

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

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED: June 30, 2024
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

ANNALY®

ANNALY CAPITAL MANAGEMENT INC

(Exact Name of Registrant as Specified in its Charter)

Maryland

(State or other jurisdiction of incorporation or organization)

22-3479661

(IRS Employer Identification No.)

1211 Avenue of the Americas

New York, New York

(Address of principal executive offices)

10036

(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

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 is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The number of shares of the registrant’s Common Stock outstanding on July 23, 2024 was 501,018,415.

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 quarterly report on Form 10-Q.

ANNALY CAPITAL MANAGEMENT, INC.
FORM 10-Q
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Item 1. Financial Statements

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

ANNALY CAPITAL MANAGEMENT, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
(dollars in thousands, except per share data)

	June 30, 2024 (Unaudited)	December 31, 2023 ⁽¹⁾
Assets		
Cash and cash equivalents (includes pledged assets of \$1,266,528 and \$1,136,298, respectively) ⁽²⁾	\$ 1,587,108	\$ 1,412,148
Securities (includes pledged assets of \$62,801,367 and \$65,400,248, respectively) ⁽³⁾	67,044,753	69,613,565
Loans, net (includes pledged assets of \$2,326,386 and \$2,082,419, respectively) ⁽⁴⁾	2,548,228	2,353,084
Mortgage servicing rights (includes pledged assets of \$1,865,890 and \$1,781,279, respectively)	2,785,614	2,122,196
Assets transferred or pledged to securitization vehicles	17,946,812	13,307,622
Derivative assets	187,868	162,557
Receivable for unsettled trades	320,659	2,710,224
Principal and interest receivable	917,130	1,222,705
Intangible assets, net	10,761	12,106
Other assets	319,644	311,029
Total assets	\$ 93,668,577	\$ 93,227,236
Liabilities and stockholders' equity		
Liabilities		
Repurchase agreements	\$ 60,787,994	\$ 62,201,543
Other secured financing	600,000	500,000
Debt issued by securitization vehicles	15,831,915	11,600,338
Participations issued	1,144,821	1,103,835
U.S. Treasury securities sold, not yet purchased	1,974,602	2,132,751
Derivative liabilities	100,829	302,295
Payable for unsettled trades	1,096,271	3,249,389
Interest payable	369,106	287,937
Dividends payable	325,662	325,052
Other liabilities	174,473	179,005
Total liabilities	82,405,673	81,882,145
Stockholders' equity		
Preferred stock, par value \$0.01 per share, 63,500,000 authorized, issued and outstanding	1,536,569	1,536,569
Common stock, par value \$0.01 per share, 1,468,250,000 authorized, 501,018,415 and 500,080,287 issued and outstanding, respectively	5,010	5,001
Additional paid-in capital	23,694,663	23,672,391
Accumulated other comprehensive income (loss)	(1,156,927)	(1,335,400)
Accumulated deficit	(12,898,191)	(12,622,768)
Total stockholders' equity	11,181,124	11,255,793
Noncontrolling interests	81,780	89,298
Total equity	11,262,904	11,345,091
Total liabilities and equity	\$ 93,668,577	\$ 93,227,236

⁽¹⁾ Derived from the audited consolidated financial statements at December 31, 2023.⁽²⁾ Includes cash of consolidated Variable Interest Entities ("VIEs") of \$2.3 million and \$2.0 million at June 30, 2024 and December 31, 2023, respectively.⁽³⁾ Excludes \$1.8 billion and \$1.5 billion at June 30, 2024 and December 31, 2023, respectively, of non-Agency mortgage-backed securities in consolidated VIEs pledged as collateral and eliminated from the Company's Consolidated Statements of Financial Condition.⁽⁴⁾ Includes \$3.9 million and \$1.2 million of residential mortgage loans held for sale at June 30, 2024 and December 31, 2023, respectively.

See notes to consolidated financial statements.

Item 1. Financial Statements

ANNALY CAPITAL MANAGEMENT, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(dollars in thousands, except per share data)
(Unaudited)

	For The Three Months Ended June 30,		For The Six Months Ended June 30,	
	2024	2023	2024	2023
Net interest income				
Interest income	\$ 1,177,325	\$ 921,494	\$ 2,271,813	\$ 1,739,744
Interest expense	1,123,767	953,457	2,224,706	1,752,244
Net interest income	53,558	(31,963)	47,107	(12,500)
Net servicing income				
Servicing and related income	120,515	83,790	235,599	168,063
Servicing and related expense	12,617	8,930	24,833	16,810
Net servicing income	107,898	74,860	210,766	151,253
Other income (loss)				
Net gains (losses) on investments and other	(568,745)	(1,308,948)	(1,562,872)	(1,307,236)
Net gains (losses) on derivatives	430,487	1,475,325	1,807,631	574,573
Loan loss (provision) reversal	—	—	—	219
Other, net	24,791	9,105	48,158	24,603
Total other income (loss)	(113,467)	175,482	292,917	(707,841)
General and administrative expenses				
Compensation expense	33,274	30,635	61,995	60,026
Other general and administrative expenses	11,617	12,280	21,466	23,717
Total general and administrative expenses	44,891	42,915	83,461	83,743
Income (loss) before income taxes	3,098	175,464	467,329	(652,831)
Income taxes	11,931	14,277	10,988	25,310
Net income (loss)	(8,833)	161,187	456,341	(678,141)
Net income (loss) attributable to noncontrolling interests	650	(5,846)	2,932	(918)
Net income (loss) attributable to Annaly	(9,483)	167,033	453,409	(677,223)
Dividends on preferred stock	37,158	35,766	74,219	67,641
Net income (loss) available (related) to common stockholders	\$ (46,641)	\$ 131,267	\$ 379,190	\$ (744,864)
Net income (loss) per share available (related) to common stockholders				
Basic	\$ (0.09)	\$ 0.27	\$ 0.76	\$ (1.51)
Diluted	\$ (0.09)	\$ 0.27	\$ 0.76	\$ (1.51)
Weighted average number of common shares outstanding				
Basic	500,950,563	494,165,256	500,781,701	491,939,177
Diluted	500,950,563	494,358,982	501,415,515	491,939,177
Other comprehensive income (loss)				
Net income (loss)	\$ (8,833)	\$ 161,187	\$ 456,341	\$ (678,141)
Unrealized gains (losses) on available-for-sale securities	(54,243)	(294,045)	(336,112)	381,329
Reclassification adjustment for net (gains) losses included in net income (loss)	179,234	462,128	514,585	945,036
Other comprehensive income (loss)	124,991	168,083	178,473	1,326,365
Comprehensive income (loss)	116,158	329,270	634,814	648,224
Comprehensive income (loss) attributable to noncontrolling interests	650	(5,846)	2,932	(918)
Comprehensive income (loss) attributable to Annaly	115,508	335,116	631,882	649,142
Dividends on preferred stock	37,158	35,766	74,219	67,641
Comprehensive income (loss) attributable to common stockholders	\$ 78,350	\$ 299,350	\$ 557,663	\$ 581,501

See notes to consolidated financial statements.

Item 1. Financial Statements

For The ANNALY CAPITAL MANAGEMENT, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(dollars in thousands)
(Unaudited)

	For The Three Months Ended June 30,		For The Six Months Ended June 30,	
	2024	2023	2024	2023
Preferred stock				
Beginning of period	\$ 1,536,569	\$ 1,536,569	\$ 1,536,569	\$ 1,536,569
End of period	\$ 1,536,569	\$ 1,536,569	\$ 1,536,569	\$ 1,536,569
Common stock				
Beginning of period	\$ 5,004	\$ 4,939	\$ 5,001	\$ 4,683
Issuance	6	—	6	253
Stock-based award activity	—	—	3	3
End of period	\$ 5,010	\$ 4,939	\$ 5,010	\$ 4,939
Additional paid-in capital				
Beginning of period	\$ 23,673,687	\$ 23,543,091	\$ 23,672,391	\$ 22,981,320
Issuance	10,941	(118)	10,893	562,338
Stock-based award activity	10,035	7,373	11,379	6,688
End of period	\$ 23,694,663	\$ 23,550,346	\$ 23,694,663	\$ 23,550,346
Accumulated other comprehensive income (loss)				
Beginning of period	\$ (1,281,918)	\$ (2,550,614)	\$ (1,335,400)	\$ (3,708,896)
Unrealized gains (losses) on available-for-sale securities	(54,243)	(294,045)	(336,112)	381,329
Reclassification adjustment for net (gains) losses included in net income (loss)	179,234	462,128	514,585	945,036
End of period	\$ (1,156,927)	\$ (2,382,531)	\$ (1,156,927)	\$ (2,382,531)
Accumulated deficit				
Beginning of period	\$ (12,523,809)	\$ (10,741,863)	\$ (12,622,768)	\$ (9,543,233)
Net income (loss) attributable to Annaly	(9,483)	167,033	453,409	(677,223)
Dividends declared on preferred stock ⁽¹⁾	(37,158)	(35,766)	(74,219)	(67,641)
Dividends and dividend equivalents declared on common stock and stock-based awards ⁽¹⁾	(327,741)	(322,448)	(654,613)	(644,947)
End of period	\$ (12,898,191)	\$ (10,933,044)	\$ (12,898,191)	\$ (10,933,044)
Total stockholder's equity	\$ 11,181,124	\$ 11,776,279	\$ 11,181,124	\$ 11,776,279
Noncontrolling interests				
Beginning of period	\$ 86,580	\$ 116,911	\$ 89,298	\$ 98,983
Net income (loss) attributable to noncontrolling interests	650	(5,846)	2,932	(918)
Equity contributions from (distributions to) noncontrolling interests	(5,450)	1	(10,450)	13,001
End of period	\$ 81,780	\$ 111,066	\$ 81,780	\$ 111,066
Total equity	\$ 11,262,904	\$ 11,887,345	\$ 11,262,904	\$ 11,887,345

⁽¹⁾ Refer to the "Capital Stock" Note for dividends per share for each class of shares.

See notes to consolidated financial statements.

Item 1. Financial Statements

ANNALY CAPITAL MANAGEMENT, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(dollars in thousands)
(Unaudited)

	For The Six Months Ended June 30,	
	2024	2023
Cash flows from operating activities		
Net income (loss)	\$ 456,341	\$ (678,141)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities		
Amortization of premiums and discounts of investments, net	40,216	105,438
Amortization of securitized debt premiums and discounts and deferred financing costs	5,238	6,435
Depreciation, amortization and other noncash expenses	16,134	12,032
Net (gains) losses on investments and derivatives	383,762	1,543,662
Income (loss) from unconsolidated joint ventures	(2,617)	(289)
Loan loss provision (reversal)	—	(219)
Payments on purchases of loans held for sale	(20,225)	—
Proceeds from sales and repayments of loans held for sale	17,368	747
Proceeds from U.S. Treasury securities	4,039,385	—
Payments on U.S. Treasury securities	(4,118,083)	—
Net receipts (payments) on derivatives	963,260	(332,685)
Net change in		
Other assets	(7,208)	(12,979)
Interest receivable	305,552	(306,771)
Interest payable	81,169	(184,660)
Other liabilities	14,670	(34,903)
Net cash provided by (used in) operating activities	2,174,962	117,667
Cash flows from investing activities		
Payments on purchases of securities	(16,710,894)	(18,067,651)
Proceeds from sales of securities	14,936,642	12,501,702
Principal payments on securities	3,050,093	3,012,034
Payments on purchases and origination of loans	(5,978,114)	(1,946,157)
Proceeds from sales of loans	92,637	—
Principal payments on loans	928,297	466,538
Payments on purchases of MSR	(636,658)	(213,346)
Proceeds from sales of MSR	1,068	—
Proceeds from reverse repurchase agreements	295,838,237	32,900,024
Payments on reverse repurchase agreements	(295,838,237)	(32,900,024)
Distributions in excess of cumulative earnings from unconsolidated joint ventures	11,189	—
Net cash provided by (used in) investing activities	(4,305,740)	(4,246,880)
Cash flows from financing activities		
Proceeds from repurchase agreements and other secured financing	2,731,104,468	2,519,472,348
Payments on repurchase agreements and other secured financing	(2,732,418,011)	(2,517,093,741)
Proceeds from issuances of securitized debt	5,158,091	2,355,559
Principal payments on securitized debt	(844,020)	(397,043)
Payments on purchases of securitized debt	—	(2,504)
Payment of deferred financing cost	(1,331)	—
Proceeds from participations issued	2,279,391	532,445
Payments on repurchases of participations issued	(2,214,696)	(825,613)
Principal payments on participations issued	(27,729)	(20,954)
Net contributions (distributions) from (to) noncontrolling interests	(10,450)	13,001
Net proceeds from stock offerings, direct purchases and dividend reinvestments	10,899	562,591
Settlement of stock-based awards in satisfaction of withholding tax requirements	(6,157)	(5,810)
Dividends paid	(724,717)	(800,908)
Net cash provided by (used in) financing activities	2,305,738	3,789,371
Net (decrease) increase in cash and cash equivalents	174,960	(339,842)
Cash and cash equivalents including cash pledged as collateral, beginning of period	1,412,148	1,576,714
Cash and cash equivalents including cash pledged as collateral, end of period	\$ 1,587,108	\$ 1,236,872
Supplemental disclosure of cash flow information		
Interest received	\$ 1,823,472	\$ 1,550,061
Interest paid (excluding interest paid on interest rate swaps)	\$ 1,805,416	\$ 1,780,252
Net interest received (paid) on interest rate swaps	\$ 1,087,460	\$ 618,036
Taxes received (paid)	\$ (657)	\$ (654)
Noncash investing and financing activities		
Receivable for unsettled trades	\$ 320,659	\$ 787,442
Payable for unsettled trades	\$ 1,096,271	\$ 4,331,315
Net change in unrealized gains (losses) on available-for-sale securities, net of reclassification adjustment	\$ 178,473	\$ 1,326,365
Dividends declared, not yet paid	\$ 325,662	\$ 321,031

See notes to consolidated financial statements.

ANNALY CAPITAL MANAGEMENT, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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.

Annaly 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”).

The Company’s 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 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 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.

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 accompanying consolidated financial statements and related notes are unaudited and should be read in conjunction with the audited consolidated financial statements included in the Company’s most recent Annual Report on Form 10-K for the fiscal year ended December 31, 2023 (the “2023 Form 10-K”). The consolidated financial information as of December 31, 2023 has been derived from audited consolidated financial statements included in the Company’s 2023 Form 10-K.

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.

3. SIGNIFICANT ACCOUNTING POLICIES

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.

Item 1. Financial Statements

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 \$1.3 billion and \$1.1 billion at June 30, 2024 and December 31, 2023, 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 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. 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 in the Consolidated Statements of Financial Condition. Interest income is presented as a separate line item in the Consolidated Statements of Comprehensive Income (Loss).

Item 1. Financial Statements

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 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.

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 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 the applicability and impact of all Accounting Standards Updates ("ASUs"). The Company 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 "Segments" Note for more information.

The Company reviewed other recently issued ASUs and determined that they were not expected to have a significant impact on the Company's consolidated financial statements when adopted or did not have a significant impact on the Company's consolidated financial statements upon adoption.

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4. FINANCIAL INSTRUMENTS

The following table presents characteristics for certain of the Company's financial instruments at June 30, 2024 and December 31, 2023.

