SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED: MARCH 31, 2003

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 MORTGAGE MANAGEMENT, INC.
(Exact name of Registrant as specified in its Charter)

MARYLAND	22-3479661
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

1211 AVENUE OF THE AMERAICAS SUITE 2902
NEW YORK, NEW YORK
(Address of principal executive offices)

10036
(Zip Code)

(212) 696-0100
(Registrant's telephone number, including area code)

Indicate by check mark whether the Registrant (1) has filed all documents and 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 X No ___

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchnage Act):

Yes X No ___

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of stock, as of the lastest practicable date:

Class	Outstanding at May 12, 2003
Common Stock, $.01 par value	93,994,998

ANNALY MORTGAGE MANAGEMENT, INC.

FORM 10-Q

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PART I.
ITEM 1. FINANCIAL STATEMENTS

ANNALY MORTGAGE MANAGEMENT, INC.
STATEMENTS OF FINANCIAL CONDITION
(dollars in thousands)

	MARCH 31, 2003 (UNAUDITED)	DECEMBER 31, 2002
ASSETS		
Cash and cash equivalents	$945	$726
Mortgage-Backed Securities, at fair value	11,674,910	11,551,857
Federal Home Loan Bank Debentures, at fair value	643,160	-
Receivable for Mortgage-Backed Securities sold	304,766	55,954
Accrued interest receivable	50,087	49,707
Other assets	873	840
Total assets	$12,674,741	$11,659,084
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Repurchase agreements	$10,192,049	$10,163,174
Payable for Mortgage-Backed Securities purchased	1,335,427	338,691
Accrued interest payable	15,915	14,935
Dividends payable	50,789	57,499
Other liabilities	2,816	2,812
Accounts payable	1,033	1,907
Total liabilities	11,598,029	10,579,018
Stockholders' Equity:		
Common stock: par value $.01 per share; 500,000,000 Authorized, 84,647,484 and 84,569,206 shares issued and outstanding, respectively	846	846
Additional paid-in capital	1,004,370	1,003,200
Accumulated other comprehensive gain	71,000	75,511
Retained earnings	496	509
Total stockholders' equity	1,076,712	1,080,066
Total liabilities and stockholders' equity	$12,674,741	$11,659,084

See notes to financial statements.

PART I.

ITEM 1. FINANCIAL STATEMENTS

ANNALY MORTGAGE MANAGEMENT, INC
STATEMENTS OF OPERATIONS
(dollars in thousands, except per share data)
(UNAUDITED)

	For the Quarter Ended March 31, 2003	For the Quarter Ended March 31, 2002
INTEREST INCOME	$87,500	$92,900
INTEREST EXPENSE	44,048	40,012
NET INTEREST INCOME	43,452	52,888
GAIN ON SALE OF MORTGAGE-BACKED SECURITIES	11,020	3,410
GENERAL AND ADMINISTRATIVE EXPENSES	3,697	3,255
NET INCOME	50,775	53,043
OTHER COMPREHENSIVE INCOME:		
Unrealized gain (loss) on available-for-sale securities	6,509	(4,257)
Less: reclassification adjustment for net gains included in net income	(11,020)	(3,410)
Other comprehensive (loss)	(4,511)	(7,667)
COMPREHENSIVE INCOME	$46,264	$45,376
NET INCOME PER SHARE:		
Basic	$0.60	$0.69
Diluted	$0.60	$0.69
AVERAGE NUMBER OF SHARES OUTSTANDING:		
Basic	84,606,786	76,709,836
Diluted	84,837,390	77,017,431

See notes to financial statements.

PART I.
ITEM 1. FINANCIAL STATEMENTS

ANNALY MORTGAGE MANAGEMENT, INC.
STATEMENT OF STOCKHOLDERS' EQUITY
FOR THE QUARTER ENDED MARCH 31, 2003
(dollars in thousands, except per share data)
(UNAUDITED)

	Common Stock Par Value	Additional Paid-In Capital	Comprehensive Income	Retained Earnings	Other Comprehensive Income	Total
BALANCE, DECEMBER 31, 2002	$846	$1,003,200		$509	$75,511	$1,080,066
Net Income			$50,775	50,775		
Other comprehensive income:						
Unrealized net gains on securities, net of reclassification adjustment			(4,511)		(4,511)	
Comprehensive income			$46,264			46,264
Exercise of stock options	-	215				215
Proceeds from direct purchase	-	955				955
Dividends declared for the quarter ended March 31, 2003, $0.60 per average share				(50,788)		(50,788)
BALANCE, MARCH 31, 2003	$846	$1,044,370		$496	$71,000	$1,076,712

See notes to financial statements.

PART I.
ITEM 1. FINANCIAL STATEMENTS

ANNALY MORTGAGE MANAGEMENT, INC
STATEMENTS OF CASH FLOWS
(dollars in thousands)
(UNAUDITED)

	For the Quarter Ended March 31, 2003	For the Quarter Ended March 31, 2002
Cash flows from operating activities:		
Net income	$50,775	$53,043
Adjustments to reconcile net income to net cash provided by operating activities:		
Market value adjustment on long-term repurchase agreement	103	37
Increase in accrued interest receivable	(379)	(4,498)
Increase in other assets	(33)	(195)
Decrease in accrued interest payable	980	5,413
Amortization of mortgage premiums and discounts, net	48,519	17,891
Gain on sale of Mortgage-Backed Securities	(11,020)	(3,410)
Stock option expense	2	62
Decrease (increase) in accounts payable	(875)	87
Net cash provided by operating activities	88,072	68,430
Cash flows from investing activities:		
Purchase of Mortgage-Backed Securities	(2,297,069)	(3,838,616)
Purchase of FHLB Debentures	(171,000)	-
Proceeds from sale of Mortgage-Backed Securities	536,246	393,462
Principal payments of Mortgage-Backed Securities	1,871,524	1,092,991
Net cash used in investing activities	(60,299)	(2,352,163)
Cash flows from financing activities:		
Proceeds from repurchase agreements	24,295,758	19,827,609
Principal payments on repurchase agreements	(24,266,982)	(17,856,038)
Proceeds from exercise of stock options	215	220
Proceeds from direct purchase	953	559
Net proceeds from offerings	-	347,337
Dividends paid	(57,499)	(35,896)
Net cash provided by financing activities	(27,555)	2,283,791
Net increase (decrease) in cash and cash equivalents	219	58
Cash and cash equivalents, beginning of period	726	429
Cash and cash equivalents, end of period	$945	$487
Supplemental disclosure of cash flow information:		
Interest paid	$43,068	$34,599
Noncash financing activities:		
Net change in unrealized (loss) on available-for-sale securities	($4,511)	($7,667)
Dividends declared, not yet paid	$50,789	$52,223

See notes to financial statements.

