibus proxy.

Dividends on the Series F Preferred Stock will be made directly to DTC's nominee (or its successor, if applicable). DTC's practice is to credit participants' accounts on the relevant

payment date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on that payment date.

Payments by Direct and Indirect Participants to beneficial owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name." These payments will be the responsibility of the participant and not of DTC, us or any agent of ours.

DTC may discontinue providing its services as securities depositary with respect to the Series F Preferred Stock at any time by giving reasonable notice to us. Additionally, we may decide to discontinue the book-entry only system of transfers with respect to the Series F Preferred Stock. In that event, we will print and deliver certificates in fully registered form for the Series F Preferred Stock. If DTC notifies us that it is unwilling to continue as securities depositary, or it is unable to continue or ceases to be a clearing agency registered under the Exchange Act and a successor depositary is not appointed by us within 90 days after receiving such notice or becoming aware that DTC is no longer so registered, we will issue the Series F Preferred Stock in definitive form, at our expense, upon registration of transfer of, or in exchange for, such global security.

According to DTC, the foregoing information with respect to DTC has been provided to the financial community for informational purposes only and is not intended to serve as a representation, warranty or contract modification of any kind.

**Global Clearance and Settlement Procedures**

Secondary market trading among DTC's Participants will occur in the ordinary way in accordance with DTC's rules and will be settled in immediately available funds using DTC's Same-Day Funds Settlement System.

**Description of the Series G Preferred Stock**

The description of certain terms of the Series G Preferred Stock in this exhibit does not purport to be complete and is in all respects subject to, and qualified in its entirety by references to the relevant provisions of our charter, the articles supplementary for Series G Preferred Stock, our bylaws and Maryland law. In this section, (i) our "Junior Stock" means our common stock



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and any class or series of stock we may issue in the future that by its terms ranks junior to the Series G Preferred Stock with respect to the payment of dividends and the distribution of assets in the event of our liquidation, dissolution, or winding up, (ii) our “Parity Stock” means our Series F Preferred Stock, our Series I Preferred Stock, and any other class or series of stock issued by us from time to time that by its terms ranks on parity with the Series F Preferred Stock, Series G Preferred Stock and Series I Preferred Stock with respect to the payment of dividends and the distribution of assets in the event of our liquidation, dissolution or winding up, and (iii) our “Senior Stock” means any class or series of stock we may issue in the future that by its terms ranks senior to the Series G Preferred Stock with respect to the payment of dividends and the distribution of assets in the event of our liquidation, dissolution or winding up. The term “stock” does not include any convertible or exchangeable debt securities we may issue in the future.

**General**

Pursuant to our charter, our Board and a committee of the Board classified and designated 17,000,000 shares of the Series G Preferred Stock. Our Board may, without the approval of holders of Series F Preferred Stock, Series G Preferred Stock, Series I Preferred Stock or our common stock, designate additional classes or series of authorized preferred stock ranking junior

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to or on parity with the Series G Preferred Stock or designate additional shares of the Series G Preferred Stock and authorize the issuance of such shares.

**Listing**

The Series G Preferred Stock is listed on the New York Stock Exchange under the symbol “NYL.G”.

**Transfer Agent and Registrar**

The registrar, transfer agent and dividend and redemption price disbursing agent in respect of the Series G Preferred Stock is Computershare Inc.

**Maturity**

The Series G Preferred Stock has no stated maturity and is not subject to any sinking fund or mandatory redemption. Shares of the Series G Preferred Stock will remain outstanding indefinitely unless we decide to redeem or otherwise repurchase them or they become convertible and are converted as described below under “—Conversion Rights.” We are not required to set apart for payment the funds to redeem the Series G Preferred Stock.

**Ranking**

The Series G Preferred Stock ranks, with respect to rights to the payment of dividends and the distribution of assets upon our liquidation, dissolution or winding up:

- senior to all classes or series of our common stock and any other Junior Stock we may issue;
- on a parity with our Parity Stock;
- junior to any Senior Stock we may issue; and
- effectively junior to all of our existing and future indebtedness (including indebtedness convertible into or exchangeable for our common stock or preferred stock) and the indebtedness of our existing and future subsidiaries.

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**Dividends**

Holders of shares of the Series G Preferred Stock are entitled to receive, when, as and if authorized by our Board and declared by us, out of funds legally available for the payment of dividends, cumulative cash dividends. The initial dividend rate for the Series G Preferred Stock from and including the date of original issuance to, but not including, March 31, 2023 (the "Fixed Rate Period") will be 6.50% of the $25.00 per share liquidation preference per annum (equivalent to $1.625 per annum per share). On and after March 31, 2023 (the "Floating Rate Period"), dividends on the Series G Preferred Stock will accumulate at a percentage of the $25.00 liquidation preference equal to an annual floating rate of the Three-Month LIBOR Rate plus a spread of 4.172%. Dividends on the Series G Preferred Stock will accumulate daily and be cumulative from, and including, the date of original issue and will be payable quarterly in arrears on the last day of each March, June, September and December (each, as may be modified as provided below, a "dividend payment date"). If any dividend payment date up to and including the scheduled March 31, 2023 dividend payment date is not a business day, as defined in the articles supplementary classifying and designating the Series G Preferred Stock, then the dividend which would otherwise have been payable on that dividend payment date may be paid on the next succeeding business day with the same force and effect as if paid on such dividend

payment date, and no interest, additional dividends or sums in lieu of interest will be payable for the period from and after that dividend payment date to that next succeeding business day. If any dividend payment date thereafter is not a business day, then the dividend payment date will be postponed to the next succeeding business day, unless that day falls in the next calendar month, in which case the dividend payment date will be brought forward to the immediately preceding day that is a business day, and, in either case, dividends will accrue to, but excluding, the actual payment day. Dividends payable on the Series G Preferred Stock for the Fixed Rate Period will be computed on the basis of a 360-day year consisting of twelve 30-day months. Dividends payable on the Series G Preferred Stock for the Floating Rate Period will be computed based on the actual number of days in a Dividend Period and a 360-day year. Dividends will be payable to holders of record as they appear on our stock records at the close of business on the applicable record date, which will be no fewer than ten days and no more than 35 days prior to the applicable dividend payment date, as shall be fixed by the board of directors (each, a "dividend record date"). The dividends payable on any dividend payment date shall include dividends accumulated to, but not including, such dividend payment date.

For each Dividend Period during the Floating Rate Period, LIBOR (the London interbank offered rate) ("Three-Month LIBOR Rate") will be determined by us, as of the applicable Dividend Determination Date (as defined below), in accordance with the following provisions:

- LIBOR will be the rate (expressed as a percentage per year) for deposits in U.S. dollars having an index maturity of three months, in amounts of at least $1,000,000, as such rate appears on "Reuters Page LIBOR01" at approximately 11:00 a.m. (London time) on the relevant Dividend Determination Date; or
- if no such rate appears on "Reuters Page LIBOR01" or if the "Reuters Page LIBOR01" is not available at approximately 11:00 a.m. (London time) on the relevant Dividend Determination Date, then we will select four nationally-recognized banks in the London interbank market and request that the principal London offices of those four selected banks provide us with their offered quotation for deposits in U.S. dollars for a period of three months, commencing on the first day of the applicable Dividend Period, to prime banks in the London interbank market at approximately 11:00 a.m. (London time) on that Dividend Determination Date for the applicable Dividend Period. Offered quotations must be based on a principal amount equal to an amount that, in our discretion, is representative of a single transaction in U.S. dollars in the London interbank



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market at that time. If at least two quotations are provided, the Three-Month LIBOR Rate for such Dividend Period will be the arithmetic mean (rounded upward if necessary, to the nearest 0.00001 of 1%) of those quotations. If fewer than two quotations are provided, the Three-Month LIBOR Rate for such Dividend Period will be the arithmetic mean (rounded upward if necessary, to the nearest 0.00001 of 1%) of the rates quoted at approximately 11:00 a.m. (New York City time) on that Dividend Determination Date for such Dividend Period by three nationally-recognized banks in New York, New York selected by us, for loans in U.S. dollars to nationally-recognized European banks (as selected by us), for a period of three months commencing on the first day of such Dividend Period. The rates quoted must be based on an amount that, in our discretion, is representative of a single transaction in U.S. dollars in that market at that time. If no quotation is provided as described above, then if a Calculation Agent (as defined below) has not been appointed at such time, we will appoint a Calculation Agent who shall, after consulting such sources as it deems comparable to any of the foregoing quotations or display page, or any such source as it deems reasonable from which to estimate LIBOR or any of the foregoing lending rates, shall determine LIBOR for the second London Business Day immediately preceding the first day of such distribution period in its sole discretion. If the Calculation Agent is unable or unwilling to determine LIBOR as provided in the immediately preceding sentence, then LIBOR will be equal to Three-Month LIBOR for the then current Dividend Period, or, in the case of the first Dividend Period in the Floating Rate Period, the most recent dividend rate

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that would have been determined based on the last available Reuters Page LIBOR01 had the Floating Rate Period been applicable prior to the first Dividend Period in the Floating Rate Period.

Notwithstanding the foregoing, if we determine on the relevant Dividend Determination Date that the LIBOR base rate has been discontinued, then we will appoint a Calculation Agent and the Calculation Agent will consult with an investment bank of national standing to determine whether there is an industry accepted substitute or successor base rate to Three-Month LIBOR Rate. If, after such consultation, the Calculation Agent determines that there is an industry accepted substitute or successor base rate, the Calculation Agent shall use such substitute or successor base rate. In such case, the Calculation Agent in its sole discretion may (without implying a corresponding obligation to do so) also implement changes to the business day convention, the definition of business day, the Dividend Determination Date and any method for obtaining the substitute or successor base rate if such rate is unavailable on the relevant Business Day, in a manner that is consistent with industry accepted practices for such substitute or successor base rate. Unless the Calculation Agent determines that there is an industry accepted substitute or successor base rate as so provided above, the Calculation Agent will, in consultation with us, follow the steps specified in the second bullet point in the immediately preceding paragraph in order to determine Three-Month LIBOR Rate for the applicable Dividend Period.

“Calculation Agent” shall mean a third party independent financial institution of national standing with experience providing such services, which has been selected by us.

“Dividend Determination Date” means the London Business Day (as defined below) immediately preceding the first date of the applicable Dividend Period.

“Dividend Period” means the period from, and including, a dividend payment date to, but excluding, the next succeeding dividend payment date, except for the initial Dividend Period, which will be the period from, and including, the original issue date of the Series G Preferred Stock to, but excluding, March 31, 2018.

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“London Business Day” means any day on which dealings in deposits in U.S. dollars are transacted in the London interbank market.



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“Reuters Page LIBOR01” means the display so designated on the Reuters 3000 Xtra (or such other page as may replace the LIBOR01 page on that service, or such other service as may be nominated by the ICE Benchmark Administration Limited, or ICE, or its successor, or such other entity assuming the responsibility of ICE or its successor in the event ICE or its successor no longer does so, as the successor service, for the purpose of displaying London interbank offered rates for U.S. dollar deposits).

No dividends on shares of Series G Preferred Stock may be authorized by our Board or paid or set apart for payment by us at any time when the terms and provisions of any agreement of ours, including any agreement relating to our indebtedness, prohibit the authorization, payment or setting apart for payment thereof or provide that the authorization, payment or setting apart for payment thereof would constitute a breach of the agreement or a default under the agreement, or if the authorization, payment or setting apart for payment is restricted or prohibited by law.

Notwithstanding the foregoing, dividends on the Series G Preferred Stock will accumulate whether or not (i) the terms and provisions of any laws or agreements referred to in the preceding paragraph at any time prohibit the current payment of dividends, (ii) we have earnings, (iii) there are funds legally available for the payment of those dividends and (iv) those dividends are declared. No interest, or sum in lieu of interest, will be payable in respect of any

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dividend payment or payments on the Series G Preferred Stock which may be in arrears, and holders of Series G Preferred Stock will not be entitled to any dividends in excess of full cumulative dividends described above. Any dividend payment made on the Series G Preferred Stock will first be credited against the earliest accumulated but unpaid dividend due with respect to those shares.

Future dividends on our common stock and preferred stock, including the Series G Preferred Stock, will be at the discretion of our Board and will depend on, among other things, our results of operations, cash flow from operations, financial condition and capital requirements, the annual distribution requirements under the REIT provisions of the Code, applicable law, any debt service requirements and any other factors our Board deems relevant. Accordingly, we cannot guarantee that we will be able to make cash distributions on the Series G Preferred Stock or what the actual dividends will be for any future period.

Except as noted below, unless full cumulative dividends on the Series G Preferred Stock have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof is set apart for payment for all past Dividend Periods, no dividends (other than in shares of our common stock or other Junior Stock we may issue) may be declared or paid or set apart for payment upon our common stock or other Junior Stock or our Parity Stock and no other distribution may be declared or made upon our common stock or other Junior Stock or our Parity Stock. In addition, our common stock and other Junior Stock or Parity Stock we may issue may not be redeemed, purchased or otherwise acquired for any consideration (or any moneys be paid to or made available for a sinking fund for the redemption of any such securities) by us (except by conversion into or exchange for shares of, or options, warrants or rights to purchase or subscribe for, our common stock or other Junior Stock we may issue or pursuant to an exchange offer made on the same terms to all holders of Series G Preferred Stock and all Parity Stock). The foregoing will not, however, prevent the redemption, purchase or acquisition by us of shares of any class or series of stock for the purpose of enforcing restrictions on transfer and ownership of our stock contained in our charter, including in order to preserve our qualification as a REIT, or the redemption, purchase or acquisition by us of shares of our common stock for purposes of and in compliance with any incentive or benefit plan of ours.

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When dividends are not paid in full (or a sum sufficient for such full payment is not so set apart) upon the Series G Preferred Stock and our Parity Stock, all dividends declared upon the Series G Preferred Stock and such Parity Stock must be declared pro rata so that the amount of dividends declared per share of Series G Preferred Stock and such Parity Stock will in all cases bear to each other the same ratio that accumulated dividends per share on the Series G Preferred Stock and such Parity Stock (which will not include any accrual in respect of unpaid dividends for prior



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Dividend Periods if such other Parity Stock do not have a cumulative dividend) bear to each other. No interest, or sum of money in lieu of interest, will be payable in respect of any dividend payment or payments on the Series G Preferred Stock which may be in arrears.

**Liquidation Preference**

In the event of our voluntary or involuntary liquidation, dissolution or winding up, the holders of Series G Preferred Stock will be entitled to be paid out of the assets we have legally available for distribution to our stockholders, subject to the preferential rights of the holders of any Senior Stock, a liquidation preference of $25.00 per share, plus any accumulated and unpaid dividends thereon (whether or not authorized or declared) to, but excluding, the payment date, before any distribution of assets is made to holders of common stock or other Junior Stock we may issue; and the holders of Series G Preferred Stock will not be entitled to any further payment.

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In the event that, upon any such voluntary or involuntary liquidation, dissolution or winding up, our available assets are insufficient to pay the amount of the liquidating distributions on all outstanding shares of Series F Preferred Stock, Series G Preferred Stock, Series I Preferred Stock and any other Parity Stock we may issue, then the holders of Series F Preferred Stock, Series G Preferred Stock, Series I Preferred Stock and such other Parity Stock will share ratably in any such distribution of assets in proportion to the full liquidating distributions to which they would otherwise be respectively entitled.

Notice of any such liquidation stating the payment date or dates when, and the place or places where, the amounts distributable in each circumstance shall be payable, will be given no fewer than 30 days and no more than 60 days prior to the payment date, to each holder of record of Series G Preferred Stock at the address of such holder as it appears on our stock records. After payment of the full amount of the liquidating distributions to which they are entitled, the holders of Series G Preferred Stock will have no right or claim to any of our remaining assets. The consolidation, conversion or merger of us with or into any other corporation, trust or entity or of any other entity with or into us, the sale, lease, transfer or conveyance of all or substantially all of our property or business or a statutory share exchange, will not be deemed to constitute a liquidation, dissolution or winding up of us (although such events may give rise to the special optional redemption and contingent conversion rights described below).

In determining whether a distribution (other than upon voluntary or involuntary liquidation), by dividend, redemption or other acquisition of shares of stock or otherwise, is permitted under Maryland law with respect to any share of any class or series of our stock, amounts that would be needed, if we were to be dissolved at the time of the distribution, to satisfy the preferential rights upon dissolution of holders of shares of Series G Preferred Stock will not be added to our total liabilities.

**Redemption**

The Series G Preferred Stock is not redeemable by us prior to March 31, 2023, except under circumstances where it is necessary to preserve our qualification as a REIT for U.S. federal income tax purposes (please see “Description of Equity Securities—Restrictions on Ownership

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and Transfer” in this exhibit) and except as described below under “—Special Optional Redemption” upon the occurrence of a Change of Control (as defined herein).



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*Optional Redemption*. On and after March 31, 2023, we may, at our option, upon not less than 30 nor more than 60 days' notice, redeem the Series G Preferred Stock, in whole or in part, at any time or from time to time, for cash at a redemption price of $25.00 per share, plus any accumulated and unpaid dividends thereon (whether or not authorized or declared) to, but excluding, the redemption date, without interest.

*Special Optional Redemption*. Upon the occurrence of a Change of Control (as defined below), we may, at our option, upon not less than 30 nor more than 60 days' notice, redeem the Series G Preferred Stock, in whole or in part, within 120 days after the first date on which such Change of Control occurred, for cash at a redemption price of $25.00 per share, plus any accumulated and unpaid dividends thereon (whether or not authorized or declared) to, but excluding, the redemption date. If, prior to the Change of Control Conversion Date (as defined below), we have provided notice of our election to redeem some or all of the shares of Series G Preferred Stock (whether pursuant to our optional redemption right described above under "—Optional Redemption" or this special optional redemption right), the holders of Series G Preferred Stock will not have the Change of Control Conversion Right (as defined below) described below under "—Conversion Rights" with respect to the shares called for redemption.

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A "Change of Control" is deemed to occur when, after the original issuance of the Series G Preferred Stock, the following have occurred and are continuing:

- the acquisition by any person, including any syndicate or group deemed to be a "person" under Section 13(d)(3) of the Exchange Act, of beneficial ownership, directly or indirectly, through a purchase, merger or other acquisition transaction or series of purchases, mergers or other acquisition transactions of our stock entitling that person to exercise more than 50% of the total voting power of all our stock entitled to vote generally in the election of our directors (except that such person will be deemed to have beneficial ownership of all securities that such person has the right to acquire, whether such right is currently exercisable or is exercisable only upon the occurrence of a subsequent condition); and
- following the closing of any transaction referred to in the bullet point above, neither we nor the acquiring or surviving entity has a class of common securities (or American Depositary Receipts representing such securities) listed on the NYSE, the NYSE American LLC or the Nasdaq Stock Market, or listed or quoted on an exchange or quotation system that is a successor to the NYSE, the NYSE American LLC or the Nasdaq Stock Market.

*Redemption Procedures*. In the event we elect to redeem Series G Preferred Stock pursuant to our optional redemption right or our special optional redemption right, the notice of redemption will be given to each holder of record of Series G Preferred Stock called for redemption at such holder's address as it appears on our stock records and will state the following:

- the redemption date;
- the number of shares of Series G Preferred Stock to be redeemed;
- the redemption price;
- the place or places where certificates (if any) for the Series G Preferred Stock are to be surrendered for payment of the redemption price;

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- that dividends on the shares to be redeemed will cease to accumulate on the redemption date;
- if applicable, that such redemption is being made in connection with a Change of Control and, in that case, a brief description of the transaction or transactions constituting such Change of Control; and



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- if such redemption is being made in connection with a Change of Control, that the holders of the shares of Series G Preferred Stock being so called for redemption will not be able to tender such shares of Series G Preferred Stock for conversion in connection with the Change of Control and that each share of Series G Preferred Stock tendered for conversion that is called, prior to the Change of Control Conversion Date, for redemption will be redeemed on the related date of redemption instead of converted on the Change of Control Conversion Date.

If less than all of the Series G Preferred Stock held by any holder is to be redeemed, the notice given to such holder shall also specify the number of shares of Series G Preferred Stock held by such holder to be redeemed. No failure to give such notice or any defect thereto or in the giving thereof will affect the validity of the proceedings for the redemption of any shares of Series G Preferred Stock, except as to the holder to whom notice was defective or not given.

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Holders of shares of Series G Preferred Stock to be redeemed must surrender such shares at the place designated in the notice of redemption and will be entitled to the redemption price and any accumulated and unpaid dividends payable upon the redemption following the surrender.

If notice of redemption of any shares of Series G Preferred Stock has been given and if we have irrevocably set apart for payment the funds necessary for redemption (including any accumulated and unpaid dividends) in trust for the benefit of the holders of the shares of Series G Preferred Stock so called for redemption, then from and after the redemption date (unless we default in providing for the payment of the redemption price plus accumulated and unpaid dividends, if any), dividends will cease to accumulate on those shares of Series G Preferred Stock, those shares of Series G Preferred Stock will no longer be deemed outstanding and all rights of the holders of those shares will terminate, except the right to receive the redemption price plus accumulated and unpaid dividends, if any, payable upon redemption.

If any redemption date is not a business day, then the redemption price and accumulated and unpaid dividends, if any, payable upon redemption may be paid on the next business day and no interest, additional dividends or other sums will accumulate on the amount payable for the period from and after that redemption date to that next business day.

If less than all of the outstanding shares of Series G Preferred Stock are to be redeemed, the shares of Series G Preferred Stock to be redeemed will be selected pro rata (as nearly as may be practicable without creating fractional shares) or by lot. If such redemption is to be by lot and if, as a result of such redemption, any holder of Series G Preferred Stock would own, or be deemed by virtue of certain attribution provisions of the Code to own, in excess of 9.8% in value or in number of shares (whichever is more restrictive) of any class or series of our stock (including the Series G Preferred Stock), or violate any other restriction or limitation of our stock set forth in our charter, then, except as otherwise provided in our charter, we will redeem the requisite number of shares of Series G Preferred Stock of that holder such that the holder will not own or be deemed by virtue of certain attribution provisions of the Code to own, subsequent to the redemption, in excess of 9.8% in value or in number of shares (whichever is more restrictive) of any class or series of our stock or violate any other restriction or limitation of our stock set forth in our charter. See the heading “Description of Equity Securities—Restrictions on Ownership and Transfer” in this exhibit.

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Immediately prior to any redemption of Series G Preferred Stock, we will pay, in cash, any accumulated and unpaid dividends to, but excluding, the redemption date, unless a redemption date falls after a dividend record date and prior to the corresponding dividend payment date, in which case each holder of Series G Preferred Stock at the close of business on such dividend record date will be entitled to the dividend payable on such shares on the corresponding dividend payment date notwithstanding the redemption of such shares before such dividend payment date. Except as provided above, we will make no payment or allowance for unpaid dividends, whether or not in arrears, on shares of the Series G Preferred Stock to be redeemed.