Financial Instruments ⁽¹⁾					
Balance Sheet Line Item	Type / Form	Measurement Basis	June 30, 2024	December 31, 2023	
Assets					
(dollars in thousands)					
Securities	Agency mortgage-backed securities ⁽²⁾	Fair value, with unrealized gains (losses) through other comprehensive income	\$ 9,669,178	\$ 15,665,352	
Securities	Agency mortgage-backed securities ⁽³⁾	Fair value, with unrealized gains (losses) through earnings	54,721,727	50,643,436	
Securities	Residential credit risk transfer securities	Fair value, with unrealized gains (losses) through earnings	838,437	974,059	
Securities	Non-agency mortgage-backed securities	Fair value, with unrealized gains (losses) through earnings	1,702,859	2,108,274	
Securities	Commercial real estate debt investments - CMBS	Fair value, with unrealized gains (losses) through earnings	112,552	222,444	
Total securities			67,044,753	69,613,565	
Loans, net	Residential mortgage loans	Fair value, with unrealized gains (losses) through earnings	2,548,228	2,353,084	
Assets transferred or pledged to securitization vehicles	Residential mortgage loans	Fair value, with unrealized gains (losses) through earnings	17,946,812	13,307,622	
Liabilities					
Repurchase agreements	Repurchase agreements	Amortized cost	\$ 60,787,994	\$ 62,201,543	
Other secured financing	Loans	Amortized cost	600,000	500,000	
Debt issued by securitization vehicles	Securities	Fair value, with unrealized gains (losses) through earnings	15,831,915	11,600,338	
Participations issued	Participations issued	Fair value, with unrealized gains (losses) through earnings	1,144,821	1,103,835	
U.S. Treasury securities sold, not yet purchased	Securities	Fair value, with unrealized gains (losses) through earnings	1,974,602	2,132,751	

⁽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. During the three and six months ended June 30, 2024 and 2023, (\$274.9) million and (\$948.9) million, and (\$744.7) million and (\$358.0) million, respectively, of unrealized gains (losses) on the 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. The Company has also elected the fair value option for CRT securities, interest only securities, Non-Agency and commercial mortgage-backed securities in order to simplify the 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 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

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recognized in the Consolidated Statements of Comprehensive Income (Loss) as a securities loss provision and reflected as an allowance for credit losses on securities in 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 (loss). 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 table represents a rollforward of the activity for the Company’s securities for the six months ended June 30, 2024:

	Agency Securities	Residential Credit Securities	Commercial Securities	Total
	(dollars in thousands)			
Beginning balance January 1, 2024	\$ 66,308,788	\$ 3,082,333	\$ 222,444	\$ 69,613,565
Purchases	14,195,878	353,033	—	14,548,911
Sales	(12,543,493)	(731,027)	(107,464)	(13,381,984)
Principal paydowns	(2,781,021)	(264,073)	(4,438)	(3,049,532)
(Amortization) / accretion	(39,917)	2,747	468	(36,702)
Fair value adjustment	(749,330)	98,283	1,542	(649,505)
Ending balance June 30, 2024	\$ 64,390,905	\$ 2,541,296	\$ 112,552	\$ 67,044,753

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The following tables present the Company's securities portfolio that were carried at their fair value at June 30, 2024 and December 31, 2023:

	June 30, 2024						
	Principal / Notional	Remaining Premium	Remaining Discount	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
Agency	(dollars in thousands)						
Fixed-rate pass-through	\$ 62,483,207	\$ 1,273,211	\$ (1,194,156)	\$ 62,562,262	\$ 142,638	\$ (2,230,420)	\$ 60,474,480
Adjustable-rate pass-through	173,655	14,982	(49)	188,588	2,118	(12,945)	177,761
CMO	90,987	1,539	—	92,526	—	(15,607)	76,919
Interest-only	2,281,909	408,515	—	408,515	8,991	(143,950)	273,556
Multifamily ⁽¹⁾	20,155,207	433,555	(9,197)	3,425,145	17,494	(81,456)	3,361,183
Reverse mortgages	25,823	2,902	—	28,725	—	(1,719)	27,006
Total agency securities	\$ 85,210,788	\$ 2,134,704	\$ (1,203,402)	\$ 66,705,761	\$ 171,241	\$ (2,486,097)	\$ 64,390,905
Residential credit							
Credit risk transfer	\$ 780,293	\$ 1,863	\$ (3,843)	\$ 778,313	\$ 60,272	\$ (148)	\$ 838,437
Alt-A	165,585	37	(1,889)	163,733	2,934	(9,739)	156,928
Prime ⁽²⁾	1,372,222	14,026	(10,409)	30,527	2,844	(559)	32,812
Subprime	295,067	13	(30,949)	264,131	6,963	(11,728)	259,366
NPL/RPL	1,114,675	8,087	(9,181)	1,113,581	3,247	(20,660)	1,096,168
Prime jumbo (>=2010 vintage) ⁽³⁾	10,046,140	80,970	(30,794)	143,697	18,670	(4,782)	157,585
Total residential credit securities	\$ 13,773,982	\$ 104,996	\$ (87,065)	\$ 2,493,982	\$ 94,930	\$ (47,616)	\$ 2,541,296
Total residential securities	\$ 98,984,770	\$ 2,239,700	\$ (1,290,467)	\$ 69,199,743	\$ 266,171	\$ (2,533,713)	\$ 66,932,201
Commercial							
Commercial securities	\$ 112,288	\$ 116	\$ (47)	\$ 112,357	\$ 199	\$ (4)	\$ 112,552
Total securities	\$ 99,097,058	\$ 2,239,816	\$ (1,290,514)	\$ 69,312,100	\$ 266,370	\$ (2,533,717)	\$ 67,044,753
	December 31, 2023						
	Principal / Notional	Remaining Premium	Remaining Discount	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
Agency	(dollars in thousands)						
Fixed-rate pass-through	\$ 63,444,987	\$ 1,448,886	\$ (1,318,948)	\$ 63,574,925	\$ 477,242	\$ (1,853,226)	\$ 62,198,941
Adjustable-rate pass-through	188,996	15,834	(51)	204,779	1,663	(14,953)	191,489
CMO	94,448	1,612	—	96,060	—	(13,088)	82,972
Interest-only	2,010,697	416,955	—	416,955	4,729	(157,679)	264,005
Multifamily ⁽¹⁾	17,130,045	400,781	(9,752)	3,552,217	52,055	(59,744)	3,544,528
Reverse mortgages	26,183	3,193	—	29,376	—	(2,523)	26,853
Total agency investments	\$ 82,895,356	\$ 2,287,261	\$ (1,328,751)	\$ 67,874,312	\$ 535,689	\$ (2,101,213)	\$ 66,308,788
Residential credit							
Credit risk transfer	\$ 924,729	\$ 2,240	\$ (4,358)	\$ 922,611	\$ 51,984	\$ (536)	\$ 974,059
Alt-A	164,384	9	(3,922)	160,471	2,135	(12,371)	150,235
Prime ⁽²⁾	1,076,497	8,590	(21,163)	207,077	1,704	(28,134)	180,647
Subprime	272,955	—	(31,751)	241,204	5,622	(11,221)	235,605
NPL/RPL	1,237,531	8,336	(9,224)	1,236,643	4,578	(43,666)	1,197,555
Prime jumbo (>=2010 vintage) ⁽³⁾	9,425,280	71,960	(49,859)	365,676	10,696	(32,140)	344,232
Total residential credit securities	\$ 13,101,376	\$ 91,135	\$ (120,277)	\$ 3,133,682	\$ 76,719	\$ (128,068)	\$ 3,082,333
Total residential securities	\$ 95,996,732	\$ 2,378,396	\$ (1,449,028)	\$ 71,007,994	\$ 612,408	\$ (2,229,281)	\$ 69,391,121
Commercial							
Commercial securities	\$ 224,597	\$ 15	\$ (822)	\$ 223,790	\$ 19	\$ (1,365)	\$ 222,444
Total securities	\$ 96,221,329	\$ 2,378,411	\$ (1,449,850)	\$ 71,231,784	\$ 612,427	\$ (2,230,646)	\$ 69,613,565

⁽¹⁾ Principal/Notional amount includes \$17.2 billion and \$14.0 billion of Agency Multifamily interest-only securities as of June 30, 2024 and December 31, 2023, respectively.

⁽²⁾ Principal/Notional amount includes \$1.3 billion and \$0.9 billion of Prime interest-only securities as of June 30, 2024 and December 31, 2023, respectively.

⁽³⁾ Principal/Notional amount includes \$10.0 billion and \$9.1 billion of Prime Jumbo interest-only securities as of June 30, 2024 and December 31, 2023, respectively.

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The following table presents the Company's Agency mortgage-backed securities portfolio by issuing Agency at June 30, 2024 and December 31, 2023:

	June 30, 2024		December 31, 2023	
Investment Type	(dollars in thousands)			
Fannie Mae	\$	59,746,320	\$	60,477,303
Freddie Mac		4,576,036		5,778,809
Ginnie Mae		68,549		52,676
Total	\$	64,390,905	\$	66,308,788

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 at June 30, 2024 and December 31, 2023, according to their estimated weighted average life classifications:

	June 30, 2024		December 31, 2023	
	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost
Estimated weighted average life	(dollars in thousands)			
Less than one year	\$ 158,772	\$ 160,077	\$ 254,753	\$ 257,170
Greater than one year through five years	1,758,528	1,783,897	5,159,969	5,213,575
Greater than five years through ten years	63,127,997	65,303,899	62,158,711	63,662,144
Greater than ten years	1,886,904	1,951,870	1,817,688	1,875,105
Total	\$ 66,932,201	\$ 69,199,743	\$ 69,391,121	\$ 71,007,994

The estimated weighted average lives of the Residential Securities at June 30, 2024 and December 31, 2023 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 June 30, 2024 and December 31, 2023.

	June 30, 2024			December 31, 2023		
	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)					
Less than 12 months	\$ 31,026	\$ (986)	35	\$ 35,453	\$ (418)	16
12 Months or more	9,501,393	(1,159,761)	1,441	15,455,118	(1,340,032)	1,747
Total	\$ 9,532,419	\$ (1,160,747)	1,476	\$ 15,490,571	\$ (1,340,450)	1,763

⁽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.

During the three and six months ended June 30, 2024, the Company disposed of \$5.2 billion and \$13.3 billion amortized cost basis of Residential Securities, respectively. During the three and six months ended June 30, 2023, the Company disposed of \$8.4 billion and \$13.6 billion amortized cost basis of Residential Securities, respectively. The following table presents the Company's net gains (losses) from the disposal of Residential Securities for the three and six months ended June 30, 2024 and 2023, which is included in Net gains (losses) on investments and other in the Consolidated Statements of Comprehensive Income (Loss).

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	Gross Realized Gains		Gross Realized Losses		Net Realized Gains (Losses)	
For the three months ended	(dollars in thousands)					
June 30, 2024	\$	7,302	\$	(382,254)	\$	(374,952)
June 30, 2023	\$	9,496	\$	(608,732)	\$	(599,236)
For the six months ended						
June 30, 2024	\$	40,226	\$	(853,425)	\$	(813,199)
June 30, 2023	\$	13,765	\$	(1,134,849)	\$	(1,121,084)

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, as of June 30, 2024 and December 31, 2023, the Company reported \$2.5 billion and \$2.4 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. 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 \$3.9 million and \$1.2 million at June 30, 2024 and December 31, 2023, respectively.

The following table presents the activity of the Company's loan investments, excluding loans transferred or pledged to securitization vehicles, for the six months ended June 30, 2024:

Residential Loans	
(dollars in thousands)	
Beginning balance January 1, 2024	\$ 2,353,084
Purchases / originations	5,987,132
Sales and transfers ⁽¹⁾	(5,729,881)
Principal payments	(64,526)
Gains / (losses)	10,431
(Amortization) / accretion	(8,012)
Ending balance June 30, 2024	\$ 2,548,228

⁽¹⁾ Includes transfer of residential loans to securitization vehicles with a carrying value of \$5.6 billion during the six months ended June 30, 2024.

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 retained 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.

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, at June 30, 2024 and December 31, 2023:

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	June 30, 2024		December 31, 2023	
	(dollars in thousands)			
Fair value	\$	20,495,040	\$	15,660,706
Unpaid principal balance	\$	21,482,560	\$	16,611,204

The following table provides information regarding the line items and amounts recognized in the Consolidated Statements of Comprehensive Income (Loss) for the three and six months ended June 30, 2024 and 2023 for these investments:

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
	(dollars in thousands)			
Interest income	\$	301,820	\$	162,202
Net gains (losses) on disposal of investments ⁽¹⁾		(1,228)		(1,495)
Net unrealized gains (losses) on instruments measured at fair value through earnings ⁽¹⁾		(3,913)		(167,759)
Total included in net income (loss)	\$	296,679	\$	(7,052)
			\$	461,794
				\$

⁽¹⁾ These amounts are presented in the line item Net gains (losses) on investments and other in the Consolidated Statements of Comprehensive Income (loss).

The following table provides the geographic concentrations based on the unpaid principal balances at June 30, 2024 and December 31, 2023 for the residential mortgage loans, including loans transferred or pledged to securitization vehicles:

Geographic Concentrations of Residential Mortgage Loans				
June 30, 2024		December 31, 2023		
Property location	% of Balance	Property location	% of Balance	
California	38.0%	California	40.1%	
Florida	10.8%	Florida	10.6%	
New York	10.6%	New York	10.5%	
Texas	5.6%	Texas	5.6%	
All other (none individually greater than 5%)	35.0%	All other (none individually greater than 5%)	33.2%	
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 June 30, 2024 and December 31, 2023:

	June 30, 2024		December 31, 2023	
	Portfolio Range	Portfolio Weighted Average	Portfolio Range	Portfolio Weighted Average
	(dollars in thousands)			
Unpaid principal balance	\$1 - \$4,396	\$476	\$1 - \$4,396	\$477
Interest rate	2.00% - 14.13%	6.12%	2.00% - 13.25%	5.63%
Maturity	7/1/2029 - 7/1/2064	8/14/2052	7/1/2029 - 12/1/2063	4/22/2052
FICO score at loan origination	549 - 850	757	549 - 850	758
Loan-to-value ratio at loan origination	3% - 100%	69%	3% - 100%	68%

At June 30, 2024 and December 31, 2023, approximately 15% and 11%, respectively, of the carrying value of the Company's residential mortgage loans, including loans transferred or pledged to securitization vehicles, were adjustable-rate.

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 in 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).

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The following table presents activity related to MSR for the three and six months ended June 30, 2024 and 2023:

Mortgage Servicing Rights	Three Months Ended		Six Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
	(dollars in thousands)			
Fair value, beginning of period	\$ 2,651,279	\$ 1,790,980	\$ 2,122,196	\$ 1,748,209
Purchases ⁽¹⁾	120,896	177,521	636,627	214,151
Sales	(1,068)	—	(1,068)	—
Change in fair value due to:				
Changes in valuation inputs or assumptions ⁽²⁾	59,902	80,323	106,038	110,530
Other changes, including realization of expected cash flows	(45,395)	(29,928)	(78,179)	(53,994)
Fair value, end of period	\$ 2,785,614	\$ 2,018,896	\$ 2,785,614	\$ 2,018,896

⁽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.

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 \$1.9 billion at June 30, 2024. 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.

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. 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 that provide non-recourse financing to the Company and are collateralized by residential mortgage loans purchased by the Company. Residential securitizations closed as of June 30, 2024 are included in the following table:

Securitization	Date of Closing	Face Value at Closing (dollars in thousands)
OBX 2024-NQM1	January 2024	\$ 413,581
OBX 2024-NQM2	January 2024	\$ 495,980
OBX 2024-HYB1	February 2024	\$ 412,084
OBX 2024-NQM3	February 2024	\$ 439,904
OBX 2024-NQM4	March 2024	\$ 592,448
OBX 2024-HYB2	March 2024	\$ 397,787
OBX 2024-NQM5	April 2024	\$ 574,553
OBX 2024-NQM6	April 2024	\$ 441,421
OBX 2024-NQM7	May 2024	\$ 551,759
OBX 2024-NQM8	May 2024	\$ 723,086
OBX 2024-NQM9	June 2024	\$ 532,126

As of June 30, 2024 and December 31, 2023, a total carrying value of \$15.8 billion and \$11.6 billion, respectively, of bonds were held by third parties and the Company retained \$1.9 billion and \$1.4 billion, respectively, of 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 could be potentially significant to 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

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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. The Company incurred \$5.3 million and \$2.7 million of costs during the three months ended June 30, 2024 and 2023, respectively, and \$9.1 million and \$4.0 million of costs during the six months ended June 30, 2024 and 2023, respectively, in connection with these securitizations that were expensed as incurred. The contractual principal amount of the OBX Trusts' debt held by third parties was \$16.9 billion and \$12.6 billion at June 30, 2024 and December 31, 2023, respectively. During the three months ended June 30, 2024 and 2023, the Company recorded \$4.8 million and \$130.5 million, respectively, and \$90.8 million and (\$81.4) million during the six months ended June 30, 2024 and 2023, respectively, of unrealized gains (losses) on debt held by third parties issued by OBX Trusts, 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.

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 June 30, 2024 and December 31, 2023, the Company had outstanding participating interests in residential mortgage loans of \$1.1 billion and \$1.1 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. DERIVATIVE INSTRUMENTS

Derivative instruments include, but are not limited to, interest rate swaps, options to enter into interest rate swaps ("swaptions"), TBA derivatives, U.S. Treasury and Secured Overnight Financing Rate ("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, U.S. Treasury 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 June 30, 2024 and December 31,

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2023, (\$3.3) billion and (\$2.4) billion, respectively, of variation margin was reported as an adjustment to interest rate swaps, at fair value. Initial margin is reported in Cash and cash equivalents in the Consolidated Statements of Financial Condition.

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 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.

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.