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Annaly Mortgage Management, Inc. (the "Company") was incorporated in Maryland on November 25, 1996. The Company commenced its operations of purchasing and managing an investment portfolio of Mortgage-Backed Securities on February 18, 1997, upon receipt of the net proceeds from the private placement of equity capital. An initial public offering was completed on October 14, 1997.

A summary of the Company's significant accounting policies follows:

Basis of Presentation - The accompanying unaudited financial statements have been prepared in conformity with the instructions to Form 10-Q and Article 10, Rule 10-01 of Regulation S-X for interim financial statements. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America ("GAAP"). The interim financial statements for the three month period are unaudited; however, in the opinion of the Company's management, all adjustments, consisting only of normal recurring accruals, necessary for a fair statement of the results of operations have been included. These unaudited financials statements should be read in conjunction with the audited financial statements included in the Company's Annual Report on form 10-K for the year ended December 31, 2002. The nature of the Company's business is such that the results of any interim period are not necessarily indicative of results for a full year.

Cash and Cash Equivalents - Cash and cash equivalents includes cash on hand and money market funds. The carrying amounts of cash equivalents approximates their value.

Mortgage-Backed Securities and FHLB Debentures - The Company invests primarily in mortgage pass-through certificates, collateralized mortgage obligations and other Mortgage-Backed Securities representing interests in or obligations backed by pools of mortgage loans (collectively, "Mortgage-Backed Securities"). The Company also invests in Federal Home Loan Bank Debentures. The Mortgage-Backed Securities and Federal Home Loan Bank Debentures are collectively referred to herein as "Investment Securities."

Statement of Financial Accounting Standards No. 115, Accounting for Certain Investments in Debt and Equity Securities, requires the Company to classify its investments as either trading investments, available-for-sale investments or held-to-maturity investments. Although the Company generally intends to hold most of its Investment Securities until maturity, it may, from time to time, sell any of its Investment Securities as part of its overall management of its statement of financial condition. Accordingly, this flexibility requires the Company to classify all of its Investment Securities as available-for-sale. All assets classified as available-for-sale are reported at fair value, based on market prices provided by certain dealers who make markets in these financial instruments, with unrealized gains and losses excluded from earnings and reported as a separate component of stockholders' equity.

Unrealized losses on Investment Securities that are considered other than temporary, as measured by the amount of decline in fair value attributable to factors other than temporary, are recognized in income and the cost basis of the Mortgage-Backed Securities is adjusted. There were no such adjustments for the quarters ended March 31, 2003 and 2002.

Interest income is accrued based on the outstanding principal amount of the Investment Securities and their contractual terms. Premiums and discounts associated with the purchase of the Mortgage-Backed Securities are amortized into interest income over the lives of the securities using the interest method.

Investment Securities transactions are recorded on the trade date. Purchases of newly issued securities are recorded when all significant uncertainties regarding the characteristics of the securities are removed, generally shortly before settlement date. Realized gains and losses on such transactions are determined on the specific identification basis.

Credit Risk - At March 31, 2003 and December 31, 2002, the Company has limited its exposure to credit losses on its portfolio of Mortgage-Backed Securities by only purchasing securities issued by Federal Home Loan Mortgage Corporation ("FHLMC"), Federal National Mortgage Association ("FNMA"), Government National Mortgage Association ("GNMA"), or Federal Home Loan Bank ("FHLB"). The payment of principal and interest on the FHLMC and FNMA Mortgage-Backed Securities are guaranteed by those respective agencies and the payment of principal and interest on the GNMA Mortgage-Backed Securities are backed by the full-faith-and-credit of the U.S. government. At March 31, 2003 and December 31, 2002 all of the Company's Mortgage-Backed Securities have an actual or implied "AAA" rating.

Repurchase Agreements -The Company finances the acquisition of its Mortgage-Backed Securities through the use of repurchase agreements. Repurchase agreements are treated as collateralized financing transactions and are carried at their contractual amounts, including accrued interest, as specified in the respective agreements. Accrued interest is recorded as a separate line item.

Income Taxes - The Company has elected to be taxed as a Real Estate Investment Trust ("REIT") and intends to comply with the provisions of the Internal Revenue Code of 1986, as amended (the "Code") with respect thereto. Accordingly, the Company will not be subjected to Federal income tax to the extent of its distributions to shareholders and as long as certain asset, income and stock ownership tests are met.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 from those estimate.

New Accounting Pronouncement - In December 2002, the FASB issued Statement of Financial Accounting Standard (SFAS) No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosures, an Amendment of FASB Statement No. 123." This Statement provides alternative methods of transition for companies who voluntarily change to the fair value-based method of accounting for stock-based employee compensation in accordance with SFAS No. 123, "Accounting for Stock-Based Compensation." (SFAS 123). SFAS No. 148 does not permit the use of the original SFAS No. 123 prospective method of transition for changes to the fair value based method made in fiscal years beginning after December 15, 2003. The Statement also requires prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based compensation and the effect of the method used on reported results. This Statement is effective upon issuance.