Unless full cumulative dividends on all shares of Series G Preferred Stock have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof has been or contemporaneously is set apart for payment for all past Dividend Periods, no shares of



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Series G Preferred Stock may be redeemed unless all outstanding shares of Series G Preferred Stock are simultaneously redeemed, and we may not purchase or otherwise acquire directly or indirectly any shares of Series G Preferred Stock (except by conversion into or exchange for shares of, or options, warrants or rights to purchase or subscribe for, our common stock or other Junior Stock we may issue or pursuant to a purchase or exchange offer made on the same terms to all holders of Series G Preferred Stock and all Parity Stock); provided, however, that the foregoing will not prevent the redemption, purchase or acquisition by us of

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shares of Series G Preferred Stock for the purpose of enforcing restrictions on ownership and transfer of our stock contained in our charter, including in order to preserve our qualification as a REIT.

Subject to applicable law, we may purchase shares of Series G Preferred Stock in the open market, by tender or by privately negotiated transactions. Any shares of Series G Preferred Stock that we acquire, by redemption or otherwise, shall be reclassified as authorized but unissued shares of preferred stock, without designation as to class or series, and may thereafter be issued as any class or series of preferred stock.

**Conversion Rights**

Upon the occurrence of a Change of Control, each holder of Series G Preferred Stock will have the right (unless, prior to the Change of Control Conversion Date, we have provided notice of our election to redeem some or all of the shares of Series G Preferred Stock held by such holder as described above under "—Redemption," in which case such holder will have the right only with respect to shares of Series G Preferred Stock that are not called for redemption) to convert some or all of the shares of the Series G Preferred Stock held by such holder (the "Change of Control Conversion Right") on the Change of Control Conversion Date into a number of shares of our common stock per share of Series G Preferred Stock (the "Common Stock Conversion Consideration") equal to the lesser of:

- the quotient obtained by dividing (i) the sum of the $25.00 liquidation preference per share of Series G Preferred Stock, plus any accumulated and unpaid dividends thereon (whether or not authorized or declared) to, but excluding, the Change of Control Conversion Date (unless the Change of Control Conversion Date is after a dividend record date and prior to the corresponding dividend payment date for the Series G Preferred Stock, in which case no additional amount for such accumulated and unpaid dividends to be paid on such dividend payment date will be included in this sum) by (ii) the Common Stock Price, as defined below (such quotient, the "Conversion Rate"); and
- The "Share Cap," originally, 4.32152, now 1.08038 as a result of the Reverse Stock Split, subject to certain adjustments as described below.

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Notwithstanding anything in our charter to the contrary and except as otherwise required by law, the persons who are the holders of record of shares of Series G Preferred Stock at the close of business on a dividend record date will be entitled to receive the dividend payable on the corresponding dividend payment date notwithstanding the conversion of those shares after such dividend record date and on or prior to such dividend payment date and, in such case, the full amount of such dividend will be paid on such dividend payment date to the persons who were the holders of record at the close of business on such dividend record date. Except as provided in this paragraph, we will make no allowance for unpaid dividends that are not in arrears on the shares of Series G Preferred Stock to be converted.

The Share Cap is subject to pro rata adjustments for any share splits (including those effected pursuant to a distribution of our common stock to existing holders of our common stock), subdivisions or combinations (in each case, a "Share Split") with respect to our common stock as follows: the adjusted Share Cap as the result of a Share Split will be the number of shares of our common stock that is equivalent to the product obtained by multiplying (i) the Share Cap in effect immediately prior to such Share Split by (ii) a fraction, the numerator of which is the number of shares of our common stock outstanding immediately after giving effect to such Share Split and the denominator of which is the number of shares of our common stock outstanding immediately prior to such Share Split.



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For the avoidance of doubt, subject to the immediately succeeding paragraph, the aggregate number of shares of our common stock (or equivalent Alternative Conversion Consideration, as applicable) issuable or deliverable, as applicable, in connection with the exercise of the Change of Control Conversion Right will not exceed the product of the Share Cap then in effect times the aggregate number of shares of the Series G Preferred Stock issued and outstanding at the Change of Control Conversion Date (or equivalent Alternative Conversion Consideration, as applicable) (the "Exchange Cap"). The Exchange Cap is subject to pro rata adjustments for any Share Splits on the same basis as the corresponding adjustment to the Share Cap.

In the case of a Change of Control pursuant to which our common stock is or will be converted into cash, securities or other property or assets (including any combination thereof) (the "Alternative Form Consideration"), a holder of Series G Preferred Stock will receive upon conversion of such shares of the Series G Preferred Stock the kind and amount of Alternative Form Consideration which such holder would have owned or been entitled to receive upon the Change of Control had such holder held a number of shares of our common stock equal to the Common Stock Conversion Consideration immediately prior to the effective time of the Change of Control (the "Alternative Conversion Consideration"). The Common Stock Conversion Consideration or the Alternative Conversion Consideration, whichever shall be applicable to a Change of Control, is referred to as the "Conversion Consideration."

If the holders of our common stock have the opportunity to elect the form of consideration to be received in the Change of Control, the Conversion Consideration in respect of such Change of Control will be deemed to be the kind and amount of consideration actually received by holders of a majority of the outstanding shares of our common stock that made or voted for such an election (if electing between two types of consideration) or holders of a plurality of the outstanding shares of our common stock that made or voted for such an election (if electing between more than two types of consideration), as the case may be, and will be subject to any limitations to which all holders of our common stock are subject, including, without limitation, pro rata reductions applicable to any portion of the consideration payable in such Change of Control.

We will not issue fractional shares of our common stock upon the conversion of the Series G Preferred Stock in connection with a Change of Control. Instead, we will make a cash payment equal to the value of such fractional shares based upon the Common Stock Price used in determining the Common Stock Conversion Consideration for such Change of Control.

Within 15 days following the occurrence of a Change of Control, provided that we have not exercised our right to redeem all shares of Series G Preferred Stock pursuant to the redemption provisions described above, we will provide to holders of Series G Preferred Stock a notice of occurrence of the Change of Control that describes the resulting Change of Control Conversion Right, which notice shall be delivered to the holders of record of the shares of Series G Preferred Stock to their addresses as they appear on our stock records. No failure to give such notice or any defect thereto or in the giving thereof will affect the validity of the proceedings for the conversion of any shares of Series G Preferred Stock except as to the holder to whom notice was defective or not given. This notice will state the following:

- the events constituting the Change of Control;
- the date of the Change of Control;
- the last date on which the holders of Series G Preferred Stock may exercise their Change of Control Conversion Right;



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- the method and period for calculating the Common Stock Price;
- the Change of Control Conversion Date;
- that if, prior to the Change of Control Conversion Date, we have provided notice of our election to redeem all or any shares of Series G Preferred Stock, holders of Series G Preferred Stock that are subject to such notice of redemption will not be able to convert the shares of Series G Preferred Stock called for redemption and such shares will be redeemed on the related redemption date, even if such shares have already been tendered for conversion pursuant to the Change of Control Conversion Right;
- if applicable, the type and amount of Alternative Conversion Consideration entitled to be received per share of Series G Preferred Stock;
- the name and address of the paying agent, transfer agent and conversion agent for the Series G Preferred Stock;
- the procedures that the holders of Series G Preferred Stock must follow to exercise the Change of Control Conversion Right (including procedures for surrendering shares of Series G Preferred Stock for conversion through the facilities of a Depositary (as defined below)), including the form of conversion notice to be delivered by such holders as described below; and
- the last date on which holders of Series G Preferred Stock may withdraw shares of Series G Preferred Stock surrendered for conversion and the procedures that such holders must follow to effect such a withdrawal.

Under such circumstances, we also will issue a press release containing such notice for publication on the Wall Street Journal, Business Wire, PR Newswire or Bloomberg Business News (or, if these organizations are not in existence at the time of issuance of the press release, such other news or press organization as is reasonably calculated to broadly disseminate the relevant information to the public), and post a notice on our website (if any), in any event prior to

the opening of business on the first business day following any date on which we provide the notice described above to the holders of Series G Preferred Stock.

To exercise the Change of Control Conversion Right, the holders of Series G Preferred Stock will be required to deliver, on or before the close of business on the Change of Control Conversion Date, the certificates (if any) representing the shares of Series G Preferred Stock to be converted, duly endorsed for transfer (or, in the case of any shares of Series G Preferred Stock held in book-entry form through a Depositary or shares directly registered with the transfer agent therefor, to deliver, on or before the close of business on the Change of Control Conversion Date, the shares of Series G Preferred Stock to be converted through the facilities of such Depositary or through such transfer agent, respectively), together with a written conversion notice in the form provided by us, duly completed, to our transfer agent. The conversion notice must state:

- the relevant Change of Control Conversion Date;
- the number of shares of Series G Preferred Stock to be converted; and
- that the shares of the Series G Preferred Stock are to be converted pursuant to the applicable provisions of the articles supplementary designating the Series G Preferred Stock.



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The “Change of Control Conversion Date” is the date the Series G Preferred Stock is to be converted, which will be a business day selected by us that is no fewer than 20 days nor more

than 35 days after the date on which we provide the notice described above to the holders of Series G Preferred Stock.

The “Common Stock Price” is (i) if the consideration to be received in the Change of Control by the holders of our common stock is solely cash, the amount of cash consideration per share of our common stock or (ii) if the consideration to be received in the Change of Control by holders of our common stock is other than solely cash (x) the average of the closing sale prices per share of our common stock (or, if no closing sale price is reported, the average of the closing bid and ask prices per share or, if more than one in either case, the average of the average closing bid and the average closing ask prices per share) for the ten consecutive trading days immediately preceding, but not including, the date on which such Change of Control occurred as reported on the principal U.S. securities exchange on which our common stock is then traded, or (y) if our common stock is not then listed for trading on a U.S. securities exchange, the average of the last quoted bid prices for our common stock in the over-the-counter market as reported by OTC Markets Group Inc. or similar organization for the ten consecutive trading days immediately preceding, but not including, the date on which such Change of Control occurred.

Holders of Series G Preferred Stock may withdraw any notice of exercise of a Change of Control Conversion Right (in whole or in part) by a written notice of withdrawal delivered to our transfer agent prior to the close of business on the business day prior to the Change of Control Conversion Date. The notice of withdrawal delivered by any holder must state:

- the number of withdrawn shares of Series G Preferred Stock;
- if certificated shares of Series G Preferred Stock have been surrendered for conversion, the certificate numbers of the withdrawn shares of Series G Preferred Stock; and
- the number of shares of Series G Preferred Stock, if any, which remain subject to the holder’s conversion notice.

Notwithstanding the foregoing, if any shares of Series G Preferred Stock are held in book-entry form through The Depository Trust Company (“DTC”) DTC or a similar depositary (each, a “Depositary”), the conversion notice and/or the notice of withdrawal, as applicable, must comply with applicable procedures, if any, of the applicable Depositary.

Shares of Series G Preferred Stock as to which the Change of Control Conversion Right has been properly exercised and for which the conversion notice has not been properly withdrawn will be converted into the applicable Conversion Consideration in accordance with the Change of Control Conversion Right on the Change of Control Conversion Date, unless prior to the Change of Control Conversion Date we have provided notice of our election to redeem some or all of the shares of Series G Preferred Stock, as described above under “—Redemption,” in which case only the shares of Series G Preferred Stock properly surrendered for conversion and not properly withdrawn that are not called for redemption will be converted as aforesaid. If we elect to redeem shares of Series G Preferred Stock that would otherwise be converted into the applicable Conversion Consideration on a Change of Control Conversion Date, such shares of Series G Preferred Stock will not be so converted and the holders of such shares will be entitled to receive on the applicable redemption date the redemption price described above under “—Redemption.”

We will deliver all securities, cash and any other property owing upon conversion no later than the third business day following the Change of Control Conversion Date. Notwithstanding the foregoing, the persons entitled to receive any shares of our common stock or other securities delivered on conversion will be deemed to have become the holders of record thereof as of the Change of Control Conversion Date.



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In connection with the exercise of any Change of Control Conversion Right, we will comply with all applicable federal and state securities laws and stock exchange rules in connection with any conversion of shares of the Series G Preferred Stock into shares of our common stock or other property. Notwithstanding any other provision of the Series G Preferred Stock, no holder of Series G Preferred Stock will be entitled to convert such shares of the Series G Preferred Stock into shares of our common stock to the extent that receipt of such shares of common stock would cause such holder (or any other person) to violate the applicable restrictions on transfer and ownership of our stock contained in our charter, unless we provide an exemption from this limitation to such holder pursuant to the terms of our charter. Please see the section entitled “Description of Equity Securities—Restrictions on Ownership and Transfer” in this exhibit.

The Change of Control conversion feature may make it more difficult for a third party to acquire us or discourage a party from acquiring us.

Except as provided above in connection with a Change of Control, the Series G Preferred Stock is not convertible into or exchangeable for any other securities or property.

**Voting Rights**

Holders of Series G Preferred Stock do not have any voting rights, except as set forth below.

Whenever dividends on any shares of Series G Preferred Stock are in arrears for six or more full quarterly Dividend Periods, whether or not consecutive, the number of directors constituting our Board will be automatically increased by two (if not already increased by two by reason of the election of directors by the holders of any other class or series of Parity Stock upon which like voting rights have been conferred and are exercisable) and the holders of Series G Preferred Stock, voting as a single class with holders of the Parity Stock upon which like voting

rights have been conferred and are exercisable, will be entitled to vote for the election of those two additional directors at a special meeting called by us at the request of the holders of record of at least 25% of the outstanding shares of Series G Preferred Stock and all other classes or series of Parity Stock upon which like voting rights have been conferred and are exercisable to be held no later than 90 days after our receipt of such request (unless the request is received less than 90 days before the date fixed for the next annual or special meeting of our stockholders, in which case, such vote will be held at the earlier of the next annual or special meeting of the stockholders to the extent permitted by applicable law), and at each subsequent annual meeting until all dividends accumulated on the Series G Preferred Stock for all past Dividend Periods and the then current Dividend Period will have been fully paid. In that case, the right of holders of Series G Preferred Stock to elect any directors will cease and, unless there are other classes or series of Parity Stock upon which like voting rights have been conferred and are exercisable, the term of office of any directors elected by holders of Series G Preferred Stock will immediately terminate and the number of directors constituting the board of directors will be reduced accordingly. For the avoidance of doubt, in no event will the total number of directors elected by holders of Series G Preferred Stock (voting together as a single class with the Parity Stock upon which like voting rights have been conferred and are exercisable) pursuant to these voting rights exceed two. The directors elected by the holders of the Series G Preferred Stock and the holders of the Parity Stock upon which like voting rights have been conferred and are exercisable will be elected by a plurality of the votes cast by the holders of the outstanding shares of Series G Preferred Stock when they have the voting rights described in this paragraph and the Parity Stock upon which like voting rights have been conferred and are exercisable (voting together as a single class) to serve until our next annual meeting of stockholders and until their successors are duly elected and qualify or until such directors’ right to hold the office terminates as described above, whichever occurs earlier.



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On each matter on which holders of Series G Preferred Stock are entitled to vote, each share of Series G Preferred Stock will be entitled to one vote, except that when shares of any other class or series of preferred stock we may issue, including the Parity Stock, have the right to vote with the Series G Preferred Stock as a single class on any matter, the Series G Preferred Stock, the Parity Stock and each such other class or series of stock will have one vote for each $25.00 of liquidation preference (excluding accumulated dividends). If, at any time when the voting rights conferred upon the Series G Preferred Stock are exercisable, any vacancy in the office of a director elected by the holders of the Parity Stock upon which like voting rights have been conferred and are exercisable will occur, then such vacancy may be filled only by the remaining director or by vote of the holders of the outstanding Series G Preferred Stock and any other classes or series of Parity Stock upon which like voting rights have been conferred and are exercisable.

Any director elected by holders of shares of Series G Preferred Stock and any class or series of Parity Stock upon which like voting rights have been conferred and are exercisable may be removed at any time, with or without cause, by the vote of, and may not be removed otherwise than by the vote of, the holders of record of a majority of the outstanding shares of Series G Preferred Stock and any class or series of Parity Stock we may issue when they have the voting rights described above (voting as a single class with all other classes or series of Parity Stock upon which like voting rights have been conferred and are exercisable).

So long as any shares of Series G Preferred Stock remain outstanding, we will not, without the affirmative vote or consent of the holders of at least two-thirds of the shares of Series G Preferred Stock, and Parity Stock upon which like voting rights have been conferred and are exercisable (voting together as a single class), (i) authorize, create, or increase the authorized or issued amount of, any class or series of Senior Stock or reclassify any of our authorized stock into such shares, or create or authorize or issue any obligation or security convertible into or evidencing the right to purchase any such shares or (ii) amend, alter or repeal the provisions of our charter, whether by merger, conversion, consolidation or otherwise, so as to materially and adversely affect any right, preference, privilege or voting power of the Series G Preferred Stock (each, an “Event”); provided, however, with respect to the occurrence of any Event set forth in clause (ii) above, so long as the Series G Preferred Stock remains outstanding with the terms thereof materially unchanged, or the holders of Series G Preferred Stock receive shares of stock or other equity interests with rights, preferences, privileges and voting powers substantially the same as those of the Series G Preferred Stock, taking into account that upon the occurrence of an Event we may not be the successor entity, the occurrence of any such Event will not be deemed to materially and adversely affect the rights, preferences, privileges or voting power of holders of Series G Preferred Stock; and, provided further, that any increase in the amount of the authorized or issued Series G Preferred Stock or the creation or issuance, or any increase in the amounts authorized of any Parity Stock, including the Series F Preferred Stock and Series I Preferred Stock, or Junior Stock will not be deemed to materially and adversely affect the rights, preferences, privileges or voting powers of holders of Series G Preferred Stock. Notwithstanding the foregoing, if any amendment, alteration or repeal of any provision of our charter would materially and adversely affect the rights, preferences or privileges of the Series G Preferred Stock disproportionately relative to other classes or series of Parity Stock, including the Series F Preferred Stock and Series I Preferred Stock, then the affirmative vote or consent of the holders of at least two-thirds of the outstanding shares of Series G Preferred Stock (voting as a separate class) shall also be required.

The foregoing voting provisions will not apply if, at or prior to the time when the act with respect to which such vote would otherwise be required shall be effected, all outstanding shares of Series G Preferred Stock have been redeemed or called for redemption upon proper notice and sufficient funds have been irrevocably set apart to effect such redemption.



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Except as expressly stated in our charter or as may be required by applicable law, the Series G Preferred Stock do not have any relative, participating, optional or other special voting rights or powers and the consent of the holders thereof will not be required for the taking of any corporate action. The holders of Series G Preferred Stock have exclusive voting rights on any amendment to our charter that would alter the contract rights, as expressly set forth in the charter, of only the Series G Preferred Stock.

**Information Rights**

During any period in which we are not subject to Section 13 or 15(d) of the Exchange Act and any shares of Series G Preferred Stock are outstanding, we will use our best efforts to (i) transmit through our website at http://www.annaly.com (or other permissible means under the Exchange Act) copies of the Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q that we would have been required to file with the SEC pursuant to Section 13 or 15(d) of the Exchange Act if we were subject thereto (other than any exhibits that would have been required). We will use our best efforts to provide such reports on our website within 15 days after the respective dates by which we would have been required to file such reports with the SEC if we were subject to Section 13 or 15(d) of the Exchange Act and we were a “non-accelerated filer” within the meaning of the Exchange Act.

**Restrictions on Transfer and Ownership**

To assist us in qualifying as a REIT, our charter prohibits anyone from acquiring or holding, directly or constructively, ownership of 9.8%, in number of shares or value, of each class or series of our outstanding shares. For this purpose the term “ownership” generally means either direct ownership or constructive ownership in accordance with the constructive ownership provisions of Section 544 of the Code, as modified in Section 856(h) of the Code. These

provisions may restrict the ability of a holder of Series G Preferred Stock to convert such stock into our common stock as described above under “—Conversion Rights.” Our board of directors may, in its sole discretion, exempt a person from the 9.8% ownership limit under certain circumstances as described under “Description of Equity Securities—Restrictions on Ownership and Transfer” in this exhibit.

For further information regarding restrictions on ownership and transfer of the Series G Preferred Stock, please see the section entitled “Description of Equity Securities—Restrictions on Ownership and Transfer” in this exhibit.

**Preemptive Rights**

No holders of Series G Preferred Stock, as holders of Series G Preferred Stock, have any preemptive rights to purchase or subscribe for our common stock or any of our other securities.

**Book-Entry Procedures**

DTC acts as securities depositary for the Series G Preferred Stock, which were issued in the form of global securities held in book-entry form. We will not issue certificates to holders of the Series G Preferred Stock for the shares of Series G Preferred Stock that are purchased, unless DTC’s services are discontinued as described below.

Title to book-entry interests in the Series G Preferred Stock will pass by book-entry registration of the transfer within the records of DTC in accordance with its procedures. Book-entry interests in the securities may be transferred within DTC in accordance with procedures established for these purposes by DTC. Each person owning a beneficial interest in shares of the



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Series G Preferred Stock must rely on the procedures of DTC and the participant through which such person owns its interest to exercise its rights as a holder of the Series G Preferred Stock.

DTC has advised us that it is a limited-purpose trust company organized under the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code and a “clearing agency” registered under the provisions of Section 17A of the Exchange Act. DTC holds securities that its participants (“Direct Participants”) deposit with DTC. DTC also facilitates the settlement among Direct Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Direct Participants’ accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. Access to the DTC system is also available to others such as securities brokers and dealers, including the underwriters, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). The rules applicable to DTC and its Direct and Indirect Participants are on file with the SEC.

When shares of Series G Preferred Stock are purchased within the DTC system, the purchase must be by or through a Direct Participant. The Direct Participant will receive a credit for the Series G Preferred Stock on DTC’s records. Holders of the Series G Preferred Stock will be considered to be the “beneficial owner” of the Series G Preferred Stock. Such beneficial ownership interest will be recorded on the Direct and Indirect Participants’ records, but DTC will have no knowledge of individual ownership. DTC’s records reflect only the identity of the Direct Participants to whose accounts shares of Series G Preferred Stock are credited.

Holders of the Series G Preferred Stock will not receive written confirmation from DTC of the purchase. The Direct or Indirect Participants through whom the Series G Preferred Stock

were purchased should send such holders written confirmations providing details of the transactions, as well as periodic statements of the holdings. The Direct and Indirect Participants are responsible for keeping an accurate account of the holdings of their customers.

Transfers of ownership interests held through Direct and Indirect Participants will be accomplished by entries on the books of Direct and Indirect Participants acting on behalf of the beneficial owners.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to beneficial owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

We understand that, under DTC’s existing practices, in the event that we request any action of the holders, or an owner of a beneficial interest in a global security, such as a holder of the Series G Preferred Stock, desires to take any action which a holder is entitled to take under our charter (including the articles supplementary designating the Series G Preferred Stock), DTC would authorize the Direct Participants holding the relevant shares to take such action, and those Direct Participants and any Indirect Participants would authorize beneficial owners owning through those Direct and Indirect Participants to take such action or would otherwise act upon the instructions of beneficial owners owning through them.

