

SECURITIES AND EXCHANGE COMMISSION

FORM 8-K

Current report filing

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FILER

**ANNALY MORTGAGE MANAGEMENT INC**

CIK: **1043219** | IRS No.: **223479661** | State of Incorporation: **MD** | Fiscal Year End: **1231**  
Type: **8-K** | Act: **34** | File No.: **001-13447** | Film No.: **06999607**  
SIC: **6798** Real estate investment trusts

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported)  
August 2, 2006

Annaly Capital Management, Inc.  
(Exact Name of Registrant as Specified in its Charter)

Maryland ----- State or Other Jurisdiction Of Incorporation)	1-13447 ----- (Commission File Number)	22-3479661 ----- (I.R.S. Employer Identification No.)
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1211 Avenue of the Americas Suite 2902 New York, New York ----- (Address of Principal Executive Offices)	10036 ----- (Zip Code)
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Registrant's telephone number, including area code: (212) 696-0100

Annaly Mortgage Management, Inc.  
-----  
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

[ ] Written communications pursuant to Rule 425 under the Securities Act  
(17 CFR 230.425)

- [ ] Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- [ ] Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- [ ] Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02. Results of Operations and Financial Condition

On August 2, 2006, the registrant issued a press release announcing its financial results for the quarter ended June 30, 2006. A copy of the press release is furnished as Exhibit 99.1 to this report.

Item 5.03. Amendments to Articles of Incorporation or Bylaws;  
Change in Fiscal Year

On August 2, 2006, the registrant changed its name from Annaly Mortgage Management, Inc. to Annaly Capital Management, Inc. effective the close of business on August 2, 2006. The change was effected by amending the registrant's Articles of Incorporation pursuant to Section 2-605 of the Maryland General Corporation Law, which expressly permits the Board of Directors of a corporation to change the name of the corporation without action by the stockholders of the corporation.

The registrant's common stock will continue to trade under the ticker "NLY" on the New York Stock Exchange, and the registrant's 7.875% Series A Cumulative Redeemable Preferred Stock will continue to trade under the ticker "NLYPrA" on the New York Stock Exchange.

Item 9.01 Financial Statements and Exhibits

(c) Exhibits

- 3.1. Articles of Amendment of Annaly Mortgage Management, Inc.
- 99.1 Press Release, dated August 2, 2006 issued by Annaly Capital Management, Inc.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

By: /s/ Kathryn Fagan

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Name: Kathryn Fagan

Title: Chief Financial Officer

Dated: August 2, 2006

ANNALY MORTGAGE MANAGEMENT, INC.

ARTICLES OF AMENDMENT

Annaly Mortgage Management, Inc., a Maryland corporation (the "Corporation"), hereby certifies to the State Department of Assessments and Taxation of Maryland that:

FIRST: The charter of the Corporation is hereby amended by deleting the existing ARTICLE II in its entirety and adding a new ARTICLE II to read as follows:

ARTICLE II

The name of the corporation (which is hereinafter called the "Corporation") is:

Annaly Capital Management, Inc."

SECOND: The amendment to the charter of the Corporation as set for above has been duly approved by the Board of Directors in the manner and by the vote required by law and is limited to a change expressly authorized by Section 2-605 of the Maryland General Corporation Law to be made without action by the stockholders of the Corporation.

THIRD: The undersigned Chief Executive Officer and President of the Corporation acknowledges these Articles of Amendment to be the corporate act of the Corporation and, as to all matters or facts required to be verified under oath, the undersigned Chief Executive Officer and President acknowledges that, to the best of his knowledge, information and belief, these matters and facts are true in all material respects and that this statement is made under the penalties of perjury.

FOURTH: These Articles of Amendment shall become effective on the close of business of August 2, 2006.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Corporation has caused these Articles of Amendment to be signed in its name and on its behalf by its Chief Executive Officer and President and attested to by its Secretary on this 2nd day of August, 2006.