2. MORTGAGE-BACKED SECURITIES

The following table pertains to the Company's Mortgage-Backed Securities classified as available-for-sale as of March 31, 2003, which are carried at their fair value:

	Federal Home Loan Mortgage Corporation	Federal National Mortgage Association	Government National Mortgage Association	Total Mortgage-Backed Securities
	(dollars in thousands)			
Mortgage-Backed Securities, gross	$4,930,045	$6,013,425	$368,240	$11,311,710
Unamortized discount	(407)	(62)	-	(469)
Unamortized premium	109,266	171,477	9,086	289,829
Amortized cost	5,038,904	6,184,840	377,326	11,601,070
Gross unrealized gains	29,677	67,778	1,242	98,697
Gross unrealized losses	(15,846)	(8,772)	(239)	(24,857)
Estimated fair value	$5,052,735	$6,243,846	$378,329	$11,674,910

	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Estimated Fair Value
Adjustable rate	$7,221,316	$36,140	($15,027)	$7,242,429
Fixed rate	4,379,754	62,557	(9,830)	4,432,481

Total	$11,601,070	$98,697	($24,857)	$11,674,910

The following table pertains to the Company's Mortgage-Backed Securities classified as available-for-sale as of December 31, 2002, which are carried at their fair value:

	Federal Home Loan Mortgage Corporation	Federal National Mortgage Association	Government National Mortgage Association	Total Mortgage-Backed Securities
	(dollars in thousands)			
Mortgage-Backed Securities, gross	$5,120,929	$5,860,987	$220,468	$11,202,384
Unamortized discount	(544)	(120)	-	(664)
Unamortized premium	105,872	164,071	4,684	274,627
Amortized cost	5,226,257	6,024,938	225,152	11,476,347
Gross unrealized gains	31,731	58,239	537	90,507
Gross unrealized losses	(9,554)	(5,318)	(125)	(14,997)
Estimated fair value	$5,248,434	$6,077,859	$225,564	$11,551,857

	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Estimated Fair Value
Adjustable rate	$7,144,741	$35,349	($12,424)	$7,167,666
Fixed rate	4,331,606	55,158	(2,573)	4,384,191
Total	$11,476,347	$90,507	($14,997)	$11,551,857

The adjustable rate Mortgage-Backed Securities are limited by periodic caps (generally interest rate adjustments are limited to no more than 1% every six months) and lifetime caps. The weighted average lifetime cap was 10.3% at March 31, 2003 and 8.8% at December 31, 2002.

During the quarter ended March 31, 2003, the Company realized $11,020,000 in net gains from sales of Mortgage-Backed Securities. During the quarter ended March 31, 2002, the Company realized $3,410,000 in gains from sales of Mortgage-Backed Securities.

3. FHLB DEBENTURES

The Company acquired $646,000,000 in Federal Home Loan Bank Debentures, which are classified as available-for-sale. The market value at March 31, 2003 was $643,160,000. The Federal Home Loan Bank Debentures are adjustable rate with a weighted average lifetime cap of 8.0% and they are callable by the Federal Home Loan Bank.

4. REPURCHASE AGREEMENTS

The Company had outstanding $10,192,049,000 and $10,163,174,000 of repurchase agreements with a weighted average borrowing rate of 1.67% and 1.72%, and a weighted average remaining maturity of 111 days and 124 days as of March 31, 2003 and December 31, 2002, respectively.

At March 31, 2003 and December 31, 2002, the repurchase agreements had the following remaining maturities:

	March 31, 2003	December 31, 2002
	(dollars in thousands)	
Within 30 days	$7,354,790	$7,778,003
30 to 59 days	1,041,920	816,906
60 to 89 days	218,775	104,500
90 to 119 days	-	-
Over 120 days	1,576,564	1,463,765
Total	$10,192,049	$10,163,174

5. OTHER LIABILITIES

In 2001, the Company entered into a repurchase agreement maturing in July 2004, at which time, the repurchase agreement gives the buyer the right to extend, in whole or in part, in three-month increments up to July 2006. The repurchase agreement has a principal value of $100,000,000. The Company accounts for the extension option as a separate interest rate floor liability carried at fair value. The initial fair value of $1,200,000 allocated to the extension option resulted in a similar discount on the repurchase agreement borrowings that is being amortized over the initial term of 3 years using the effective yield method. At December 31, 2002, the fair value of this interest rate floor was a $2,816,000 and was classified as other liabilities.

6. COMMON STOCK

During the quarter ending March 31, 2003, the Company declared dividends to shareholders totaling $50,788,000 or $0.60 per share, which was paid on April 30, 2003. During the quarter ended March 31, 2003, 25,372 options were exercised under the long-term compensation plan at $215,000. Also, 52,906 shares were purchased in the dividend reinvestment and direct purchase program at $955,000.

During the Company's year ending December 31, 2002, the Company declared dividends to shareholders totaling $223,602,000, or $2.67 per share, of which $166,102,000 was paid during the year and $57,499,000 was paid on January 29, 2003. During the year ended December 31, 2002, 97,095 options were exercised at $1,090,000. Total shares exchanged upon exercise of the stock options were 4,444 at a value of $76,000. Through the Equity Shelf Program, the Company raised $28,103,000 in net proceeds and issued 1,481,000 shares. Also, 165,480 shares were purchased in dividend reinvestment and share purchase plan, totaling $3,009,000. The Company completed an offering of common stock in the first quarter issuing 23,000,000 shares, with aggregate net proceeds of $347,337,000.