The following table summarizes fair value information about the Company’s derivative assets and liabilities at June 30, 2024 and December 31, 2023:

Derivatives Instruments	June 30, 2024		December 31, 2023	
Assets	(dollars in thousands)			
Interest rate swaps	\$	16,824	\$	26,344
Interest rate swaptions		148,040		105,883
TBA derivatives		14,641		20,689
Futures contracts		1,723		—
Purchase commitments		6,640		9,641
Total derivative assets	\$	187,868	\$	162,557
Liabilities				
Interest rate swaps	\$	15,314	\$	83,051
TBA derivatives		2,193		39,070
Futures contracts		81,730		179,835
Purchase commitments		1,592		339
Total derivative liabilities	\$	100,829	\$	302,295

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The following tables summarize certain characteristics of the Company's interest rate swaps at June 30, 2024 and December 31, 2023:

June 30, 2024				
Maturity	Current Notional ⁽¹⁾	Weighted Average Pay Rate	Weighted Average Receive Rate	Weighted Average Years to Maturity ⁽²⁾
(dollars in thousands)				
0 - 3 years	\$ 19,861,229	3.35 %	5.33 %	1.29
3 - 6 years	14,533,021	3.36 %	5.30 %	4.82
6 - 10 years	20,501,637	2.80 %	5.28 %	8.06
Greater than 10 years	1,559,384	3.47 %	5.18 %	23.75
Total / Weighted average	\$ 56,455,271	3.13 %	5.30 %	5.28

December 31, 2023				
Maturity	Current Notional ⁽¹⁾	Weighted Average Pay Rate	Weighted Average Receive Rate	Weighted Average Years to Maturity ⁽²⁾
(dollars in thousands)				
0 - 3 years	\$ 21,397,358	3.17 %	5.26 %	1.23
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

⁽¹⁾ As of June 30, 2024, 6% and 94% of the Company's interest rate swaps were linked to the Federal funds rate and the SOFR, respectively. As of December 31, 2023, 6% and 94% of the Company's interest rate swaps were linked to the Federal funds rate and the SOFR, respectively.

⁽²⁾ 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 tables summarize certain characteristics of the Company's swaptions at June 30, 2024 and December 31, 2023:

June 30, 2024					
	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	\$1,250,000	2.21%	SOFR	7.19	2.15

December 31, 2023					
	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	\$1,250,000	2.21%	SOFR	7.69	8.21
Long receive	\$500,000	1.65%	SOFR	10.30	3.53

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The following tables summarize certain characteristics of the Company's TBA derivatives at June 30, 2024 and December 31, 2023:

June 30, 2024						
Purchase and sale contracts for derivative TBAs	Notional	Implied Cost Basis		Implied Market Value		Net Carrying Value
		(dollars in thousands)				
Purchase contracts	\$ 2,395,000	\$	2,313,203	\$	2,324,113	\$ 10,910
Sale contracts	(733,000)		(673,262)		(671,724)	1,538
Net TBA derivatives	\$ 1,662,000	\$	1,639,941	\$	1,652,389	\$ 12,448

December 31, 2023					
Purchase and sale contracts for derivative TBAs	Notional	Implied Cost Basis		Implied Market Value	Net Carrying Value
		(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)

The following tables summarize certain characteristics of the Company's futures derivatives at June 30, 2024 and December 31, 2023:

June 30, 2024				
	Notional - Long Positions		Notional - Short Positions	Weighted Average Years to Maturity
(dollars in thousands)				
2-year swap equivalent SOFR contracts	\$ 2,790,000	\$	—	1.97
U.S. Treasury futures - 2 year	—		(1,306,400)	1.97
U.S. Treasury futures - 10 year and greater	—		(6,025,500)	10.72
Total	\$ 2,790,000	\$	(7,331,900)	7.18

December 31, 2023				
	Notional - Long Positions		Notional - Short Positions	Weighted Average Years to Maturity
(dollars in thousands)				
U.S. Treasury futures - 2 year	\$ —	\$	(5,001,400)	1.97
U.S. Treasury futures - 10 year and greater	—		(1,733,600)	14.26
Total	\$ —	\$	(6,735,000)	5.13

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 June 30, 2024 and December 31, 2023, respectively.

June 30, 2024					
	Gross Amounts	Amounts Eligible for Offset		Net Amounts	
		Financial Instruments	Cash Collateral		
Assets	(dollars in thousands)				
Interest rate swaps, at fair value	\$ 16,824	\$ (9,263)	\$ —	\$ 7,561	
Interest rate swaptions, at fair value	148,040	(62,215)	(82,110)	3,715	
TBA derivatives, at fair value	14,641	(4,285)	(6,595)	3,761	
Futures contracts, at fair value	1,723	(1,723)	—	—	
Purchase commitments	6,640	—	—	6,640	
Liabilities					
Interest rate swaps, at fair value	\$ 15,314	\$ (13,899)	\$ —	\$ 1,415	
TBA derivatives, at fair value	2,193	(2,193)	—	—	
Futures contracts, at fair value	81,730	(1,723)	(80,007)	—	
Purchase commitments	1,592	—	—	1,592	

December 31, 2023					
	Gross Amounts	Amounts Eligible for Offset		Net Amounts	
		Financial Instruments	Cash Collateral		
Assets	(dollars in thousands)				
Interest rate swaps, at fair value	\$ 26,344	\$ (21,505)	\$ —	\$ 4,839	
Interest rate swaptions, at fair value	105,883	(45,930)	(57,320)	2,633	
TBA derivatives, at fair value	20,689	(13,282)	—	7,407	
Purchase commitments	9,641	—	—	9,641	
Liabilities					
Interest rate swaps, at fair value	\$ 83,051	\$ (72,844)	\$ —	\$ 10,207	
TBA derivatives, at fair value	39,070	(34,525)	—	4,545	
Futures contracts, at fair value	179,835	—	(179,835)	—	
Purchase commitments	339	—	—	339	

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⁾
For the three months ended	(dollars in thousands)				
June 30, 2024	\$	298,372	\$	18,721	\$ 97,484
June 30, 2023	\$	425,293	\$	48,148	\$ 841,702
For the six months ended					
June 30, 2024	\$	628,521	\$	(2,516)	\$ 998,386
June 30, 2023	\$	810,999	\$	(97,671)	\$ (114,570)

⁽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:

Three Months Ended June 30, 2024				
Derivative Instruments	Realized Gain (Loss)	Unrealized Gain (Loss)	Amount of Gain/(Loss) Recognized in Net Gains (Losses) on Derivatives	
(dollars in thousands)				
Net TBA derivatives	\$ (16,252)	\$ 15,931	\$	(321)
Net interest rate swaptions	(12,331)	23,857		11,526
Futures ⁽¹⁾	48,227	(45,882)		2,345
Purchase commitments	—	2,360		2,360
Total			\$	15,910

⁽¹⁾ For the three months ended June 30, 2024, includes (\$1.2) million of unrealized loss and (\$6.8) million of realized loss related to SOFR futures options.

Three Months Ended June 30, 2023				
Derivative Instruments	Realized Gain (Loss)	Unrealized Gain (Loss)	Amount of Gain/(Loss) Recognized in Net Gains (Losses) on Derivatives	
(dollars in thousands)				
Net TBA derivatives	\$ 99,361	\$ (160,873)	\$	(61,512)
Net interest rate swaptions	—	53,413		53,413
Futures ⁽¹⁾	(242,013)	413,240		171,227
Purchase commitments	—	(3,444)		(3,444)
Credit derivatives	(17,970)	18,468		498
Total			\$	160,182

⁽¹⁾ For the three months ended June 30, 2023, includes (\$18.8) million of unrealized loss related to SOFR futures options.

Six Months Ended June 30, 2024					
Derivative Instruments	Realized Gain (Loss)		Unrealized Gain (Loss)		Amount of Gain/(Loss) Recognized in Net Gains (Losses) on Other Derivatives
(dollars in thousands)					
Net TBA derivatives	\$	(24,868)	\$	30,829	\$ 5,961
Net interest rate swaptions		(12,331)		54,488	42,157
Futures ⁽¹⁾		39,547		99,827	139,374
Purchase commitments		—		(4,252)	(4,252)
Total				\$	183,240

⁽¹⁾ For the six months ended June 30, 2024, includes (\$6.8) million of realized loss related to SOFR futures options.

Six Months Ended June 30, 2023				
Derivative Instruments	Realized Gain (Loss)	Unrealized Gain (Loss)	Amount of Gain/(Loss) Recognized in Net Gains (Losses) on Other Derivatives	
(dollars in thousands)				
Net TBA derivatives	\$ (54,488)	\$ 54,487	\$	(1)
Net interest rate swaptions	2,323	7,415		9,738
Futures ⁽¹⁾	(123,681)	98,362		(25,319)
Purchase commitments	—	(2,581)		(2,581)
Credit derivatives	(19,282)	13,260		(6,022)
Total			\$	(24,185)

⁽¹⁾ For the six months ended June 30, 2023, includes (\$18.8) million of unrealized loss related to SOFR futures options.

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

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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 in a net asset position at June 30, 2024.

10. 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 in 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.

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 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 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 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.

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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 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 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. 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 as of June 30, 2024 and December 31, 2023. There were no transfers between levels of the fair value hierarchy during the periods presented.

June 30, 2024				
	Level 1	Level 2	Level 3	Total
Assets	(dollars in thousands)			
Securities				
Agency mortgage-backed securities	\$ —	\$ 64,390,905	\$ —	\$ 64,390,905
Credit risk transfer securities	—	838,437	—	838,437
Non-Agency mortgage-backed securities	—	1,702,859	—	1,702,859
Commercial mortgage-backed securities	—	112,552	—	112,552
Loans				
Residential mortgage loans	—	2,548,228	—	2,548,228
Mortgage servicing rights	—	—	2,785,614	2,785,614
Assets transferred or pledged to securitization vehicles	—	17,946,812	—	17,946,812
Derivative assets				
Interest rate swaps	—	16,824	—	16,824
Other derivatives	1,723	169,321	—	171,044
Total assets	<u>\$ 1,723</u>	<u>\$ 87,725,938</u>	<u>\$ 2,785,614</u>	<u>\$ 90,513,275</u>
Liabilities				
Debt issued by securitization vehicles	\$ —	\$ 15,831,915	\$ —	\$ 15,831,915
Participations issued	—	1,144,821	—	1,144,821
U.S. Treasury securities sold, not yet purchased	1,974,602	—	—	1,974,602
Derivative liabilities				
Interest rate swaps	—	15,314	—	15,314
Other derivatives	81,730	3,785	—	85,515
Total liabilities	<u>\$ 2,056,332</u>	<u>\$ 16,995,835</u>	<u>\$ —</u>	<u>\$ 19,052,167</u>

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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	<u>\$ —</u>	<u>\$ 85,436,828</u>	<u>\$ 2,122,196</u>	<u>\$ 87,559,024</u>
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
Total liabilities	<u>\$ 2,312,586</u>	<u>\$ 12,826,633</u>	<u>\$ —</u>	<u>\$ 15,139,219</u>

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, 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, which in turn could result in a decline in the estimated fair value of MSR. Refer to the "Mortgage Servicing Rights" Note for additional information, including rollforwards.

The following table presents information about the significant unobservable inputs used for recurring fair value measurements for Level 3 MSR. The table does not give effect to the Company's risk management practices that might offset risks inherent in these Level 3 investments.

Unobservable Input ⁽¹⁾	Range (Weighted Average) ⁽²⁾	
	June 30, 2024	December 31, 2023
Discount rate	5.3% - 12.4% (8.4%)	7.0% - 12.0% (8.6%)
Prepayment rate	4.7% - 17.3% (5.5%)	4.8% - 11.0% (5.6%)
Delinquency rate	0.2% - 3.8% (1.1%)	0.2% - 4.2% (1.3%)
Cost to service	\$83 - \$109 (\$91)	\$84 - \$111 (\$94)

⁽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.

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The following table summarizes the estimated fair values for financial assets and liabilities that are not carried at fair value at June 30, 2024 and December 31, 2023.

	June 30, 2024		December 31, 2023	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial liabilities				
Repurchase agreements	\$60,787,994	\$60,787,994	\$62,201,543	\$62,201,543
Other secured financing	600,000	600,000	500,000	500,000

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.

11. INTANGIBLE ASSETS***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 six months ended June 30, 2024.

Intangible Assets, net (dollars in thousands)	
Beginning balance January 1, 2024	\$ 12,106
Less: amortization expense	(1,345)
Ending balance June 30, 2024	\$ 10,761

12. 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 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 \$60.8 billion and \$62.2 billion of repurchase agreements with weighted average remaining maturities of 36 days and 44 days and weighted average rates of 5.59% and 5.70% at June 30, 2024 and December 31, 2023, respectively. In connection with its residential mortgage loans, the Company has select arrangements with counterparties to enter into repurchase agreements for \$2.9 billion with remaining capacity of \$1.9 billion at June 30, 2024.

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At June 30, 2024 and December 31, 2023, the repurchase agreements had the following remaining maturities and collateral types:

June 30, 2024						
	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	\$ 20,898,019	\$ 47,794	\$ 88,066	\$ —	\$ —	\$ 21,033,879
2 to 29 days	14,107,044	315,802	644,301	—	100,617	15,167,764
30 to 59 days	17,110,329	—	711,446	—	—	17,821,775
60 to 89 days	3,329,272	273,174	542,254	—	—	4,144,700
90 to 119 days	460,761	—	66,755	330,994	—	858,510
Over 119 days ⁽¹⁾	2,750,361	—	320,691	701,685	—	3,772,737
Total	\$ 58,655,786	\$ 636,770	\$ 2,373,513	\$ 1,032,679	\$ 100,617	\$ 62,799,365
Amounts offset in accordance with netting arrangements.						\$ (2,011,371)
Net amounts of Repurchase agreements as presented in the Consolidated Statements of Financial Condition.						\$ 60,787,994

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

⁽¹⁾ Less than 1% of repurchase agreements had a remaining maturity over 1 year at June 30, 2024. No repurchase agreements had a remaining maturity over 1 year at December 31, 2023.

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 repurchase agreements and reverse repurchase agreements as presented in the Consolidated Statements of Financial Condition at June 30, 2024 and December 31, 2023. Refer to the “Derivative Instruments” Note for information related to the effect of netting arrangements on the Company’s derivative instruments.

	June 30, 2024		December 31, 2023	
	Reverse Repurchase Agreements	Repurchase Agreements	Reverse Repurchase Agreements	Repurchase Agreements
(dollars in thousands)				
Gross amounts	\$ 2,011,371	\$ 62,799,365	\$ 2,268,293	\$ 64,469,836
Amounts offset	(2,011,371)	(2,011,371)	(2,268,293)	(2,268,293)
Netted amounts	\$ —	\$ 60,787,994	\$ —	\$ 62,201,543

The fair value of collateral received in connection with reverse repurchase agreements as of June 30, 2024 was \$2.0 billion, of which the Company sold \$2.0 billion. The fair value of collateral received in connection with reverse repurchase agreements as of December 31, 2023 was \$2.3 billion, of which the Company sold \$2.1 billion. 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.

Other Secured Financing - As of June 30, 2024, the Company had \$1.3 billion in total committed credit facilities to finance a portion of its MSR portfolio. Outstanding borrowings under this facility as of June 30, 2024 totaled \$600.0 million with maturities ranging between seven months to one year. The weighted average interest rate of the borrowings was 8.07% as of

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June 30, 2024. 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, 2023.

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 \$65.8 billion and \$293.3 million, respectively, at June 30, 2024 and \$68.2 billion and \$279.5 million, respectively, at December 31, 2023.

13. CAPITAL STOCK**(A) Common Stock**

The following table provides a summary of the Company's common shares authorized, and issued and outstanding at June 30, 2024 and December 31, 2023.

	Shares authorized		Shares issued and outstanding		Par Value
	June 30, 2024	December 31, 2023	June 30, 2024	December 31, 2023	
Common stock	1,468,250,000	1,468,250,000	501,018,415	500,080,287	\$0.01

In December 2020, the Company announced that its Board of Directors ("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 three and six months ended June 30, 2024 and 2023, no shares were 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 three and six months ended June 30, 2024, under the at-the-market sales program, the Company issued 0.6 million shares for proceeds of \$11.3 million, net of commissions and fees. During the six months ended June 30, 2023, under the at-the-market sales program, the Company issued 25.3 million shares for proceeds of \$562.7 million, net of commissions and fees.

(B) Preferred Stock

The following is a summary of the Company's cumulative redeemable preferred stock outstanding at June 30, 2024 and December 31, 2023. 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.

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	Shares Authorized		Shares Issued And Outstanding		Carrying Value		Contractual Rate	Earliest Redemption ⁽¹⁾ Date	Effective Date of Floating Rate Dividend Period	Floating Annual Rate ⁽²⁾
	June 30, 2024	December 31, 2023	June 30, 2024	December 31, 2023	June 30, 2024	December 31, 2023				
	Fixed-to-floating rate									
Series F	28,800,000	28,800,000	28,800,000	28,800,000	696,910	696,910	6.95%	9/30/2022	9/30/2022	3M Term SOFR + 4.993%
Series G	17,000,000	17,000,000	17,000,000	17,000,000	411,335	411,335	6.50%	3/31/2023	3/31/2023	3M Term SOFR + 4.172%
Series I	17,700,000	17,700,000	17,700,000	17,700,000	428,324	428,324	6.75%	6/30/2024	6/30/2024	3M Term SOFR + 4.989%
Total	63,500,000	63,500,000	63,500,000	63,500,000	\$ 1,536,569	\$ 1,536,569				

⁽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.

⁽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.

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 June 30, 2024, 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 with respect to the Preferred Stock Repurchase Program during the three and six months ended June 30, 2024.