ATTEST:

ANNALY MORTGAGE MANAGEMENT, INC.

By: R. Nicholas Singh (SEAL)

By: Michael A.J. Farrell

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Name: R. Nicholas Singh

-----  
Name: Michael A.J. Farrell

Title: Secretary

Title: Chief Executive Officer and President

Annaly Capital Management, Inc. Reports 2nd Quarter 2006 Core EPS of \$0.16;  
Successful Deployment of New Capital Aids Performance

NEW YORK--(BUSINESS WIRE)--Aug. 2, 2006--Annaly Capital Management, Inc. (NYSE:NLY) today reported Core Earnings for the quarter ended June 30, 2006 of \$31.3 million or \$0.16 per average share available to common shareholders, as compared to Core Earnings of \$47.0 million or \$0.36 per average share available to common shareholders for the quarter ended June 30, 2005 and Core Earnings of \$23.9 million or \$0.16 per average share available to common shareholders for the quarter ended March 31, 2006. "Core Earnings" is defined as net (loss) income excluding impairment losses and gains or losses on sales of securities. On a GAAP basis, the net income for the quarter ended June 30, 2006 was \$8.6 million or \$0.02 basic net income per average share available to common shareholders, as compared to net income of \$47.0 million or \$0.36 basic net income per average share available to common shareholders for the quarter ended June 30, 2005 and a net loss of \$10.9 million or \$0.12 basic net loss per average share related to common shareholders for the quarter ended March 31, 2006.

In a separate release issued today, the Board of Directors of Annaly announced that the Company's name has been changed to Annaly Capital Management, Inc.

During the second quarter \$852 million face amount of securities were sold, resulting in a realized loss of \$1.2 million, or \$0.01 per share. In addition, the Company had a loss on other-than-temporarily impaired securities as of June 30, 2006 of \$20.1 million, or \$0.13 per share. Of the \$20.1 million, \$15.7 million resulted from further declines in the value of securities classified as other-than-temporarily impaired at March 31, 2006 and \$4.4 million from losses on additional securities that the Company determined to be other-than-temporarily impaired at June 30, 2006. The non-cash loss on the securities deemed other-than-temporarily impaired that remain in the Company's portfolio was reflected in the income statement based on the fair value of the securities on June 30, 2006, and recognition of such impairment charges will not reduce the taxable income of the Company.

Common dividends declared for the quarter ended June 30, 2006 were \$0.13 per share, as compared to \$0.36 per share for the quarter ended June 30, 2005 and \$0.11 per share for the quarter ended March 31, 2006. The annualized dividend yield on common stock for the quarter ended June 30, 2006, based on the June 30, 2006 closing price of \$12.81, was 4.06%. On a Core Earnings basis, the Company provided an annualized return on average equity of 7.63% for the quarter ended June 30, 2006, as compared to 8.03% for the quarter ended June 30, 2005 and 6.52% for the quarter ended March 31, 2006. On a GAAP basis, the Company provided an annualized return on average equity of 2.09%

for the quarter ended June 30, 2006, as compared to 11.36% for the quarter ended June 30, 2005, and (2.98%) for the quarter ended March 31, 2006.

During the second quarter, the Company completed public offerings of common stock and 6% Series B Cumulative Convertible Preferred Stock. The net proceeds of the offerings, including the exercise of the underwriters' over-allotment option, were approximately \$549 million, before offering expenses.

Michael A.J. Farrell, Chairman, Chief Executive Officer and President of Annaly, commented on the quarter's results. "The two additional 25 basis point increases to the Fed Funds rate during the second quarter brought the total to 425 basis points over the 17 meetings since June 30, 2004. Market conditions, therefore, continued to be a challenge for strategies such as ours as the protracted sell-off in the front end of the yield curve pressured the value of our assets and raised our cost of funds relative to the yield on our assets. Nevertheless, our management team has acted aggressively to manage through this period, and our returns improved over the first quarter. The key to raising our dividend this quarter while the Fed tightens has been our ability to take advantage of the relatively superior values that have become available in our asset class of short duration Agency mortgage-backed securities. Through reinvesting amortized principal, repositioning of portfolio securities and deploying the new capital raised in April, we have improved our return profile by raising our weighted average coupon, lowering our weighted average dollar cost and introducing more floating rate exposure. Our team remains focused on executing our barbell strategy, avoiding credit risk and providing transparency as we manage for long-term performance through challenging markets."