7. EARNINGS PER SHARE (EPS)

For the quarter ended March 31, 2003, the reconciliation is as follows:

	For the Quarter Ended March 31, 2003		
	Income (Numerator)	Shares (Denominator)	Per-Share Amount
	(dollars in thousands, except per share data)		
Net income	$50,775		
Basic earnings per share	$50,775	84,606,786	$0.60
Effect of dilutive securities:			
Dilutive stock options		230,604	
Diluted earnings per share	$50,775	84,837,390	$0.60

Options to purchase 6,250 shares of stock were outstanding and considered anti-dilutive as their exercise price exceeded the average stock price for the quarter

For the quarter ended March 31, 2002, the reconciliation is as follows:

	For the Quarter Ended March 31, 2002		
	Income (Numerator)	Shares (Denominator)	Per-Share Amount
	(dollars in thousands, except per share data)		
Net income	$53,043		
Basic earnings per share	$53,043	76,709,836	$0.69
Effect of dilutive securities:			
Dilutive stock options		307,595	
Diluted earnings per share	$53,043	77,017,431	$0.69

8. LONG-TERM STOCK INCENTIVE PLAN

The Company has adopted a long term stock incentive plan for executive officers, key employees and nonemployee directors (the "Incentive Plan"). The Incentive Plan authorizes the Compensation Committee of the board of directors to grant awards, including incentive stock options as defined under Section 422 of the Code ("ISOs") and options not so qualified ("NQSOs"). The Incentive Plan authorizes the granting of options or other awards for an aggregate of the greater of 500,000 shares or 9.5% of the fully diluted outstanding shares of the Company's common stock.

The Company has elected to follow Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25") and related interpretations in accounting for its employee stock options because the alternative fair value accounting provided for under Statement of Financial Accounting Standard ("SFAS") No. 123, "Accounting for Stock-Based Compensation", as amended by SFAS No. 148, requires use of option valuation models that were not developed for use in valuing employee stock options. Under APB 25, because the exercise price of the Company's employee stock options equals the market price of the underlying stock on the date of grant, no compensation expense is recognized.

There were no stock options granted during the quarters ended March 31, 2003 and 2002.

Because the Company's employee stock options have characteristics significantly different from those of traded options and changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not provide a reliable single measure of the fair value of its employee stock options. The Black-Scholes option pricing model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are freely transferable. All available option pricing models require the input of highly subjective assumptions including the expected stock price volatility.

The following table illustrates the effect on net income and earnings per share if the company had applied the fair value recognition provisions of FASB Statement No. 123, Accounting for Stock-Based Compensation, to stock-based employee compensation.

	For the Quarter Ended March 31, 2003	2002
	(dollars in thousands, except per share data)	
Net income, as reported	$50,775	$53,043
Deduct: Total stock-based employee compensation expense determined under fair value based method	(7)	(16)
Pro-forma net income	$50,768	$53,027
Net income per share, as reported		
Basic	$0.60	$0.69
Diluted	$0.60	$0.69
Pro-forma net income per share		
Basic	$0.60	$0.69
Diluted	$0.60	$0.69

9. COMPREHENSIVE INCOME

The Company adopted Statement of Financial Accounting Standards No. 130, Reporting Comprehensive Income. Statement No. 130 requires the reporting of comprehensive income in addition to net income from operations. Comprehensive income is a more inclusive financial reporting methodology that includes disclosure of certain financial information that historically has not been recognized in the calculation of net income. The Company at March 31, 2003 and December 31, 2002 held securities classified as available-for-sale. At March 31, 2003, the net unrealized gain totaled $71,000,000 and at December 31, 2002, the net unrealized gains totaled $75,511,000.

10. LEASE COMMITMENTS

The Corporation has a noncancelable lease for office space, which commenced in May 2002 and expires in December 2009.

The Corporation's aggregate future minimum lease payments are as follows:

	Total per Year (dollars in thousands)
2003	500
2004	500
2005	500
2006	530
2007	532
Thereafter	1064
Total remaining lease payments	$3,626

11. RELATED PARTY TRANSACTION

Officers and employees of the Company are actively involved in managing Mortgage-Backed Securities and other fixed income assets for institutional clients through Fixed Income Discount Advisory Company ("FIDAC"). FIDAC is a registered investment adviser, which is owned 100% by the Chief Executive Officer of Annaly Mortgage Management, Inc. Our management currently allocates rent and other general and administrative expenses in the amounts of 90% and 10% to Annaly and FIDAC, respectively.

12. INTEREST RATE RISK

The primary market risk to the Company is interest rate 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 also can affect the value of the Mortgage-Backed Securities and the Company's ability to realize gains from the sale of these assets.

The Company seeks to manage the extent to which net income changes as a function of changes in interest rates by matching adjustable-rate assets with variable-rate borrowings. In addition, although the Company has not done so to date, the Company may seek to mitigate the potential impact on net income of periodic and lifetime coupon adjustment restrictions in the portfolio of Mortgage-Backed Securities by entering into interest rate agreements such as interest rate caps and interest rate swaps.

Changes in interest rates may also have an effect on the rate of mortgage principal prepayments and, as a result, prepayments on Mortgage-Backed Securities. The Company will seek to mitigate the effect of changes in the mortgage principal repayment rate by balancing assets purchased at a premium with assets purchased at a discount. To date, the aggregate premium exceeds the aggregate discount on the Mortgage-Backed Securities. As a result, prepayments, which result in the expensing of unamortized premium, will reduce net income compared to what net income would be absent such prepayments.

13. SUBSEQUENT EVENT

On April 1, 2003 the Company raised approximately net proceeds of $151.2 million in equity in a secondary offering of 9,300,700 shares of common stock.

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 shareholder communications may not be, based on historical facts and are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. 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. For a discussion of the risks and uncertainties which could cause actual results to differ from those contained in the forward-looking statements, see our 2002 Form 10-K. 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.

Overview

Annaly Mortgage Management, Inc. ("we" or "us") is a real estate investment trust, ("REIT") that owns and manages a portfolio of Mortgage-Backed Securities. Our principal business objective is to generate net income for distribution to our stockholders from the spread between the interest income on our Mortgage-Backed Securities and the costs of borrowing to finance our acquisition of Mortgage-Backed Securities.

Critical Accounting Policies

Management's discussion and analysis of financial condition and results of operations is based on the amounts reported our financial statements. These financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. In preparing the financial statements, management is required to make various judgments, estimates and assumptions that affect the reported amounts. Changes in these estimates and assumptions could have a material effect our financial statements. The following is a summary our policies that is the most affected by management's judgments, estimates and assumptions.