(C) Distributions to Stockholders

The following table provides a summary of the Company's dividend distribution activity for the periods presented:

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
	(dollars in thousands, except per share data)			
Dividends and dividend equivalents declared on common stock and share-based awards	\$ 327,741	\$ 322,448	\$ 654,613	\$ 644,947
Distributions declared per common share	\$ 0.65	\$ 0.65	\$ 1.30	\$ 1.30
Distributions paid to common stockholders after period end	\$ 325,662	\$ 321,031	\$ 325,662	\$ 321,031
Distributions paid per common share after period end	\$ 0.65	\$ 0.65	\$ 0.65	\$ 0.65
Date of distributions paid to common stockholders after period end	July 31, 2024	July 28, 2023	July 31, 2024	July 28, 2023
Dividends declared to series F preferred stockholders	\$ 19,002	\$ 18,274	\$ 38,087	\$ 35,776
Dividends declared per share of series F preferred stock	\$ 0.660	\$ 0.635	\$ 1.322	\$ 1.242
Dividends declared to series G preferred stockholders	\$ 10,689	\$ 10,025	\$ 21,198	\$ 16,931
Dividends declared per share of series G preferred stock	\$ 0.629	\$ 0.590	\$ 1.247	\$ 0.996
Dividends declared to series I preferred stockholders	\$ 7,467	\$ 7,467	\$ 14,934	\$ 14,934
Dividends declared per share of series I preferred stock	\$ 0.422	\$ 0.422	\$ 0.844	\$ 0.844

14. 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:

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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) in 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 in 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 in 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 three and six months ended June 30, 2024 and 2023.

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2024	2023	2024	2023
Interest income	(dollars in thousands)			
Agency securities	\$ 790,779	\$ 686,912	\$ 1,542,295	\$ 1,290,014
Residential credit securities	50,895	56,477	106,891	110,222
Residential mortgage loans ⁽¹⁾	301,820	162,202	553,836	309,433
Commercial investment portfolio ^{(1) (2)}	2,441	8,310	5,995	18,197
Reverse repurchase agreements	31,390	7,593	62,796	11,878
Total interest income	\$ 1,177,325	\$ 921,494	\$ 2,271,813	\$ 1,739,744
Interest expense				
Repurchase agreements	\$ 881,926	\$ 841,257	\$ 1,779,524	\$ 1,539,999
Debt issued by securitization vehicles	200,812	101,819	361,829	190,753
Participations issued	19,756	10,381	40,007	21,492
U.S. Treasury securities sold, not yet purchased	21,273	—	43,346	—
Total interest expense	1,123,767	953,457	2,224,706	1,752,244
Net interest income	\$ 53,558	\$ (31,963)	\$ 47,107	\$ (12,500)

⁽¹⁾ Includes assets transferred or pledged to securitization vehicles.

⁽²⁾ Includes commercial real estate debt and preferred equity.

Item 1. Financial Statements**15. 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 three and six months ended June 30, 2024 and 2023.

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
(dollars in thousands, except per share data)				
Net income (loss)	\$ (8,833)	\$ 161,187	\$ 456,341	\$ (678,141)
Net income (loss) attributable to noncontrolling interests	650	(5,846)	2,932	(918)
Net income (loss) attributable to Annaly	(9,483)	167,033	453,409	(677,223)
Dividends on preferred stock	37,158	35,766	74,219	67,641
Net income (loss) available (related) to common stockholders	\$ (46,641)	\$ 131,267	\$ 379,190	\$ (744,864)
Weighted average shares of common stock outstanding-basic	500,950,563	494,165,256	500,781,701	491,939,177
Add: Effect of stock awards, if dilutive	—	193,726	633,814	—
Weighted average shares of common stock outstanding-diluted	500,950,563	494,358,982	501,415,515	491,939,177
Net income (loss) per share available (related) to common share				
Basic	\$ (0.09)	\$ 0.27	\$ 0.76	\$ (1.51)
Diluted	\$ (0.09)	\$ 0.27	\$ 0.76	\$ (1.51)

The computations of diluted net income (loss) per share available (related) to common share for the three and six months ended June 30, 2024 excludes 2.7 million and 0, respectively, and for the three and six months ended June 30, 2023 excludes 1.3 million and 1.8 million, respectively, of potentially dilutive restricted and performance stock units because their effect would have been anti-dilutive.

16. INCOME TAXES

For the three months ended June 30, 2024, 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 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 June 30, 2024 and December 31, 2023.

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 three and six months ended June 30, 2024, the Company recorded \$11.9 million and \$11.0 million, respectively, of income tax expense attributable to its TRSs. During the three and six months ended June 30, 2023, the Company recorded \$14.3 million and \$25.3 million, respectively, of income tax expense attributable to its TRSs. The Company's federal, state and local tax returns from 2020 and forward remain open for examination.

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17. SEGMENTS

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 tables present the reportable operating segments related to the Company's results of operations for the three and six months ended June 30, 2024 and 2023:

Three Months Ended June 30, 2024					
	Agency	Resi-credit	MSR	Corporate & Other	Consolidated
	(dollars in thousands)				
Interest income	\$ 821,339	\$ 353,545	\$ —	\$ 2,441	\$ 1,177,325
Interest expense	830,324	291,816	—	1,627	1,123,767
Net interest income	(8,985)	61,729	—	814	53,558
Servicing and related income	—	—	120,515	—	120,515
Servicing and related expense	—	—	12,617	—	12,617
Net servicing income	—	—	107,898	—	107,898
Other income (loss)	(184,910)	48,457	22,324	662	(113,467)
Less: Total general and administrative expenses	15,862	13,148	8,507	7,374	44,891
Income (loss) before income taxes	(209,757)	97,038	121,715	(5,898)	3,098
Income taxes	118	(24)	11,920	(83)	11,931
Net income (loss)	(209,875)	97,062	109,795	(5,815)	(8,833)
Less: Net income (loss) attributable to noncontrolling interest	—	650	—	—	650
Net income (loss) attributable to Annaly	(209,875)	96,412	109,795	(5,815)	(9,483)
Dividends on preferred stock	—	—	—	37,158	37,158
Net income (loss) available (related) to common stockholders	(209,875)	96,412	109,795	(42,973)	(46,641)
Unrealized gains (losses) on available-for-sale securities	(54,243)	—	—	—	(54,243)
Reclassification adjustment for net (gains) losses included in net income (loss)	179,234	—	—	—	179,234
Other comprehensive income (loss)	124,991	—	—	—	124,991
Comprehensive income (loss)	(84,884)	97,062	109,795	(5,815)	116,158
Comprehensive income (loss) attributable to noncontrolling interests	—	650	—	—	650
Comprehensive income (loss) attributable to Annaly	\$ (84,884)	\$ 96,412	\$ 109,795	\$ (5,815)	\$ 115,508
Noncash investing and financing activities:					
Receivable for unsettled trades	311,349	—	9,310	—	320,659
Payable for unsettled trades	1,041,278	—	54,993	—	1,096,271
Net change in unrealized gains (losses) on available-for-sale securities, net of reclassification adjustment	124,991	—	—	—	124,991
Dividends declared, not yet paid	—	—	—	325,662	325,662
Total assets					
Total assets	\$ 66,660,065	\$ 23,462,284	\$ 3,326,780	\$ 219,448	\$ 93,668,577

Item 1. Financial Statements

Three Months Ended June 30, 2023					
	Agency	Resi-credit	MSR	Corporate & Other	Consolidated
	(dollars in thousands)				
Interest income	\$ 694,505	\$ 218,679	\$ —	\$ 8,310	\$ 921,494
Interest expense	778,480	169,239	—	5,738	953,457
Net interest income	(83,975)	49,440	—	2,572	(31,963)
Servicing and related income	—	—	83,790	—	83,790
Servicing and related expense	—	—	8,930	—	8,930
Net servicing income	—	—	74,860	—	74,860
Other income (loss)	58,225	66,637	54,950	(4,330)	175,482
Less: Total general and administrative expenses	15,685	11,884	7,183	8,163	42,915
Income (loss) before income taxes	(41,435)	104,193	122,627	(9,921)	175,464
Income taxes	705	673	13,089	(190)	14,277
Net income (loss)	(42,140)	103,520	109,538	(9,731)	161,187
Less: Net income (loss) attributable to noncontrolling interest	—	(5,846)	—	—	(5,846)
Net income (loss) attributable to Annaly	(42,140)	109,366	109,538	(9,731)	167,033
Dividends on preferred stock	—	—	—	35,766	35,766
Net income (loss) available (related) to common stockholders	(42,140)	109,366	109,538	(45,497)	131,267
Unrealized gains (losses) on available-for-sale securities	(294,045)	—	—	—	(294,045)
Reclassification adjustment for net (gains) losses included in net income (loss)	462,128	—	—	—	462,128
Other comprehensive income (loss)	168,083	—	—	—	168,083
Comprehensive income (loss)	125,943	103,520	109,538	(9,731)	329,270
Comprehensive income (loss) attributable to noncontrolling interests	—	(5,846)	—	—	(5,846)
Comprehensive income (loss) attributable to Annaly	\$ 125,943	\$ 109,366	\$ 109,538	\$ (9,731)	\$ 335,116
Noncash investing and financing activities:					
Receivable for unsettled trades	780,458	4,857	1,994	133	787,442
Payable for unsettled trades	4,295,056	10	36,249	—	4,331,315
Net change in unrealized gains (losses) on available-for-sale securities, net of reclassification adjustment	168,083	—	—	—	168,083
Dividends declared, not yet paid	—	—	—	321,031	321,031
Total assets					
Total assets	\$ 70,775,689	\$ 15,822,726	\$ 2,252,578	\$ 479,484	\$ 89,330,477

Item 1. Financial Statements

Six Months Ended June 30, 2024								
	Agency		Resi-credit		MSR	Corporate & Other	Consolidated	
	(dollars in thousands)							
Interest income	\$	1,603,265	\$	662,553	\$	—	\$ 5,995	\$ 2,271,813
Interest expense		1,677,095		543,678		—	3,933	2,224,706
Net interest income		(73,830)		118,875		—	2,062	47,107
Servicing and related income		—		—		235,599	—	235,599
Servicing and related expense		—		—		24,833	—	24,833
Net servicing income		—		—		210,766	—	210,766
Other income (loss)		116,042		153,823		21,454	1,598	292,917
Less: Total general and administrative expenses		31,450		25,822		17,101	9,088	83,461
Income (loss) before income taxes		10,762		246,876		215,119	(5,428)	467,329
Income taxes		725		(1,703)		12,069	(103)	10,988
Net income (loss)		10,037		248,579		203,050	(5,325)	456,341
Less: Net income (loss) attributable to noncontrolling interest		—		2,932		—	—	2,932
Net income (loss) attributable to Annaly		10,037		245,647		203,050	(5,325)	453,409
Dividends on preferred stock		—		—		—	74,219	74,219
Net income (loss) available (related) to common stockholders		10,037		245,647		203,050	(79,544)	379,190
Unrealized gains (losses) on available-for-sale securities		(336,112)		—		—	—	(336,112)
Reclassification adjustment for net (gains) losses included in net income (loss)		514,585		—		—	—	514,585
Other comprehensive income (loss)		178,473		—		—	—	178,473
Comprehensive income (loss)		188,510		248,579		203,050	(5,325)	634,814
Comprehensive income (loss) attributable to noncontrolling interests		—		2,932		—	—	2,932
Comprehensive income (loss) attributable to Annaly	\$	188,510	\$	245,647	\$	203,050	\$ (5,325)	\$ 631,882
Noncash investing and financing activities:								
Receivable for unsettled trades		311,349		—		9,310	—	320,659
Payable for unsettled trades		1,041,278		—		54,993	—	1,096,271
Net change in unrealized gains (losses) on available-for-sale securities, net of reclassification adjustment		178,473		—		—	—	178,473
Dividends declared, not yet paid		—		—		—	325,662	325,662
Total assets								
Total assets	\$	66,660,065	\$	23,462,284	\$	3,326,780	\$ 219,448	\$ 93,668,577

Item 1. Financial Statements

Six Months Ended June 30, 2023					
	Agency	Resi-credit	MSR	Corporate & Other	Consolidated
	(dollars in thousands)				
Interest income	\$ 1,301,892	\$ 419,655	\$ —	\$ 18,197	\$ 1,739,744
Interest expense	1,430,164	310,740	—	11,340	1,752,244
Net interest income	(128,272)	108,915	—	6,857	(12,500)
Servicing and related income	—	—	168,063	—	168,063
Servicing and related expense	—	—	16,810	—	16,810
Net servicing income	—	—	151,253	—	151,253
Other income (loss)	(886,798)	104,413	83,184	(8,640)	(707,841)
Less: Total general and administrative expenses	29,825	24,562	14,553	14,803	83,743
Income (loss) before income taxes	(1,044,895)	188,766	219,884	(16,586)	(652,831)
Income taxes	486	8,049	16,848	(73)	25,310
Net income (loss)	(1,045,381)	180,717	203,036	(16,513)	(678,141)
Less: Net income (loss) attributable to noncontrolling interest	—	(918)	—	—	(918)
Net income (loss) attributable to Annaly	(1,045,381)	181,635	203,036	(16,513)	(677,223)
Dividends on preferred stock	—	—	—	67,641	67,641
Net income (loss) available (related) to common stockholders	(1,045,381)	181,635	203,036	(84,154)	(744,864)
Unrealized gains (losses) on available-for-sale securities	381,329	—	—	—	381,329
Reclassification adjustment for net (gains) losses included in net income (loss)	945,036	—	—	—	945,036
Other comprehensive income (loss)	1,326,365	—	—	—	1,326,365
Comprehensive income (loss)	280,984	180,717	203,036	(16,513)	648,224
Comprehensive income (loss) attributable to noncontrolling interests	—	(918)	—	—	(918)
Comprehensive income (loss) attributable to Annaly	\$ 280,984	\$ 181,635	\$ 203,036	\$ (16,513)	\$ 649,142
Noncash investing and financing activities:					
Receivable for unsettled trades	780,458	4,857	1,994	133	787,442
Payable for unsettled trades	4,295,056	10	36,249	—	4,331,315
Net change in unrealized gains (losses) on available-for-sale securities, net of reclassification adjustment	1,326,365	—	—	—	1,326,365
Dividends declared, not yet paid	—	—	—	321,031	321,031
Total assets					
Total assets	\$ 70,775,689	\$ 15,822,726	\$ 2,252,578	\$ 479,484	\$ 89,330,477

18. RISK MANAGEMENT

The primary risks to the Company are 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.

Item 1. Financial Statements

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. 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 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 vendors. 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.

19. LEASE COMMITMENTS AND CONTINGENCIES

The Company's operating leases are primarily comprised of corporate office leases with remaining lease terms of approximately one year and 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 Company recognizes lease expense for these leases on a straight-line basis over the lease term. The lease cost for the three and six months ended June 30, 2024 and 2023 was \$0.8 million and \$1.6 million, and \$0.8 million and \$1.6 million, respectively.

Supplemental information related to leases as of and for the six months ended June 30, 2024 was as follows:

Operating Leases	Classification	June 30, 2024
Assets		
(dollars in thousands)		
Operating lease right-of-use assets	Other assets	\$ 4,429
Liabilities		
Operating lease liabilities ⁽¹⁾	Other liabilities	\$ 5,568
Lease term and discount rate		
Weighted average remaining lease term		1.6 years
Weighted average discount rate ⁽¹⁾		3.4%
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases		\$ 2,053

⁽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:

Years ending December 31,	Maturity of Lease Liabilities	
	(dollars in thousands)	
2024 (remaining)	\$	2,054
2025		3,149
2026		261
2027		269
2028		22
Later years		—
Total lease payments	\$	5,755
Less imputed interest		187
Present value of lease liabilities	\$	5,568

Item 1. Financial Statements

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 June 30, 2024 and December 31, 2023.

20. SUBSEQUENT EVENTS

In July 2024, the Company completed and closed two securitizations of residential mortgage loans: OBX 2024-NQM10, with a face value of \$482.5 million, and OBX 2024-NQM11, with a face value of \$603.0 million. These securitizations represent financing transactions which provided non-recourse financing to the Company collateralized by residential mortgage loans purchased by the Company.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Special Note Regarding Forward-Looking Statements

Certain statements contained in this quarterly report, and certain statements contained in our future filings with the Securities and Exchange Commission (the "SEC" or the "Commission"), in our press releases or in our other public or stockholder communications 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. For a discussion of the risks and uncertainties which could cause actual results to differ from those contained in the forward-looking statements, see "Risk Factors" in our most recent Annual Report on Form 10-K and any subsequent Quarterly Reports on Form 10-Q. 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.

This Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with our most recent annual report on Form 10-K. 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 2 for definitions of commonly used terms in this quarterly report on Form 10-Q.

Item 2. Management's Discussion and Analysis

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Item 2. 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" in our most recent Annual Report on Form 10-K.