For the quarter ended June 30, 2006, the annualized yield on average earning assets was 5.17% and the annualized cost of funds on the average repurchase balance was 4.83%, which equates to an interest rate spread of 0.34%. This is a 26 basis point decrease over the 0.60% annualized interest rate spread for the quarter ended June 30, 2005 and a 2 basis point increase over 0.32% annualized interest rate spread for the quarter ended March 31, 2006. For the quarter ended June 30, 2005, the annualized yield on average earning assets was 3.63% and the annualized cost of funds on the average repurchase balance was 3.03%. For the quarter ended March 31, 2006, the annualized yield on average earning assets was 4.70% and the annualized cost of funds on the average repurchase balance was 4.38%. At June 30, 2006, the weighted average yield on assets was 5.42% and the cost of funds was 5.01%, which equates to an interest rate spread of 41 basis points. Leverage at June 30, 2006 was 11.5:1, in comparison to 10.1:1 at June 30, 2005 and 10.2:1 at March 31, 2006.

Fixed rate securities comprised 67% of the Company's portfolio at June 30, 2006. The balance of the portfolio was comprised of 24% adjustable rate mortgages and 9% LIBOR floating rate collateralized mortgage obligations. The Company has continued to avoid the introduction of credit risk into its portfolio. As of June 30, 2006, substantially all of the assets in the Company's portfolio were FNMA,

GNMA and FHLMC mortgage-backed securities, which carry an actual or implied "AAA" rating. During the second quarter 2006, the Company entered into additional swap transactions, pursuant to which, the Company agrees to pay a fixed interest rate and to receive a variable interest rate. The Company's swaps are designated as cash flow hedges against the benchmark interest rate risk associated with the Company's borrowings. The purpose of the swaps is to mitigate the risk of rising interest rates that affect our cost of funds. Since the Company will be receiving a floating rate on the notional amount of the swaps, the effect of the swaps will be to enhance the earnings potential of a portion of the fixed rate assets in the portfolio in a rising rate environment.

"Our capital-raising efforts and our portfolio decisions have helped improve our position," said Wellington Denahan-Norris, Annaly's Vice Chairman, Chief Investment Officer and Chief Operating Officer. "While the Fed appears to be close to the end of its tightening cycle, uncertain and volatile market conditions are still with us. Thus our portfolio remains defensive in nature as we have emphasized building up the floating-rate portion. Giving effect to the swaps, at June 30, 2006 our portfolio was effectively comprised of 33% fixed-rate, 24% adjustable-rate and 43% floating-rate exposure. We continue to find attractive relative values for new capital, and we will continue to use all of the tools at our disposal to position the portfolio for long-term performance. Looking ahead, recently released economic data have contributed to an adjustment in market expectations for future rate increases. We believe our portfolio is positioned to perform in a wide range of potential outcomes, but clearly it would benefit should the Fed pause in its tightening."