Any redemption notices with respect to the Series G Preferred Stock will be sent to Cede & Co. If less than all of the outstanding shares of Series G Preferred Stock are being redeemed, DTC will reduce each Direct Participant’s holdings of shares of Series G Preferred Stock in accordance with its procedures.



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In those instances where a vote is required, neither DTC nor Cede & Co. itself will consent or vote with respect to the shares of Series G Preferred Stock. Under its usual procedures, DTC would mail an omnibus proxy to us as soon as possible after the record date. The omnibus proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants whose accounts the shares of Series G Preferred Stock are credited to on the record date, which are identified in a listing attached to the omnibus proxy.

Dividends on the Series G Preferred Stock will be made directly to DTC's nominee (or its successor, if applicable). DTC's practice is to credit participants' accounts on the relevant payment date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on that payment date.

Payments by Direct and Indirect Participants to beneficial owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name." These payments will be the responsibility of the participant and not of DTC, us or any agent of ours.

DTC may discontinue providing its services as securities depositary with respect to the Series G Preferred Stock at any time by giving reasonable notice to us. Additionally, we may decide to discontinue the book-entry only system of transfers with respect to the Series G Preferred Stock. In that event, we will print and deliver certificates in fully registered form for the Series G Preferred Stock. If DTC notifies us that it is unwilling to continue as securities depositary, or it is unable to continue or ceases to be a clearing agency registered under the Exchange Act and a successor depositary is not appointed by us within 90 days after receiving such notice or becoming aware that DTC is no longer so registered, we will issue the Series G Preferred Stock in definitive form, at our expense, upon registration of transfer of, or in exchange for, such global security.

According to DTC, the foregoing information with respect to DTC has been provided to the financial community for informational purposes only and is not intended to serve as a representation, warranty or contract modification of any kind.

**Global Clearance and Settlement Procedures**

Secondary market trading among DTC's Participants will occur in the ordinary way in accordance with DTC's rules and will be settled in immediately available funds using DTC's Same-Day Funds Settlement System.

**Description of the Series I Preferred Stock**

The description of certain terms of the Series I Preferred Stock in this exhibit does not purport to be complete and is in all respects subject to, and qualified in its entirety by references to the relevant provisions of our charter, the articles supplementary for Series I Preferred Stock, our bylaws and Maryland law. In this section, (i) our "Junior Stock" means our common stock and any class or series of stock we may issue in the future that by its terms ranks junior to the Series I Preferred Stock with respect to the payment of dividends and the distribution of assets in the event of our liquidation, dissolution, or winding up, (ii) our "Parity Stock" means our Series F Preferred Stock, our Series G Preferred Stock, and any other class or series of stock issued by us from time to time that by its terms ranks on parity with the Series F Preferred Stock, Series G Preferred Stock and Series I Preferred Stock with respect to the payment of dividends and the distribution of assets in the event of our liquidation, dissolution or winding up, and (iii) our "Senior Stock" means any class or series of stock we may issue in the future that by its terms ranks senior to the Series I Preferred Stock with respect to the payment of dividends and the



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distribution of assets in the event of our liquidation, dissolution or winding up. The term “stock” does not include any convertible or exchangeable debt securities we may issue in the future.

**General**

Pursuant to our charter, our Board and a committee of the Board classified and designated 17,700,000 shares of the Series I Preferred Stock. Our Board may, without the approval of holders of Series F Preferred Stock, Series G Preferred Stock, Series I Preferred Stock or our common stock, designate additional classes or series of authorized preferred stock ranking junior to or on parity with the Series I Preferred Stock or designate additional shares of the Series I Preferred Stock and authorize the issuance of such shares.

**Listing**

The Series I Preferred Stock is listed on the New York Stock Exchange under the symbol “NYL.I”.

**Transfer Agent and Registrar**

The registrar, transfer agent and dividend and redemption price disbursing agent in respect of the Series I Preferred Stock is Computershare Inc.

**Maturity**

The Series I Preferred Stock has no stated maturity and is not subject to any sinking fund or mandatory redemption. Shares of the Series I Preferred Stock will remain outstanding indefinitely unless we decide to redeem or otherwise repurchase them or they become convertible and are converted as described below under “—Conversion Rights.” We are not required to set apart for payment the funds to redeem the Series I Preferred Stock.

**Ranking**

The Series I Preferred Stock ranks, with respect to rights to the payment of dividends and the distribution of assets upon our liquidation, dissolution or winding up:

- senior to all classes or series of our common stock and any other Junior Stock we may issue;
- on a parity with our Parity Stock;
- junior to any Senior Stock we may issue; and
- effectively junior to all of our existing and future indebtedness (including indebtedness convertible into or exchangeable for our common stock or preferred stock) and the indebtedness of our existing and future subsidiaries.

**Dividends**

Holders of shares of the Series I Preferred Stock are entitled to receive, when, as and if authorized by our Board and declared by us, out of funds legally available for the payment of dividends, cumulative cash dividends. The initial dividend rate for the Series I Preferred Stock from and including the date of original issuance to, but not including, June 30, 2024 (the “Fixed Rate Period”) will be 6.750% of the $25.00 per share liquidation preference per annum (equivalent to $1.6875 per annum per share). On and after June 30, 2024 (the “Floating Rate Period”), dividends on the Series I Preferred Stock will accumulate at a percentage of the $25.00



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liquidation preference equal to an annual floating rate of the Three-Month LIBOR Rate plus a spread of 4.989%. Dividends on the Series I Preferred Stock will accumulate daily and be cumulative from, and including, the date of original issue and will be payable quarterly in arrears on the last day of each March, June, September and December (each, as may be modified as provided below, a “dividend payment date”). If any dividend payment date is not a business day, as defined in the articles supplementary classifying and designating the Series I Preferred Stock, then the dividend which would otherwise have been payable on that dividend payment date may be paid on the next succeeding business day with the same force and effect as if paid on such dividend payment date, and no interest, additional dividends or sums in lieu of interest will be payable for the period from and after that dividend payment date to that next succeeding business day. Dividends payable on the Series I Preferred Stock for the Fixed Rate Period will be computed on the basis of a 360-day year consisting of twelve 30-day months. Dividends payable on the Series I Preferred Stock for the Floating Rate Period will be computed based on the actual number of days in a Dividend Period and a 360-day year. Dividends will be payable to holders of record as they appear on our stock records at the close of business on the applicable record date, which will be no fewer than ten days and no more than 35 days prior to the applicable dividend payment date, as shall be fixed by the board of directors (each, a “dividend record date”). The dividends payable on any dividend payment date shall include dividends accumulated to, but not including, such dividend payment date.

For each Dividend Period during the Floating Rate Period, LIBOR (the London interbank offered rate) (“Three-Month LIBOR Rate”) will be determined by us, as of the applicable Dividend Determination Date (as defined below), in accordance with the following provisions:

- LIBOR will be the rate (expressed as a percentage per year) for deposits in U.S. dollars having an index maturity of three months, in amounts of at least $1,000,000, as such rate appears on “Reuters Page LIBOR01” at approximately 11:00 a.m. (London time) on the relevant Dividend Determination Date; or

- if no such rate appears on “Reuters Page LIBOR01” or if the “Reuters Page LIBOR01” is not available at approximately 11:00 a.m. (London time) on the relevant Dividend Determination Date, then we will select four nationally-recognized banks in the London interbank market and request that the principal London offices of those four selected banks provide us with their offered quotation for deposits in U.S. dollars for a period of three months, commencing on the first day of the applicable Dividend Period, to prime banks in the London interbank market at approximately 11:00 a.m. (London time) on that Dividend Determination Date for the applicable Dividend Period. Offered quotations must be based on a principal amount equal to an amount that, in our discretion, is representative of a single transaction in U.S. dollars in the London interbank market at that time. If at least two quotations are provided, the Three-Month LIBOR Rate for such Dividend Period will be the arithmetic mean (rounded upward if necessary, to the nearest 0.00001 of 1%) of those quotations. If fewer than two quotations are provided, the Three-Month LIBOR Rate for such Dividend Period will be the arithmetic mean (rounded upward if necessary, to the nearest 0.00001 of 1%) of the rates quoted at approximately 11:00 a.m. (New York City time) on that Dividend Determination Date for such Dividend Period by three nationally-recognized banks in New York, New York selected by us, for loans in U.S. dollars to nationally-recognized European banks (as selected by us), for a period of three months commencing on the first day of such Dividend Period. The rates quoted must be based on an amount that, in our discretion, is representative of a single transaction in U.S. dollars in that market at that time. If no quotation is provided as described above, then if a Calculation Agent (as defined below) has not been appointed at such time, we will appoint a Calculation Agent who shall, after consulting such sources as it deems comparable to any of the foregoing quotations or display page, or any such source as it deems reasonable from which to estimate LIBOR or any of the foregoing lending rates, shall determine LIBOR for the second London Business Day immediately preceding the first day



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of such distribution period in its sole discretion. If the Calculation Agent is unable or unwilling to determine LIBOR as provided in the immediately preceding sentence, then LIBOR will be equal to Three-Month LIBOR for the then current Dividend Period, or, in the case of the first Dividend Period in the Floating Rate Period, the most recent dividend rate that would have been determined based on the last available Reuters Page LIBOR01 had the Floating Rate Period been applicable prior to the first Dividend Period in the Floating Rate Period.

Notwithstanding the foregoing, if we determine on the relevant Dividend Determination Date that the LIBOR base rate has been discontinued, then we will appoint a Calculation Agent and the Calculation Agent will consult with an investment bank of national standing to determine whether there is an industry accepted substitute or successor base rate to Three-Month LIBOR Rate. If, after such consultation, the Calculation Agent determines that there is an industry accepted substitute or successor base rate, the Calculation Agent shall use such substitute or successor base rate. In such case, the Calculation Agent in its sole discretion may (without implying a corresponding obligation to do so) also implement changes to the business day convention, the definition of business day, the Dividend Determination Date, the interest rate spread and any method for obtaining the substitute or successor base rate if such rate is unavailable on the relevant Business Day, in a manner that is consistent with industry accepted practices for such substitute or successor base rate. Unless the Calculation Agent determines that there is an industry accepted substitute or successor base rate as so provided above, the Calculation Agent will, in consultation with us, follow the steps specified in the second bullet point in the immediately preceding paragraph in order to determine Three-Month LIBOR Rate for the applicable Dividend Period.

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“Calculation Agent” shall mean a third party independent financial institution of national standing with experience providing such services, which has been selected by us.

“Dividend Determination Date” means the London Business Day (as defined below) immediately preceding the first date of the applicable Dividend Period.

“Dividend Period” means the period from, and including, a dividend payment date to, but excluding, the next succeeding dividend payment date, except for the initial Dividend Period, which will be the period from, and including, the original issue date of the Series I Preferred Stock to, but excluding, September 30, 2019.

“London Business Day” means any day on which dealings in deposits in U.S. dollars are transacted in the London interbank market.

“Reuters Page LIBOR01” means the display so designated on the Reuters 3000 Xtra (or such other page as may replace the LIBOR01 page on that service, or such other service as may be nominated by the ICE Benchmark Administration Limited, or ICE, or its successor, or such other entity assuming the responsibility of ICE or its successor in the event ICE or its successor no longer does so, as the successor service, for the purpose of displaying London interbank offered rates for U.S. dollar deposits).

No dividends on shares of Series I Preferred Stock may be authorized by our Board or paid or set apart for payment by us at any time when the terms and provisions of any agreement of ours, including any agreement relating to our indebtedness, prohibit the authorization, payment or setting apart for payment thereof or provide that the authorization, payment or setting apart for payment thereof would constitute a breach of the agreement or a default under the agreement, or if the authorization, payment or setting apart for payment is restricted or prohibited by law.

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Notwithstanding the foregoing, dividends on the Series I Preferred Stock will accumulate whether or not (i) the terms and provisions of any laws or agreements referred to in the preceding paragraph at any time prohibit the current payment of dividends, (ii) we have earnings, (iii) there are funds legally available for the payment of those dividends and (iv) those dividends are declared. No interest, or sum in lieu of interest, will be payable in respect of any dividend payment or payments on the Series I Preferred Stock which may be in arrears, and holders of Series I Preferred Stock will not be entitled to any dividends in excess of full cumulative dividends described above. Any dividend payment made on the Series I Preferred Stock will first be credited against the earliest accumulated but unpaid dividend due with respect to those shares.

Future dividends on our common stock and preferred stock, including the Series I Preferred Stock, will be at the discretion of our Board and will depend on, among other things, our results of operations, cash flow from operations, financial condition and capital requirements, the annual distribution requirements under the REIT provisions of the Code, applicable law, any debt service requirements and any other factors our Board deems relevant. Accordingly, we cannot guarantee that we will be able to make cash distributions on the Series I Preferred Stock or what the actual dividends will be for any future period.

Except as noted below, unless full cumulative dividends on the Series I Preferred Stock have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof is set apart for payment for all past Dividend Periods, no dividends (other than in shares of our common stock or other Junior Stock we may issue) may be declared or paid or set apart for payment upon our common stock or other Junior Stock or our Parity Stock and no other distribution may be declared or made upon our common stock or other Junior Stock or our Parity Stock. In addition, our common stock and other Junior Stock or Parity Stock we may issue

may not be redeemed, purchased or otherwise acquired for any consideration (or any moneys be paid to or made available for a sinking fund for the redemption of any such securities) by us (except by conversion into or exchange for shares of, or options, warrants or rights to purchase or subscribe for, our common stock or other Junior Stock we may issue or pursuant to an exchange offer made on the same terms to all holders of Series I Preferred Stock and all Parity Stock). The foregoing will not, however, prevent the redemption, purchase or acquisition by us of shares of any class or series of stock for the purpose of enforcing restrictions on transfer and ownership of our stock contained in our charter, including in order to preserve our qualification as a REIT, or the redemption, purchase or acquisition by us of shares of our common stock for purposes of and in compliance with any incentive or benefit plan of ours.

When dividends are not paid in full (or a sum sufficient for such full payment is not so set apart) upon the Series I Preferred Stock and our Parity Stock, all dividends declared upon the Series I Preferred Stock and such Parity Stock must be declared pro rata so that the amount of dividends declared per share of Series I Preferred Stock and such Parity Stock will in all cases bear to each other the same ratio that accumulated dividends per share on the Series I Preferred Stock and such Parity Stock (which will not include any accrual in respect of unpaid dividends for prior Dividend Periods if such other Parity Stock do not have a cumulative dividend) bear to each other. No interest, or sum of money in lieu of interest, will be payable in respect of any dividend payment or payments on the Series I Preferred Stock which may be in arrears.

**Liquidation Preference**

In the event of our voluntary or involuntary liquidation, dissolution or winding up, the holders of Series I Preferred Stock will be entitled to be paid out of the assets we have legally available for distribution to our stockholders, subject to the preferential rights of the holders of any Senior Stock, a liquidation preference of $25.00 per share, plus any accumulated and unpaid dividends thereon (whether or not authorized or declared) to, but excluding, the payment date,



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before any distribution of assets is made to holders of common stock or other Junior Stock we may issue; and the holders of Series I Preferred Stock will not be entitled to any further payment.

In the event that, upon any such voluntary or involuntary liquidation, dissolution or winding up, our available assets are insufficient to pay the amount of the liquidating distributions on all outstanding shares of Series F Preferred Stock, Series G Preferred Stock, Series I Preferred Stock and any other Parity Stock we may issue, then the holders of Series F Preferred Stock, Series G Preferred Stock, Series I Preferred Stock and such other Parity Stock will share ratably in any such distribution of assets in proportion to the full liquidating distributions to which they would otherwise be respectively entitled.

Notice of any such liquidation stating the payment date or dates when, and the place or places where, the amounts distributable in each circumstance shall be payable, will be given no fewer than 30 days and no more than 60 days prior to the payment date, to each holder of record of Series I Preferred Stock at the address of such holder as it appears on our stock records. After payment of the full amount of the liquidating distributions to which they are entitled, the holders of Series I Preferred Stock will have no right or claim to any of our remaining assets. The consolidation, conversion or merger of us with or into any other corporation, trust or entity or of any other entity with or into us, the sale, lease, transfer or conveyance of all or substantially all of our property or business or a statutory share exchange, will not be deemed to constitute a liquidation, dissolution or winding up of us (although such events may give rise to the special optional redemption and contingent conversion rights described below).

In determining whether a distribution (other than upon voluntary or involuntary liquidation), by dividend, redemption or other acquisition of shares of stock or otherwise, is permitted under Maryland law with respect to any share of any class or series of our stock,

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amounts that would be needed, if we were to be dissolved at the time of the distribution, to satisfy the preferential rights upon dissolution of holders of shares of Series I Preferred Stock will not be added to our total liabilities.

**Redemption**

The Series I Preferred Stock is not redeemable by us prior to June 30, 2024, except under circumstances where it is necessary to preserve our qualification as a REIT for U.S. federal income tax purposes (please see “Description of Equity Securities—Restrictions on Ownership and Transfer” in this exhibit) and except as described below under “—Special Optional Redemption” upon the occurrence of a Change of Control (as defined herein).

Optional Redemption. On and after June 30, 2024, we may, at our option, upon not less than 30 nor more than 60 days’ notice, redeem the Series I Preferred Stock, in whole or in part, at any time or from time to time, for cash at a redemption price of $25.00 per share, plus any accumulated and unpaid dividends thereon (whether or not authorized or declared) to, but excluding, the redemption date, without interest.

Special Optional Redemption. Upon the occurrence of a Change of Control (as defined below), we may, at our option, upon not less than 30 nor more than 60 days’ notice, redeem the Series I Preferred Stock, in whole or in part, within 120 days after the first date on which such Change of Control occurred, for cash at a redemption price of $25.00 per share, plus any accumulated and unpaid dividends thereon (whether or not authorized or declared) to, but excluding, the redemption date. If, prior to the Change of Control Conversion Date (as defined below), we have provided notice of our election to redeem some or all of the shares of Series I Preferred Stock (whether pursuant to our optional redemption right described above under “—Optional Redemption” or this special optional redemption right), the holders of Series I Preferred

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Stock will not have the Change of Control Conversion Right (as defined below) described below under "—Conversion Rights" with respect to the shares called for redemption.

A "Change of Control" is deemed to occur when, after the original issuance of the Series I Preferred Stock, the following have occurred and are continuing:

- the acquisition by any person, including any syndicate or group deemed to be a "person" under Section 13(d)(3) of the Exchange Act, of beneficial ownership, directly or indirectly, through a purchase, merger or other acquisition transaction or series of purchases, mergers or other acquisition transactions of our stock entitling that person to exercise more than 50% of the total voting power of all our stock entitled to vote generally in the election of our directors (except that such person will be deemed to have beneficial ownership of all securities that such person has the right to acquire, whether such right is currently exercisable or is exercisable only upon the occurrence of a subsequent condition); and
- following the closing of any transaction referred to in the bullet point above, neither we nor the acquiring or surviving entity has a class of common securities (or American Depositary Receipts representing such securities) listed on the NYSE, the NYSE American LLC or the Nasdaq Stock Market, or listed or quoted on an exchange or quotation system that is a successor to the NYSE, the NYSE American LLC or the Nasdaq Stock Market.

*Redemption Procedures*. In the event we elect to redeem Series I Preferred Stock pursuant to our optional redemption right or our special optional redemption right, the notice of redemption will be given to each holder of record of Series I Preferred Stock called for

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redemption at such holder's address as it appears on our stock records and will state the following:

- the redemption date;
- the number of shares of Series I Preferred Stock to be redeemed;
- the redemption price;
- the place or places where certificates (if any) for the Series I Preferred Stock are to be surrendered for payment of the redemption price;
- that dividends on the shares to be redeemed will cease to accumulate on the redemption date;
- if applicable, that such redemption is being made in connection with a Change of Control and, in that case, a brief description of the transaction or transactions constituting such Change of Control; and
- if such redemption is being made in connection with a Change of Control, that the holders of the shares of Series I Preferred Stock being so called for redemption will not be able to tender such shares of Series I Preferred Stock for conversion in connection with the Change of Control and that each share of Series I Preferred Stock tendered for conversion that is called, prior to the Change of Control Conversion Date, for redemption will be redeemed on the related date of redemption instead of converted on the Change of Control Conversion Date.

If less than all of the Series I Preferred Stock held by any holder is to be redeemed, the notice given to such holder shall also specify the number of shares of Series I Preferred Stock held by such holder to be redeemed. No failure to give such notice or any defect thereto or in the giving thereof will affect the validity of the proceedings for the redemption of any shares of Series I Preferred Stock, except as to the holder to whom notice was defective or not given.



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Holders of shares of Series I Preferred Stock to be redeemed must surrender such shares at the place designated in the notice of redemption and will be entitled to the redemption price and any accumulated and unpaid dividends payable upon the redemption following the surrender.

If notice of redemption of any shares of Series I Preferred Stock has been given and if we have irrevocably set apart for payment the funds necessary for redemption (including any accumulated and unpaid dividends) in trust for the benefit of the holders of the shares of Series I Preferred Stock so called for redemption, then from and after the redemption date (unless we default in providing for the payment of the redemption price plus accumulated and unpaid dividends, if any), dividends will cease to accumulate on those shares of Series I Preferred Stock, those shares of Series I Preferred Stock will no longer be deemed outstanding and all rights of the holders of those shares will terminate, except the right to receive the redemption price plus accumulated and unpaid dividends, if any, payable upon redemption.

If any redemption date is not a business day, then the redemption price and accumulated and unpaid dividends, if any, payable upon redemption may be paid on the next business day and no interest, additional dividends or other sums will accumulate on the amount payable for the period from and after that redemption date to that next business day.

If less than all of the outstanding shares of Series I Preferred Stock are to be redeemed, the shares of Series I Preferred Stock to be redeemed will be selected pro rata (as nearly as may

be practicable without creating fractional shares) or by lot. If such redemption is to be by lot and if, as a result of such redemption, any holder of Series I Preferred Stock would own, or be deemed by virtue of certain attribution provisions of the Code to own, in excess of 9.8% in value or in number of shares (whichever is more restrictive) of any class or series of our stock (including the Series I Preferred Stock), or violate any other restriction or limitation of our stock set forth in our charter, then, except as otherwise provided in our charter, we will redeem the requisite number of shares of Series I Preferred Stock of that holder such that the holder will not own or be deemed by virtue of certain attribution provisions of the Code to own, subsequent to the redemption, in excess of 9.8% in value or in number of shares (whichever is more restrictive) of any class or series of our stock or violate any other restriction or limitation of our stock set forth in our charter. See the heading “Description of Equity Securities—Restrictions on Ownership and Transfer” in this exhibit.

Immediately prior to any redemption of Series I Preferred Stock, we will pay, in cash, any accumulated and unpaid dividends to, but excluding, the redemption date, unless a redemption date falls after a dividend record date and prior to the corresponding dividend payment date, in which case each holder of Series I Preferred Stock at the close of business on such dividend record date will be entitled to the dividend payable on such shares on the corresponding dividend payment date notwithstanding the redemption of such shares before such dividend payment date. Except as provided above, we will make no payment or allowance for unpaid dividends, whether or not in arrears, on shares of the Series I Preferred Stock to be redeemed.