Market Valuation of Securities: All assets classified as available-for-sale are reported at fair value, based on market prices. Our policy is to obtain market values from three independent sources and record the market value of the securities based on the average of the three.

Amortization of premiums and accretion of discounts: Premiums and discounts associated with the purchase of the Mortgage-Backed Securities are amortized into interest income over the lives of the securities using the interest method. Our policy for estimating prepayment speeds for calculating the effective yield is to evaluate historical performance, street consensus prepayment speeds, and current market conditions.

Results of Operations: For the Quarters Ended March 31, 2003 and 2002

Net Income Summary

For the quarter ended March 31, 2003, our net income was $50.8 million, or $0.60 basic earnings per average share, as compared to $53.0 million, or $0.69 basic earnings per average share, for the quarter ended March 31, 2002. We attribute the decrease in net income for the quarter ended March 31, 2003, over the quarter ended March 31, 2002, to the decline in the interest rate spread between the rate on interest-earning assets and the cost of funds for interest-bearing liabilities. We compute our net income per share by dividing net income by the weighted average number of shares of outstanding common stock during the period, which was 84,606,786 for the quarter ended March 31, 2003 and

76,709,836 for the quarter ended March 31, 2002. Dividends per shares outstanding for the quarter ended March 31, 2003 was $0.60 per share, or $50.8 million in total. Dividends per weighted average number of shares outstanding for the quarter ended March 31, 2002 was $0.63 per share, or $52.2 million in total. Our return on average equity was 18.83% for the quarter ended March 31, 2003 and 25.32% for the quarter ended March 31, 2002. The decline in the return on average equity resulted for the declining interest rate spread.

Net Income Summary

(dollars in the thousands, except for per share data)

(ratios are annualized)

	Quarter ended March 31, 2003	Quarter ended March 31, 2002
Interest Income	$87,500	$92,990
Interest Expense	44,048	40,012
Net Interest Income	43,452	52,888
Gain on Sale of Mortgage-Backed Securities	11,020	3,410
General and Administrative Expenses	3,697	3,255
Net Income	$50,775	$53,043
Average Number of Basic Shares Outstanding	84,606,786	76,709,836
Average Number of Diluted Shares Outstanding	84,837,390	77,017,431
Basic Net Income Per Share	$0.60	$0.69
Diluted Net Income Per Share	$0.60	$0.69
Average Total Assets	$12,169,401	$8,987,862
Average Equity	$1,079,113	$838,022
Annualized Return on Average Assets	1.67%	2.36%
Annualized Return on Average Equity	18.83%	25.32%

Interest Income and Average Earning Asset Yield

We had average earning assets of $10.8 billion and $7.6 billion for the quarters ended March 31, 2003 and 2002, respectively. Our primary source of income for the quarters ended March 31, 2003 and 2002 was interest income. A portion of our income was generated by gains on the sales of our Mortgage-Backed Securities. Our interest income was $87.5 million for the quarter ended March 31, 2003 and $92.9 million for the quarter ended March 31, 2002. Our yield on average earning assets was 3.23% and 4.88% for the same respective periods. Our average earning asset balance increased by $3.2 billion and interest income decreased by $5.5 million for the quarter ended March 31, 2003 as compared to the quarter ended March 31, 2002, even with the substantial increase in the average asset base. The overall interest income decreased. The decline was the direct result in the reduction in yield from 4.88% for the quarter ended March 31, 2002 to 3.23% for the quarter ended March 31, 2003. The table below shows our average balance of interest earning assets, our yield on average earning assets and our interest income for the quarter ended March 31, 2003, the year ended December 31, 2002 and the four quarters in 2002.

Average Earning Asset Yield

(ratios for the quarters have been annualized)

	Average Cash Equivalents	Average Investment Securities	Average Earning Assets	Yield on Average Cash Equivalents	Yield on Investment Securities	Yield on Average Interest Earning Assets	Interest Income
	(dollars in thousands)						
For the Quarter Ended March 31, 2003	-	$10,837,147	$10,837,147	-	3.23%	3.23%	$87,500
For the Year Ended December 31, 2002	$2	$9,575,365	$9,575,367	1.14%	4.22%	4.22%	$404,165
For the Quarter Ended December 31, 2002	$2	$10,400,894	$10,400,896	0.88%	3.56%	3.56%	$92,641
For the Quarter Ended September 30, 2002	$2	$10,661,228	$10,661,230	1.14%	4.10%	4.10%	$109,201
For the Quarter Ended June 30, 2002	$2	$9,629,332	$9,629,334	1.23%	4.55%	4.55%	$109,423
For the Quarter Ended March 31, 2002	$2	$7,610,006	$7,610,008	1.29%	4.88%	4.88%	$92,900

The constant prepayment rate ("CPR") on our Mortgage-Backed Securities for the quarters ended March 31, 2003 and 2002 were 41% and 29%, respectively. CPR is an assumed rate of prepayment for our Mortgage-Backed Securities, expressed as an annual rate of prepayment relative to the outstanding principal balance of our Mortgage-Backed Securities. CPR does not purport to be either a historical description of the prepayment experience of our Mortgage-Backed Securities or a prediction of the anticipated rate of prepayment of our Mortgage-Backed Securities.

Principal prepayments had a negative effect on our earning asset yield for the quarters ended March 31, 2003 and 2002 because we adjust our rates of premium amortization and discount accretion monthly based upon the effective yield method, which takes into consideration changes in prepayment speeds.

Interest Expense and the Cost of Funds

We anticipate that our largest expense will be the cost of borrowed funds. We had average borrowed funds of $10.5 billion and total interest expense of $44.0 million for the quarter ended March 31, 2003. We had average borrowed funds of $7.2 billion and total interest expense of $40.0 million for the quarter ended March 31, 2002. Our average cost of funds was 1.68% for the quarter ended March 31, 2003 and 2.23% for the quarter ended March 31, 2002. The cost of funds rate decreased 0.55% and the average borrowed funds increased by $3.3 billion for the quarter ended March 31, 2003 when compared to the quarter ended March 31, 2002. Interest expense for the quarter increased 10% due to the large increase in the average repurchase balance, even though the cost of funds rate decreased.