The following table summarizes portfolio information for the Company:

	June 30, 2006	June 30, 2005	March 31, 2006
Leverage at period-end	11.5:1	10.1:1	10.2:1
Fixed-rate mortgage-backed securities as % of portfolio	67%	33%	52%
Adjustable-rate mortgage-backed securities as % of portfolio	24%	63%	42%
Floating-rate mortgage-backed securities as % of portfolio	9%	4%	6%
Notional amount of interest rate swap as % of portfolio	34%	NA	17%
Annualized yield on average earning assets during the quarter	5.17%	3.63%	4.70%
Annualized cost of funds on avg. repurchase balance during the quarter	4.83%	3.03%	4.38%
Weighted average yield on assets at period-end	5.42%	3.78%	5.03%
Weighted average cost of funds			

The Constant Prepayment Rate was 19% during the second quarter of 2006, as compared to 27% during the second quarter of 2005, and 18% during the first quarter of 2006. The weighted average cost basis, after the Other-Than-Temporary Impairment Charge, was 100.6 at June 30, 2006. The net amortization of premiums and accretion of discounts on investment securities for the quarters ended June 30, 2006, June 30, 2005 and March 31, 2006 was \$17.9 million, \$42.7 million, and \$15.8 million, respectively. The total net premium remaining unamortized at June 30, 2006, June 30, 2005 and March 31, 2006 was \$161.7 million, \$401.4 million, and \$173.7 million, respectively.

General and administrative expenses as a percentage of average assets were 0.18%, 0.14%, and 0.18% for the quarters ended June 30, 2006, June 30, 2005, and March 31, 2006, respectively. At June 30, 2006, June 30, 2005, and March 31, 2006 the Company had a common stock book value per share of \$9.48, \$12.42 and \$10.16, respectively.

At June 30, 2006, FIDAC, Annaly's wholly-owned registered investment advisor, had under management approximately \$2.6 billion in net assets and \$14.1 billion in gross assets, as compared to \$3.1 billion in net assets and \$27.8 billion in gross assets at June 30, 2005 and \$2.0 billion in net assets and \$16.9 billion in gross assets at March 31, 2006. For the quarter ended June 30, 2006, FIDAC earned investment advisory and service fees, net of fees paid to distributors, of \$4.5 million, as compared to \$7.5 million for the quarter ended June 30, 2005 and \$5.8 million for the quarter ended March 31, 2006. FIDAC, organized as a taxable REIT subsidiary of Annaly, generally receives net investment advisory fees of approximately 10 to 20 basis points of the gross assets it manages, assists in managing or supervises.

"Our name change, I believe, reflects our ambition as a company," said Mr. Farrell. "As I said when we acquired FIDAC, I have always considered Annaly to be an asset management company. Our expansion into new products and asset classes is another step towards fulfilling that vision, and we look forward to growing the revenue streams from our asset management business for the benefit of our shareholders."

Annaly manages assets on behalf of institutional and individual investors worldwide through Annaly and through the funds managed by its wholly-owned registered investment advisor, FIDAC. The Company's principal business objective is to generate net income for distribution to investors from the spread between the interest income on its mortgage-backed securities and the cost of borrowing to finance their acquisition and from dividends Annaly receives from FIDAC, which earns investment advisory fee income. The Company, a Maryland corporation that has elected to be taxed as a real estate investment trust ("REIT"), currently has 164,015,156 shares of common stock outstanding.

The Company will hold the second quarter 2006 earnings conference call on August 3, 2006 at 10:00 a.m. ET. The number to call is

1-866-831-6162 for domestic calls and 617-213-8852 for international calls and the pass code is 95158217. The re-play number is 1-888-286-8010 for domestic calls and 617-801-6888 for international calls and the pass code is 60984349. The replay is available for 48 hours after the earnings call. There will be a web cast of the call on [www.annaly.com](http://www.annaly.com). If you would like to be added to the e-mail distribution list, please visit [www.annaly.com](http://www.annaly.com), click on E-Mail alerts, enter your e-mail address where indicated and click the Subscribe button.