Unless full cumulative dividends on all shares of Series I Preferred Stock have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof has been or contemporaneously is set apart for payment for all past Dividend Periods, no shares of Series I Preferred Stock may be redeemed unless all outstanding shares of Series I Preferred Stock are simultaneously redeemed, and we may not purchase or otherwise acquire directly or indirectly any shares of Series I Preferred Stock (except by conversion into or exchange for shares of, or options, warrants or rights to purchase or subscribe for, our common stock or other Junior Stock we may issue or pursuant to a purchase or exchange offer made on the same terms to all holders of Series I Preferred Stock and all Parity Stock); provided, however, that the foregoing will not prevent the redemption, purchase or acquisition by us of



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shares of Series I Preferred Stock for the purpose of enforcing restrictions on ownership and transfer of our stock contained in our charter, including in order to preserve our qualification as a REIT.

Subject to applicable law, we may purchase shares of Series I Preferred Stock in the open market, by tender or by privately negotiated transactions. Any shares of Series I Preferred Stock that we acquire, by redemption or otherwise, shall be reclassified as authorized but unissued shares of preferred stock, without designation as to class or series, and may thereafter be issued as any class or series of preferred stock.

**Conversion Rights**

Upon the occurrence of a Change of Control, each holder of Series I Preferred Stock will have the right (unless, prior to the Change of Control Conversion Date, we have provided notice of our election to redeem some or all of the shares of Series I Preferred Stock held by such holder as described above under "—Redemption," in which case such holder will have the right only with respect to shares of Series I Preferred Stock that are not called for redemption) to convert some or all of the shares of the Series I Preferred Stock held by such holder (the "Change of Control Conversion Right") on the Change of Control Conversion Date into a number of shares of our common stock per share of Series I Preferred Stock (the "Common Stock Conversion Consideration") equal to the lesser of:

- the quotient obtained by dividing (i) the sum of the $25.00 liquidation preference per share of Series I Preferred Stock, plus any accumulated and unpaid dividends thereon (whether or not authorized or declared) to, but excluding, the Change of Control Conversion Date (unless the Change of Control Conversion Date is after a dividend record date and prior to the corresponding dividend payment date for the Series I Preferred Stock, in which case no additional amount for such accumulated and unpaid dividends to be paid on such dividend payment date will be included in this sum) by (ii) the Common Stock Price, as defined below (such quotient, the "Conversion Rate"); and
- The "Share Cap," originally, 5.42888, now 1.35722 as a result of the Reverse Stock Split, subject to certain adjustments as described below.

Notwithstanding anything in our charter to the contrary and except as otherwise required by law, the persons who are the holders of record of shares of Series I Preferred Stock at the close of business on a dividend record date will be entitled to receive the dividend payable on the corresponding dividend payment date notwithstanding the conversion of those shares after such dividend record date and on or prior to such dividend payment date and, in such case, the full amount of such dividend will be paid on such dividend payment date to the persons who were the holders of record at the close of business on such dividend record date. Except as provided in this paragraph, we will make no allowance for unpaid dividends that are not in arrears on the shares of Series I Preferred Stock to be converted.

The Share Cap is subject to pro rata adjustments for any share splits (including those effected pursuant to a distribution of our common stock to existing holders of our common stock), subdivisions or combinations (in each case, a "Share Split") with respect to our common stock as follows: the adjusted Share Cap as the result of a Share Split will be the number of shares of our common stock that is equivalent to the product obtained by multiplying (i) the Share Cap in effect immediately prior to such Share Split by (ii) a fraction, the numerator of which is the number of shares of our common stock outstanding immediately after giving effect to such Share Split and the denominator of which is the number of shares of our common stock outstanding immediately prior to such Share Split.



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For the avoidance of doubt, subject to the immediately succeeding paragraph, the aggregate number of shares of our common stock (or equivalent Alternative Conversion Consideration, as applicable) issuable or deliverable, as applicable, in connection with the exercise of the Change of Control Conversion Right will not exceed the product of the Share Cap then in effect times the aggregate number of shares of the Series I Preferred Stock issued and outstanding at the Change of Control Conversion Date (or equivalent Alternative Conversion Consideration, as applicable) (the "Exchange Cap"). The Exchange Cap is subject to pro rata adjustments for any Share Splits on the same basis as the corresponding adjustment to the Share Cap.

In the case of a Change of Control pursuant to which our common stock is or will be converted into cash, securities or other property or assets (including any combination thereof) (the "Alternative Form Consideration"), a holder of Series I Preferred Stock will receive upon conversion of such shares of the Series I Preferred Stock the kind and amount of Alternative Form Consideration which such holder would have owned or been entitled to receive upon the Change of Control had such holder held a number of shares of our common stock equal to the Common Stock Conversion Consideration immediately prior to the effective time of the Change of Control (the "Alternative Conversion Consideration"). The Common Stock Conversion Consideration or the Alternative Conversion Consideration, whichever shall be applicable to a Change of Control, is referred to as the "Conversion Consideration."

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If the holders of our common stock have the opportunity to elect the form of consideration to be received in the Change of Control, the Conversion Consideration in respect of such Change of Control will be deemed to be the kind and amount of consideration actually received by holders of a majority of the outstanding shares of our common stock that made or voted for such an election (if electing between two types of consideration) or holders of a plurality of the outstanding shares of our common stock that made or voted for such an election (if electing between more than two types of consideration), as the case may be, and will be subject to any limitations to which all holders of our common stock are subject, including, without limitation, pro rata reductions applicable to any portion of the consideration payable in such Change of Control.

We will not issue fractional shares of our common stock upon the conversion of the Series I Preferred Stock in connection with a Change of Control. Instead, we will make a cash payment equal to the value of such fractional shares based upon the Common Stock Price used in determining the Common Stock Conversion Consideration for such Change of Control.

Within 15 days following the occurrence of a Change of Control, provided that we have not exercised our right to redeem all shares of Series I Preferred Stock pursuant to the redemption provisions described above, we will provide to holders of Series I Preferred Stock a notice of occurrence of the Change of Control that describes the resulting Change of Control Conversion Right, which notice shall be delivered to the holders of record of the shares of Series I Preferred Stock to their addresses as they appear on our stock records. No failure to give such notice or any defect thereto or in the giving thereof will affect the validity of the proceedings for the conversion of any shares of Series I Preferred Stock except as to the holder to whom notice was defective or not given. This notice will state the following:

- the events constituting the Change of Control;
- the date of the Change of Control;
- the last date on which the holders of Series I Preferred Stock may exercise their Change of Control Conversion Right;

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- the method and period for calculating the Common Stock Price;
- the Change of Control Conversion Date;
- that if, prior to the Change of Control Conversion Date, we have provided notice of our election to redeem all or any shares of Series I Preferred Stock, holders of Series I Preferred Stock that are subject to such notice of redemption will not be able to convert the shares of Series I Preferred Stock called for redemption and such shares will be redeemed on the related redemption date, even if such shares have already been tendered for conversion pursuant to the Change of Control Conversion Right;
- if applicable, the type and amount of Alternative Conversion Consideration entitled to be received per share of Series I Preferred Stock;
- the name and address of the paying agent, transfer agent and conversion agent for the Series I Preferred Stock;
- the procedures that the holders of Series I Preferred Stock must follow to exercise the Change of Control Conversion Right (including procedures for surrendering shares of Series I Preferred Stock for conversion through the facilities of a Depositary (as defined

below)), including the form of conversion notice to be delivered by such holders as described below; and

- the last date on which holders of Series I Preferred Stock may withdraw shares of Series I Preferred Stock surrendered for conversion and the procedures that such holders must follow to effect such a withdrawal.

Under such circumstances, we also will issue a press release containing such notice for publication on the Wall Street Journal, Business Wire, PR Newswire or Bloomberg Business News (or, if these organizations are not in existence at the time of issuance of the press release, such other news or press organization as is reasonably calculated to broadly disseminate the relevant information to the public), and post a notice on our website (if any), in any event prior to the opening of business on the first business day following any date on which we provide the notice described above to the holders of Series I Preferred Stock.

To exercise the Change of Control Conversion Right, the holders of Series I Preferred Stock will be required to deliver, on or before the close of business on the Change of Control Conversion Date, the certificates (if any) representing the shares of Series I Preferred Stock to be converted, duly endorsed for transfer (or, in the case of any shares of Series I Preferred Stock held in book-entry form through a Depositary or shares directly registered with the transfer agent therefor, to deliver, on or before the close of business on the Change of Control Conversion Date, the shares of Series I Preferred Stock to be converted through the facilities of such Depositary or through such transfer agent, respectively), together with a written conversion notice in the form provided by us, duly completed, to our transfer agent. The conversion notice must state:

- the relevant Change of Control Conversion Date;
- the number of shares of Series I Preferred Stock to be converted; and
- that the shares of the Series I Preferred Stock are to be converted pursuant to the applicable provisions of the articles supplementary designating the Series I Preferred Stock.

The “Change of Control Conversion Date” is the date the Series I Preferred Stock is to be converted, which will be a business day selected by us that is no fewer than 20 days nor more



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than 35 days after the date on which we provide the notice described above to the holders of Series I Preferred Stock.

The “Common Stock Price” is (i) if the consideration to be received in the Change of Control by the holders of our common stock is solely cash, the amount of cash consideration per share of our common stock or (ii) if the consideration to be received in the Change of Control by holders of our common stock is other than solely cash (x) the average of the closing sale prices per share of our common stock (or, if no closing sale price is reported, the average of the closing bid and ask prices per share or, if more than one in either case, the average of the average closing bid and the average closing ask prices per share) for the ten consecutive trading days immediately preceding, but not including, the date on which such Change of Control occurred as reported on the principal U.S. securities exchange on which our common stock is then traded, or (y) if our common stock is not then listed for trading on a U.S. securities exchange, the average of the last quoted bid prices for our common stock in the over-the-counter market as reported by OTC Markets Group Inc. or similar organization for the ten consecutive trading days immediately preceding, but not including, the date on which such Change of Control occurred.

Holders of Series I Preferred Stock may withdraw any notice of exercise of a Change of Control Conversion Right (in whole or in part) by a written notice of withdrawal delivered to our

transfer agent prior to the close of business on the business day prior to the Change of Control Conversion Date. The notice of withdrawal delivered by any holder must state:

- the number of withdrawn shares of Series I Preferred Stock;
- if certificated shares of Series I Preferred Stock have been surrendered for conversion, the certificate numbers of the withdrawn shares of Series I Preferred Stock; and
- the number of shares of Series I Preferred Stock, if any, which remain subject to the holder’s conversion notice.

Notwithstanding the foregoing, if any shares of Series I Preferred Stock are held in book-entry form through DTC or a similar depositary (each, a “Depositary”), the conversion notice and/or the notice of withdrawal, as applicable, must comply with applicable procedures, if any, of the applicable Depositary.

Shares of Series I Preferred Stock as to which the Change of Control Conversion Right has been properly exercised and for which the conversion notice has not been properly withdrawn will be converted into the applicable Conversion Consideration in accordance with the Change of Control Conversion Right on the Change of Control Conversion Date, unless prior to the Change of Control Conversion Date we have provided notice of our election to redeem some or all of the shares of Series I Preferred Stock, as described above under “—Redemption,” in which case only the shares of Series I Preferred Stock properly surrendered for conversion and not properly withdrawn that are not called for redemption will be converted as aforesaid. If we elect to redeem shares of Series I Preferred Stock that would otherwise be converted into the applicable Conversion Consideration on a Change of Control Conversion Date, such shares of Series I Preferred Stock will not be so converted and the holders of such shares will be entitled to receive on the applicable redemption date the redemption price described above under “—Redemption.”

We will deliver all securities, cash and any other property owing upon conversion no later than the third business day following the Change of Control Conversion Date. Notwithstanding the foregoing, the persons entitled to receive any shares of our common stock or other securities delivered on conversion will be deemed to have become the holders of record thereof as of the Change of Control Conversion Date.



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In connection with the exercise of any Change of Control Conversion Right, we will comply with all applicable federal and state securities laws and stock exchange rules in connection with any conversion of shares of the Series I Preferred Stock into shares of our common stock or other property. Notwithstanding any other provision of the Series I Preferred Stock, no holder of Series I Preferred Stock will be entitled to convert such shares of the Series I Preferred Stock into shares of our common stock to the extent that receipt of such shares of common stock would cause such holder (or any other person) to violate the applicable restrictions on transfer and ownership of our stock contained in our charter, unless we provide an exemption from this limitation to such holder pursuant to the terms of our charter. Please see the section entitled “Description of Equity Securities—Restrictions on Ownership and Transfer” in this exhibit.

The Change of Control conversion feature may make it more difficult for a third party to acquire us or discourage a party from acquiring us.

Except as provided above in connection with a Change of Control, the Series I Preferred Stock is not convertible into or exchangeable for any other securities or property.

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**Voting Rights**

Holders of Series I Preferred Stock do not have any voting rights, except as set forth below.

Whenever dividends on any shares of Series I Preferred Stock are in arrears for six or more full quarterly Dividend Periods, whether or not consecutive, the number of directors constituting our Board will be automatically increased by two (if not already increased by two by reason of the election of directors by the holders of any other class or series of Parity Stock upon which like voting rights have been conferred and are exercisable) and the holders of Series I Preferred Stock, voting as a single class with holders of the Parity Stock upon which like voting rights have been conferred and are exercisable, will be entitled to vote for the election of those two additional directors at a special meeting called by us at the request of the holders of record of at least 25% of the outstanding shares of Series I Preferred Stock and all other classes or series of Parity Stock upon which like voting rights have been conferred and are exercisable to be held no later than 90 days after our receipt of such request (unless the request is received less than 90 days before the date fixed for the next annual or special meeting of our stockholders, in which case, such vote will be held at the earlier of the next annual or special meeting of the stockholders to the extent permitted by applicable law), and at each subsequent annual meeting until all dividends accumulated on the Series I Preferred Stock for all past Dividend Periods and the then current Dividend Period will have been fully paid. In that case, the right of holders of Series I Preferred Stock to elect any directors will cease and, unless there are other classes or series of Parity Stock upon which like voting rights have been conferred and are exercisable, the term of office of any directors elected by holders of Series I Preferred Stock will immediately terminate and the number of directors constituting the board of directors will be reduced accordingly. For the avoidance of doubt, in no event will the total number of directors elected by holders of Series I Preferred Stock (voting together as a single class with the Parity Stock upon which like voting rights have been conferred and are exercisable) pursuant to these voting rights exceed two. The directors elected by the holders of the Series I Preferred Stock and the holders of the Parity Stock upon which like voting rights have been conferred and are exercisable will be elected by a plurality of the votes cast by the holders of the outstanding shares of Series I Preferred Stock when they have the voting rights described in this paragraph and the Parity Stock upon which like voting rights have been conferred and are exercisable (voting together as a single class) to serve until our next annual meeting of stockholders and until their successors are duly elected and qualify or until such directors’ right to hold the office terminates as described above, whichever occurs earlier.

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On each matter on which holders of Series I Preferred Stock are entitled to vote, each share of Series I Preferred Stock will be entitled to one vote, except that when shares of any other class or series of preferred stock we may issue, including the Parity Stock, have the right to vote with the Series I Preferred Stock as a single class on any matter, the Series I Preferred Stock, the Parity Stock and each such other class or series of stock will have one vote for each $25.00 of liquidation preference (excluding accumulated dividends). If, at any time when the voting rights conferred upon the Series I Preferred Stock are exercisable, any vacancy in the office of a director elected by the holders of the Parity Stock upon which like voting rights have been conferred and are exercisable will occur, then such vacancy may be filled only by the remaining director or by vote of the holders of the outstanding Series I Preferred Stock and any other classes or series of Parity Stock upon which like voting rights have been conferred and are exercisable.

Any director elected by holders of shares of Series I Preferred Stock and any class or series of Parity Stock upon which like voting rights have been conferred and are exercisable may be removed at any time, with or without cause, by the vote of, and may not be removed otherwise than by the vote of, the holders of record of a majority of the outstanding shares of

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Series I Preferred Stock and any class or series of Parity Stock we may issue when they have the voting rights described above (voting as a single class with all other classes or series of Parity Stock upon which like voting rights have been conferred and are exercisable).

So long as any shares of Series I Preferred Stock remain outstanding, we will not, without the affirmative vote or consent of the holders of at least two-thirds of the shares of Series I Preferred Stock, and Parity Stock upon which like voting rights have been conferred and are exercisable (voting together as a single class), (i) authorize, create, or increase the authorized or issued amount of, any class or series of Senior Stock or reclassify any of our authorized stock into such shares, or create or authorize or issue any obligation or security convertible into or evidencing the right to purchase any such shares or (ii) amend, alter or repeal the provisions of our charter, whether by merger, conversion, consolidation or otherwise, so as to materially and adversely affect any right, preference, privilege or voting power of the Series I Preferred Stock (each, an “Event”); provided, however, with respect to the occurrence of any event Event set forth in clause (ii) above, so long as the Series I Preferred Stock remains outstanding with the terms thereof materially unchanged, or the holders of Series I Preferred Stock receive shares of stock or other equity interests with rights, preferences, privileges and voting powers substantially the same as those of the Series I Preferred Stock, taking into account that upon the occurrence of an Event we may not be the successor entity, the occurrence of any such Event will not be deemed to materially and adversely affect the rights, preferences, privileges or voting power of holders of Series I Preferred Stock; and, provided further, that any increase in the amount of the authorized or issued Series I Preferred Stock or the creation or issuance, or any increase in the amounts authorized of any Parity Stock, including the Series F Preferred Stock and Series G Preferred Stock, or Junior Stock will not be deemed to materially and adversely affect the rights, preferences, privileges or voting powers of holders of Series I Preferred Stock. Notwithstanding the foregoing, if any amendment, alteration or repeal of any provision of our charter would materially and adversely affect the rights, preferences or privileges of the Series I Preferred Stock disproportionately relative to other classes or series of Parity Stock, including the Series F Preferred Stock and Series G Preferred Stock, then the affirmative vote or consent of the holders of at least two-thirds of the outstanding shares of Series I Preferred Stock (voting as a separate class) shall also be required.

The foregoing voting provisions will not apply if, at or prior to the time when the act with respect to which such vote would otherwise be required shall be effected, all outstanding shares of Series I Preferred Stock have been redeemed or called for redemption upon proper notice and sufficient funds have been irrevocably set apart to effect such redemption.

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Except as expressly stated in our charter or as may be required by applicable law, the Series I Preferred Stock do not have any relative, participating, optional or other special voting rights or powers and the consent of the holders thereof will not be required for the taking of any corporate action. The holders of Series I Preferred Stock have exclusive voting rights on any amendment to our charter that would alter the contract rights, as expressly set forth in the charter, of only the Series I Preferred Stock.

**Information Rights**

During any period in which we are not subject to Section 13 or 15(d) of the Exchange Act and any shares of Series I Preferred Stock are outstanding, we will use our best efforts to (i) transmit through our website at http://www.annaly.com (or other permissible means under the Exchange Act) copies of the Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q that we would have been required to file with the SEC pursuant to Section 13 or 15(d) of the Exchange Act if we were subject thereto (other than any exhibits that would have been required). We will use our best efforts to provide such reports on our website within 15 days after the respective dates by which we would have been required to file such reports with the SEC if we

were subject to Section 13 or 15(d) of the Exchange Act and we were a “non-accelerated filer” within the meaning of the Exchange Act.

**Restrictions on Transfer and Ownership**

To assist us in qualifying as a REIT, our charter prohibits any person from acquiring or holding, directly or constructively, ownership of 9.8%, in number of shares or value, of each class or series of our outstanding shares. For this purpose the term “ownership” generally means either direct ownership or constructive ownership in accordance with the constructive ownership provisions of Section 544 of the Code, as modified in Section 856(h) of the Code. These provisions may restrict the ability of a holder of Series H Preferred Stock to convert such stock into our common stock as described above under “—Conversion Rights.” Our board of directors may, in its sole discretion, exempt a person from the 9.8% ownership limit under certain circumstances as described under “Description of Equity Securities—Restrictions on Ownership and Transfer” in this exhibit.

For further information regarding restrictions on ownership and transfer of the Series I Preferred Stock, please see the section entitled “Description of Equity Securities—Restrictions on Ownership and Transfer” in this exhibit.

**Preemptive Rights**

No holders of Series I Preferred Stock, as holders of Series I Preferred Stock, have any preemptive rights to purchase or subscribe for our common stock or any of our other securities.

**Book-Entry Procedures**

DTC acts as securities depositary for the Series I Preferred Stock, which were issued in the form of global securities held in book-entry form. We will not issue certificates to holders of the Series I Preferred Stock for the shares of Series I Preferred Stock that are purchased, unless DTC’s services are discontinued as described below.

Title to book-entry interests in the Series I Preferred Stock will pass by book-entry registration of the transfer within the records of DTC in accordance with its procedures. Book-entry interests in the securities may be transferred within DTC in accordance with procedures established for these purposes by DTC. Each person owning a beneficial interest in shares of the



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Series I Preferred Stock must rely on the procedures of DTC and the participant through which such person owns its interest to exercise its rights as a holder of the Series I Preferred Stock.

DTC has advised us that it is a limited-purpose trust company organized under the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code and a “clearing agency” registered under the provisions of Section 17A of the Exchange Act. DTC holds securities that its participants (“Direct Participants”) deposit with DTC. DTC also facilitates the settlement among Direct Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Direct Participants’ accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. Access to the DTC system is also available to others such as securities brokers and dealers, including the underwriters, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). The rules applicable to DTC and its Direct and Indirect Participants are on file with the SEC.

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When shares of Series I Preferred Stock are purchased within the DTC system, the purchase must be by or through a Direct Participant. The Direct Participant will receive a credit for the Series I Preferred Stock on DTC’s records. Holders of the Series I Preferred Stock will be considered to be the “beneficial owner” of the Series I Preferred Stock. Such beneficial ownership interest will be recorded on the Direct and Indirect Participants’ records, but DTC will have no knowledge of individual ownership. DTC’s records reflect only the identity of the Direct Participants to whose accounts shares of Series I Preferred Stock are credited.

Holders of the Series I Preferred Stock will not receive written confirmation from DTC of the purchase. The Direct or Indirect Participants through whom the Series I Preferred Stock were purchased should send such holders written confirmations providing details of the transactions, as well as periodic statements of the holdings. The Direct and Indirect Participants are responsible for keeping an accurate account of the holdings of their customers.

Transfers of ownership interests held through Direct and Indirect Participants will be accomplished by entries on the books of Direct and Indirect Participants acting on behalf of the beneficial owners.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to beneficial owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

We understand that, under DTC’s existing practices, in the event that we request any action of the holders, or an owner of a beneficial interest in a global security, such as a holder of the Series I Preferred Stock, desires to take any action which a holder is entitled to take under our charter (including the articles supplementary designating the Series I Preferred Stock), DTC would authorize the Direct Participants holding the relevant shares to take such action, and those Direct Participants and any Indirect Participants would authorize beneficial owners owning through those Direct and Indirect Participants to take such action or would otherwise act upon the instructions of beneficial owners owning through them.