With our current asset/liability management strategy, changes in our cost of funds are expected to be closely correlated with changes in short-term LIBOR, although we have choosen to extend the maturity of our liabilities. Our average cost of funds was 0.34% above average one-month LIBOR and 0.35% above average six-month LIBOR for the quarter ended March 31, 2003. Our average cost of funds was 0.38% above average one-month LIBOR and 0.17% above average six-month LIBOR for the quarter ended March 31, 2002.

The table below shows our average borrowed funds and average cost of funds as compared to average one-month and average six-month LIBOR for the quarter ended March 31, 2003, the year ended December 31, 2002 and the four quarters in 2002.

Average Cost of Funds

(ratios for the quarters have been annualized)

	Average Borrowed Funds	Interest Expense	Average Cost of Funds	Average One-Month LIBOR	Average Six-Month LIBOR	Average One-Month LIBOR Relative to Average Six-Month LIBOR	Average Cost of Funds Relative to Average One-Month LIBOR	Average Cost of Funds Relative to Average Six-Month LIBOR
	(dollars in thousands)							
For the Quarter Ended March 31, 2003	$10,463,252	$44,048	1.68%	1.34%	1.33%	.01%	0.34%	0.35%
For the Year Ended December 31, 2002	$9,128,933	$191,758	2.10%	1.77%	1.88%	(0.11%)	0.33%	0.22%
For the Quarter Ended December 31, 2002	$10,097,676	$49,874	1.98%	1.57%	1.55%	0.02%	0.41%	0.43%
For the Quarter Ended September 30, 2002	$10,122,840	$54,012	2.13%	1.82%	1.82%	-	0.31%	0.31%
For the Quarter Ended June 30, 2002	$9,102,992	$47,860	2.10%	1.85%	2.11%	(0.26%)	0.25%	(0.01%)
For the Quarter Ended March 31, 2002	$7,192,222	$40,012	2.23%	1.85%	2.06%	(0.21%)	0.38%	0.17%

Net Interest Income

Our net interest income, which equals interest income less interest expense, totaled $43.5 million for the quarter ended March 31, 2003 and $52.9 million for the quarter ended March 31, 2002. Our net interest income decreased because of the decline in the interest rate spread. Our net interest spread, which equals the yield on our average assets for the period less the average cost of funds for the period, was 1.55% for the quarter ended March 31, 2003 as compared to 2.65% for the quarter ended March 31, 2002. This 110 basis point increase in spread income is reflected in the decline in net interest income.

The table below shows our interest income by earning asset type, average earning assets by type, total interest income, interest expense, average repurchase agreements, average cost of funds, and net interest income for the quarter ended March 31, 2003, the year ended December 31, 2002, and the four quarters in 2002.

Net Interest Income

(ratios for the quarters have been annualized)

	Average Investment Securities Held	Interest Income on Investment Securities	Average Cash Equivalents	Total Interest Income	Yield on Average Interest Earning Assets	Average Balance of Repurchase Agreements	Interest Expense	Average Cost of Funds	Net Interest Income
	(dollars in thousands)								
For the Quarter Ended March 31, 2003	$10,837,147	$87,500	-	$87,500	3.23%	$10,463,251	$44,048	1.68%	$43,452
For the Year Ended December 31, 2002	$9,575,365	$404,165	$2	$404,165	4.22%	$9,128,933	$191,758	2.10%	$212,407
For the Quarter Ended December 31, 2002	$10,400,894	$92,641	$2	$92,641	3.56%	$10,097,676	$49,874	1.98%	$42,767
For the Quarter Ended September 30, 2002	$10,661,228	$109,201	$2	$109,201	4.10%	$10,122,840	$54,012	2.13%	$55,189
For the Quarter Ended June 30, 2002	$9,629,332	$109,423	$2	$109,423	4.55%	$9,102,992	$47,860	2.10%	$61,563
For the Quarter Ended March 31, 2002	$7,610,006	$92,900	$2	$92,900	4.88%	$7,192,222	$40,012	2.23%	$52,888

Gains and Losses on Sales of Mortgage-Backed Securities

For the quarter ended March 31, 2003, we sold Mortgage-Backed Securities with an aggregate historical amortized cost of $744.4 million for an aggregate gain of $11.0 million. For the quarter ended March 31, 2002, we sold Mortgage-Backed Securities with an aggregate historical amortized cost of $390.1 million for an aggregate gain of $3.4 million. The difference between the sale price and the historical amortized cost of our Mortgage-Backed Securities is a realized gain and increases income accordingly. We do not expect to sell assets on a frequent basis, but may from time to time sell existing assets to move into new assets, which our management believes might have higher risk-adjusted returns, or to manage our balance sheet as part of our asset/liability management strategy.

Credit Losses

We have not experienced credit losses on our Mortgage-Backed Securities to date. We have limited our exposure to credit losses on our Mortgage-Backed Securities by purchasing only securities issued or guaranteed by FNMA, FHLMC, GNMA and FHLB which, although not rated, carry an implied "AAA" rating.

General and Administrative Expense

General and administrative ("G&A") expenses were $3.7 million for the quarter ended March 31, 2003 and $3.3 for the quarter ended March 31, 2002. G&A expenses as a percentage of average assets was 0.12% and 0.14% on an annualized basis for the quarters ended March 31, 2003 and 2002, respectively. G&A expenses as a percentage of average equity was 1.37% and 1.55% on an annualized basis for the quarters ended March 31, 2003 and 2002, respectively. Increases in salaries were the primary reason for the overall increase in G&A. We are internally managed and continues to be a low cost provider. Even though G&A expenses increased by $400,000 for the quarter ended March 31, 2003, when compared to the quarter ended March 31, 2002, G&A as a percentage of average equity was 0.18% less than the first quarter of 2002.