This news release and our public documents to which we refer contain or incorporate by reference certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements which are based on various assumptions (some of which are beyond our control) may be identified by reference to a future period or periods or by the use of forward-looking terminology, such as "may," "will," "believe," "expect," "anticipate," "continue," or similar terms or variations on those terms or the negative of those terms. Actual results could differ materially from those set forth in forward-looking statements due to a variety of factors, including, but not limited to, changes in interest rates, changes in yield curve, changes in prepayment rates, the availability of mortgage-backed securities for purchase, the availability of financing and, if available, the terms of any financing, changes in the market value of our assets, changes in business conditions and the general economy, FIDAC's clients' removal of assets FIDAC manages, FIDAC's regulatory requirements, and competition in the investment management business changes in government regulations affecting our business, and our ability to maintain our qualification as a REIT for federal income tax purposes. 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 Annual Report on Form 10-K for the fiscal year ended December 31, 2005 and all subsequent Quarterly Reports on Form 10-Q. We do not undertake, and specifically disclaim any obligation, to publicly release the result of any revisions which may be made to any forward-looking statements to reflect the occurrence of anticipated or unanticipated events or circumstances after the date of such statements.

ANNALY CAPITAL MANAGEMENT, INC. AND SUBSIDIARIES  
STATEMENTS OF FINANCIAL CONDITION  
(dollars in thousands)

June 30, 2006 (Unaudited)	March 31, 2006 (Unaudited)	December 31, 2005
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ASSETS

Cash and cash equivalents	\$ 53,849	\$ 2,403	\$ 4,808
Mortgage-Backed Securities, at fair value	23,474,006	16,176,348	15,929,864
Agency Debentures, at fair value	-	-	-
Receivable for Mortgage-Backed Securities sold	-	139,491	13,449
Accrued interest receivable	110,647	75,092	71,340
Receivable for advisory and service fees	3,114	3,805	3,497
Intangible for customer relationships	12,206	13,851	15,183
Goodwill	22,966	22,966	23,122
Interest rate swaps, at fair value	105,435	36,470	-
Other assets	1,567	2,281	2,159

Total assets	\$23,783,790	\$16,472,707	\$16,063,422
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#### LIABILITIES AND STOCKHOLDERS' EQUITY

##### Liabilities:

Repurchase agreements	\$21,256,703	\$14,629,883	\$13,576,301
Payable for Mortgage-Backed Securities purchased	607,789	354,312	933,051
Accrued interest payable	42,100	37,738	27,994
Dividends payable	21,322	13,607	12,368
Other liabilities	-	-	305
Accounts payable and other liabilities	6,979	3,238	8,837
Interest rate swaps, at fair value	-	-	543
Total liabilities	21,934,893	15,038,778	14,559,399

Minority interest in equity of consolidated affiliate	5,000	-	-
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##### 6.00% Series B Cumulative Convertible

###### Preferred Stock:

4,600,000 and 0 shares authorized, issued and outstanding, respectively	111,471	-	-
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##### Stockholders' Equity:

###### 7.875% Series A Cumulative Redeemable

###### Preferred Stock:

7,637,500 authorized, 7,412,500 shares issued and			
--	--	--	--

outstanding	177,088	177,088	177,088
Common stock: par value \$.01 per share; 500,000,000 authorized, 164,015,156, 123,701,656, 123,684,931, 123,648,931 and 122,554,831 outstanding, respectively	1,640	1,237	1,237
Additional paid-in capital	2,131,358	1,679,904	1,679,452
Accumulated other comprehensive loss (Accumulated deficit)	(384,912)	(249,459)	(207,117)
retained earnings	(192,748)	(174,841)	(146,637)
-----			
Total stockholders' equity	1,732,426	1,433,929	1,504,023
-----			
Total liabilities, minority interest and stockholders' equity	\$23,783,790	\$16,472,707	\$16,063,422
=====			

September 30, 2005 (Unaudited)	June 30, 2005 (Unaudited)
-----	

ASSETS

Cash and cash equivalents	\$ 1,684	\$ 3,669
Mortgage-Backed Securities, at fair value	18,697,385	19,165,744
Agency Debentures, at fair value	258,616	391,092
Receivable for Mortgage-Backed Securities sold	788	-
Accrued interest receivable	83,806	87,960
Receivable for advisory and service fees	4,579	4,334
Intangible for customer relationships	15,367	15,552
Goodwill	23,122	23,122
Interest rate swaps, at fair value	-	-
Other assets	1,218	1,472
-----		
Total assets	\$19,086,565	\$19,692,945
=====		