Any redemption notices with respect to the Series I Preferred Stock will be sent to Cede & Co. If less than all of the outstanding shares of Series I Preferred Stock are being redeemed, DTC will reduce each Direct Participant’s holdings of shares of Series I Preferred Stock in accordance with its procedures.

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In those instances where a vote is required, neither DTC nor Cede & Co. itself will consent or vote with respect to the shares of Series I Preferred Stock. Under its usual procedures, DTC would mail an omnibus proxy to us as soon as possible after the record date. The omnibus proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants whose accounts the shares of Series I Preferred Stock are credited to on the record date, which are identified in a listing attached to the omnibus proxy.

Dividends on the Series I Preferred Stock will be made directly to DTC's nominee (or its successor, if applicable). DTC's practice is to credit participants' accounts on the relevant payment date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on that payment date.

Payments by Direct and Indirect Participants to beneficial owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name." These payments will be the responsibility of the participant and not of DTC, us or any agent of ours.

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DTC may discontinue providing its services as securities depositary with respect to the Series I Preferred Stock at any time by giving reasonable notice to us. Additionally, we may decide to discontinue the book-entry only system of transfers with respect to the Series I Preferred Stock. In that event, we will print and deliver certificates in fully registered form for the Series I Preferred Stock. If DTC notifies us that it is unwilling to continue as securities depositary, or it is unable to continue or ceases to be a clearing agency registered under the Exchange Act and a successor depositary is not appointed by us within 90 days after receiving such notice or becoming aware that DTC is no longer so registered, we will issue the Series I Preferred Stock in definitive form, at our expense, upon registration of transfer of, or in exchange for, such global security.

According to DTC, the foregoing information with respect to DTC has been provided to the financial community for informational purposes only and is not intended to serve as a representation, warranty or contract modification of any kind.

**Global Clearance and Settlement Procedures**

Secondary market trading among DTC's Participants will occur in the ordinary way in accordance with DTC's rules and will be settled in immediately available funds using DTC's Same-Day Funds Settlement System.

ANNALY CAPITAL MANAGEMENT, INC.

**PSU Award Agreement**

**THIS PSU AWARD AGREEMENT (this "Agreement"), dated Insider Trading Policy**

**(Amended as of «Grant_Month» «Grant_Day», «Grant Year» is between October 2023)**

This Insider Trading Policy (the "Policy") of Annaly Capital Management, Inc. (the "Company") applies to (i) all members of the Company's Board of Directors ("Directors"); (ii) all of the Company's officers and employees, including persons employed by the Company's subsidiaries (collectively, "Employees");

(iii) any person as may be designated by the Company's Chief Compliance Officer such as contractors or consultants who may have access to material non-public information ("Consultants" and together with Directors and Employees, "Company Insiders"); and (iv) family members of any Company Insiders, including (a) the spouse of any Company Insider (other than a legally separated or divorced spouse), domestic partner (of the same or opposite gender) and minor children, (b)



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any other immediate family members (e.g., siblings, parents and in-laws) who live in the household of a Maryland corporation (the "Company")Company Insider, (c) any person who does not live in the household of a Company Insider, but whose transactions are directed by or subject to influence or control by a Company Insider (collectively referred to as "Family Members" and «Name» (the "Participant" together with Company Insiders, "Covered Persons).

Company Insiders are responsible for the transactions of their Family Members and therefore should make them aware of the requirements of this Policy, including the pre-clearance procedures described below, and the need to confer with you before they trade in Company Securities (as defined below). This policy does not, however, apply to personal securities transactions of Covered Persons where the purchase or sale decision is made by a third party not controlled by, influenced by or related to such Covered Person.

This Policy also applies to any entities or accounts, including corporations, partnerships or trusts, that are under the influence or control of any Covered Person (collectively, "Controlled Entities"). Company Insiders are responsible for the transactions of their Controlled Entities for the purposes of this Policy and applicable securities laws. In addition, the Company itself must comply with U.S. securities laws applicable to its own securities trading activities, and will not effect transactions in respect of its Securities[1] (collectively referred to as "Company Securities"), or adopt any securities repurchase plans, when it is in possession of material non-public information concerning the Company, other than in compliance with applicable law, subject to the policies and governs the performance-vesting RSUs ("PSUs") granted procedures adopted by the Company, if applicable, and the prior approval of the Chief Legal Officer.

**The Need for a Policy Statement**

Engaging in any transaction in Company Securities while aware of material nonpublic information, or the disclosure of material nonpublic information to others who then trade in Company Securities, as well as trading in the Securities of any publicly traded companies associated with the Company or its subsidiaries under certain circumstances described below, are prohibited by certain federal, state and foreign securities laws. Insider trading (and tipping) is a serious crime. These laws are based upon the belief that all persons trading in a company's securities should have equal access to all "material" information about that company. For example, if a director, officer or employee of a company knows material inside financial information, that person is prohibited from buying or selling shares in the company until the information has been adequately disclosed to the Participant public. This is because the director, officer or employee knows information that could cause the share price to change, and it would be unfair for the director, officer or employee to have an advantage (knowledge that the share price could change) that the rest of the investing public does not have. In fact, it is more than unfair; it is considered to be fraudulent and illegal. There are no thresholds or limits on the size of a transaction that will trigger insider trading liability. Violations are pursued vigorously by the U.S. Securities and Exchange Commission ("SEC") and the Department of

[1]The term "Security" or "Securities" is defined very broadly by securities laws and includes stock (common and preferred), stock options, warrants, bonds, notes, debentures, convertible instruments, put or call options (i.e., exchange-traded options), or other similar instruments. Therefore, for example, this Policy may apply to open market purchases and sales, bona fide gifts, transfer of assets into or out of Company shares within an associate benefit plan (such as 401(k) or a stock purchase plan), and "cashless" exercises of stock options.

Justice and are punished severely. While the regulatory authorities concentrate their efforts on the individuals who trade, or who tip inside information to others who trade, the securities laws also impose potential liability on companies and other "controlling persons" if they fail to take reasonable steps to prevent insider trading by company personnel.

The Company has adopted this Policy both to promote compliance with insider trading laws and to help Company Insiders avoid the severe consequences associated with violations of the insider trading laws. The Policy is also intended to prevent even the appearance of improper conduct on the part of Company Insiders. We have all worked hard over the years to establish a reputation for integrity and ethical conduct, and we cannot afford to have that reputation damaged.

**The Consequences**

The consequences of an insider trading violation can be severe:

*Traders and Tippers.*Company Insiders (and their tippees) who trade on material nonpublic information can be subject to the following penalties, among others:

- A civil penalty of up to three times the profit gained or loss avoided;
- A criminal fine of up to $5,000,000 (no matter how small the profit) for each violation; and
- A jail term of up to twenty years for each violation.

Company Insiders who tip information to a person, including Family Members, who then trades, may be subject to the same penalties as the tippee, even if he or she did not trade and did not profit monetarily from the tippee's trading.

*Control Persons.* Company Insiders, if they fail to take appropriate steps to prevent illegal insider trading by persons whom them control (directly or indirectly), can be subject to the following penalties:

- A civil penalty of up to $1,000,000 or, if greater, three times the profit gained or loss avoided as a result of the controlled person's violation; and
- A criminal penalty of up to $25,000,000.

*Company-Imposed Sanctions.* A Company Insider's failure to comply with the Policy may subject such person to Company-imposed sanctions, including dismissal for cause, whether or not such failure to comply results in a violation of law. Needless to say, a violation of law, or even an SEC investigation that does not result in prosecution, can tarnish one's reputation and irreparably damage a career.



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*Prohibition on Activities*. Civil penalties can also include a prohibition (which may be permanent) from any business or venture which relates directly or indirectly to securities, including investment management.

**Statement of Policy**

Any Company Insider who is aware of material nonpublic information may not, directly or through Family Members or Controlled Entities, (a) buy, sell, gift or engage in any transaction in Company Securities based on that information (other than pursuant to a pre-approved trading plan that complies with Rule 10b5- 1 (a "Rule 10b5-1 Plan") of the Securities Exchange Act of 1934, as amended (the "Exchange Act")), or engage in any other action to take personal advantage of that information, or (b) pass that information to persons within the Company whose jobs do not require them to have that information, or to persons outside the Company, including Family Members and friends.

The forgoing also applies to information about another company that you learn about during the course of your work for the Company. If, for example, you, in the course of working for the Company, learn of material nonpublic information about a company with which the Company does (or is considering doing) business, including a customer or supplier of the Company, or a company that is involved in a potential transaction with the Company, then you may not trade in or share such information about that company's Securities until the information becomes public or is no longer material.

Transactions that may be necessary or justifiable for personal reasons that are unrelated to your responsibilities at the Company (such as the need to raise money for an emergency expenditure) are not exempt from the Policy. The securities laws do not recognize such mitigating circumstances, and, in any event, even the appearance of an improper transaction must be avoided to preserve the Company's reputation for adhering to the highest standards of conduct.

*Disclosure of Information to Others.*The Company is required under Regulation FD of the federal securities laws to avoid the selective disclosure of material nonpublic information. The Company has established procedures for releasing material information in a manner that is designed to achieve broad public dissemination of the information immediately upon its release. You may not, therefore, disclose information to anyone outside the Company, including Family Members and friends, other than in accordance with those procedures. You also may not discuss the Company or its business in public spaces or an internet "chat room" or similar internet-based forum.

*Material Information*. Material information is any information that a reasonable investor would consider important in making a decision to buy, hold, or sell Securities. Any information that could be expected to affect a company's stock price, whether it is positive or negative, should be considered material. Some examples of information that ordinarily would be regarded as material are:

- Significant Changes in the Company's Board, Senior Management and/or ownership
- Projections of future earnings or losses, or other earnings guidance;
- Earnings results, including results that are inconsistent with the consensus expectations of the investment community, or adjustments to reported earnings;
- A pending or proposed merger, acquisition, sale, joint venture, tender offer or restructuring;
- A pending or proposed acquisition or disposition of a significant asset;
- A change in dividend policy, the declaration of a stock split, or an offering of or significant transaction in Company Securities;
- A change in auditors or notification that the auditor's reports may no longer be relied upon;
- Pending or threatened significant lawsuits, legal settlements or regulatory matters, or resolutions thereof;
- Development of a significant new product or process;
- Knowledge of any significant breach of cybersecurity or privacy, whether at the Company's facilities or through its information technology infrastructure;
- Impending bankruptcy or the existence of severe liquidity problems; and
- The gain or loss of a significant customer or supplier.

You should be aware that this list is not intended to be exhaustive.

*Twenty-Twenty Hindsight*. Remember, anyone scrutinizing your transactions will be doing so after the fact, with the benefit of hindsight. As a practical matter, before engaging in any transaction, you should carefully consider how enforcement authorities and others might view the transaction in hindsight.

*When Information is "Public"*. If you are aware of material nonpublic information, you may not trade until the information has been disclosed broadly to the marketplace and the investing public has had time to absorb the information fully. In order for information to be considered public, it must be disseminated by some form of "official" announcement. The following are considered methods of public dissemination: A Form 8-K or other document filed with, or submitted to, the SEC, when available on the SEC's website;

- A press release disseminated through newswire services; or
- A conference call (or webcast of such a call) that is open to the public at large and has been the subject of adequate advance notice within the meaning of Regulation FD, under the Exchange Act.

By contrast, information is generally not considered to be publicly disseminated if it is only provided to the Company's associates, or if it is only available to a select group of people. Disclosure made only through using a social media platform is not sufficient unless the Company has adequately communicated to the



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general public that it may disclose material information in this manner.

The fact that rumors, speculation, or statements attributed to unidentified sources are public is insufficient to be considered widely disseminated even when the information is accurate. Once information is widely disseminated, it is still necessary to afford the investing public with sufficient time to absorb the information. To avoid the appearance of impropriety, as a general rule, information should not be considered fully absorbed by the marketplace until after the second full business day after the information is released. If, for example, with respect to Company Securities, the Company were to make an announcement on a Wednesday, you would generally be restricted from trading in Company Securities until Monday. If an announcement were made on a Friday, you would generally be restricted from trading in Company Securities until Wednesday. Please note that all transactions in Company Securities by Covered Persons are subject to the provisions pre-clearance procedures described below, even those made during "trading window" periods (as defined below).

**Procedures Applicable to Trading in Company Securities**

*Pre-Clearance of a Trade is Required Even if Trading during a Trading Window*

To help prevent inadvertent violations of the Annaly Capital Management, Inc. 2020 Equity Incentive Plan (the "Plan"). A Prospectus describing federal securities laws and to avoid even the Plan has been delivered to the Participant. The Plan itself is available upon request. All terms used in this Agreement that appearance of trading on inside information, all Covered Persons and Controlled Entities are defined in the Plan have the same meaning given them in the Plan.

1. Grant of PSUs. Effective as of «Grant_Month» «Grant_Day», 2023 (the "Date of Grant"), the Company granted the Participant «Shares» target PSUs (the "Target PSUs") in accordance with the Plan and subject to the terms Company's pre-clearance procedures. Accordingly, Company Insiders, their Family Members and conditions set forth Controlled Entities may not engage in the Plan any transaction involving Company Securities including gifts to charities or other persons and this Agreement. Each PSU represents the right to receive a Share upon settlement other transfers of Company Securities (other than certain transactions under Company plans as described herein) without first obtaining pre-clearance of the vested PSUs as set forth herein.

transaction from the Chief Legal Officer or the Deputy General Counsel.

2. Company Insiders should submit a request for pre-clearance to the Chief Legal Officer or the Deputy General Counsel via MyComplianceOffice ("Grant of Dividend Equivalent Rights. MCO Effective as"), or other electronic means at least one (1) business day in advance of the Date of Grant, proposed transaction. The Company is under no obligation to approve a trade submitted for pre-clearance and may determine not to permit the Company also granted trade. If the Participant Dividend Equivalent Rights in accordance with the Plan and subject Chief Legal Officer or Deputy General Counsel has not responded to the terms and conditions set forth in the Plan and this Agreement. The Dividend Equivalent Rights entitle the Participant a request for pre-clearance, do not trade.

Requests for trades are more likely to be credited with additional PSUs (the "Additional PSUs") with respect to cash dividends (other than extraordinary cash dividends) paid on Shares approved during the period beginning following "trading window" periods. A trading window typically commences on the Date third business day following the release of Grant the Company's year-end or quarterly earnings announcements and ending ends on the earlier of the date that the vested PSUs and vested Additional PSUs are settled in accordance with Section 4 of this Agreement or the date that the PSUs and Additional PSUs are forfeited in accordance with Section 3 of this Agreement. On each date that cash dividends (other than extraordinary cash dividends) are paid on Shares, the Participant shall be credited with Additional PSUs as follows: The cash dividend per Share shall be multiplied by the number of Target PSUs and Additional PSUs outstanding and credited to the Participant on the dividend payment date and the resulting product shall be divided by the Fair Market Value on the dividend payment date. Each Additional PSU represents the right to receive a Share upon settlement of the vested Additional PSUs as set forth herein. For avoidance of doubt, the Additional PSUs shall be subject to adjustment for performance under Section 3 to the same extent as the Target PSUs.

3. Vesting. The Participant's interest in the PSUs shall become vested and nonforfeitable to the extent provided in paragraphs (a) through (g) below.

(a) *Performance Conditions*. The Target PSUs shall be subject to adjustment based on the Company's performance during the applicable "Performance Period," all as set forth on Exhibit A hereto. The Committee shall make all determinations regarding the performance adjustment by the 15 14th day prior to the close of the third month then- current fiscal quarter. If a request to trade is approved, the trade must be made on the same day that the approval is granted. If permission is denied, refrain from initiating any transaction in Company Securities and do not inform any other person of the restriction. From time to time the Company's legal department may close trading during a trading window due to material nonpublic information developments. If you become aware that the trading window has been closed, you must not disclose to others the fact that the trading window has been closed.
Even if approval to enter into a transaction pursuant to the pre-clearance process is obtained, Covered Persons and Controlled Entities may not transact in Company Securities if aware of material non-public information about the Company or its securities or any of the companies covered by this Policy as described under *Statement of Policy* except as specifically provided herein.

*Rule 10b5-1 Plans*

If you wish to adopt, amend, or terminate a Rule 10b5-1 Plan, you must first pre-clear the Rule 10b5-1 Plan with the Chief Legal Officer or his or her designee. As required by Rule 10b5-1, and pursuant to the Company's Guidelines on Rule 10b5-1 Trading Plans (the "Rule 10b5-1 Guidelines"), you may enter into a Rule 10b5-1 Plan only when you are not in possession of material nonpublic information and during a trading window period. Transactions effected pursuant to a pre-cleared Rule 10b5-1 Plan will not require



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further pre-clearance at the time of the transaction if the Rule 10b5-1 Plan specifies the dates, prices and amounts of the contemplated trades, or establishes a formula for determining the dates, prices and amounts, and otherwise complies with the Rule 10b5-1 Guidelines.

**Transactions under Company Plans**

*Stock Option and Other Grants.* The Policy does not apply to the grant by the Company of a stock option or other rights to acquire Company Securities. The Policy does not apply to the exercise of a stock option or other derivative Security acquired pursuant to the Company's plans or the withholding of shares by the Company for tax purposes or to satisfy the exercise price of such Security. However, this Policy does apply to any sale of the underlying shares and to a broker-assisted cashless exercise of an option, or any other market sale for the purpose of generating the cash needed to pay the exercise price of an option.

*Restricted Stock and Restricted Stock Unit Awards*: The Policy does not apply to the vesting of restricted stock and restricted stock units, or the exercise of a tax withholding right pursuant to which a person elected to have the Company withhold shares of stock or units or to automatically have sold through a brokerage platform the number of shares, in each such case, necessary to satisfy tax withholding requirements upon the vesting of any such restricted stock and/or restricted stock units.

*Dividend Reinvestment Plans.* The Policy does not apply to the regular reinvestment of dividends in Company Securities you make pursuant to a dividend reinvestment plan offered by the Company. The Policy does apply, however, to your (i) voluntary purchases of Company stock resulting from additional contributions you choose to make to the Company's or your brokerage firm's dividend reinvestment plan,

(ii) election to participate in the Company's or your brokerage firm's dividend reinvestment plan, or (iii) election to increase the level of participation in the Company's or your brokerage firm's dividend reinvestment plan. The Policy also applies to your sale of any Company stock purchased pursuant to the Company's or your brokerage firm's dividend reinvestment plan. Accordingly, elections to participate in the Company's or your brokerage firm's dividend reinvestment plan with respect to Company Securities, or changes thereto (including an election to opt out of any dividend reinvestment plan), must be made only in open windows and with prior approval.

**Additional Prohibited Transactions**

Company Insiders are prohibited from engaging in the following transactions:

- Short-term Trading. Company Insider's short-term trading of Company Securities may be distracting to them and may unduly focus them on the Company's short-term stock market performance instead of the Company's long-term business objectives. For these reasons, any Company Insider who purchases Company Securities in the open market may not sell any Company Securities of the same class during the six months following the purchase.[2]
- *Short Sales.* Short sales of Company Securities evidence an expectation on the part of the seller that the Securities will decline in value, and therefore signal to the market that the seller has no confidence in the Company or its short-term prospects. In addition, short sales may reduce the seller's incentive to improve the Company's performance. For these reasons, Company Insiders are prohibited from entering into short sales of Company Securities.
- *Publicly Traded Options.* A transaction in options is, in effect, a bet on the short-term movement of the Company's stock and therefore creates the appearance that the director or employee is trading based on inside information. Transactions in options also may focus Company Insiders' attention on

[2] In addition, Directors or executive officers of the Company who must comply with Section 16 of the Securities Exchange Act of 1934, as amended ("Section 16"), may be required to return any profits made from the purchase and sale of Company stock if both transactions occur within a six-month period. The terms "purchase" and "sale" are construed under Section 16(b) to cover a broad range of transactions, including acquisitions and dispositions in tender offers, certain corporate reorganizations and transactions in convertible or derivative securities (such as stock options and stock appreciation rights). Moreover, purchases and sales by an insider may be matched with transactions by any person (such as certain family members or a family trust) whose securities are deemed to be beneficially owned by the insider.

  short-term performance at the expense of the Company's long- term objectives. Accordingly, Company Insiders are prohibited from entering into transactions relating to Company Securities in puts, calls or other derivative Securities, on an exchange or in any other organized market. (Option positions arising from certain types of hedging transactions are governed by the section below captioned *Hedging Transactions*.)
- *Hedging Transactions.* Certain forms of hedging or monetization transactions, such as zero-cost collars, forward sale contracts, equity swaps and exchange funds or other derivatives, allow Company Insiders to lock in much of the value of his or her stock holdings, often in exchange for all or part of the potential for upside appreciation in the stock. These transactions allow Company Insiders to continue to own the covered Securities, but without the full risks and rewards of ownership. When that occurs, Company Insiders may no longer have the same objectives as the Company's other shareholders. For these reasons, Company Insiders are prohibited from entering into hedging or monetization transactions of Company Securities.
- *Margin Accounts and Pledges*. Securities held in a margin account may be sold by the broker without the customer's consent if the customer fails to meet a margin call. Similarly, Securities pledged (or hypothecated) as collateral for a loan may be sold in foreclosure if the borrower defaults on the loan. A margin sale or foreclosure sale may occur at a time when the pledgor is aware of material nonpublic information or otherwise is not permitted to trade in Company Securities, and may, in certain circumstances, result in unlawful insider trading.[3] For these reasons, Company Insiders are prohibited from holding Company Securities in a margin account as eligible collateral, or otherwise pledging Company Securities as collateral for a loan.

**Filing Requirements**



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Under Section 16(a) of the Exchange Act, the Company's Directors and officers must file with the SEC public reports disclosing their holdings of and transactions involving the Company's equity securities. An initial report on Form 3 must be filed by such Director or officer within 10 days after election or appointment disclosing all equity securities of the Company beneficially owned by the reporting person on the date he became a Director or officer. Any subsequent change in the nature or amount of beneficial ownership by the Director or officer must be reported on Form 4 and filed by the end of the Performance Period. The number of PSUs after such adjustment, which may range 0% to the maximum percentage of the Target PSUs set forth on Exhibit A, are referred to in this Agreement as the "Performance-Adjusted PSUs." For the avoidance of doubt, if the performance adjustment results in 0% of the Target PSUs being earned, the PSUs shall be canceled and forfeited as of the last second business day of the Performance Period and all of the Participant's rights to the PSUs shall immediately terminate without any payment of consideration by the Company.

(b) *Continued Service.* The Participant's interest in the Performance-Adjusted PSUs shall become vested and nonforfeitable on the last day of the Performance Period (the "Vesting Date"), subject to the Participant's continuous Service (as defined below) from the Date of Grant through the Vesting Date. For purposes of this Agreement, "Service" means service to

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the Company or an Affiliate as an employee, Non-Employee Director, or other bona fide service provider (whether as a consultant, advisor or otherwise). The Participant's change in position or duties shall not result in interrupted or terminated Service, so long as the Participant continues to be an employee, Non-Employee Director, or other bona fide service provider to the Company or an Affiliate.