Business Environment

The second quarter of 2024 saw modest changes in interest rates in the aggregate, but the quarterly change belies elevated interest rate volatility and Agency mortgage-backed security ("MBS") spread widening during the quarter. Strong economic data led markets to reduce expectations for 2024 Federal Reserve ("Fed") rate cuts in April, before concerns about higher yields faded given weaker labor market data and moderation in inflation readings in May and June. Volatility remained elevated, nonetheless, as unexpected election results, most notably from the surprise French parliamentary elections, weighed on markets. Of note, although markets will be influenced by the upcoming U.S. presidential election, the slowdown in the U.S. labor market, combined with more muted inflation prints, point to rising conviction that the Fed will begin to lower interest rates in the second half of the year. The prospects of easing monetary policy should boost demand for fixed income securities, creating a supportive backdrop for our businesses in general and improving demand for Agency MBS in particular.

Given the environment, Annaly's portfolio delivered a 0.9% positive economic return in the quarter, once again demonstrating our ability to deliver strong returns with prudent economic leverage, which stood at 5.8x, while generating earnings available for distribution of \$0.68 per share.

We tactically reduced our Agency MBS portfolio early in the quarter as we navigated higher rates and wider MBS spreads. Portfolio holdings ultimately ended the quarter \$1.4 billion higher in market value, as we added back exposure in the second half of the quarter. Similar to earlier quarters, we favored higher coupon prepayment protected collateral with durable cash flows, which we believe offer the best risk-adjusted returns across a number of interest rate market environments. As a result of our trading activity, the average net coupon on the Agency portfolio increased by 30 basis points to 4.87 percent in the first two quarters. We continue to have a positive outlook on the sector, as Agency MBS spreads remain above long-term averages, offering attractive risk adjusted returns at conservative leverage levels. The sector has seen improvements in the supply-demand picture, as supply has so far been running below expectations, while demand has broadened relative to last year to include banks. Declines in interest rate volatility and a steepening in the yield curve should support the sector in coming months.

In our Residential Credit business, securities holdings declined modestly during the quarter as we sold third-party securities to take advantage of relatively tight credit spreads while increasing our exposure to Agency MBS. Residential credit spreads traded largely rangebound throughout the quarter, as the market remains supported by robust fundamentals. Housing market activity remains well below historical averages and home price gains have been robust nationally, but we are monitoring increased regional disparities and the strength of the consumer, particularly if the labor market softens further. We continued to focus our efforts on our Onslow Bay correspondent channel, which experienced record growth during the quarter as we locked \$4.1 billion and settled \$2.8 billion of expanded prime loans. In the first six months of 2024, our correspondent channel activity already exceeded activity for all of 2023, while our pipeline continues to exhibit strong credit characteristics.

Our MSR portfolio increased modestly quarter-over-quarter, driven by settlements of earlier purchases and an increase in valuations given the rise in mortgage rates during the quarter. The fundamental performance of the portfolio continues to outpace our earlier expectations as prepayment speeds remain muted, serious delinquencies remain low, and elevated escrow deposit float income help attract investors to the sector and boost valuations. Of note, the record supply of bulk offerings over the last few years appears to be normalizing as originators see improving gain on sale margins and have reduced operating costs. As bulk supply slows, focus has shifted on enhancing our flow and recapture capabilities to acquire newly originated MSR from our network of strategic partners.

Earnings available for distribution, economic leverage, and economic return are non-GAAP financial measures. Refer to "Non-GAAP Financial Measures" for additional information, including a reconciliation to its most directly comparable GAAP results.

Item 2. Management's Discussion and Analysis***Economic Environment***

U.S. real economic growth improved in the second quarter relative to the first, as gross domestic product rose 2.8% on a seasonally adjusted annualized rate ("SAAR"). Despite the sound quarterly growth rate, consumer spending is moderating in 2024, rising 1.9% SAAR in the first six months of the year, somewhat less than the 3.1% SAAR expansion in the second half of 2023. Consumers appear to be increasingly cautious as elevated short-term interest rates, lower excess savings than immediately after the pandemic, low savings rates, a slowing labor market, and declining confidence appear to weigh on spending behavior. Investment activity appears to have been robust during the quarter outside of the residential sector, though forward-looking surveys do not appear to suggest this is a sustained increase in investment activity.

The supply and demand for labor has continued to move into better balance. According to the Bureau of Labor Statistics, seasonally adjusted total non-farm payroll employment rose 177,000 workers in the second quarter, well below the 276,000 workers added per month in the first quarter of 2024. The unemployment rate ended the quarter at 4.1%, the highest monthly reading since the fourth quarter of 2021 as more people entered the labor force, which expanded 114,000 individuals during the quarter, but ultimately were unable to find employment. At the same time, wage growth, as measured by the year-over-year change in Average Hourly Earnings, rose to 4.7% from 4.2% in the first quarter.

Inflation readings, as measured by the year-over-year changes in the Personal Consumption Expenditure Chain Price Index ("PCE"), remain above the Fed's 2% inflation target and progress on disinflationary measures appears to have resumed following the firmer readings in the first quarter. Total PCE prices over the 12 months ended in June rose to 2.5% compared to the 2.7% recorded by the same metric in March, while core PCE inflation, which excludes volatile food and energy prices, fell from 2.8% in March to 2.6% in June. Price pressures eased in several services, including transportation and recreation services, as airline fares and live event pricing pressures eased somewhat. The most positive inflation development, however, was a slowdown in the pace of shelter inflation predominantly in June, which suggests a further slowdown in the aggregate inflation could continue given the large importance of shelter inflation and the lagged, slow-moving methodology used to incorporate shelter inflation into the headline index.

The Fed conducts monetary policy with a dual mandate: full employment and price stability. The Federal Reserve Open Market Committee ("FOMC") has kept the target range for the Federal Funds rate unchanged at the restrictive level of 5.25% - 5.50% since July 2023. The Fed Chair Jerome Powell has stated that the policy rate is at its peak in the Fed's tightening cycle. The FOMC has committed to a data-dependent policy approach and recent economic data of softer inflation and labor market data have suggested that interest rate cuts could commence in the second half of 2024. Forecasts from the FOMC meeting in June show the median forecast of the FOMC expects just one 25 basis point interest rate cut this year, though interest rate markets expect slightly more than two such cuts. Meanwhile, regarding the FOMC's balance sheet policy, the decline in their securities portfolio, which started in 2022, continued throughout the second quarter, though the FOMC has slowed the pace of decline in the Treasury portfolio from \$60 billion per month to \$25 billion per month to limit risks of financial market stress, particularly in front-end money markets.

Interest rate levels rose during the second quarter, however, the move was gradual and interest rate volatility moved lower relative to the second half of last year. The 10-year U.S. Treasury rate increased from 4.20% on March 31 to 4.40% on June 30, 2024. Higher rates and continued above-average interest rate volatility led the mortgage basis, or the spread between the 30-year Agency MBS coupon and 10-year U.S. Treasury rate, to widen modestly from 140 basis points to 147 basis points over the same period.

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

	June 30, 2024	December 31, 2023	June 30, 2023
30-Year mortgage current coupon	5.87%	5.25%	5.63%
Mortgage basis	147 bps	137 bps	179 bps
10-Year U.S. Treasury rate	4.40%	3.88%	3.84%
OIS SOFR Swaps			
1-Month	5.33%	5.35%	5.14%
6-Month	5.26%	5.15%	5.37%

Item 2. 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" of our most recent Annual Report on Form 10-K and in Part II, Item 1A. "Risk Factors" in this Quarterly Report on Form 10-Q.

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.

Item 2. 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 three and six months ended June 30, 2024 and 2023.

	As of and for the Three Months Ended June 30,		As of and for the Six Months Ended June 30,	
	2024	2023	2024	2023
	(dollars in thousands, except per share data)			
Interest income	\$ 1,177,325	\$ 921,494	\$ 2,271,813	\$ 1,739,744
Interest expense	1,123,767	953,457	2,224,706	1,752,244
Net interest income	53,558	(31,963)	47,107	(12,500)
Servicing and related income	120,515	83,790	235,599	168,063
Servicing and related expense	12,617	8,930	24,833	16,810
Net servicing income	107,898	74,860	210,766	151,253
Other income (loss)	(113,467)	175,482	292,917	(707,841)
Less: Total general and administrative expenses	44,891	42,915	83,461	83,743
Income (loss) before income taxes	3,098	175,464	467,329	(652,831)
Income taxes	11,931	14,277	10,988	25,310
Net income (loss)	(8,833)	161,187	456,341	(678,141)
Less: Net income (loss) attributable to noncontrolling interests	650	(5,846)	2,932	(918)
Net income (loss) attributable to Annaly	(9,483)	167,033	453,409	(677,223)
Less: Dividends on preferred stock	37,158	35,766	74,219	67,641
Net income (loss) available (related) to common stockholders	\$ (46,641)	\$ 131,267	\$ 379,190	\$ (744,864)
Net income (loss) per share available (related) to common stockholders				
Basic	\$ (0.09)	\$ 0.27	\$ 0.76	\$ (1.51)
Diluted	\$ (0.09)	\$ 0.27	\$ 0.76	\$ (1.51)
Weighted average number of common shares outstanding				
Basic	500,950,563	494,165,256	500,781,701	491,939,177
Diluted	500,950,563	494,358,982	501,415,515	491,939,177
Other information				
Investment portfolio at period-end	\$ 90,325,407	\$ 85,694,096	\$ 90,325,407	\$ 85,694,096
Average total assets	\$ 92,576,062	\$ 88,081,247	\$ 92,793,120	\$ 86,004,402
Average equity	\$ 11,379,509	\$ 11,898,189	\$ 11,368,036	\$ 11,721,935
GAAP leverage at period-end ⁽¹⁾	7.1:1	6.1:1	7.1:1	6.1:1
GAAP capital ratio at period-end ⁽²⁾	12.0 %	13.3 %	12.0 %	13.3 %
Annualized return (loss) on average total assets	(0.04 %)	0.73 %	0.98 %	(1.58 %)
Annualized return (loss) on average equity ⁽³⁾	(0.31 %)	5.42 %	8.03 %	(11.57 %)
Net interest margin ⁽⁴⁾	0.24 %	(0.15 %)	0.10 %	(0.03 %)
Average yield on interest earning assets ⁽⁵⁾	5.17 %	4.27 %	5.03 %	4.12 %
Average GAAP cost of interest bearing liabilities ⁽⁶⁾	5.43 %	5.00 %	5.41 %	4.77 %
Net interest spread	(0.26 %)	(0.73 %)	(0.38 %)	(0.65 %)
Weighted average experienced CPR for the period	7.4 %	7.0 %	6.7 %	6.3 %
Weighted average projected long-term CPR at period-end	8.5 %	8.6 %	8.5 %	8.6 %
Common stock book value per share	\$ 19.25	\$ 20.73	\$ 19.25	\$ 20.73
Non-GAAP metrics *				
Interest income (excluding PAA)	\$ 1,170,019	\$ 909,571	\$ 2,261,494	\$ 1,728,312
Economic interest expense ⁽⁶⁾	\$ 806,470	\$ 528,164	\$ 1,577,260	\$ 941,245
Economic net interest income (excluding PAA)	\$ 363,549	\$ 381,407	\$ 684,234	\$ 787,067
Premium amortization adjustment cost (benefit)	\$ (7,306)	\$ (11,923)	\$ (10,319)	\$ (11,432)
Earnings available for distribution ⁽⁷⁾	\$ 377,139	\$ 389,475	\$ 735,101	\$ 816,605
Earnings available for distribution per average common share	\$ 0.68	\$ 0.72	\$ 1.32	\$ 1.52
Annualized EAD return on average equity (excluding PAA)	13.36 %	13.22 %	13.03 %	14.06 %
Economic leverage at period-end ⁽¹⁾	5.8:1	5.8:1	5.8:1	5.8:1
Economic capital ratio at period-end ⁽²⁾	14.2 %	14.3 %	14.2 %	14.3 %
Net interest margin (excluding PAA) ⁽⁴⁾	1.58 %	1.66 %	1.51 %	1.71 %
Average yield on interest earning assets (excluding PAA) ⁽⁵⁾	5.14 %	4.22 %	5.00 %	4.09 %
Average economic cost of interest bearing liabilities ⁽⁶⁾	3.90 %	2.77 %	3.84 %	2.56 %
Net interest spread (excluding PAA)	1.24 %	1.45 %	1.16 %	1.53 %

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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, and U.S. Treasury securities sold, not yet purchased. 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) Annualized GAAP return (loss) on average equity annualizes realized and unrealized gains and (losses) which may not be indicative of full year performance, unannualized GAAP return (loss) on average equity is (0.08%), and 1.35% for the three months ended June 30, 2024 and 2023, respectively, and 4.01% and (5.79%) for the the six months ended June 30, 2024 and 2023, respectively.
- (4) 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 economic interest expense divided by the sum of average interest earning assets plus average outstanding TBA contract and CMBX balances.
- (5) 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).
- (6) 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, the net interest component of interest rate swaps, and, beginning with the quarter ended June 30, 2024, net interest on initial margin related to interest rate swaps, which is reported in Other, net in the Company's Consolidated Statement of Comprehensive Income (Loss). Prior period results have not been adjusted in accordance with this change as the impact is not material. Net interest on variation margin related to interest rate swaps was previously and is currently included in the Net interest component of interest rate swaps in the Company's Consolidated Statement of Comprehensive Income (Loss) for all periods presented.
- (7) Excludes dividends on preferred stock.

GAAP

Net income (loss) was (\$8.8) million, which includes \$0.7 million attributable to noncontrolling interests, or (\$0.09) per average basic common share, for the three months ended June 30, 2024, compared to \$161.2 million, which includes (\$5.8) million attributable to noncontrolling interests, or \$0.27 per average basic common share, for the same period in 2023. We attribute the majority of the change in net income (loss) to an unfavorable change in net gains (losses) on derivatives, partially offset by favorable changes in net gains (losses) on investments and other, net interest income, and net servicing income. Net gains (losses) on derivatives was \$430.5 million for the three months ended June 30, 2024 compared to \$1.5 billion for the same period in 2023. Net gains (losses) on investments and other was (\$568.7) million for the three months ended June 30, 2024 compared to (\$1.3) billion for the same period in 2023. Net interest income for the three months ended June 30, 2024 was \$53.6 million compared to (\$32.0) million for the same period in 2023. Net servicing income for the three months ended June 30, 2024 was \$107.9 million compared to \$74.9 million for the same period in 2023. Refer to the section titled "Other income (loss)" located within this Item 2 for additional information related to these changes.

Net income (loss) was \$456.3 million, which includes \$2.9 million attributable to noncontrolling interests, or \$0.76 per average basic common share, for the six months ended June 30, 2024 compared to (\$678.1) million, which includes (\$0.9) million attributable to noncontrolling interests, or (\$1.51) per average basic common share, for the same period in 2023. We attribute the majority of the change in net income (loss) to a favorable change in net gains (losses) on derivatives, net interest income and net servicing income, partially offset by an unfavorable change in net gains (losses) on investments and other. Net gains on derivatives for the six months ended June 30, 2024 was \$1.8 billion compared to \$574.6 million for the same period in 2023. Net interest income for the six months ended June 30, 2024 was \$47.1 million compared to (\$12.5) million for the same period in 2023. Net servicing income for the six months ended June 30, 2024 was \$210.8 million compared to \$151.3 million for the same period in 2023. Net gains (losses) on investments and other was (\$1.6) billion for the six months ended June 30, 2024 compared to (\$1.3) billion for the same period in 2023.

Non-GAAP

Earnings available for distribution were \$377.1 million, or \$0.68 per average common share, for the three months ended June 30, 2024 compared to \$389.5 million, or \$0.72 per average common share, for the same period in 2023. The change in earnings available for distribution during the three months ended June 30, 2024, compared to the same period in 2023, was primarily due to higher interest expense from an increase in average borrowing rates and average interest bearing liabilities, and an unfavorable change in the net interest component of interest rate swaps. This change was partially offset by higher coupon income, resulting from purchasing assets higher up in the coupon stack, lower premium amortization expense, excluding PAA, and higher net servicing income.

Earnings available for distribution were \$735.1 million, or \$1.32 per average common share, for the six months ended June 30, 2024, compared to \$816.6 million, or \$1.52 per average common share, for the same period in 2023. The change in earnings available for distribution during the six months ended June 30, 2024, compared to the same period in 2023, was primarily due

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to higher interest expense from an increase in average borrowing rates and average interest bearing liabilities, an unfavorable change in the net interest component of interest rate swaps, and a decline in TBA dollar roll income on reduced balances and specialness. This change was partially offset by higher coupon income, resulting from purchasing assets higher up in the coupon stack, lower premium amortization expense, excluding PAA, and higher net servicing income.