LIABILITIES AND STOCKHOLDERS' EQUITY

Liabilities:		
Repurchase agreements	\$17,038,226	\$17,251,594
Payable for Mortgage-Backed Securities		

purchased	429,502	659,325
Accrued interest payable	34,171	29,654
Dividends payable	16,079	44,120
Other liabilities	625	1,241
Accounts payable and other liabilities	8,602	6,523
Interest rate swaps, at fair value	-	-
	-----	-----
Total liabilities	17,527,205	17,992,457
	-----	-----
Minority interest in equity of consolidated affiliate	-	-
	-----	-----
6.00% Series B Cumulative Convertible Preferred Stock: 4,600,000 and 0 shares authorized, issued and outstanding, respectively	-	-
	-----	-----
Stockholders' Equity:		
7.875% Series A Cumulative Redeemable Preferred Stock: 7,637,500 authorized, 7,412,500 shares issued and outstanding	177,088	177,088
Common stock: par value \$.01 per share; 500,000,000 authorized, 164,015,156, 123,701,656, 123,684,931, 123,648,931 and 122,554,831 outstanding, respectively	1,237	1,226
Additional paid-in capital	1,679,452	1,662,347
Accumulated other comprehensive loss	(304,555)	(144,853)
(Accumulated deficit) retained earnings	6,138	4,680
	-----	-----
Total stockholders' equity	1,559,360	1,700,488
	-----	-----
Total liabilities, minority interest and stockholders' equity	\$19,086,565	\$19,692,945
	=====	=====

ANNALY CAPITAL MANAGEMENT, INC. AND SUBSIDIARIES  
STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)  
(UNAUDITED)  
(dollars in thousands)

For the quarters ended

June 30,      March 31,      December 31,  
2006              2006              2005

Interest income	\$280,171	\$194,882	\$179,688
Interest expense	242,473	167,512	165,766
Net interest income	37,698	27,370	13,922
Other income			
Investment advisory and service fees	5,210	6,997	8,702
(Loss) gain on sale of Mortgage-Backed Securities	(1,239)	(7,006)	(65,285)
Total other (loss) income	3,971	(9)	(56,583)
Expenses			
Distribution fees	755	1,170	1,850
General and administrative expenses	8,985	7,177	6,359
Total expenses	9,740	8,347	8,209
Impairment of intangible for customer relationships	1,345	1,148	-
Loss on other-than-temporarily impaired securities	20,114	26,730	83,098
Income (loss) before income taxes	10,470	(8,864)	(133,968)
Income taxes	1,892	2,085	2,791
Net income (loss)	8,578	(10,949)	(136,759)
Dividend on preferred stock	5,163	3,648	3,649
Net income (loss) available (related) to common shareholders	\$3,415	(\$14,597)	(\$140,408)
Net income (loss) per share			

available (related) to common shareholders:			
Basic	\$0.02	(\$0.12)	(\$1.14)
	=====	=====	=====
Diluted	\$0.02	(\$0.12)	(\$1.14)
	=====	=====	=====
Weighted average number of shares outstanding:			
Basic	158,632,865	123,693,851	123,684,931
	=====	=====	=====
Diluted	158,703,614	123,693,851	123,684,931
	=====	=====	=====
Net income (loss)	\$8,578	(\$10,949)	(\$136,759)
	-----	-----	-----
Comprehensive (loss) income			
Unrealized (loss) gain on available-for-sale securities	(225,771)	(113,091)	(50,402)
Unrealized gain (loss) on interest rate swaps	68,965	37,013	(543)
Reclassification adjustment for net losses (gains) included in net loss or income	21,353	33,736	148,383
	-----	-----	-----
Other comprehensive (loss) income	(135,453)	(42,342)	97,438
	-----	-----	-----
Comprehensive (loss) income	(\$126,875)	(\$53,291)	(\$39,321)
	=====	=====	=====