(c) *Change in Control.* If a Change in Control occurs before the Vesting Date while the Participant is still in Service, the Participant's interest in the PSUs shall become vested and nonforfeitable in connection with a Change in Control in accordance with the provisions of Section 10(b) of the Plan, subject to the requirements of Section 21 of the Plan (regarding potential adjustments as a result of Section 280G and related provisions of the Code). For any Participant who is not a Non-Employee Director, for purposes of Section 10(b)(ii) of the Plan (regarding vesting of the PSUs during the two-year period following a Change in Control if the PSUs are assumed, converted or replaced in the transaction), the following terms have the following meanings:

(i) "Cause" shall be as defined in any employment agreement, offer letter, or similar agreement between the Participant and the Company or an Affiliate, and if there is no such agreement or definition, "Cause" shall mean that the Participant is found by the Company to have (i) committed an act of fraud or dishonesty in the course of the Service; (ii) been convicted of (or plead no contest with respect to) a crime constituting a felony or a crime of comparable magnitude under applicable law (as determined by the Company in its sole discretion); (iii) failed to perform the Participant's job duties where such failure is materially injurious to the Company and its Affiliates, or to the business interests or reputation of the Company and its Affiliates; (iv) materially breached any written policy applicable to the Participant's Service including, but not limited to, the Company's Code of Business Conduct and Ethics; or (v) materially breached any Service-related covenants under any agreement with the Company or an Affiliate; provided, however, that with respect to any breach or failure that is curable by the Participant, as determined by the Company in good faith, the Company has provided the Participant written notice of the material breach or failure and the Participant has not cured such breach or failure, as determined by the Company in good faith, within fifteen (15) days following the date the Company provides such notice.

(ii) "Good Reason" shall be as defined in any employment agreement, offer letter, or similar agreement between the Participant and the Company or an Affiliate, and if there is no such applicable definition, termination of Service for Good Reason shall not be applicable to the Participant under Section 10(b)(ii) of the Plan.

(d) *Death or Disability.* If the Participant terminates Service before the Vesting Date due to the Participant's death, the Participant shall become vested as of the date of such death in a prorated portion of the Target PSUs (i.e., without adjustment for performance under paragraph (a)). If the Participant terminates Service before the Vesting Date due to the Participant's total and permanent disability within the meaning of Section 22(e)(3) of the Code, a prorated portion of the Target PSUs shall remain outstanding and become vested on the Vesting Date after adjustment for performance in accordance with paragraph (a). In either case, the prorated portion shall be determined by multiplying the number of Target PSUs by a fraction, the numerator of which is the number of days in the Performance Period through the date of the Participant's termination transaction. The Form 4 filing requirement and filing deadline also applies to any donation or gift of Service due to death company equity securities by the Director or total and permanent disability, and the denominator of which is the total number of days in the Performance Period. The Participant's beneficiary shall receive



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payment with respect to the PSUs (and any Additional PSUs) in the event officer, regardless of the Participant's death. The beneficiary shall recipient. Certain exempt transactions may be the Participant's surviving spouse, if any, and if no surviving spouse, then the Participant's estate, provided that the Company, in its

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discretion, may permit the Participant to designate a beneficiary in accordance with such written procedures as the Company may establish.

(e) *Vesting Required by Employment Agreement or Company Severance Program*. Notwithstanding any provision herein to the contrary, if the Participant terminates Service under conditions that would provide full or partial vesting of the Award in accordance with a written employment agreement, offer letter, or similar agreement between the Company and the Participant or under any written severance agreement, program or policy of the Company that covers the Participant, then the Participant's interest in the PSUs shall become vested and nonforfeitable to the extent provided by such written agreement or Company severance program or policy. If the Participant is subject to special vesting conditions under both a written agreement and a Company severance program or policy, the most favorable vesting provisions shall control. The number of PSUs vesting shall remain subject to adjustment for performance under paragraph (a) and such Performance-Adjusted PSUs shall be settled following reported on Form 5 within 45 days after the end of the Performance Period fiscal year.
All changes in the amount or the form (i.e., direct or indirect) of beneficial ownership (not just purchases and sales) must be reported. Thus, transactions such as provided gifts ordinarily are reportable. Moreover, a director or officer who has ceased to be a director or officer must report any transactions after termination which occurred within six months of a transaction that occurred while the person was a Director or officer.

The reports under Section 16(a) are intended to cover all securities beneficially owned either directly by the Director or officer or indirectly through others. A Director or officer is considered the direct owner of all Company equity securities held in his or her own name or held jointly with others. A Director or officer is considered the indirect owner of any securities from which he obtains benefits substantially equivalent to those of ownership. Thus, equity securities of the Company beneficially owned through partnerships, corporations, trusts, estates and by family members generally are subject to reporting.

Post-Termination Transactions

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3 In addition, Directors or executive officers of the Company who must comply with Section 4 below, except 16 may not be aware that a transaction has taken place and may not be able to comply with the SEC's requirement to report the transaction to the extent that the written agreement or SEC within two business days after its execution.

This Policy continues to apply to your transactions in Company severance program or policy expressly provides otherwise. If the written agreement or Company severance program or policy calls for vesting of the PSUs to be prorated, the prorated PSUs shall be determined by multiplying the number of PSUs by a fraction, the numerator of which is the number of days Securities even after your employment has been terminated (or in the Performance Period through the date that the Participant's Service case of a Director, your service as a Director). If you are in possession of material nonpublic information when your employment terminates and the denominator of which is the total number of days (or in the Performance Period. case of a Director, your service as a Director), you may not engage in transactions in Company Securities until that information has become public or is no longer material.

Company Assistance

Any such vesting shall person who has a question about this Policy (including whether information is "material" or "nonpublic") or its application to any proposed transaction may obtain additional guidance from the Chief Legal Officer or the Deputy General Counsel.

Individual Responsibility

Ultimately, you are responsible for complying with this Policy, including for determining whether you are aware of material non-public information and avoiding unlawful transactions. You could be subject to the terms severe legal penalties and conditions of the applicable written agreement or Company severance program or policy, including any requirement that the Participant provide the Company with a release of claims.



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(f) *Qualifying Termination*. Notwithstanding any provision herein to the contrary, if the Participant's Service is terminated for a Qualifying Termination and other than as set forth in Section 3(e) above, then subject to the conditions of this Section 3(f), the Target PSUs shall remain outstanding and become vested on the Vesting Date after adjustment for performance in accordance with paragraph (a). In order to continue to earn and become vested in the PSUs, the Participant must (i) sign and not revoke a release of claims in such form as required by the Company no later than 60 days after such Qualifying Termination, and (ii) comply with any post-employment covenants applicable to the Participant under any written agreement with the Company. In addition, for a Qualifying Termination based on the Participant's Retirement, the Participant must comply with the post-employment covenants set forth on Exhibit B to this Agreement. For the avoidance of doubt, if Section 3(e) applies to the Participant, this Section 3(f) shall not apply. For purposes of this Agreement, the following terms have the following meanings:

(i) "Qualifying Termination" means either (A) the Participant's Service is terminated disciplinary action by the Company for any reason other than Cause (as defined conduct prohibited by this Policy or applicable securities laws, as described above in Section 3(c)(i) above) and other than as set forth in Section 3(d), or (B) the Participant's Service is terminated by Retirement.

(ii) "Retirement" means a Participant's termination of Service, other than as set forth in Section 3(d) and other than by action of the Company for Cause, provided that (A) the Participant has given the Company at least six months' advance written notice of the intent to retire (subject to the Company's right to waive that advance notice requirement), and (B) at the date of termination Service, the Participant has at least sixty-five (65) Retirement Points and has attained at least age fifty (50).

(iii) "Retirement Points" means, for a Participant, the total of the Participant's age as of the Participant's most recent birthday and Years of Service.



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(iv) "Years of Service" means, for a Participant, the Participant's whole years of Service, as determined by the Company in its sole discretion. In that regard, if the Participant participates in a tax-qualified 401(k) plan sponsored by the Company, the Participant's Years of Service shall be determined based on the Participant's "Vesting Service" (or functionally similar term) more detail under the tax-qualified 401(k) plan in which the Participant participates.

(g) heading *Additional PSUs* *The Consequences*. The Participant's interest in the Additional PSUs shall become vested and nonforfeitable on the date, and to the extent that, the underlying Target PSUs in respect of which the Additional PSUs were credited, become vested and nonforfeitable, including after adjustment for performance in accordance with this Section 3.

(h) *Cancellation/Forfeiture in* *Certifications*

*All* *Other Cases*. Except as provided in this Section 3, any PSUs Company Insiders must certify their understanding of, and Additional PSUs that are not vested and nonforfeitable on or before the date that the Participant terminates Service (for any reason, whether voluntary or involuntary and with or without Cause) shall be canceled and forfeited on the date that Service terminates and all of the Participant's rights to such PSUs and Additional PSUs shall immediately terminate without any payment of consideration by the Company.

4. Settlement. Except as provided in Section 5, PSUs and Additional PSUs that become vested and nonforfeitable shall be settled by the issuance of an equal number of Shares. The issuance shall be made after adjustment for performance under Section 3(a) and by no later than the 15th day of the third month after the end of the Performance Period; provided that (i) PSUs and Additional PSUs that vest as a result of the Participant's termination of Service due to death under Section 3(d) shall be paid as soon as administratively practicable (not more than 30 days) of such death, and (ii) any PSUs and Additional PSUs outstanding on the date of a Change in Control that become vested as a result of the closing of the Change in Control shall be settled on the date of the Change in Control. If the PSUs or Additional PSUs are deferred compensation that is subject to the requirements of Section 409A of the Code, the timing of payment shall be subject to the requirements of Section 18 of the Plan. Upon any vesting of PSUs and Additional PSUs, the Committee reserves the right to issue to the Participant, in full satisfaction of the delivery of Shares, a single cash payment equal to the Fair Market Value of Shares on the day preceding the date of payment or a combination of Shares and cash payment based on



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the Fair Market Value on the day preceding the date of payment. References in this Agreement to Shares issuable in connection with the PSUs and Additional PSUs will include the potential issuance of its cash equivalent pursuant to such right.

5. Responsibility for Taxes.

(a) *General*. Regardless of any action the Company takes with respect to any or all income tax, payroll tax or other tax-related withholding ("Tax-Related Items"), the Participant acknowledges that the ultimate liability for all Tax-Related Items owed by the Participant is and remains the Participant's responsibility and that the Company or an Affiliate that the Participant provides Services to (the "Employer") (i) makes no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Award, including the grant or vesting of the PSUs and Additional PSUs or the subsequent sale of any Shares acquired upon vesting; and (ii) does not commit to structure the terms of the grant or any aspect of the Award to reduce or eliminate the Participant's liability for Tax-Related Items.

(b) *Withholding*. Prior to vesting of any PSUs and Additional PSUs, the Participant shall pay or make adequate arrangements satisfactory to the Company to satisfy all withholding obligations of the Company or Employer. In this regard, the Participant authorizes the Company and/or Employer to withhold all applicable Tax-Related Items legally payable by



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the Participant from the Participant's wages or other cash compensation paid to the Participant by the Company or Employer or from proceeds of the sale of any Shares. Alternatively, or in addition, to the extent permissible under applicable law, the Company or Employer may (i) sell or arrange for the sale of any Shares that the Participant acquires to meet the withholding obligation for Tax-Related Items, and/or (ii) retain a number of the PSUs and Additional PSUs otherwise payable, provided that the Company only retains a number of PSUs and Additional PSUs necessary to satisfy no more than the required withholding amount (not to exceed maximum statutory rates). Finally, the Participant shall pay to the Company and/or Employer any amount of Tax-Related Items that the Company may be required to withhold as a result of the Participant's participation in the Plan that cannot be satisfied by the means previously described. The Company may refuse to deliver any Shares or make any payment with respect to any earned and vested PSUs and Additional PSUs if the Participant fails intent to comply with, the Participant's obligations in connection with the Tax-Related Items as described in this Section 5.

6. Transferability; Unfunded Arrangement. Until such time as the PSUs and Additional PSUs become earned and vested in accordance Policy. Employee certification of compliance with this Agreement, the PSUs and Additional PSUs, and any rights relating thereto, may not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by the Participant, other than in connection with the Participant's death. Any attempt to assign, alienate, pledge, attach, sell or otherwise transfer or encumber the PSUs and Additional PSUs or the rights relating thereto shall be wholly ineffective and, if any such attempt Policy is made, the PSUs and Additional PSUs will be forfeited by the Participant and all of the Participant's rights to such PSUs and Additional PSUs shall immediately terminate without any payment of consideration by the Company. PSUs and Additional PSUs constitute an unfunded and unsecured obligation of the Company.

7. Shareholder Rights. The Participant shall not have any rights as a shareholder of the Company with respect to the PSUs and Additional PSUs until, and then to the extent that, Shares are issued in settlement of the PSUs and Additional PSUs. Upon the issuance of Shares in settlement of the PSUs and Additional PSUs, the Participant shall have all the rights of a shareholder of the Company with respect to those Shares, including the right to vote the Shares and to receive all dividends on the Shares.

8. No Right to Continued Service. This Agreement and the grant of the PSUs and Dividend Equivalent Rights does not give the Participant any rights with respect to continued Service. This Agreement and the grant of the PSUs and Dividend Equivalent Rights shall not interfere with the right of the Company, the Manager or an Affiliate to terminate the Participant's Service.

9. Governing Law; Venue. This Agreement shall be governed by the laws of the State of Maryland except to the extent that Maryland law would require the application of the laws of another state. Any dispute that arises directly or indirectly from the relationship of the parties evidenced by this Award or this Agreement shall be litigated solely and exclusively in the state or federal courts located in the City of New York, New York unless otherwise required by applicable law, and the parties agree that such courts are convenient forums. Each party hereby submits to the personal jurisdiction of such courts for purposes of any such actions or proceedings.



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10. Conflicts. In the event of any conflict between the provisions of the Plan as in effect on the Date of Grant and this Agreement, the provisions of the Plan shall govern. All references herein to the Plan shall mean the Plan as in effect on the Date of Grant.

11. Participant Bound by Plan. The Participant hereby acknowledges that a copy of the Plan has been made available to the Participant and the Participant agrees to be bound by all the terms and provisions of the Plan.



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12. Binding Effect. Subject to the limitations stated above and in the Plan, this Agreement shall be binding upon the Participant and the Participant's successors in interest and the Company and any successors of the Company.

13. Counterparts. This Agreement may be executed in counterparts and each counterpart shall be deemed an original document and all counterparts shall constitute a single document.

14. Further Assurances. The Participant agrees, upon demand of the Company, to do all acts and execute, deliver and perform all additional documents, instruments and agreements which may be reasonably required by the Company to implement the provisions and purposes of this Agreement and the Plan.

15. Recovery of Compensation. In accordance with Section 20 of the Plan, the Award is subject to the requirements of (i) Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (regarding recovery of erroneously awarded compensation) and any implementing rules and regulations thereunder, (ii) any policies adopted by the Company to implement such requirements, and (iii) the Company's Policy on Recovery (Clawback) of Incentive Compensation from Executives in the Event of Certain Restatements, as in effect from time to time, all to the extent determined by the Committee to be applicable to the Participant.

16. Notice Requirements. The vesting and receipt of benefits under this Award is specifically conditioned on the Participant's compliance with the requirements of the Company's Notice and Garden Leave Policy as attached to this Agreement as Exhibit C (the "Policy"). In addition to any remedies set forth in the Policy and to the extent allowed by and consistent with applicable law, if it is determined at any time that the Participant has materially breached the terms and conditions of the Policy, the Company will be entitled to (i) cause any unvested portion of the Award to be immediately canceled without any payment of consideration by the Company and (ii) recover from the Participant in its sole discretion some or all of the Shares (or proceeds received by the Participant from a sale of such Shares) paid to the Participant pursuant to this Agreement.

*[signature page follows]*



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IN WITNESS WHEREOF, the Company and the Participant have executed this Agreement as of the date first set forth above.

«Name»

ANNALY CAPITAL MANAGEMENT, INC.



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By: «Signature_Name»
Title: «Signature_Title»

accomplished through MCO annually.



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Exhibit A

Performance-Vesting Conditions

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Exhibit B

Covenants Applicable to Retirement

1. General. In consideration for the opportunity to earn the PSUs (which, for purposes of this Exhibit, includes any related Additional PSUs) as awarded under the Agreement and as conditions to continued vesting of the PSUs in connection with the Participant's Qualifying Termination by reason of Retirement under Section 3(f) of the Agreement, the Participant agrees to: (i) not engage in Comparable Work during the remaining vesting period of the PSUs, to the extent permissible under applicable law; (ii) comply with the additional covenants described in Section 2 of this Exhibit; and (iii) prior to the Vesting Date, to the extent required by the Company, provide the Company with a certification that the Participant has not engaged in Comparable Work (to the extent the Comparable Work restriction is applicable). Notwithstanding anything in this Agreement to the contrary: (x) if the Participant is a permanent resident of California or a tax resident of California who is assigned to perform services for the Company or any Affiliate from an office located in California as of the date of Retirement, the Comparable Work restriction and the certification requirement described in this Section 1 will not apply to the PSUs; and (y) if the Participant lives or works in Washington State as of the date of Retirement, the Comparable Work restriction and the certification requirement described in this Section 1 will apply for no more than eighteen (18) months following the date of the Retirement. For the avoidance of doubt, the sole remedy of the Company under this Agreement in case of the Participant engaging in Comparable Work is to cause the unvested PSUs to be canceled and forfeited (e.g., the Company cannot seek to enjoin the Participant from engaging in such Comparable Work based solely on the terms of this Agreement).

2. Additional Covenants.

(a) *Non-Solicitation*. The Participant agrees that during the remaining vesting period of the PSUs, to the maximum extent permissible under applicable law: (i) the Participant will not directly or indirectly solicit or recruit for employment or encourage to leave employment with the Company or its Affiliates, on the Participant's own behalf or on behalf of any other person or entity other than the Company or its Affiliates, any person who is an employee of the Company or its Affiliates; and (ii) the Participant will not, directly or indirectly, on the Participant's own behalf or on behalf of any other person or entity other than the Company or its Affiliates, solicit any client or customer of the Company or its Affiliates which the Participant actively solicited or with whom the Participant worked or otherwise had material contact in the course of the Participant's Service. Notwithstanding anything in this Agreement to the contrary, if the Participant is a permanent resident of California or a tax resident of California who is assigned to perform services for the Company or any Affiliate from an office located in California as of the date of Retirement, the solicitation restriction described in clause (ii) above will not apply to the PSUs.

(b) *Confidential Information*. The Participant may acquire or have access to confidential and proprietary information of the Company in performing employment services for the Company and its Affiliates (the "Confidential Information"). The Participant will not, at any time, without the Company's prior written consent, directly or indirectly, use or disclose any Confidential Information for the Participant's benefit or the benefit of any



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other person or entity. The Participant's obligations under this provision will survive the termination of the Participant's Service and are in addition to, and not in limitation of or preemption of, all other obligations of confidentiality which the Participant may have to the Company and/or its Affiliates.

(c) *Property of the Company*. The Participant acknowledges that the Confidential Information is and at all times remains the sole and exclusive property of the Company and/or its Affiliates and that the Company and/or its Affiliates has the exclusive right,



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title, and interest to its Confidential Information. No right or license, by implication or otherwise, is granted by the Company as a result of the disclosure of Confidential Information to the Participant. The Participant will promptly return all Confidential Information to the Company upon termination of Service.

(d) *Exceptions*. Nothing herein will be construed to prevent disclosure of Confidential Information as may be required by applicable law or regulation, or pursuant to the valid order of a court of competent jurisdiction or an authorized government agency, provided that the disclosure does not exceed the extent of disclosure required by such law, regulation, or order. The Participant agrees to provide written notice of any such order to an authorized officer of the Company promptly, and not more than two business days, after receiving such order, but in any event sufficiently in advance of making any disclosure to permit The Company to contest the order or seek confidentiality protections, as determined in the Company's sole discretion.

(e) *Certain Protected Activity*. Nothing in this Agreement prohibits the Participant from (i) reporting any possible violations of federal law or regulation to any governmental agency or entity, including but not limited to the Department of Justice, the Securities and Exchange Commission, the Congress, and any agency Inspector General; or (ii) making any other disclosures that are protected under the whistleblower provisions of federal law or regulation. The Participant does not need the prior authorization of the Company to make any such reports or disclosures and the Participant is not required to notify the Company that the Participant has made such reports or disclosures.

3. Comparable Work Defined. For purposes of this Agreement, "Comparable Work" means the Participant has, in any capacity, directly or indirectly, gone into any business or become employed by or associated with any other business which is in competition with a line of business in which the Participant is employed by the Company or any Affiliate or has been employed by the Company or any Affiliate within one year prior to the date of the Participant's Retirement, including as part of a mortgage REIT, asset manager, bank, or other financial services company, in any state within the United States or in any foreign country in which the Company conducts business. In no event shall the Company determine a Participant to have engaged in Comparable Work solely because the Participant beneficially owns less than 5% of the combined voting power of all issued and outstanding voting securities of a publicly held corporation.



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Exhibit C

Notice and Garden Leave Policy

1. Overview. This Notice and Garden Leave Policy (the "Policy") applies to Participants who are executive officers of the Company. Given the strategic importance of these positions, each Participant occupying an executive officer position acknowledges and agrees that the Company and its Affiliates (collectively, the "Company Group"), its client relationships and/or its business opportunities would likely suffer irreparable harm were the Participant to resign or otherwise end the Participant's employment with the Company Group without providing sufficient notice to the Company. This



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Policy is intended to protect those interests of the Company Group, and the Award is provided in consideration for the Participant's agreement to comply with the Policy.

2. Notice Requirement.

(a) Notice Period. In consideration of the Award, the Participant agrees to provide the Company with 90 days of prior written notice of the Participant's intent to end the Participant's employment with the Company Group (the "Notice Period").

(b) Compensation and Job Role During Notice Period. During the Notice Period the Participant will be paid the Participant's base salary pursuant to the Company's regular payroll practices and will be eligible to continue to participate in the employee benefit plans in which the Participant was enrolled prior to submitting the Participant's notice of resignation, with the exception that (i) the Participant will not continue to accrue paid time off during the notice period and (ii) the Participant will not continue to accrue any time or other interest under any bonus plans. The Participant will be expected to perform all duties and tasks assigned to the Participant during the Notice Period, including all assignments related to the transition of the Participant's duties and responsibilities, and the Participant will devote all of the Participant's working time, labor, skill and energies to the business and affairs of the Company.