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 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 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

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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 Three Months Ended June 30,		For the Six Months Ended June 30,	
	2024	2023	2024	2023
	(dollars in thousands, except per share data)			
GAAP net income (loss)	\$ (8,833)	\$ 161,187	\$ 456,341	\$ (678,141)
Adjustments to exclude reported realized and unrealized (gains) losses				
Net (gains) losses on investments and other ⁽¹⁾	568,874	1,316,837	1,562,994	1,315,125
Net (gains) losses on derivatives ⁽²⁾	(132,115)	(1,050,032)	(1,179,110)	236,426
Loan loss provision (reversal)	—	—	—	(219)
Other adjustments				
Amortization of intangibles	673	758	1,346	1,516
Non-EAD (income) loss allocated to equity method investments ⁽³⁾	(523)	541	(307)	297
Transaction expenses and non-recurring items ⁽⁴⁾	5,329	2,650	9,066	4,008
Income tax effect of non-EAD income (loss) items	10,016	12,364	7,098	20,642
TBA dollar roll income and CMBX coupon income ⁽⁵⁾	486	1,734	1,861	19,917
MSR amortization ⁽⁶⁾	(56,100)	(41,297)	(106,721)	(84,720)
EAD attributable to noncontrolling interests	(3,362)	(3,344)	(7,148)	(6,814)
Premium amortization adjustment cost (benefit)	(7,306)	(11,923)	(10,319)	(11,432)
Earnings available for distribution *	377,139	389,475	735,101	816,605
Dividends on preferred stock	37,158	35,766	74,219	67,641
Earnings available for distribution attributable to common stockholders *	\$ 339,981	\$ 353,709	\$ 660,882	\$ 748,964
GAAP net income (loss) per average common share	\$ (0.09)	\$ 0.27	\$ 0.76	\$ (1.51)
Earnings available for distribution per average common share *	\$ 0.68	\$ 0.72	\$ 1.32	\$ 1.52
Annualized GAAP return (loss) on average equity ⁽⁷⁾	(0.31 %)	5.42 %	8.03 %	(11.57 %)
Annualized EAD return on average equity *	13.36 %	13.22 %	13.03 %	14.06 %

* 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 \$298.4 million and \$425.3 million for the three months ended June 30, 2024 and 2023, respectively, and \$628.5 million and \$811.0 million for the six months ended June 30, 2024 and 2023, respectively.

⁽³⁾ 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).

⁽⁴⁾ Represents costs incurred in connection with securitizations of residential whole loans.

⁽⁵⁾ 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 \$0 and \$0.5 million for the three months ended June 30, 2024 and 2023, respectively, and \$0 and \$1.5 million for the six months ended June 30, 2024 and 2023, respectively.

⁽⁶⁾ 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.

⁽⁷⁾ Annualized GAAP return (loss) on average equity annualizes realized and unrealized gains and (losses) which may not be indicative of full year performance, unannualized GAAP return (loss) on average equity is (0.08%), and 1.35% for the three months ended June 30, 2024 and 2023, respectively, and 4.01% and (5.79%) for the six months ended June 30, 2024 and 2023, respectively.

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.

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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 in our Consolidated Statements of Financial Condition and recognize periodic changes in fair value in Net gains (losses) on derivatives in our Consolidated Statements of Comprehensive Income (Loss), which includes both unrealized and realized gains and losses on 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 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 for the periods presented:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2024	2023	2024	2023
	(dollars in thousands)			
Premium amortization expense	\$ 10,437	\$ 33,105	\$ 37,169	\$ 89,639
Less: PAA cost (benefit)	(7,306)	(11,923)	(10,319)	(11,432)
Premium amortization expense (excluding PAA)	\$ 17,743	\$ 45,028	\$ 47,488	\$ 101,071

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 or other liabilities. Equity capital primarily consists of common and preferred stock.

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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, other secured financing, and U.S Treasury securities sold, not yet purchased. Debt issued by securitization vehicles and participations issued 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	
	June 30, 2024	June 30, 2023
Economic leverage ratio reconciliation	(dollars in thousands)	
Repurchase agreements	\$ 60,787,994	\$ 61,637,600
Other secured financing	600,000	500,000
Debt issued by securitization vehicles	15,831,915	9,789,282
Participations issued	1,144,821	492,307
U.S. Treasury securities sold, not yet purchased	1,974,602	—
Total GAAP debt	\$ 80,339,332	\$ 72,419,189
Less Non-Recourse Debt:		
Debt issued by securitization vehicles	\$ (15,831,915)	\$ (9,789,282)
Participations issued	(1,144,821)	(492,307)
Total recourse debt	\$ 63,362,596	\$ 62,137,600
Plus / (Less):		
Cost basis of TBA and CMBX derivatives	1,639,941	3,625,443
Payable for unsettled trades	1,096,271	4,331,315
Receivable for unsettled trades	(320,659)	(787,442)
Economic debt *	\$ 65,778,149	\$ 69,306,916
Total equity	\$ 11,262,904	\$ 11,887,345
Economic leverage ratio *	5.8:1	5.8:1

* 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	
	June 30, 2024	June 30, 2023
Economic capital ratio reconciliation	(dollars in thousands)	
Total GAAP assets	\$ 93,668,577	\$ 89,330,477
Less:		
Gross unrealized gains on TBA derivatives ⁽¹⁾	(14,641)	(21,460)
Debt issued by securitization vehicles	(15,831,915)	(9,789,282)
Plus:		
Implied market value of TBA derivatives	1,652,389	3,627,716
Total economic assets *	\$ 79,474,410	\$ 83,147,451
Total equity	\$ 11,262,904	\$ 11,887,345
Economic capital ratio ⁽²⁾ *	14.2%	14.3%

* 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.

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.

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Economic interest expense is comprised of GAAP interest expense, the net interest component of interest rate swaps (which includes net interest on variation margin related to interest rate swaps) and net interest on initial margin related to interest rate swaps, which is reported in Other, net in the Company's Consolidated Statement of Comprehensive Income (Loss). 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).

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) *
For the three months ended	(dollars in thousands)		
June 30, 2024	\$ 1,177,325	\$ (7,306)	\$ 1,170,019
June 30, 2023	\$ 921,494	\$ (11,923)	\$ 909,571
For the six months ended			
June 30, 2024	\$ 2,271,813	\$ (10,319)	\$ 2,261,494
June 30, 2023	\$ 1,739,744	\$ (11,432)	\$ 1,728,312

* 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 and Net Interest on Initial Margin	Economic Interest Expense *	GAAP Net Interest Income	Less: Net Interest Component of Interest Rate Swaps and Net Interest on Initial Margin	Economic Net Interest Income *	Add: PAA Cost (Benefit)	Economic Net Interest Income (excluding PAA) *
For the three months ended	(dollars in thousands)							
June 30, 2024	\$ 1,123,767	\$ (317,297)	\$ 806,470	\$ 53,558	\$ (317,297)	\$ 370,855	\$ (7,306)	\$ 363,549
June 30, 2023	\$ 953,457	\$ (425,293)	\$ 528,164	\$ (31,963)	\$ (425,293)	\$ 393,330	\$ (11,923)	\$ 381,407
For the six months ended								
June 30, 2024	\$ 2,224,706	\$ (647,446)	\$ 1,577,260	\$ 47,107	\$ (647,446)	\$ 694,553	\$ (10,319)	\$ 684,234
June 30, 2023	\$ 1,752,244	\$ (810,999)	\$ 941,245	\$ (12,500)	\$ (810,999)	\$ 798,499	\$ (11,432)	\$ 787,067

* 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.

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	Experienced CPR ⁽¹⁾	Projected Long-term CPR ⁽²⁾
For the three months ended		
June 30, 2024	7.4 %	8.5 %
June 30, 2023	7.0 %	8.6 %
For the six months ended		
June 30, 2024	6.7 %	8.5 %
June 30, 2023	6.3 %	8.6 %

⁽¹⁾ For the three and six months ended June 30, 2024 and 2023, respectively.

⁽²⁾ At June 30, 2024 and 2023, 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 economic interest expense divided by the sum of average interest earning assets plus average TBA contract and CMBX balances, provide management with additional measures of our profitability that management relies upon in monitoring the performance of the business.

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

Net Interest Spread (excluding PAA)

	Average Interest Earning Assets ⁽¹⁾	Interest Income (excluding PAA) *	Average Yield on Interest Earning Assets (excluding PAA) *	Average Interest Bearing Liabilities ⁽²⁾	Economic Interest Expense * ⁽²⁾	Average Economic Cost of Interest Bearing Liabilities * ⁽²⁾	Economic Net Interest Income (excluding PAA) *	Net Interest Spread (excluding PAA) *
For the three months ended								
	(dollars in thousands)							
June 30, 2024	\$ 91,008,934	\$ 1,170,019	5.14 %	\$ 81,901,233	\$ 806,470	3.90 %	363,549	1.24 %
June 30, 2023	\$ 86,254,955	\$ 909,571	4.22 %	\$ 75,424,564	\$ 528,164	2.77 %	381,407	1.45 %
For the six months ended								
June 30, 2024	\$ 90,373,830	\$ 2,261,494	5.00 %	\$ 81,291,672	\$ 1,577,260	3.84 %	684,234	1.16 %
June 30, 2023	\$ 84,449,977	\$ 1,728,312	4.09 %	\$ 73,030,098	\$ 941,245	2.56 %	787,067	1.53 %

* 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. 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, the net interest component of interest rate swaps, and, beginning with the quarter ended June 30, 2024, net interest on initial margin related to interest rate swaps, which is reported in Other, net in the Company's Consolidated Statement of Comprehensive Income (Loss). Prior period results have not been adjusted in accordance with this change as the impact is not material. Net interest on variation margin related to interest rate swaps was previously and is currently included in the Net interest component of interest rate swaps in the Company's Consolidated Statement of Comprehensive Income (Loss) for all periods presented.

Net Interest Margin (excluding PAA)

	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) *
For the three months ended								
	(dollars in thousands)							
June 30, 2024	\$ 1,170,019	486	(806,470)	\$ 364,035	\$ 91,008,934	998,990	\$ 92,007,924	1.58 %
June 30, 2023	\$ 909,571	1,734	(528,164)	\$ 383,141	\$ 86,254,955	6,303,202	\$ 92,558,157	1.66 %
For the six months ended								
June 30, 2024	\$ 2,261,494	1,861	(1,577,260)	\$ 686,095	\$ 90,373,830	574,290	\$ 90,948,120	1.51 %
June 30, 2023	\$ 1,728,312	19,917	(941,245)	\$ 806,984	\$ 84,449,977	10,126,544	\$ 94,576,521	1.71 %

* 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 \$0 and \$0.5 million for the three months ended June 30, 2024 and 2023, respectively. CMBX coupon income totaled \$0 and \$1.5 million for the six months ended June 30, 2024 and 2023, respectively.

Item 2. Management's Discussion and Analysis*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 shows our average interest bearing liabilities and average economic cost of interest bearing liabilities as compared to average one-month and average six-month SOFR for the periods presented.

Average Economic Cost of Interest Bearing Liabilities

	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	Average Six- Month Term SOFR	Average One-Month Term SOFR Relative to Average Six- Month Term SOFR	Average Economic Cost of Interest Bearing Liabilities Relative to Average One- Month Term SOFR	Average Economic Cost of Interest Bearing Liabilities Relative to Average Six- Month Term SOFR
For the three months ended									
June 30, 2024	\$ 81,901,233	\$ 79,739,332	\$ 806,470	3.90 %	5.33 %	5.29 %	0.04 %	(1.43 %)	(1.39 %)
June 30, 2023	\$ 75,424,564	\$ 71,919,189	\$ 528,164	2.77 %	5.04 %	5.13 %	(0.09 %)	(2.27 %)	(2.36 %)
For the six months ended									
June 30, 2024	\$ 81,291,672	\$ 79,739,332	\$ 1,577,260	3.84 %	5.33 %	5.25 %	0.08 %	(1.49 %)	(1.41 %)
June 30, 2023	\$ 73,030,098	\$ 71,919,189	\$ 941,245	2.56 %	4.83 %	5.03 %	(0.20 %)	(2.27 %)	(2.47 %)

* 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, the net interest component of interest rate swaps, and, beginning with the quarter ended June 30, 2024, net interest on initial margin related to interest rate swaps, which is reported in Other, net in the Company's Consolidated Statement of Comprehensive Income (Loss). Prior period results have not been adjusted in accordance with this change as the impact is not material. Net interest on variation margin related to interest rate swaps was previously and is currently included in the Net interest component of interest rate swaps in the Company's Consolidated Statement of Comprehensive Income (Loss) for all periods presented.

Economic interest expense increased by \$278.3 million for the three months ended June 30, 2024, compared to the same period in 2023, primarily due to higher interest expense on repurchase agreements reflecting higher borrowing rates, higher average interest bearing liabilities, and the reduction in the net interest component of interest rate swaps, which was \$298.4 million for the three months ended June 30, 2024, compared to \$425.3 million for the same period in 2023.

Economic interest expense increased by \$636.0 million for the six months ended June 30, 2024 compared to the same period in 2023, primarily due to higher interest expense on repurchase agreements reflecting higher borrowing rates, higher average interest bearing liabilities and the reduction in the net interest component of interest rate swaps, which was \$628.5 million for the six months ended June 30, 2024 compared to \$811.0 million for the same period in 2023.

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 June 30, 2024 and 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. 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.

Item 2. Management's Discussion and Analysis**Other Income (Loss)***For the Three Months Ended June 30, 2024 and 2023***Net Gains (Losses) on Investments and Other**

Net gains (losses) on disposal of investments was (\$336.0) million for the three months ended June 30, 2024, compared to (\$610.4) million for the same period in 2023. For the three months ended June 30, 2024, we disposed of Residential Securities with a carrying value of \$5.2 billion for an aggregate net gain (loss) of (\$375.0) million. For the same period in 2023, we disposed of Residential Securities, with a carrying value of \$8.4 billion for an aggregate net gain (loss) of (\$599.2) million.

Net unrealized gains (losses) on instruments measured at fair value through earnings was (\$232.8) million for the three months ended June 30, 2024, compared to (\$698.6) million for the same period in 2023, primarily due to favorable changes in unrealized gains (losses) on Agency MBS of \$498.0 million and securitized residential whole loans of consolidated VIEs of \$172.6 million, partially offset by unfavorable changes in residential securitized debt of consolidated VIEs of (\$125.7) million, U.S. Treasury securities sold, not yet purchased of (\$44.9) million, and MSR of (\$28.2) million.

Net Gains (Losses) on Derivatives

Net gains (losses) on interest rate swaps for the three months ended June 30, 2024 was \$414.6 million compared to \$1.3 billion for the same period in 2023, primarily attributable to unfavorable changes in unrealized and realized gains (losses) on interest rate swaps and net interest component of interest rate swaps. Unrealized gains (losses) on interest rate swaps was \$97.5 million for the three months ended June 30, 2024, compared to \$841.7 million for the same period in 2023. Realized gains (losses) on termination of interest rate swaps was \$18.7 million for the three months ended June 30, 2024, compared to \$48.1 million for the same period in 2023, which reflected our termination of fixed-rate payer and receiver interest rate swaps with notional amounts of \$410.0 million and \$3.0 billion, compared to notional amounts of \$820.8 million of fixed-rate payer interest rate swaps for the same period in 2023. Net interest component on interest rate swaps was \$298.4 million for the three months ended June 30, 2024, compared to \$425.3 million for the same period in 2023.

Net gains (losses) on other derivatives was \$15.9 million for the three months ended June 30, 2024, compared to \$160.2 million for the same period in 2023. The change in net gains (losses) on other derivatives was primarily due to unfavorable changes in net gains (losses) on futures, which was \$2.3 million for the three months ended June 30, 2024, compared to \$171.2 million for the same period in 2023, and net gains (losses) on interest rate swaptions, which was \$11.5 million for the three months ended June 30, 2024, compared to \$53.4 million for the same period in 2023, partially offset by a favorable change in net gains (losses) on TBA derivatives, which was (\$0.3) million for the three months ended June 30, 2024, compared to (\$61.5) million for the same period in 2023.

Other, Net

Other, net includes brokerage and commission fees, due diligence costs, securitization expenses, and 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 for the three months ended June 30, 2024 was \$24.8 million compared to \$9.1 million for the same period in 2023, primarily attributable to an increase in interest on custodial balances and decrease in asset write-downs, partially offset by an increase in securitization related costs and MSR financing expenses.

*For the Six Months Ended June 30, 2024 and 2023***Net Gains (Losses) on Investments and Other**

Net gains (losses) on disposal of investments and other was (\$881.9) million for the six months ended June 30, 2024 compared to (\$1.1) billion for the same period in 2023. For the six months ended June 30, 2024, we disposed of Residential Securities with a carrying value of \$13.3 billion for an aggregate net gain (loss) of (\$813.2) million. For the same period in 2023, we disposed of Residential Securities with a carrying value of \$13.6 billion for an aggregate net gain (loss) of (\$1.1) billion.

Net unrealized gains (losses) on instruments measured at fair value through earnings was (\$680.9) million for the six months ended June 30, 2024 compared to (\$175.2) million for the same period in 2023, primarily due to unfavorable changes in unrealized gains (losses) on Agency MBS of (\$600.9) million, securitized residential whole loans of consolidated VIEs of (\$122.3) million, residential whole loans of (\$59.1) million, and mortgage servicing rights of (\$16.9) million, partially offset by

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favorable changes on securitized debt of consolidated VIEs of \$172.2 million, U.S. Treasury securities sold, not yet purchased of \$88.4 million, and participations issued of \$29.3 million.