	For the quarters ended	
	September 30,	June 30,
	2005	2005
	-----	
Interest income	\$177,474	\$171,595
Interest expense	155,043	133,758
	-----	
Net interest income	22,431	37,837
	-----	
Other income		
Investment advisory and service fees	10,945	9,669
(Loss) gain on sale of Mortgage-Backed		

Securities	32	11,435
	-----	-----
Total other (loss) income	10,977	21,104
	-----	-----
Expenses		
Distribution fees	2,414	2,126
General and administrative expenses	6,455	6,800
	-----	-----
Total expenses	8,869	8,926
	-----	-----
Impairment of intangible for customer relationships	-	-
	-----	-----
Loss on other-than-temporarily impaired securities	-	-
	-----	-----
Income (loss) before income taxes	24,539	50,015
Income taxes	3,353	3,022
	-----	-----
Net income (loss)	21,186	46,993
Dividend on preferred stock	3,648	3,648
	-----	-----
Net income (loss) available (related) to common shareholders	\$17,538	\$43,345
	=====	=====
Net income (loss) per share available (related) to common shareholders:		
Basic	\$0.14	\$0.36
	=====	=====
Diluted	\$0.14	\$0.36
	=====	=====
Weighted average number of shares outstanding:		
Basic	123,169,910	121,740,256
	=====	=====
Diluted	123,330,645	122,013,050
	=====	=====

Net income (loss)	\$21,186	\$46,993
-----		
Comprehensive (loss) income		
Unrealized (loss) gain on available-for-sale securities	(159,670)	79,862
Unrealized gain (loss) on interest rate swaps	-	-
Reclassification adjustment for net losses (gains) included in net loss or income	(32)	(11,435)
-----		
Other comprehensive (loss) income	(159,702)	68,427
-----		
Comprehensive (loss) income	(\$138,516)	\$115,420
=====		

ANNALY CAPITAL MANAGEMENT, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)  
(UNAUDITED)  
(dollars in thousands)

	For the six months ended	
	June 30, 2006	June 30, 2005
	-----	
Interest income	\$475,053	\$347,884
Interest expense	409,985	247,751
-----		
Net interest income	65,068	100,133
-----		
Other income		
Investment advisory and service fees	12,206	15,978
(Loss) gain on sale of Mortgage-Backed Securities	(8,245)	12,016
-----		
Total other income	3,961	27,994
-----		
Expenses		
Distribution fees	1,925	3,737
General and administrative expenses	16,162	13,464
-----		
Total expenses	18,087	17,201
-----		

Impairment of intangible for customer relationships	2,493	-
	-----	
Loss on other-than-temporarily impaired securities	46,843	-
	-----	
Income before income taxes	1,606	110,926
Income taxes	3,977	4,600
	-----	
Net (loss) income	(2,371)	106,326
Dividend on preferred stock	8,811	7,297
	-----	
Net (loss) income available (related) to common shareholders	(\$11,182)	\$99,029
	=====	
Net (loss) income per share available (related) to common shareholders:		
Basic	(\$0.08)	\$0.82
	=====	
Diluted	(\$0.08)	\$0.81
	=====	
Weighted average number of shares outstanding:		
Basic	141,476,532	121,506,858
	=====	
Diluted	141,476,532	121,785,918
	=====	
Net (loss) income	(\$2,371)	\$106,326
	-----	
Comprehensive income (loss):		
Unrealized (loss) gain on available-for-sale securities	(338,861)	(12,037)
Unrealized gain (loss) on interest rate swap	105,978	-
Reclassification adjustment for net (losses) included in net income	55,088	(12,016)
	-----	
Other comprehensive income (loss)	(177,795)	(24,053)
	-----	
Comprehensive (loss) income	(\$180,166)	\$82,273
	=====	

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