(c) Duty of Loyalty. During the Notice Period the Participant will continue to owe the Company Group a duty of loyalty, and the Participant will remain bound by all fiduciary duties and obligations owed to the Company Group as an employee, as well as abide by all non-competition, non-disclosure and non-solicitation agreements that the Participant has entered into with the Company. Consistent with that duty of loyalty, the Participant agrees that during the Participant's period of employment, including the Notice Period, and regardless of whether the Participant's title, position or responsibilities change at any point, the Participant will not directly or indirectly (i) become employed or engaged by (whether as an employee, consultant, proprietor, partner, director or otherwise) any competitor of the Company Group, (ii) solicit, divert, take away or do business with (or attempt to solicit, divert, take away or do business with) any of the Company Group's clients, customers or business partners; or (iii) solicit, induce or attempt to induce any officer, manager, consultant or employee of the Company Group to terminate his or her employment or engagement, or entice or attempt to entice away from the Company Group any person who is an officer, manager, consultant, or employee of the Company Group.

(d) Notice Process. Any notice that the Participant may be required or permitted to give to the Company under the Policy shall be in writing and may be delivered personally, by intraoffice mail, by fax, by electronic mail or other electronic means, or via a postal service, postage prepaid, to such electronic mail or postal address and directed to such person as the Company may notify the Participant from time to time.

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3. Waiver of Notice Period; Garden Leave.

(a) Waiver of Notice Period. Upon receipt of the Participant's notice of resignation and at any time during the Notice Period, the Company may, in its sole discretion, waive the remainder of the Notice Period, in which case the Participant's employment will be terminated upon receipt of written notice from the Company. Under such circumstances, the Company will not be obliged to provide the Participant with pay in lieu of notice and, in turn, the Participant will no longer be bound by the specific non-competition restriction under the Participant's duty of loyalty outlined in Section 2(c). The Participant will continue to be bound by any post-employment non-competition, non-disclosure and non-solicitation restrictions in agreements the Participant entered into with the Company.

(b) Garden Leave. Alternatively, the Company may, in its sole discretion, retain the Participant as an employee during the Notice Period and direct the Participant not to report to work, in which case the Participant will be placed on paid leave (the "Garden Leave"). While on Garden Leave, the Participant will remain bound by all fiduciary obligations owed as an employee of the Company Group, the non-competition restriction under the Participant's duty of loyalty set out in Section 2(c), as well as any non-competition, non-disclosure and non-solicitation agreements between the Participant and the Company. For purposes of clarity, while on Garden Leave the Participant will (i) remain an employee of the Company Group; (ii) continue to be paid the Participant's base salary; and (iii) continue to be eligible to participate in the same benefit plans in which the Participant was enrolled prior to submitting the Participant's notice of resignation, with the exception that (A) the Participant will not continue to accrue paid time off during the Garden Leave and (B) the Participant will not continue to accrue any time or other interest under any bonus plans.



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During the Garden Leave, the Participant must be reasonably available during normal business hours to answer questions and provide advice to the Company.

4. Enforcement. The Participant agrees that because the Participant's services are personal and unique and because the Participant will have access to and will be acquainted with the Company Group's confidential information and/or its customer relationships, to the fullest extent permitted by law, this Policy will be enforceable by injunction, specific performance or other equitable relief, without bond and without prejudice to any other rights or remedies that the Company may have for breach of this Policy. For the avoidance of doubt, this Section 4 does not limit the Company's right to forfeit or seek recoupment with respect to the Award as set forth in Section 16 of the Agreement.

5. Amendment and Termination of Policy. The Company reserves the right to amend or terminate the Policy at any time, provided that (i) no such action will result in materially more burdensome duties and obligations for a Participant without the Participant's prior written consent, and (ii) any such action impacting an executive officer of the Company shall be subject to the approval of the Committee.



ANNALY CAPITAL MANAGEMENT, INC.
RSU Award Agreement

THIS RSU AWARD AGREEMENT (this "Agreement"), dated as of «Grant_Month» «Grant_Day», «Grant Year» is between Annaly Capital Management, Inc., a Maryland corporation (the "Company") and «Name» (the "Participant"), and governs the RSUs granted by the Company to the Participant in accordance with and subject to the provisions of the Annaly Capital Management, Inc. 2020 Equity Incentive Plan (the "Plan"). A Prospectus describing the Plan has been delivered to the Participant. The Plan itself is available upon request. All terms used in this Agreement that are defined in the Plan have the same meaning given them in the Plan.

1. Grant of RSUs. Effective as of «Grant_Month» «Grant_Day», «Grant_Year» (the "Date of Grant"), the Company granted the Participant a total of «Shares» RSUs in accordance with the Plan and subject to the terms and conditions set forth in the Plan and this Agreement. Each RSU represents the right to receive a Share upon settlement of the vested RSUs as set forth herein.

2. Grant of Dividend Equivalent Rights. Effective as of the Date of Grant, the Company also granted the Participant Dividend Equivalent Rights in accordance with the Plan and subject to the terms and conditions set forth in the Plan and this Agreement. The Dividend Equivalent Rights entitle the Participant to be credited with additional RSUs (the "Additional RSUs") with respect to cash dividends (other than extraordinary cash dividends) paid on Shares during the period beginning on the Date of Grant and ending on the earlier of the date that the vested RSUs and vested Additional RSUs are settled in accordance with Section 4 of this Agreement or the date that the RSUs and Additional RSUs are forfeited in accordance with Section 3 of this Agreement. On each date that cash dividends (other than extraordinary cash dividends) are paid on Shares, the Participant shall be credited with Additional RSUs as follows: The cash dividend per Share shall be multiplied by the number of RSUs and Additional RSUs outstanding and credited to the Participant on the dividend payment date and the resulting product shall be divided by the Fair Market Value on the dividend payment date. Each Additional RSU represents the right to receive a Share upon settlement of the vested Additional RSUs as set forth herein.

3. Vesting. The Participant's interest in the RSUs shall become vested and nonforfeitable to the extent provided in Sections 3(a) through (g) below.

(a) *Continued Service.* The Participant's interest in the RSUs shall become vested and nonforfeitable in accordance with the following schedule, subject to the Participant's continuous Service (as defined below) from the Date of Grant through the applicable vesting date:

(i) on the first anniversary of the Date of Grant, the number of RSUs that most nearly equals (but does not exceed) one-third of the RSUs granted to the Participant shall become vested and nonforfeitable;

(ii) on the second anniversary of the Date of Grant, the number of RSUs that most nearly equals (but does not exceed) one-third of the RSUs granted to the Participant shall become vested and nonforfeitable; and

(iii) on the third anniversary of the Date of Grant, the remaining number of RSUs shall become vested and nonforfeitable.



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For purposes of this Agreement, “Service” means service to the Company or an Affiliate as an employee, Non-Employee Director, or other bona fide service provider (whether as a consultant, advisor or otherwise). The Participant’s change in position or duties shall not result in interrupted or terminated Service, so long as the Participant continues to be an employee, Non-Employee Director, or other bona fide service provider to the Company or an Affiliate.

(b) *Change in Control.* The Participant’s interest in all of the RSUs granted to the Participant (if not sooner vested) shall become vested and nonforfeitable in connection with a Change in Control in accordance with the provisions of Section 10(b) of the Plan, subject to the requirements of Section 21 of the Plan (regarding potential adjustments as a result of Section 280G and related provisions of the Code). For any Participant who is not a Non-Employee Director, for purposes of Section 10(b)(ii) of the Plan (regarding vesting of the RSUs during the two-year period following a Change in Control if the RSUs are assumed, converted or replaced in the transaction), the following terms have the following meanings:

(i) “Cause” shall be as defined in any employment agreement, offer letter, or similar agreement between the Participant and the Company or an Affiliate, and if there is no such agreement or definition, “Cause” shall mean that the Participant is found by the Company to have (i) committed an act of fraud or dishonesty in the course of the Service; (ii) been convicted of (or plead no contest with respect to) a crime constituting a felony or a crime of comparable magnitude under applicable law (as determined by the Company in its sole discretion); (iii) failed to perform the Participant’s job duties where such failure is materially injurious to the Company and its Affiliates, or to the business interests or reputation of the Company and its Affiliates; (iv) materially breached any written policy applicable to the Participant’s Service including, but not limited to, the Company’s Code of Business Conduct and Ethics; or (v) materially breached any Service-related covenants under any agreement with the Company or an Affiliate; provided, however, that with respect to any breach or failure that is curable by the Participant, as determined by the Company in good faith, the Company has provided the Participant written notice of the material breach or failure and the Participant has not cured such breach or failure, as determined by the Company in good faith, within fifteen (15) days following the date the Company provides such notice.

(ii) “Good Reason” shall be as defined in any employment agreement, offer letter, or similar agreement between the Participant and the Company or an Affiliate, and if there is no such applicable definition, termination of Service for Good Reason shall not be applicable to the Participant under Section 10(b)(ii) of the Plan.

(c) *Death or Disability.* The Participant’s interest in all of the RSUs granted to the Participant (if not sooner vested) shall become vested and nonforfeitable on the date that (i) the Participant’s Service terminates if on account of the Participant’s death or (ii) the Participant has a total and permanent disability within the meaning of Section 22(e)(3) of the Code and (ii) the Participant remains in Service from the Date of Grant until the date the Service ends on account of the Participant’s death or the date the Participant has a total and permanent disability. The Participant’s beneficiary shall receive payment with respect to the RSUs (and any Additional RSUs) in the event of the Participant’s death. The beneficiary shall be the Participant’s surviving spouse, if any, and if no surviving spouse, then the Participant’s estate, provided that the Company, in its discretion, may permit the Participant to designate a beneficiary in accordance with such written procedures as the Company may establish.

(d) *Vesting Required by Employment Agreement*. Notwithstanding any provision herein to the contrary, if the Participant terminates Service under conditions that would provide full or partial vesting of the Award in accordance with a written employment agreement, offer letter, or similar agreement between the Company and the Participant, then the Participant’s





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interest in the RSUs shall become vested and nonforfeitable to the extent provided by such written agreement. Any such vesting shall be subject to the terms and conditions of the applicable written agreement, including any requirement that the Participant provide the Company with a release of claims.

(e) *Qualifying Termination*. Notwithstanding any provision herein to the contrary, if the Participant's Service is terminated for a Qualifying Termination and other than as set forth in Section 3(d) above, then subject to the conditions of this Section 3(e), the RSUs shall continue to become earned, vested and settled in accordance with the schedule set forth in Section 3(a) above. In order to continue to earn and become vested in the RSUs, the Participant must (i) sign and not revoke a release of claims in such form as required by the Company no later than 60 days after such Qualifying Termination, and (ii) comply with any post-employment covenants applicable to the Participant under any written agreement with the Company. In addition, for a Qualifying Termination based on the Participant's Retirement, the Participant must comply with the post-employment covenants set forth on Exhibit A to this Agreement. For the avoidance of doubt, if Section 3(d) applies to the Participant, this Section 3(e) shall not apply. For purposes of this Agreement, the following terms have the following meanings:

(i) "Qualifying Termination" means either (A) the Participant's Service is terminated by the Company for any reason other than Cause (as defined in Section 3(b)(i) above) and other than as set forth in Sections 3(c), or (B) the Participant's Service is terminated by Retirement.

(ii) "Retirement" means a Participant's termination of Service, other than as set forth in Section 3(c) and other than by action of the Company for Cause, provided that (A) the Participant has given the Company at least six months' advance written notice of the intent to retire (subject to the Company's right to waive that advance notice requirement), and (B) at the date of termination Service, the Participant has at least sixty-five (65) Retirement Points and has attained at least age fifty (50).

(iii) "Retirement Points" means, for a Participant, the total of the Participant's age as of the Participant's most recent birthday and Years of Service.

(iv) "Years of Service" means, for a Participant, the Participant's whole years of Service, as determined by the Company in its sole discretion. In that regard, if the Participant participates in a tax-qualified 401(k) plan sponsored by the Company, the Participant's Years of Service shall be determined based on the Participant's "Vesting Service" (or functionally similar term) under the tax-qualified 401(k) plan in which the Participant participates.

(f) *Additional RSUs*. The Participant's interest in the Additional RSUs shall become vested and nonforfeitable on the date, and to the extent that, the underlying RSUs in respect of which the Additional RSUs were credited, become vested and nonforfeitable.

(g) *Cancellation/Forfeiture in All Other Cases*. Except as provided in this Section 3, any RSUs and Additional RSUs that are not vested and nonforfeitable on or before the date that the Participant terminates Service (including voluntary termination for any reason other than Retirement or involuntary termination for Cause) shall be canceled and forfeited on the date that Service terminates and all of the Participant's rights to such RSUs and Additional RSUs shall immediately terminate without any payment of consideration by the Company.

4. Settlement. Except as provided in Section 5, RSUs and Additional RSUs that become vested and nonforfeitable shall be settled by the issuance of an equal number of Shares. A fractional Share will not be issued but will instead be disregarded. The issuance shall be made



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no later than thirty days after the date of vesting; provided that any RSUs and Additional RSUs outstanding on the date of a Change in Control that become vested as a result of the closing of the Change in Control shall be settled on the date of the Change in Control. If the RSUs or Additional RSUs are deferred compensation that is subject to the requirements of Section 409A of the Code, the timing of payment shall be subject to the requirements of Section 18 of the Plan. Upon any vesting of RSUs and Additional RSUs, the Committee reserves the right to issue to the Participant, in full satisfaction of the delivery of Shares, a single cash payment equal to the Fair Market Value of Shares on the day preceding the date of payment or a combination of Shares and cash payment based on the Fair Market Value on the day preceding the date of payment. References in this Agreement to Shares issuable in connection with the RSUs and Additional RSUs will include the potential issuance of its cash equivalent pursuant to such right.



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5. Responsibility for Taxes.

(a) *General*. Regardless of any action the Company takes with respect to any or all income tax, payroll tax or other tax-related withholding ("Tax-Related Items"), the Participant acknowledges that the ultimate liability for all Tax-Related Items owed by the Participant is and remains the Participant's responsibility and that the Company or an Affiliate that the Participant provides Services to (the "Employer") (i) makes no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Award, including the grant or vesting of the RSUs and Additional RSUs or the subsequent sale of any Shares acquired upon vesting; and (ii) does not commit to structure the terms of the grant or any aspect of the Award to reduce or eliminate the Participant's liability for Tax-Related Items.

(b) *Withholding*. Prior to vesting of any RSUs and Additional RSUs, the Participant shall pay or make adequate arrangements satisfactory to the Company to satisfy all withholding obligations of the Company or Employer. In this regard, the Participant authorizes the Company and/or Employer to withhold all applicable Tax-Related Items legally payable by the Participant from the Participant's wages or other cash compensation paid to the Participant by the Company or Employer or from proceeds of the sale of any Shares. Alternatively, or in addition, to the extent permissible under applicable law, the Company or Employer may (i) sell or arrange for the sale of any Shares that the Participant acquires to meet the withholding obligation for Tax-Related Items, and/or (ii) retain a number of the RSUs and Additional RSUs otherwise payable, provided that the Company only retains a number of RSUs and Additional RSUs necessary to satisfy no more than the required withholding amount (not to exceed maximum statutory rates). Finally, the Participant shall pay to the Company and/or Employer any amount of Tax-Related Items that the Company may be required to withhold as a result of the Participant's participation in the Plan that cannot be satisfied by the means previously described. The Company may refuse to deliver any Shares or make any payment with respect to any earned and vested RSUs and Additional RSUs if the Participant fails to comply with the Participant's obligations in connection with the Tax-Related Items as described in this Section 5.

6. Transferability; Unfunded Arrangement. Until such time as the RSUs and Additional RSUs become earned and vested in accordance with this Agreement, the RSUs and Additional RSUs, and any rights relating thereto, may not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by the Participant, other than in connection with the Participant's death. Any attempt to assign, alienate, pledge, attach, sell or otherwise transfer or encumber the RSUs and Additional RSUs or the rights relating thereto shall be wholly ineffective and, if any such attempt is made, the RSUs and Additional RSUs will be forfeited by the Participant and all of the Participant's rights to such RSUs and Additional RSUs shall immediately terminate without any payment of consideration by the Company. RSUs and Additional RSUs constitute an unfunded and unsecured obligation of the Company.



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7. Shareholder Rights. The Participant shall not have any rights as a shareholder of the Company with respect to the RSUs and Additional RSUs until, and then to the extent that, Shares are issued in settlement of the RSUs and Additional RSUs. Upon the issuance of Shares in settlement of the RSUs and Additional RSUs, the Participant shall have all the rights of a shareholder of the Company with respect to those Shares, including the right to vote the Shares and to receive all dividends on the Shares.

8. No Right to Continued Service. This Agreement and the grant of the RSUs and Dividend Equivalent Rights does not give the Participant any rights with respect to continued Service. This Agreement and the grant of the RSUs and Dividend Equivalent Rights shall not interfere with the right of the Company, the Manager or an Affiliate to terminate the Participant's Service.

9. Governing Law; Venue. This Agreement shall be governed by the laws of the State of Maryland except to the extent that Maryland law would require the application of the laws of another state. Any dispute that arises directly or indirectly from the relationship of the parties evidenced by this Award or this Agreement shall be litigated solely and exclusively in the state or federal courts located in the City of New York, New York unless otherwise required by applicable law, and the parties agree that such courts are convenient forums. Each party hereby submits to the personal jurisdiction of such courts for purposes of any such actions or proceedings.

10. Conflicts. In the event of any conflict between the provisions of the Plan as in effect on the Date of Grant and this Agreement, the provisions of the Plan shall govern. All references herein to the Plan shall mean the Plan as in effect on the Date of Grant.



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11. Participant Bound by Plan. The Participant hereby acknowledges that a copy of the Plan has been made available to the Participant and the Participant agrees to be bound by all the terms and provisions of the Plan.

12. Binding Effect. Subject to the limitations stated above and in the Plan, this Agreement shall be binding upon the Participant and the Participant's successors in interest and the Company and any successors of the Company.

13. Counterparts. This Agreement may be executed in counterparts and each counterpart shall be deemed an original document and all counterparts shall constitute a single document.

14. Further Assurances. The Participant agrees, upon demand of the Company, to do all acts and execute, deliver and perform all additional documents, instruments and agreements which may be reasonably required by the Company to implement the provisions and purposes of this Agreement and the Plan.

15. Recovery of Compensation. In accordance with Section 20 of the Plan, the Award is subject to the requirements of (i) Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (regarding recovery of erroneously awarded compensation) and any implementing rules and regulations thereunder, (ii) any policies adopted by the Company to implement such requirements, and (iii) the Company's Policy on Recovery (Clawback) of Incentive Compensation from Executives, as in effect from time to time, all to the extent determined by the Committee to be applicable to the Participant.

16. Notice Requirements. The vesting and receipt of benefits under this Award is specifically conditioned on the Participant's compliance with the requirements of the Company's Notice and Garden Leave Policy as attached to this Agreement as Exhibit B (the "Policy"). In



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addition to any remedies set forth in the Policy and to the extent allowed by and consistent with applicable law, if it is determined at any time that the Participant has materially breached the terms and conditions of the Policy, the Company will be entitled to (i) cause any unvested portion of the Award to be immediately canceled without any payment of consideration by the Company and (ii) recover from the Participant in its sole discretion some or all of the Shares (or proceeds received by the Participant from a sale of such Shares) paid to the Participant pursuant to this Agreement.

*[signature page follows]*



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IN WITNESS WHEREOF, the Company and the Participant have executed this Agreement as of the date first set forth above.

«Name»

ANNALY CAPITAL MANAGEMENT, INC.

By: «Signature_Name»
Title: «Signature_Title»



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Exhibit A

Covenants Applicable to Retirement

1. General. In consideration for the opportunity to earn the RSUs (which, for purposes of this Exhibit, includes any related Additional RSUs) as awarded under the Agreement and as conditions to continued vesting of the RSUs in connection with the Participant's Qualifying Termination by reason of Retirement under Section 3(e) of the Agreement, the Participant agrees to: (i) not engage in Comparable Work during the remaining vesting period of the RSUs, to the extent permissible under applicable law; (ii) comply with the additional covenants described in Section 2 of this Exhibit; and (iii) prior to each vesting date, to the extent required by the Company, provide the Company with a certification that the Participant has not engaged in Comparable Work (to the extent the Comparable Work restriction is applicable). Notwithstanding anything in this Agreement to the contrary: (x) if the Participant is a permanent resident of California or a tax resident of California who is assigned to perform services for the Company or any Affiliate from an office located in California as of the date of Retirement, the Comparable Work restriction and the certification requirement described in this Section 1 will not apply to the RSUs; and (y) if the Participant lives or works in Washington State as of the date of Retirement, the Comparable Work restriction and the certification requirement described in this Section 1 will apply for no more than eighteen (18) months following the date of the Retirement. For the avoidance of doubt, the sole remedy of the Company under this Agreement in case of the Participant engaging in Comparable Work is to cause the unvested RSUs to be canceled and forfeited (e.g., the Company cannot seek to enjoin the Participant from engaging in such Comparable Work based solely on the terms of this Agreement).

2. Additional Covenants.

(a) *Non-Solicitation*. The Participant agrees that during the remaining vesting period of the RSUs, to the maximum extent permissible under applicable law: (i) the Participant will not directly or indirectly solicit or recruit for employment or encourage to leave employment with the Company or its Affiliates, on the Participant's own behalf or on behalf of any other person or entity other than the Company or its Affiliates, any person who is an employee of the Company or its Affiliates; and (ii) the Participant will not, directly or indirectly, on the Participant's own behalf or on behalf of any other person or entity other than the Company or its Affiliates, solicit any client or customer of the Company or its Affiliates which the Participant actively solicited or with whom the Participant worked or otherwise had material contact in the course of the Participant's Service. Notwithstanding anything in this Agreement to the contrary, if the Participant is a permanent resident of California or a tax resident of California who is assigned to perform services for the Company or any Affiliate from an office located in California as of the date of Retirement, the solicitation restriction described in clause (ii) above will not apply to the RSUs.

(b) *Confidential Information*. The Participant may acquire or have access to confidential and proprietary information of the Company in performing employment services for the Company and its Affiliates (the "Confidential Information"). The Participant will not, at any time, without the Company's prior written consent, directly or indirectly, use or disclose any Confidential Information for the Participant's benefit or the benefit of any other person or entity. The Participant's obligations under this provision will survive the termination of the Participant's Service and are in addition to, and not in limitation of or preemption of, all other obligations of confidentiality which the Participant may have to the Company and/or its Affiliates.

(c) *Property of the Company*. The Participant acknowledges that the Confidential Information is and at all times remains the sole and exclusive property of the Company and/or its Affiliates and that the Company and/or its Affiliates has the exclusive right,





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title, and interest to its Confidential Information. No right or license, by implication or otherwise, is granted by the Company as a result of the disclosure of Confidential Information to the Participant. The Participant will promptly return all Confidential Information to the Company upon termination of Service.

(d) *Exceptions*. Nothing herein will be construed to prevent disclosure of Confidential Information as may be required by applicable law or regulation, or pursuant to the valid order of a court of competent jurisdiction or an authorized government agency, provided that the disclosure does not exceed the extent of disclosure required by such law, regulation, or order. The Participant agrees to provide written notice of any such order to an authorized officer of the Company promptly, and not more than two business days, after receiving such order, but in any event sufficiently in advance of making any disclosure to permit The Company to contest the order or seek confidentiality protections, as determined in the Company's sole discretion.