GAExpenses and Operating Expense Ratios

	Total GA Expenses	Total GA Expenses/Average Assets (annualized)	Total GA Expenses/Average Equity (annualized)
	(dollars in thousands)		
For the Quarter Ended March 31, 2003	$3,697	0.12%	1.37%
For the Year Ended December 31, 2002	$13,963	0.13%	1.43%
For the Quarter Ended December 31, 2002	$3,904	0.13%	1.44%
For the Quarter Ended September 30, 2002	$3,268	0.12%	1.22%
For the Quarter Ended June 30, 2002	$3,536	0.13%	1.37%
For the Quarter Ended March 31, 2002	$3,255	0.14%	1.55%

Net Income and Return on Average Equity

Our net income was $50.8 million for the quarter ended March 31, 2003 and $53.0 million for the quarter ended March 31, 2002. Our return on average equity was 18.83% for the quarter ended March 31, 2003 and 25.3% for the quarter ended March 31, 2002. The decline in net income was the result of a declining interest rate spread, which was only partially offset by an increase in gains on the sale of mortgage backed securities. The table below shows our net interest income, gain on sale of Mortgage-Backed Securities and G&A expenses each as a percentage of average equity, and the return on average equity for the quarters ended March 31, 2003, the year ended December 31, 2002, and for the four quarters in 2002.

Components of Return on Average Equity

(Ratios for all Quarters are annualized)

	Net Interest Income/Average Equity	Gain on Sale of Mortgage-Backed Securities/Average Equity	GA Expenses/Average Equity	Return on Average Equity
For the Quarter Ended March 31, 2003	16.11%	4.09%	1.37%	18.83%
For the Year Ended December 31, 2002	21.72%	2.15%	1.43%	22.44%
For the Quarter Ended December 31, 2002	15.80%	4.27%	1.44%	18.63%
For the Quarter Ended September 30, 2002	20.68%	1.78%	1.22%	21.24%
For the Quarter Ended June 30, 2002	23.93%	0.52%	1.37%	23.08%
For the Quarter Ended March 31, 2002	25.24%	1.63%	1.55%	25.32%

Financial Condition

Investment Securities

All of our Mortgage-Backed Securities at March 31, 2003 were adjustable-rate or fixed-rate Mortgage-Backed Securities backed by single-family mortgage loans. All of the mortgage assets underlying these Mortgage-Backed Securities were secured with a first lien position on the underlying single-family properties. All our Mortgage-Backed Securities were FHLMC, FNMA or GNMA mortgage pass-through certificates or collateralized mortgage obligations ("CMOs"), which carry an actual or implied "AAA" rating. We mark-to-market all of our Mortgage Backed Securities at liquidation value.

All of our Federal Home Loan Bank Debentures are adjustable rate in nature, which carry an implied "AAA" rating. We mark-to-market all of our Federal Home Loan Bank Debentures at liquidation value.

We accrete discount balances as an increase in interest income over the life of discount Mortgage-Backed Securities and we amortize premium balances as a decrease in interest income over the life of premium Mortgage-Backed Securities. At March 31, 2003 and 2002, we had on our balance sheet a total of $469,000 and $1.9 million respectively, of unamortized discount (which is the difference between the remaining principal value and current historical amortized cost of our Mortgage-Backed Securities acquired at a price below principal value) and a total of $289.8 million and $194.9 million, respectively, of unamortized premium (which is the difference between the remaining principal value and the current historical amortized cost of our Mortgage-Backed Securities acquired at a price above principal value).

We received mortgage principal repayments of $1.9 billion for the quarter ended March 31, 2003 and $1.1 billion for the quarter ended March 31, 2002. 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.

The table below summarizes our Investment Securities at March 31, 2003, December 31, 2002, September 30, 2002, June 30, 2002, and March 31, 2002.

Investment Securities

	Principal Value	Net Premium	Amortized Cost	Amortized Cost/Principal Value	Estimated Fair Value	Estimated Fair Value/Principal Value	Weighted Average Yield
	(dollars in thousands)						
At March 31, 2003	$11,957,710	$289,360	$12,247,070	102.42%	$12,318,070	103.01%	2.83%
At December 31, 2002	$11,202,384	$273,963	$11,476,347	102.45%	$11,551,857	103.12%	3.25%
At September 30, 2002	$11,170,379	$244,777	$11,415,156	102.19%	$11,489,538	102.86%	3.67%
At June 30, 2002	$10,833,374	$224,114	$11,057,488	102.07%	$11,124,771	102.69%	3.90%
At March 31, 2002	$9,982,678	$193,048	$10,175,726	101.93%	$10,206,228	102.24%	4.31%

The tables below set forth certain characteristics of our Mortgage-Backed Securities. The index level for adjustable-rate Mortgage-Backed Securities is the weighted average rate of the various short-term interest rate indices, which determine the coupon rate.

Adjustable-Rate Investment Security Characteristics

	Principal Value	Weighted Average Coupon Rate	Weighted Average Index Level	Weighted Average Net Margin	Weighted Average Term to Next Adjustment	Weighted Average Lifetime Cap	Weighted Average Asset Yield	Principal Value at Period End as % of Total Investment Securities
	(dollars in thousands)							
At March 31, 2003	$7,716,248	3.93%	2.31%	1.62%	13 months	10.04%	2.20%	64.53%
At December 31, 2002	$7,007,062	4.10%	2.51%	1.59%	11 months	10.37%	2.33%	62.55%
At September 30, 2002	$7,583,147	4.37%	2.80%	1.57%	10 months	10.36%	2.90%	67.89%
At June 30, 2001	$7,939,126	4.57%	2.96%	1.61%	12 months	10.46%	3.17%	73.28%
At March 31, 2001	$7,248,832	4.94%	3.25%	1.69%	16 months	10.73%	3.52%	72.61%

Fixed-Rate Investment Security Characteristics

	Principal Value	Weighted Average Coupon Rate	Weighted Average Asset Yield	Principal Value at Period End as % of Total Investment Securities
	(dollars in thousands)			
At March 31, 2003	$4,241,462	6.53%	3.98%	35.47%
At December 31, 2002	$4,195,322	6.76%	4.78%	37.45%
At September 30, 2002	$3,587,232	6.95%	5.29%	32.11%
At June 30, 2002	$2,894,248	7.09%	5.91%	26.72%
At March 31, 2002	$2,733,846	7.01%	6.40%	27.39%

At March 31, 2003 we held Investment Securities with coupons linked to the one-month, six month, and twelve month LIBOR, six month average auction, 12-month cumulative average, six-month CD rate, one-year, two-year, three-year, and five-year Treasury indices, and a step-up FHLB Debenture.