Net Gains (Losses) on Derivatives

Net gains (losses) on interest rate swaps for the six months ended June 30, 2024 was \$1.6 billion compared to \$598.8 million for the same period in 2023, attributable to favorable changes in unrealized gains (losses) on interest rate swaps and realized gains (losses) on termination of interest rate swaps, partially offset by the change in the net interest component of interest rate swaps. Unrealized gains (losses) on interest rate swaps was \$998.4 million for the six months ended June 30, 2024 compared to (\$114.6) million for the same period in 2023. Realized gains (losses) on termination of interest rate swaps was (\$2.5) million for the six months ended June 30, 2024, compared to (\$97.7) million for the same period in 2023, which reflected our termination of fixed-rate payer and receiver interest rate swaps with notional amounts of \$2.7 billion and \$3.3 billion, compared to fixed-rate payer and receiver interest rate swaps with notional amounts of \$3.1 billion and \$6.3 billion for the same period in 2023. Net interest component on interest rate swaps was \$628.5 million for the six months ended June 30, 2024 compared to \$811.0 million for the same period in 2023.

Net gains (losses) on other derivatives was \$183.2 million for the six months ended June 30, 2024 compared to (\$24.2) million for the same period in 2023. The change in net gains (losses) on other derivatives was primarily due to favorable changes in net gains (losses) on futures, which was \$139.4 million for the six months ended June 30, 2024 compared to (\$25.3) million for the same period in 2023, and net gains (losses) on interest rate swaptions, which was \$42.2 million for the six months ended June 30, 2024 compared to \$9.7 million for the same period in 2023.

Other, Net

Other, net for the six months ended June 30, 2024 was \$48.2 million compared to \$24.6 million for the same period in 2023, primarily attributable to an increase in interest on custodial balances and decrease in asset write-downs, partially offset by an increase in securitization related costs and 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.

G&A Expenses and Operating Expense Ratios

	Total G&A Expenses	Total G&A Expenses/Average Assets	Total G&A Expenses/Average Equity
For the three months ended			
	(dollars in thousands)		
June 30, 2024	\$ 44,891	0.19 %	1.58 %
June 30, 2023	\$ 42,915	0.19 %	1.44 %
For the six months ended			
June 30, 2024	\$ 83,461	0.18 %	1.47 %
June 30, 2023	\$ 83,743	0.19 %	1.43 %

G&A expenses were \$44.9 million for the three months ended June 30, 2024, an increase of \$2.0 million compared to the same period in 2023. The change in the period was primarily due to an increase in compensation, partially offset by lower expenses related to technology and professional fees.

G&A expenses were \$83.5 million for the six months ended June 30, 2024, a decrease of \$0.3 million compared to the same period in 2023. The change in the period was primarily due to lower professional fees and expenses related to technology, equipment, and insurance, partially offset by an increase in compensation.

Item 2. Management's Discussion and Analysis**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

	Economic Net Interest Income/ Average Equity ⁽¹⁾	Net Servicing Income/Average Equity	Other Income (Loss)/Average Equity	G&A Expenses/ Average Equity	Income Taxes/ Average Equity	Return on Average Equity
For the three months ended						
June 30, 2024	12.37 %	3.79 %	(14.47 %)	(1.58 %)	(0.42 %)	(0.31 %)
June 30, 2023	13.22 %	2.52 %	(8.40 %)	(1.44 %)	(0.48 %)	5.42 %
For the six months ended						
June 30, 2024	11.89 %	3.71 %	(5.91 %)	(1.47 %)	(0.19 %)	8.03 %
June 30, 2023	13.62 %	2.58 %	(25.91 %)	(1.43 %)	(0.43 %)	(11.57 %)

⁽¹⁾ Economic net interest income includes the net interest component of interest rate swaps and net interest on initial margin related to interest rate swaps, which is reported in Other, net in the Company's Consolidated Statement of Comprehensive Income (Loss).

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

Unrealized Gains and Losses - Available-for-Sale Investments

The unrealized fluctuations in market values of 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 shows cumulative unrealized gains and losses on our available-for-sale investments reflected in the Consolidated Statements of Financial Condition.

	June 30, 2024	December 31, 2023
	(dollars in thousands)	
Unrealized gain	\$ 3,820	\$ 5,051
Unrealized loss	(1,160,747)	(1,340,451)
Accumulated other comprehensive income (loss)	\$ (1,156,927)	\$ (1,335,400)

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 June 30, 2024 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.

Financial Condition

Total assets were \$93.7 billion and \$93.2 billion at June 30, 2024 and December 31, 2023, respectively. The change was primarily due to increases in securitized residential whole loans of consolidated VIEs of \$4.6 billion, mortgage servicing rights of \$663.4 million, residential whole loans of \$195.1 million, and cash and cash equivalents of \$175.0 million, partially offset by decreases in securities of \$2.6 billion, receivables for unsettled trades of \$2.4 billion and principal and interest receivable of \$305.6 million. Our portfolio composition, net equity allocation and debt-to-net equity ratio by asset class were as follows at June 30, 2024:

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	Agency MBS	MSR	Residential Credit ⁽¹⁾	Commercial	Total
Assets					
	(dollars in thousands)				
Fair value	\$ 64,390,905	\$ 2,785,614	\$ 23,036,336	\$ 112,552	\$ 90,325,407
Implied market value of derivatives ⁽²⁾	1,652,389	—	—	—	1,652,389
Debt					
Repurchase agreements	56,692,738	—	3,994,635	100,621	60,787,994
Implied cost basis of derivatives ⁽²⁾	1,639,941	—	—	—	1,639,941
Other secured financing	—	600,000	—	—	600,000
Debt issued by securitization vehicles	—	—	15,831,915	—	15,831,915
Participations issued	—	—	1,144,821	—	1,144,821
U.S. Treasury securities sold, not yet purchased	1,929,728	(2,566)	47,444	(4)	1,974,602
Net forward purchases	729,929	45,683	—	—	775,612
Other					
Net other assets / liabilities	1,422,239	363,448	188,347	65,959	2,039,993
Net equity allocated	\$ 6,473,197	\$ 2,505,945	\$ 2,205,868	\$ 77,894	\$ 11,262,904
Net equity allocated (%)	58 %	22 %	19 %	1 %	100 %
Debt/net equity ratio ⁽³⁾	9.1:1	0.2:1	9.5:1	1.3:1	7.1:1

⁽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 in the Consolidated Statements of Financial Condition.

Residential Securities

Substantially all of our Agency MBS at June 30, 2024 and December 31, 2023 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, 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 in 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 June 30, 2024 and December 31, 2023, we had in our Consolidated Statements of Financial Condition a total of \$1.3 billion and \$1.4 billion, respectively, of unamortized discount (which is the difference between the remaining principal value and current amortized cost of our Residential Securities acquired at a price below principal value) and a total of \$2.2 billion and \$2.4 billion, respectively, of unamortized premium (which is the difference between the remaining principal value and the current amortized cost of our Residential Securities acquired at a price above principal value).

The weighted average experienced prepayment speed on our Agency MBS portfolio for the three months ended June 30, 2024 and 2023 was 7.4% and 7.0%, respectively. The weighted average projected long-term prepayment speed on our Agency MBS portfolio as of June 30, 2024 and 2023 was 8.5% and 8.6%, 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 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.

Item 2. Management's Discussion and Analysis

The following table presents our Residential Securities that were carried at fair value at June 30, 2024 and December 31, 2023.

	June 30, 2024	December 31, 2023
	Estimated Fair Value	
Agency		
Fixed-rate pass-through	\$ 60,474,480	\$ 62,198,941
Adjustable-rate pass-through	177,761	191,489
CMO	76,919	82,972
Interest-only	273,556	264,005
Multifamily	3,361,183	3,544,528
Reverse mortgages	27,006	26,853
Total agency securities	\$ 64,390,905	\$ 66,308,788
Residential credit		
Credit risk transfer	\$ 838,437	\$ 974,059
Alt-A	156,928	150,235
Prime	32,812	180,647
Subprime	259,366	235,605
NPL/RPL	1,096,168	1,197,555
Prime jumbo (>= 2010 vintage)	157,585	344,232
Total residential credit securities	\$ 2,541,296	\$ 3,082,333
Total Residential Securities	\$ 66,932,201	\$ 69,391,121

The following table summarizes certain characteristics of our Residential Securities (excluding interest-only mortgage-backed securities) and interest-only mortgage-backed securities at June 30, 2024 and December 31, 2023.

	June 30, 2024	December 31, 2023
Residential Securities ⁽¹⁾	(dollars in thousands)	
Principal amount	\$ 68,250,510	\$ 70,078,626
Net premium	35,644	63,902
Amortized cost	68,286,154	70,142,528
Amortized cost / principal amount	100.05 %	100.09 %
Carrying value	66,166,223	68,701,769
Carrying value / principal amount	96.95 %	98.04 %
Weighted average coupon rate	4.94 %	4.68 %
Weighted average yield	4.91 %	4.64 %
Adjustable-rate Residential Securities ⁽¹⁾		
Principal amount	\$ 1,044,405	\$ 1,206,700
Weighted average coupon rate	8.94 %	8.79 %
Weighted average yield	8.11 %	8.09 %
Weighted average term to next adjustment ⁽²⁾	7 Months	8 Months
Weighted average lifetime cap ⁽³⁾	9.33 %	9.34 %
Principal amount at period end as % of total residential securities	1.53 %	1.72 %
Fixed-rate Residential Securities ⁽¹⁾		
Principal amount	\$ 67,206,105	\$ 68,871,926
Weighted average coupon rate	4.88 %	4.61 %
Weighted average yield	4.86 %	4.58 %
Principal amount at period end as % of total residential securities	98.47 %	98.28 %
Interest-only Residential Securities		
Notional amount	\$ 30,734,260	\$ 25,918,105
Net premium	913,589	865,467
Amortized cost	913,589	865,467
Amortized cost / notional amount	2.97 %	3.34 %
Carrying value	765,978	689,352
Carrying value / notional amount	2.49 %	2.66 %
Weighted average coupon rate	0.48 %	0.43 %
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.

Item 2. Management's Discussion and Analysis

The following tables summarize certain characteristics of our Residential Credit portfolio at June 30, 2024.

		Payment Structure		Investment Characteristics ⁽¹⁾			
Product	Estimated Fair Value	Senior	Subordinate	Coupon	Credit Enhancement	60+ Delinquencies	3M VPR ⁽²⁾
(dollars in thousands)							
Credit risk transfer	\$ 838,437	\$ —	\$ 838,437	9.81 %	1.69 %	0.81 %	4.92 %
Alt-A	156,928	—	156,928	7.07 %	9.34 %	2.86 %	12.34 %
Prime	32,812	20,653	12,159	4.05 %	0.74 %	2.45 %	2.96 %
Subprime	259,366	65,321	194,045	7.38 %	23.20 %	11.02 %	8.52 %
Re-performing loan securitizations	708,262	403,469	304,793	5.81 %	27.64 %	15.99 %	3.86 %
Non-performing loan securitizations	387,906	341,407	46,499	5.84 %	39.59 %	60.06 %	6.72 %
Prime jumbo (>=2010 vintage)	157,585	87,771	69,814	5.30 %	1.02 %	0.45 %	5.21 %
Total/weighted average	\$ 2,541,296	\$ 918,621	\$ 1,622,675	7.31 %	18.30 %	15.98 %	5.72 %

⁽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	\$ —	\$ —	\$ 838,437	\$ —	\$ 838,437
Alt-A	1,242	155,686	—	—	156,928
Prime	—	18,573	—	14,239	32,812
Subprime	—	238,662	20,622	82	259,366
Re-performing loan securitizations	—	708,262	—	—	708,262
Non-performing loan securitizations	—	387,906	—	—	387,906
Prime jumbo (>=2010 vintage)	—	49,563	20,251	87,771	157,585
Total	\$ 1,242	\$ 1,558,652	\$ 879,310	\$ 102,092	\$ 2,541,296

Contractual Obligations

The following table summarizes the effect on our liquidity and cash flows from contractual obligations at June 30, 2024. 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 June 30, 2024, the interest rate swaps had a net fair value of \$1.5 million.

	Within One Year	One to Three Years	Three to Five Years	More than Five Years	Total
(dollars in thousands)					
Repurchase agreements	\$ 60,461,281	\$ 326,713	\$ —	\$ —	\$ 60,787,994
Interest expense on repurchase agreements ⁽¹⁾	344,189	19,608	—	—	363,797
Other secured financing	225,000	375,000	—	—	600,000
Interest expense on other secured financing ⁽¹⁾	41,659	13,465	—	—	55,124
Debt issued by securitization vehicles (principal)	—	—	—	16,911,585	16,911,585
Interest expense on debt issued by securitization vehicles	855,537	1,711,074	1,711,074	26,306,021	30,583,706
Participations issued (principal)	—	—	—	1,115,487	1,115,487
Interest expense on participations issued	82,030	164,059	164,059	2,039,541	2,449,689
Long-term operating lease obligations	4,111	1,487	157	—	5,755
Total	\$ 62,013,807	\$ 2,611,406	\$ 1,875,290	\$ 46,372,634	\$ 112,873,137

⁽¹⁾ Interest expense on repurchase agreements and other secured financing calculated based on rates at June 30, 2024.

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 six months ended June 30, 2024, we received \$3.1 billion from principal repayments and \$14.9 billion in cash from disposal of Securities. During the six months ended June 30, 2023, we received \$3.0 billion from principal repayments and \$12.5 billion in cash from disposal of Securities.

Item 2. Management's Discussion and Analysis***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.

The major risks impacting capital are 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" in our most recent Annual Report on Form 10-K and in Part II, Item 1A. "Risk Factors" in this Quarterly Report on Form 10-Q.

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.

Stockholders' Equity

The following table provides a summary of total stockholders' equity at June 30, 2024 and December 31, 2023:

	June 30, 2024	December 31, 2023
Stockholders' equity	(dollars in thousands)	
6.95% Series F fixed-to-floating rate cumulative redeemable preferred stock	696,910	696,910
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	428,324	428,324
Common stock	5,010	5,001
Additional paid-in capital	23,694,663	23,672,391
Accumulated other comprehensive income (loss)	(1,156,927)	(1,335,400)
Accumulated deficit	(12,898,191)	(12,622,768)
Total stockholders' equity	\$ 11,181,124	\$ 11,255,793

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 three and six months ended June 30, 2024 and 2023, no shares were purchased under the Current Share Repurchase Program or Prior Share Repurchase Program.

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").

Item 2. Management's Discussion and Analysis

During the three and six months ended June 30, 2024, under the at-the-market sales program, we issued 0.6 million shares for proceeds of \$11.3 million, net of commissions and fees. During the six months ended June 30, 2023, under the at-the-market sales program, we issued 25.3 million shares for proceeds of \$562.7 million, net of commissions and fees. Refer to the "Capital Stock" Note located within Item 1 for additional information related to the at-the-market sales program.

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 with respect to the Preferred Stock Repurchase Program during the three and six months ended June 30, 2024.

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 June 30, 2024 and December 31, 2023 was 7.1:1 and 6.8:1, 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 5.8:1 and 5.7:1, at June 30, 2024 and December 31, 2023, respectively. Our GAAP capital ratio at June 30, 2024 and December 31, 2023 was 12.0% and 12.2%, 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 14.2% and 14.0% at June 30, 2024 and December 31, 2023, 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.

Our risk management framework is intended to facilitate a holistic, 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.

Item 2. Management's Discussion and Analysis***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:

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 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 Risk Committee and Audit Committee with support from the other Board Committees. The 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 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 Risk Committee and the 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 environmental, social, and governance ("ESG") risk to us. The full Board has overall responsibility for ESG oversight, and the Corporate Responsibility Committee meets jointly with other Committees from time to time in order to review areas of shared responsibility.

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 / 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 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.

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

Item 2. Management's Discussion and Analysis**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 risk management framework.

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

Risk	Description
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 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.

Liquidity and Funding Risk Management

Our 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 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 our wholly-owned subsidiary, Arcola Securities, Inc. ("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.

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 June 30, 2024 and December 31, 2023, the weighted average days to maturity was 36 days and 44 days, respectively.

Item 2. Management's Discussion and Analysis

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. We have continued to diversify our financing profile adding new non-mark-to-market facilities and financing options under existing facilities for our Residential Credit operating segment. The non-mark-to-market facilities have margin call features that adjust on factors other than the changes in the market value of pledged collateral. We remain active and flexible in our liquidity structure to market developments.

At June 30, 2024, we had total financial assets and cash pledged against existing liabilities of \$65.3 billion. The weighted average haircut was approximately 4% 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 June 30, 2024, compared to the same period in 2023, 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 three months ended June 30, 2024.