(e) *Certain Protected Activity*. Nothing in this Agreement prohibits the Participant from (i) reporting any possible violations of federal law or regulation to any governmental agency or entity, including but not limited to the Department of Justice, the Securities and Exchange Commission, the Congress, and any agency Inspector General; or (ii) making any other disclosures that are protected under the whistleblower provisions of federal law or regulation. The Participant does not need the prior authorization of the Company to make any such reports or disclosures and the Participant is not required to notify the Company that the Participant has made such reports or disclosures.

3. Comparable Work Defined. For purposes of this Agreement, "Comparable Work" means the Participant has, in any capacity, directly or indirectly, gone into any business or become employed by or associated with any other business which is in competition with a line of business in which the Participant is employed by the Company or any Affiliate or has been employed by the Company or any Affiliate within one year prior to the date of the Participant's Retirement, including as part of a mortgage REIT, asset manager, bank, or other financial services company, in any state within the United States or in any foreign country in which the Company conducts business. In no event shall the Company determine a Participant to have engaged in Comparable Work solely because the Participant beneficially owns less than 5% of the combined voting power of all issued and outstanding voting securities of a publicly held corporation.



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Exhibit B

Notice and Garden Leave Policy

1. Overview. This Notice and Garden Leave Policy (the "Policy") applies to Participants who are executive officers of the Company. Given the strategic importance of these positions, each Participant occupying an executive officer position acknowledges and agrees that the Company and its Affiliates (collectively, the "Company Group"), its client relationships and/or its business opportunities would likely suffer irreparable harm were the Participant to resign or otherwise end the Participant's employment with the Company Group without providing sufficient notice to the Company. This Policy is intended to protect those interests of the Company Group, and the Award is provided in consideration for the Participant's agreement to comply with the Policy.

2. Notice Requirement.

(a) Notice Period. In consideration of the Award, the Participant agrees to provide the Company with 90 days of prior written notice of the Participant's intent to end the Participant's employment with the Company Group (the "Notice Period").

(b) Compensation and Job Role During Notice Period. During the Notice Period the Participant will be paid the Participant's base salary pursuant to the Company's regular payroll practices and will be eligible to continue to participate in the employee benefit plans in which the Participant was enrolled prior to submitting the Participant's notice of resignation, with the exception that (i) the Participant will not continue to accrue paid time off during the notice period and (ii) the Participant will not continue to accrue any time or other interest under any bonus plans. The Participant will be expected to perform all duties and tasks assigned to the Participant during the Notice Period, including all assignments related to



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the transition of the Participant's duties and responsibilities, and the Participant will devote all of the Participant's working time, labor, skill and energies to the business and affairs of the Company.

(c) Duty of Loyalty. During the Notice Period the Participant will continue to owe the Company Group a duty of loyalty, and the Participant will remain bound by all fiduciary duties and obligations owed to the Company Group as an employee, as well as abide by all non-competition, non-disclosure and non-solicitation agreements that the Participant has entered into with the Company. Consistent with that duty of loyalty, the Participant agrees that during the Participant's period of employment, including the Notice Period, and regardless of whether the Participant's title, position or responsibilities change at any point, the Participant will not directly or indirectly (i) become employed or engaged by (whether as an employee, consultant, proprietor, partner, director or otherwise) any competitor of the Company Group, (ii) solicit, divert, take away or do business with (or attempt to solicit, divert, take away or do business with) any of the Company Group's clients, customers or business partners; or (iii) solicit, induce or attempt to induce any officer, manager, consultant or employee of the Company Group to terminate his or her employment or engagement, or entice or attempt to entice away from the Company Group any person who is an officer, manager, consultant, or employee of the Company Group.

(d) Notice Process. Any notice that the Participant may be required or permitted to give to the Company under the Policy shall be in writing and may be delivered personally, by intraoffice mail, by fax, by electronic mail or other electronic means, or via a postal service, postage prepaid, to such electronic mail or postal address and directed to such person as the Company may notify the Participant from time to time.



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3. Waiver of Notice Period; Garden Leave.

(a) Waiver of Notice Period. Upon receipt of the Participant's notice of resignation and at any time during the Notice Period, the Company may, in its sole discretion, waive the remainder of the Notice Period, in which case the Participant's employment will be terminated upon receipt of written notice from the Company. Under such circumstances, the Company will not be obliged to provide the Participant with pay in lieu of notice and, in turn, the Participant will no longer be bound by the specific non-competition restriction under the Participant's duty of loyalty outlined in Section 2(c). The Participant will continue to be bound by any post-employment non-competition, non-disclosure and non-solicitation restrictions in agreements the Participant entered into with the Company.

(b) Garden Leave. Alternatively, the Company may, in its sole discretion, retain the Participant as an employee during the Notice Period and direct the Participant not to report to work, in which case the Participant will be placed on paid leave (the "Garden Leave"). While on Garden Leave, the Participant will remain bound by all fiduciary obligations owed as an employee of the Company Group, the non-competition restriction under the Participant's duty of loyalty set out in Section 2(c), as well as any non-competition, non-disclosure and non-solicitation agreements between the Participant and the Company. For purposes of clarity, while on Garden Leave the Participant will (i) remain an employee of the Company Group; (ii) continue to be paid the Participant's base salary; and (iii) continue to be eligible to participate in the same benefit plans in which the Participant was enrolled prior to submitting the Participant's notice of resignation, with the exception that (A) the Participant will not continue to accrue paid time off during the Garden Leave and (B) the Participant will not continue to accrue any time or other interest under any bonus plans. During the Garden Leave, the Participant must be reasonably available during normal business hours to answer questions and provide advice to the Company.

4. Enforcement. The Participant agrees that because the Participant's services are personal and unique and because the Participant will have access to and will be acquainted with the Company Group's confidential information and/or its customer relationships, to the fullest extent permitted by law, this Policy will be enforceable by injunction, specific performance or other equitable relief, without bond and without prejudice to any other rights or remedies that the Company may have for breach of this Policy. For the avoidance of doubt, this Section 4 does not limit the Company's right to forfeit or seek recoupment with respect to the Award as set forth in Section 16 of the Agreement.

5. Amendment and Termination of Policy. The Company reserves the right to amend or terminate the Policy at any time, provided that (i) no such action will result in materially more burdensome duties and obligations for a Participant without the Participant's prior written consent, and (ii) any such action impacting an executive officer of the Company shall be subject to the approval of the Committee.





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ANNALY CAPITAL MANAGEMENT, INC. AND SUBSIDIARIES

Exhibit 21.1

**Subsidiaries of Registrant** (1)

| | |
|---|---|
| Annaly Capital Management, Inc. | Maryland |
| Annaly TRS, Inc. | Delaware |
| Arcola Securities, Inc. | Maryland |
| Onslow Bay Financial LLC | North Carolina |

(1) In accordance with Item 601(b)(21)(ii) of Regulation S-K only the names of significant subsidiaries have been included.

ANNALY CAPITAL MANAGEMENT, INC. AND SUBSIDIARIES

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the following Registration Statements: (1) Registration Statements (Form S-3 No. 333-251299 and No. 333-262424 on Form S-3 333-262424), and in the related Prospectuses and (2) Registration Statements (Form S-8 No. 333-238537 No. 333-211140 and No. 333-169923 on Form S-8 333-211140); of our reports dated February 16, 2023 February 15, 2024, with respect to the consolidated financial statements of Annaly Capital Management, Inc. and Subsidiaries subsidiaries and the effectiveness of internal control over financial reporting of Annaly Capital Management, Inc. and Subsidiaries subsidiaries included in this Annual Report (Form 10-K) of Annaly Capital Management, Inc. and Subsidiaries subsidiaries for the year ended December 31, 2022 December 31, 2023.

/s/ Ernst and Young LLP

New York, NY
February 16, 2023 15, 2024

ANNALY CAPITAL MANAGEMENT, INC. AND SUBSIDIARIES

Exhibit 31.1

CERTIFICATIONS

I, David L. Finkelstein, certify that:



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1. I have reviewed this annual report on Form 10-K of Annaly Capital Management, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 16, 2023 February 15, 2024

/s/ David L. Finkelstein
Chief Executive Officer and President Chief Investment Officer (Principal Executive Officer)

ANNALY CAPITAL MANAGEMENT, INC. AND SUBSIDIARIES

Exhibit 31.2

CERTIFICATIONS

I, Serena Wolfe, certify that:



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1. I have reviewed this annual report on Form 10-K of Annaly Capital Management, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 16, 2023 February 15, 2024

/s/ Serena Wolfe
Chief Financial Officer (Principal Financial Officer)

ANNALY CAPITAL MANAGEMENT, INC. AND SUBSIDIARIES

Exhibit 32.1

ANNALY CAPITAL MANAGEMENT, INC.
1211 AVENUE OF THE AMERICAS
NEW YORK, NEW YORK 10036

CERTIFICATION
PURSUANT TO SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002, 18 U.S.C. SECTION 1350

In connection with the annual report on Form 10-K of Annaly Capital Management, Inc. (the "Company") for the year ended December 31, 2022 December 31, 2023 to be filed with the Securities and Exchange Commission on or about the date hereof (the "Report"), I, David L. Finkelstein, Chief Executive Officer and Chief Investment Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:



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1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates of, and for the periods covered by, the Report.

It is not intended that this statement be deemed to be filed for purposes of the Securities Exchange Act of 1934.

/s/ David L. Finkelstein
David L. Finkelstein
Chief Executive Officer and President Chief Investment Officer (Principal Executive Officer)
February 16, 2023 15, 2024

ANNALY CAPITAL MANAGEMENT, INC. AND SUBSIDIARIES

Exhibit 32.2

ANNALY CAPITAL MANAGEMENT, INC.
1211 AVENUE OF THE AMERICAS
NEW YORK, NEW YORK 10036

CERTIFICATION
PURSUANT TO SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002, 18 U.S.C. SECTION 1350

In connection with the annual report on Form 10-K of Annaly Capital Management, Inc. (the “Company”) for the year ended December 31, 2022 December 31, 2023 to be filed with the Securities and Exchange Commission on or about the date hereof (the “Report”), I, Serena Wolfe, Chief Financial Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates of, and for the periods covered by, the Report.

It is not intended that this statement be deemed to be filed for purposes of the Securities Exchange Act of 1934.

/s/ Serena Wolfe
Serena Wolfe
Chief Financial Officer (Principal Financial Officer)
February 16, 2023 15, 2024

ANNALY CAPITAL MANAGEMENT, INC.
DODD-FRANK CLAWBACK POLICY



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The Management Development and Compensation Committee (the "Committee") of the Board of Directors (the "Board") of Annaly Capital Management, Inc. (the "Company") has adopted the following Dodd-Frank Clawback Policy (this "Policy"), effective as of September 20, 2023 (the "Effective Date").

**1. Purpose**. The purpose of this Policy is to provide for the recoupment of certain incentive compensation pursuant to Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, in the manner required by Section 10D of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), Rule 10D-1 promulgated thereunder, and the Applicable Listing Standards (as defined below) (collectively, the "Dodd-Frank Rules"). This Policy is also intended to update and replace certain provisions from the Company's previous Policy on Recovery (Clawback) of Incentive Compensation from Executives (the "Prior Policy") related to recoupment of certain incentive compensation awards upon an "Accounting Restatement" (as defined by the Prior Policy). For the avoidance of doubt, the Prior Policy, including as it relates to recoupment of certain incentive compensation awards upon an "Accounting Restatement," shall continue to apply to incentive compensation awards received before the Effective Date of this Policy.

**2. Administration**. This Policy shall be administered by the Committee. Any determinations made by the Committee shall be final and binding on all affected individuals.

**3. Definitions**. For purposes of this Policy, the following capitalized terms shall have the meanings set forth below.

(a) "***Accounting Restatement***" shall mean an accounting restatement of the Company's financial statements due to the material noncompliance of the Company with any financial reporting requirement under the securities laws, including any required accounting restatement (i) to correct an error in previously issued financial statements that is material to the previously issued financial statements (*i.e.,* a "Big R" restatement), or (ii) that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period (*i.e.,* a "little r" restatement).

(b) "***Affiliate***" shall mean each entity that directly or indirectly controls, is controlled by, or is under common control with the Company.

(c) "***Applicable Exchange***" shall mean the New York Stock Exchange.

(d) "***Applicable Listing Standards***" shall mean Section 303A.14 of the New York Stock Exchange Listed Company Manual.

(e) "***Clawback Eligible Incentive Compensation***" shall mean Incentive-Based Compensation Received by a Covered Executive (i) on or after the Effective Date, (ii) after beginning service as a Covered Executive, (iii) if such individual served as a Covered Executive at any time during the performance period for such Incentive-Based Compensation (irrespective of whether such individual continued to serve as a Covered Executive upon or following the Restatement Trigger Date), (iv) while the Company has a class of securities listed on a national securities exchange or a national securities association, and (v) during the applicable Clawback Period.

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(f) "***Clawback Period***" shall mean, with respect to any Accounting Restatement, the three completed fiscal years of the Company immediately preceding the Restatement Trigger Date and any transition period (that results from a change in the Company's fiscal year) within or immediately following those three completed fiscal years (except that a transition period between the last day of the Company's previous fiscal year end and the first day of its new fiscal year that comprises a period of at least nine months shall count as a completed fiscal year).

(g) "***Company Group***" shall mean the Company and its Affiliates.

(h) "***Covered Executive***" shall mean any "executive officer" of the Company as defined under the Dodd-Frank Rules, and, for the avoidance of doubt, includes each individual identified as an executive officer of the Company in accordance with Item 401(b) of Regulation S-K under the Exchange Act.

(i) "***Erroneously Awarded Compensation***" shall mean the amount of Clawback Eligible Incentive Compensation that exceeds the amount of Incentive-Based Compensation that otherwise would have been Received had it been determined based on the restated amounts, computed without regard to any taxes paid. With respect to any compensation plan or program that takes into account Incentive-Based Compensation, the



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amount contributed to a notional account that exceeds the amount that otherwise would have been contributed had it been determined based on the restated amount, computed without regard to any taxes paid, shall be considered Erroneously Awarded Compensation, along with earnings accrued on that notional amount.

(j) "***Financial Reporting Measures***" shall mean measures that are determined and presented in accordance with the accounting principles used in preparing the Company's financial statements, and all other measures that are derived wholly or in part from such measures. Stock price and total shareholder return (and any measures that are derived wholly or in part from stock price or total shareholder return) shall for purposes of this Policy be considered Financial Reporting Measures. For the avoidance of doubt, a measure need not be presented in the Company's financial statements or included in a filing with the U.S. Securities and Exchange Commission (the "SEC") in order to be considered a Financial Reporting Measure.

(k) "***Incentive-Based Compensation***" shall mean any compensation that is granted, earned or vested based wholly or in part upon the attainment of a Financial Reporting Measure.

(l) "***Received***" shall mean the deemed receipt of Incentive-Based Compensation. Incentive-Based Compensation shall be deemed received for this purpose in the Company's fiscal period during which the Financial Reporting Measure specified in the applicable Incentive-Based Compensation award is attained, even if payment or grant of the Incentive-Based Compensation occurs after the end of that period.

(m) "***Restatement Trigger Date***" shall mean the earlier to occur of (i) the date the Board, a committee of the Board, or the officer(s) of the Company authorized to take such action if Board action is not required, concludes, or reasonably should have concluded, that the Company is required to prepare an Accounting Restatement, or (ii) the date a court, regulator or other legally authorized body directs the Company to prepare an Accounting Restatement.

4. **Recoupment of Erroneously Awarded Compensation**. Upon the occurrence of a Restatement Trigger Date, the Company shall recoup Erroneously Awarded Compensation reasonably promptly, in the manner described below. For the avoidance of doubt, the Company's obligation to recover Erroneously Awarded Compensation under this Policy is not dependent on if or when restated financial statements are filed following the Restatement Trigger Date.



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(a) ***Process.*** The Committee shall use the following process for recoupment:

(i) First, the Committee will determine the amount of any Erroneously Awarded Compensation for each Covered Executive in connection with such Accounting Restatement. For Incentive-Based Compensation based on (or derived from) stock price or total shareholder return where the amount of Erroneously Awarded Compensation is not subject to mathematical recalculation directly from the information in the applicable Accounting Restatement, the amount shall be determined by the Committee based on a reasonable estimate of the effect of the Accounting Restatement on the stock price or total shareholder return upon which the Incentive-Based Compensation was Received (in which case, the Company shall maintain documentation of such determination of that reasonable estimate and provide such documentation to the Applicable Exchange).

(ii) Second, the Committee will provide each affected Covered Executive with a written notice stating the amount of the Erroneously Awarded Compensation, a demand for recoupment, and the means of recoupment that the Company will accept.

(b) ***Means of Recoupment.*** The Committee shall have discretion to determine the appropriate means of recoupment of Erroneously Awarded Compensation, which may include without limitation: (i) recoupment of cash or shares of Company stock, (ii) forfeiture of unvested cash or equity awards (including those subject to service-based and/or performance-based vesting conditions), (iii) cancellation of outstanding vested cash or equity awards (including those for which service-based and/or performance-based vesting conditions have been satisfied), (iv) to the extent consistent with Section 409A of the Internal Revenue Code of 1986, as amended ("Section 409A"), offset of other amounts owed to the Covered Executive or forfeiture of deferred compensation, (v) reduction of future compensation, and (vi) any other remedial or recovery action permitted by law. Notwithstanding the foregoing, the Company Group makes no guarantee as to the treatment of such amounts under Section 409A, and shall have no liability with respect thereto. Except as set forth in Section 4(d) below, in no event may the Company Group accept an amount that is less than the amount of Erroneously Awarded Compensation in satisfaction of a Covered Executive's obligations hereunder.



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(c) ***Failure to Repay.*** To the extent that a Covered Executive fails to repay all Erroneously Awarded Compensation to the Company Group when due (as determined in accordance with Section 4(a) above), the Company shall, or shall cause one or more other members of the Company Group to, take all actions reasonable and appropriate to recoup such Erroneously Awarded Compensation from the applicable Covered Executive. The applicable Covered Executive shall be required to reimburse the Company Group for any and all expenses reasonably incurred (including legal fees) by the Company Group in recouping such Erroneously Awarded Compensation in accordance with the immediately preceding sentence.

(d) ***Exceptions.*** Notwithstanding anything herein to the contrary, the Company shall not be required to recoup Erroneously Awarded Compensation if one of the following conditions is met and the Committee determines that recoupment would be impracticable:

(i) The direct expense paid to a third party to assist in enforcing this Policy against a Covered Executive would exceed the amount to be recouped, after the Company has made a reasonable attempt to recoup the applicable Erroneously Awarded Compensation, documented such attempts, and provided such documentation to the Applicable Exchange;

(ii) Recoupment would violate home country law where that law was adopted prior to November 28, 2022, provided that, before determining that it would be impracticable to recoup any amount of Erroneously Awarded Compensation based on violation of home country law, the Company has obtained an opinion of home country counsel, acceptable to the



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Applicable Exchange, that recoupment would result in such a violation and a copy of the opinion is provided to the Applicable Exchange; or

(iii) Recoupment would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees, to fail to meet the requirements of 26 U.S.C. 401(a)(13) or 26 U.S.C. 411(a) and regulations thereunder.

**5. Reporting and Disclosure**. The Company shall file all disclosures with respect to this Policy in accordance with the requirements of the Dodd-Frank Rules.

**6. Indemnification Prohibition**. No member of the Company Group shall be permitted to indemnify any current or former Covered Executive against (i) the loss of any Erroneously Awarded Compensation that is recouped pursuant to the terms of this Policy, or (ii) any claims relating to the Company Group's enforcement of its rights under this Policy. The Company may not pay or reimburse any Covered Executive for the cost of third-party insurance purchased by a Covered Executive to fund potential recoupment obligations under this Policy.

**7. Acknowledgmen**t. To the extent required by the Committee, each Covered Executive shall be required to sign and return to the Company the acknowledgement form attached hereto as Exhibit A pursuant to which such Covered Executive will agree to be bound by the terms of, and comply with, this Policy. For the avoidance of doubt, each Covered Executive will be fully bound by, and must comply with, the Policy, whether or not such Covered Executive has executed and returned such acknowledgment form to the Company.

**8. Interpretation**. The Committee is authorized to interpret and construe this Policy and to make all determinations necessary, appropriate, or advisable for the administration of this Policy. The Committee intends that this Policy be interpreted consistent with the Dodd-Frank Rules.

**9. Effective Date and Retroactive Application.** The Policy shall be effective as of the Effective Date, provided that amounts approved, awarded, granted, or paid prior to the Effective Date shall be subject to recoupment in accordance with the terms herein. In addition, the Committee may recover Erroneously Awarded Compensation under this Policy as described in Section 4(b) from amounts approved, awarded, granted or paid prior to the Effective Date.

**10. Amendment**; **Termination**. The Committee may amend or terminate this Policy from time to time in its discretion, including as and when it determines that it is legally required to do so by any federal securities laws, SEC rule or the rules of any national securities exchange or national securities association on which the Company's securities are listed.

**11. Other Recoupment Rights**. The Committee intends that this Policy be applied to the fullest extent of the law. The Committee may require that any employment agreement, equity award, cash incentive award, or any other agreement entered into on or after the Effective Date be conditioned upon the Covered Executive's agreement to abide by the terms of this Policy. Any right of recoupment under this Policy is in addition to, and not in lieu



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of, any other remedies or rights of recoupment that may be available to the Company Group, whether arising under applicable law, regulation or rule, pursuant to the terms of any other policy of the Company Group, pursuant to any employment agreement, equity award, cash incentive award, or other agreement applicable to a Covered Executive, or otherwise (the "Separate Clawback Rights"). Notwithstanding the foregoing, there shall be no duplication of recovery of the same Erroneously Awarded Compensation under this Policy and the Separate Clawback Rights, unless required by applicable law.

12. **Successors**. This Policy shall be binding and enforceable against all Covered Executives and their beneficiaries, heirs, executors, administrators or other legal representatives.



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Exhibit A

ANNALY CAPITAL MANAGEMENT, INC.

DODD-FRANK CLAWBACK POLICY

ACKNOWLEDGEMENT FORM

By signing below, the undersigned acknowledges and confirms that the undersigned has received and reviewed a copy of the Annaly Capital Management, Inc. Dodd-Frank Clawback Policy (the "***Policy***"). Capitalized terms used but not otherwise defined in this Acknowledgement Form (this "***Acknowledgement Form***") shall have the meanings ascribed to such terms in the Policy.

By signing this Acknowledgement Form, the undersigned acknowledges and agrees that the undersigned is and will continue to be subject to the Policy and that the Policy will apply both during and after the undersigned's employment with the Company Group. Further, by signing below, the undersigned agrees to abide by the terms of the Policy, including, without limitation, by returning any Erroneously Awarded Compensation to the Company Group reasonably promptly to the extent required by, and in a manner permitted by, the Policy, as determined by the Management Development and Compensation Committee of the Company's Board of Directors in its sole discretion.

Sign: _____
Name: [Employee]

Date: _____



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