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	
	Average Daily Amount Outstanding	Ending Amount Outstanding	Average Daily Amount Outstanding	Ending Amount Outstanding
For the three months ended	(dollars in thousands)			
June 30, 2024	\$ 63,043,218	\$ 60,787,994	\$ 2,322,479	\$ —
March 31, 2024	64,027,388	58,975,232	2,323,485	—
December 31, 2023	61,924,576	62,201,543	1,340,204	—
September 30, 2023	66,020,036	64,693,821	257,097	—
June 30, 2023	64,591,463	61,637,600	600,968	—
March 31, 2023	60,477,833	60,993,018	371,429	—
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	—

Our committed facility warehouse lines provide financing for our MSR portfolio for liquidity purposes. We maintain a conservative approach to these facilities, generally over-collateralizing the lines against margin calls.

The following table provides information on our repurchase agreements and other secured financing by maturity date at June 30, 2024. The weighted average remaining maturity on our repurchase agreements and other secured financing was 40 days at June 30, 2024:

	June 30, 2024		
	Principal Balance	Weighted Average Rate	% of Total
	(dollars in thousands)		
1 day	\$ 19,022,508	5.58 %	31.0 %
2 to 29 days	15,167,764	5.53 %	24.7 %
30 to 59 days	17,821,775	5.51 %	29.0 %
60 to 89 days	4,144,700	5.67 %	6.8 %
90 to 119 days	858,510	6.22 %	1.4 %
Over 119 days ⁽¹⁾	4,372,737	6.26 %	7.1 %
Total	\$ 61,387,994	5.61 %	100.0 %

⁽¹⁾ Approximately 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. In order to increase financing optionality for our Onslow Bay platform we closed a new warehouse facility that includes expanded product offerings with a non-mark-to-market component for residential whole loans and a new non-mark-to-market two-year facility for OBX retained securities.

Item 2. Management's Discussion and Analysis

The following table presents our outstanding debt balances and associated weighted average rates and days to maturity at June 30, 2024:

	Principal Balance	Weighted Average Rate		Weighted Average Days to Maturity ⁽¹⁾
		As of Period End	For the Quarter	
		(dollars in thousands)		
Repurchase agreements	\$ 60,787,994	5.59 %	5.53 %	36
Other secured financing	600,000	8.08 %	8.07 %	409
Debt issued by securitization vehicles ⁽²⁾	16,911,585	5.06 %	5.05 %	12,869
Participations issued ⁽²⁾	1,115,487	7.35 %	6.97 %	10,900
Total indebtedness	\$ 79,415,066			

⁽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 June 30, 2024:

	Encumbered Assets		Unencumbered Assets		Total
Financial assets			(dollars in thousands)		
Cash and cash equivalents	\$	1,266,528	\$	320,580	\$ 1,587,108
Investments, at carrying value ⁽¹⁾					
Agency mortgage-backed securities		60,523,798		3,207,638	63,731,436
Credit risk transfer securities		835,000		3,437	838,437
Non-agency mortgage-backed securities		1,330,017		372,842	1,702,859
Commercial mortgage-backed securities		112,552		—	112,552
Residential mortgage loans ⁽²⁾		20,010,979		484,061	20,495,040
MSR		1,865,890		919,724	2,785,614
Other assets ⁽³⁾		—		56,990	56,990
Total financial assets	\$	85,944,764	\$	5,365,272	\$ 91,310,036

⁽¹⁾ The amounts reflected in the table above are on a settlement date basis and may differ from the total positions reported in 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 June 30, 2024:

Item 2. Management's Discussion and Analysis

Carrying Value ⁽¹⁾	
(dollars in thousands)	
Liquid assets	
Cash and cash equivalents	\$ 1,587,108
Residential Securities ⁽²⁾	66,272,651
Commercial mortgage-backed securities	112,552
Residential mortgage loans ⁽³⁾	2,548,228
Total liquid assets	\$ 70,520,539
Percentage of liquid assets to carrying amount of encumbered and unencumbered financial assets ⁽⁴⁾	96.15 %

⁽¹⁾ Carrying value approximates the market value of assets. The assets listed in this table include \$65.3 billion of assets that have been pledged as collateral against existing liabilities at June 30, 2024. 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 in the Consolidated Statements of Financial Condition.

⁽³⁾ Excludes securitized residential mortgage loans transferred or pledged to consolidated VIEs carried at fair value of \$17.9 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 \$18.0 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 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 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 June 30, 2024 could vary substantially based on actual prepayment experience.

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	Less than 3 Months	3-12 Months	More than 1 Year to 3 Years	3 Years and Over	Total
Financial assets					
(dollars in thousands)					
Cash and cash equivalents	\$ 1,587,108	\$ —	\$ —	\$ —	\$ 1,587,108
Agency mortgage-backed securities (principal)	—	23	63,066	65,711,370	65,774,459
Residential credit risk transfer securities (principal)	—	4,510	1,807	773,976	780,293
Non-agency mortgage-backed securities (principal)	59,276	95,966	656,435	884,081	1,695,758
Commercial mortgage-backed securities (principal)	—	47,933	64,355	—	112,288
Total securities	59,276	148,432	785,663	67,369,427	68,362,798
Residential mortgage loans (principal)	—	—	71	2,485,350	2,485,421
Total loans	—	—	71	2,485,350	2,485,421
Assets transferred or pledged to securitization vehicles (principal)	—	—	—	18,997,139	18,997,139
Total financial assets - maturity	1,646,384	148,432	785,734	88,851,916	91,432,466
Effect of utilizing reset dates ⁽¹⁾	19,517,345	501,356	285,489	(20,304,190)	—
Total financial assets - interest rate sensitive	\$ 21,163,729	\$ 649,788	\$ 1,071,223	\$ 68,547,726	\$ 91,432,466
Financial liabilities					
Repurchase agreements	\$ 56,156,747	\$ 4,304,534	\$ 326,713	\$ —	\$ 60,787,994
Debt issued by securitization vehicles (principal)	—	—	—	16,911,585	16,911,585
Participations issued (principal)	—	—	—	1,115,487	1,115,487
U.S. Treasury securities sold, not yet purchased	1,974,602	—	—	—	1,974,602
Total financial liabilities - maturity	58,131,349	4,304,534	326,713	18,027,072	80,789,668
Effect of utilizing reset dates ⁽¹⁾⁽²⁾	(52,353,970)	5,741,092	11,294,114	35,318,764	—
Total financial liabilities - interest rate sensitive	\$ 5,777,379	\$ 10,045,626	\$ 11,620,827	\$ 53,345,836	\$ 80,789,668
Maturity gap	\$ (56,484,965)	\$ (4,156,102)	\$ 459,021	\$ 70,824,844	\$ 10,642,798
Cumulative maturity gap	\$ (56,484,965)	\$ (60,641,067)	\$ (60,182,046)	\$ 10,642,798	
Interest rate sensitivity gap	\$ 15,386,350	\$ (9,395,838)	\$ (10,549,604)	\$ 15,201,890	\$ 10,642,798
Cumulative rate sensitivity gap	\$ 15,386,350	\$ 5,990,512	\$ (4,559,092)	\$ 10,642,798	

⁽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.

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.

Item 2. Management's Discussion and Analysis**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 SOFR but may also enter into interest rate swaps where the floating leg is linked to the overnight index swap rate or another 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 June 30, 2024. Actual results could differ materially from these estimates.

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	(0.1%)	(0.9%)	5.7%
-50 Basis points	—%	—%	4.1%
-25 Basis points	—%	0.3%	2.0%
+25 Basis points	(0.1%)	(0.8%)	(2.7%)
+50 Basis points	(0.2%)	(2.0%)	(5.8%)
+75 Basis points	(0.4%)	(3.5%)	(9.2%)

MBS Spread Shock ⁽¹⁾	Estimated Change in Portfolio Market Value ⁽²⁾	Estimated Change as a % on NAV ⁽²⁾⁽³⁾
-25 Basis points	1.3%	10.4%
-15 Basis points	0.8%	6.2%
-5 Basis points	0.3%	2.1%
+5 Basis points	(0.3%)	(2.0%)
+15 Basis points	(0.8%)	(6.1%)
+25 Basis points	(1.3%)	(10.1%)

⁽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 and net interest on initial margin related to interest rate swaps, which is reported in Other, net in the Company's Consolidated Statement of Comprehensive Income (Loss).

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 reduced

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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. 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 June 30, 2024 and December 31, 2023 was as follows:

Category	June 30, 2024	December 31, 2023
Agency mortgage-backed securities	71.3 %	75.9 %
Credit risk transfer securities	0.9 %	1.1 %
Non-agency mortgage-backed securities	1.9 %	2.4 %
Residential mortgage loans ⁽¹⁾	22.7 %	17.9 %
Mortgage servicing rights	3.1 %	2.4 %
Commercial real estate	0.1 %	0.3 %

⁽¹⁾ Includes assets transferred or pledged to securitization vehicles.

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 June 30, 2024:

Geography	Number of Counterparties	Secured Financing ⁽¹⁾	Interest Rate Swaps at Fair Value	Exposure ⁽²⁾
		(dollars in thousands)		
North America	21	\$ 45,225,272	\$ 4,736	\$ 3,046,774
Europe	9	11,901,346	(3,226)	823,054
Asia (non-Japan)	1	405,932	—	11,779
Japan	4	3,855,444	—	398,346
Total	35	\$ 61,387,994	\$ 1,510	\$ 4,279,953

⁽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.

Item 2. Management's Discussion and Analysis***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 and periodically conducts other operational risk tabletop exercises. Employee-level lines of defense against 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.

Cybersecurity is part of our enterprise-wide risk management framework. Processes for assessing, identifying and managing cybersecurity risks include cybersecurity risk assessments, use of key risk indicators, vendor cybersecurity risk management, employee training, 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 personally identifiable information. We also maintain a Cybersecurity Incident Response Plan ("Response Plan") with processes to identify, contain, mitigate and escalate cybersecurity incidents, utilizing cross-functional expertise and external resources as needed. We conduct periodic tabletop exercises to test our Response Plan and our reaction to various business disruption events, and the results of these tabletop exercises are reported to the Cybersecurity Committee and the ERC.

We also have processes in place to oversee and identify material risks from cybersecurity threats associated with our use of third party service providers upon which we depend on to perform various business processes related to our operations, including mortgage loan servicers and sub-servicers. Our vendor management policy establishes procedures for engaging, onboarding and monitoring the performance of third party vendors. 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-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 servicers and sub-

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servicers. Therefore, while we believe there are currently no risks from any potential 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" of our most recent Annual Report on Form 10-K and in Part II, Item 1A. "Risk Factors" in this Quarterly Report on Form 10-Q.

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, 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 oversight of the ERC.

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) of the Investment Company Act within our risk management program. Compliance with Section 3(c)(5)(C) of the Investment Company Act is monitored by the FRDC under the oversight of the ERC.

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, refer to the Note titled "Significant Accounting Policies" in the Notes to the Consolidated Financial Statements included in Item 1. "Financial Statements."

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.

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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. 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 2 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. Refer to the interest rate sensitivity and interest rate shock analysis and discussions within this Item 2 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 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 refer to the Note titled "Fair Value Measurements" in the Notes to the Consolidated Financial Statements included in Item 1. "Financial Statements."

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. Refer to the interest rate sensitivity and interest rate shock analysis and discussions within this Item 2 for further information.

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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 2 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.

Glossary of Terms

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.

Item 2. Management's Discussion and Analysis

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.

Item 2. Management's Discussion and Analysis**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 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.

Economic Interest Expense

Non-GAAP financial measure that is comprised of GAAP interest expense, the net interest component of interest rate swaps and net interest on initial margin related to interest rate swaps, which is reported in Other, net in the Company's Consolidated Statement of Comprehensive Income (Loss).

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, other secured financing and U.S. Treasury securities sold, not yet purchased. Debt issued by securitization vehicles and participations issued are non-recourse to us and are excluded from this measure.

Economic Net Interest Income

Non-GAAP financial measure that is composed of GAAP 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.

ESG

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.

Item 2. Management's Discussion and Analysis

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 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

Initial Margin

Cash or securities provided by a party to collateralize its obligations under a transaction that is not based on changes in the value of such transaction since the trade was executed.

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.

Item 2. Management’s Discussion and Analysis

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.

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 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.

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 U.S. Treasury securities sold, not yet purchased. Debt issued by securitization vehicles and participations issued are non-recourse to us.

LIBOR (London Interbank Offered Rate)

A rate previously used as a benchmark for financial transactions. All tenors of LIBOR relevant to us are either no longer published or are no longer 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.

Monetary Policy

Action taken by the Federal Open Market Committee of the Federal Reserve System to influence the money supply or interest rates.

Item 2. Management’s Discussion and Analysis**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 economic interest expense 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.

Item 2. Management’s Discussion and Analysis

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, other secured financing and U.S Treasury securities sold, not yet purchased. Debt issued by securitization vehicles and participations issued 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.

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.

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.

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.

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
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.

Item 2. Management's Discussion and Analysis

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.

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.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Quantitative and qualitative disclosures about market risk are contained within the section titled “Risk Management” of Item 2. “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

ITEM 4. 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 the Company in reports it files or submits under the Securities Exchange Act is accumulated and communicated to our management, including our CEO and CFO, as appropriate to allow timely decisions regarding required disclosure and (2) were effective in ensuring that information required to be disclosed by the Company 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 June 30, 2024 that have materially affected, or are reasonably likely to materially affect our internal control over financial reporting.

PART II - OTHER INFORMATION**ITEM 1. LEGAL PROCEEDINGS**

From time to time, we are involved in various claims and legal actions arising in the ordinary course of business. As of June 30, 2024, we were not party to any pending material legal proceedings.

ITEM 1A. RISK FACTORS

There have been no material changes to the risk factors disclosed in Item 1A. “Risk Factors” of our most recent annual report on Form 10-K. The materialization of any risks and uncertainties identified in our Special Note Regarding Forward-Looking Statements contained in this report together with those previously disclosed in our most recent annual report on Form 10-K or those that are presently unforeseen could result in significant adverse effects on our financial condition, results of operations and cash flows. See Item 2. “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Special Note Regarding Forward-Looking Statements” in this quarterly report or our most recent annual report on Form 10-K.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

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. No shares were repurchased with respect to this share repurchase program during the quarter ended June 30, 2024. As of June 30, 2024, the maximum dollar value of shares that may yet be repurchased under this program was \$1.5 billion.

ITEM 5. OTHER INFORMATION

During the quarter ended June 30, 2024, 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, except as set forth below:

Name and Title	Date of Adoption of Rule 10b5-1 Trading Plan	Duration of 10b5-1 Trading Arrangements	Aggregate Number of Securities to be Purchased or Sold
David L. Finkelstein, Chief Executive Officer and Chief Investment Officer	May 16, 2024	The plan’s maximum duration is until December 5, 2025 and the first trades will not occur until August 16, 2024 at the earliest	Up to 300,000 shares of common stock in multiple transactions
Anthony Green, Chief Corporate Officer and Chief Legal Officer	May 16, 2024	The plan’s maximum duration is until March 7, 2025 and the first trades will not occur until August 16, 2024 at the earliest	Up to 50,000 shares of common stock in multiple transactions

ITEM 6. EXHIBITS

Exhibits:

The exhibits required by this item are set forth on the Exhibit Index attached hereto.

Exhibit Number	Exhibit Description
31.1	Certification of David L. Finkelstein, Chief Executive Officer and 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 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 June 30, 2024 (Unaudited) and December 31, 2023 (Derived from the audited Consolidated Statement of Financial Condition at December 31, 2023); (ii) Consolidated Statements of Comprehensive Income (Loss) (Unaudited) for the three and six months ended June 30, 2024 and 2023; (iii) Consolidated Statements of Stockholders' Equity (Unaudited) for the three and six months ended June 30, 2024 and 2023; (iv) Consolidated Statements of Cash Flows (Unaudited) for the six months ended June 30, 2024 and 2023; and (v) Notes to Consolidated Financial Statements (Unaudited).
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 †
101.LAB XBRL	Taxonomy Extension Label Linkbase Document †
101.PRE XBRL	Taxonomy Extension Presentation Linkbase Document †
104	The cover page for the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2024 (formatted in Inline XBRL and contained in Exhibit 101).

† Submitted electronically herewith.

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.

ANNALY CAPITAL MANAGEMENT, INC.

Dated: July 29, 2024

By: /s/ David L. Finkelstein

David L. Finkelstein

Chief Executive Officer, Chief Investment Officer and Director (Principal Executive Officer)

Dated: July 29, 2024

By: /s/ Serena Wolfe

Serena Wolfe

Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)

CERTIFICATIONS

I, David L. Finkelstein, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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: July 29, 2024

/s/ David L. Finkelstein

Chief Executive Officer and Chief Investment Officer (Principal Executive Officer)

CERTIFICATIONS

I, Serena Wolfe, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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: July 29, 2024

/s/ Serena Wolfe
Chief Financial Officer (Principal Financial Officer)

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 quarterly report on Form 10-Q of Annaly Capital Management, Inc. (the “Company”) for the quarter ended June 30, 2024 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:

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 Chief Investment Officer (Principal Executive Officer)

July 29, 2024

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 quarterly report on Form 10-Q of Annaly Capital Management, Inc. (the “Company”) for the quarter ended June 30, 2024 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)
July 29, 2024