Adjustable-Rate Mortgage-Backed Securities by Index

March 31, 2003

	One-Month LIBOR	Six-Month LIBOR	Twelve-Month LIBOR	Six-Month Auction Average	12-Month Moving Average	Six-Month CD Rate	1-Year Treasury Index	2-Year Treasury Index	3-Year Treasury Index	5-Year Treasury Index	FHLB Debenture
Weighted Average Term to Next Adjustment	1mo.	20 mo.	32 mo.	5 mo.	1 mo.	2 mo.	21 mo.	7 mo.	19 mo.	29 mo.	43 mo.
Weighted Average Annual Period Cap	None	2.00%	2.00%	1.00%	None	1.00%	1.88%	2.00%	2.00%	2.00%	3.65%
Weighted Average Lifetime Cap at March 31, 2003	8.96%	11.48%	10.57%	12.99%	10.75%	11.57%	11.45%	11.92%	12.88%	12.59%	7.25%
Mortgage Principal Value as Percentage of Mortgage- Backed Securities at March 31, 2003	28.27%	0.26%	3.74%	0.02%	0.82%	0.12%	27.90%	0.02%	0.76%	0.33%	2.30%

At December 31, 2002 we held Investment Securities with coupons linked to the one-month and six month, LIBOR, six month average auction, 12-month cumulative average, six-month CD rate, and one-year, two-year, three-year, and five-year Treasury indices.

Adjustable-Rate Mortgage-Backed Securities by Index

December 31, 2002

	One-Month LIBOR	Six-Month LIBOR	Six-Month Auction Average	12-Month Moving Average	Six-Month CD Rate	1-Year Treasury Index	2-Year Treasury Index	3-Year Treasury Index	5-Year Treasury Index
Weighted Average Term to Next Adjustment	1 mo.	41 mo.	2 mo.	1 mo.	2 mo.	22 mo.	10 mo.	20 mo.	31 mo.
Weighted Average Annual Period Cap	None	2.00%	2.00%	None	1.00%	1.93%	2.00%	2.00%	2.00%
Weighted Average Lifetime Cap at December 31, 2002	9.01%	11.31%	13.00%	10.37%	11.60%	11.83%	11.93%	12.83%	12.57%
Mortgage Principal Value as Percentage of Mortgage-Backed Securities at December 31, 2002	32.43%	0.33%	0.03%	0.58%	0.14%	27.67%	0.03%	0.92%	0.42%

Borrowings

To date, our debt has consisted entirely of borrowings collateralized by a pledge of our Mortgage-Backed Securities. These borrowings appear on our balance sheet as repurchase agreements. At March 31, 2003, we had established uncommitted borrowing facilities in this market with twenty-three lenders in amounts, which we believe, are in excess of our needs. All of our Mortgage-Backed 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 thus increase the liquidity and strength of our balance sheet.

For the quarter ended March 31, 2003, the term to maturity of our borrowings ranged from one day to three years, with a weighted average original term to maturity of 197 days. For the quarter ended March 31, 2002, the term to maturity of our borrowings ranged from one day to three years, with a weighted average original term to maturity of 187 days. At March 31, 2003, the weighted average cost of funds for all of our borrowings was 1.67% and the weighted average term to next rate adjustment was 111 days. At March 31, 2002, the weighted average cost of funds for all of our borrowings was 5.22% and the weighted average term to next rate adjustment was 26 days.

Liquidity

Liquidity, which is our ability to turn non-cash assets into cash, allows us to purchase additional Mortgage-Backed Securities and to pledge additional assets to secure existing borrowings should the value of our pledged assets decline. Potential immediate sources of liquidity for us include cash balances and unused borrowing capacity. Unused borrowing capacity will vary over time as the market value of our Mortgage-Backed Securities varies. Our balance sheet also generates liquidity on an on-going basis through mortgage principal repayments and net earnings held prior to payment as dividends. Should our needs ever exceed these on-going sources of liquidity plus the immediate sources of liquidity discussed above, we believe that our Mortgage-Backed Securities could in most circumstances be sold to raise cash. The maintenance of liquidity is one of the goals of our capital investment policy. Under this policy, we limit asset growth in order to preserve unused borrowing capacity for liquidity management purposes.

Stockholders' Equity

We use "available-for-sale" treatment for our Investment Securities; we carry these assets on our balance sheet at estimated market value rather than historical amortized cost. Based upon this "available-for-sale" treatment, our equity base at March 31, 2003 was $1.1 billion or $12.72 per share. If we had used historical amortized cost accounting, our equity base at March 31, 2003 would have been $1.0 million, or $11.88 per share. Our equity base at March 31, 2002 was $1.0 billion, or $12.17 per share. If we had used historical amortized cost accounting, our equity base at March 31, 2002 would have been $978.2 million, or $11.80 per share. During the quarter ended March 31, 2003, we raised $1.2 million through the exercise of stock options and the dividend reinvestment and share purchase plan. During the quarter ended March 31, 2002, we raised additional capital in the amount of $347.3 million in a secondary offering.

With our "available-for-sale" accounting treatment, unrealized fluctuations in market values of assets do not impact our GAAP or taxable income 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)." By accounting for our assets in this manner, we hope to provide useful information to stockholders and creditors and to preserve flexibility to sell assets in the future without having to change accounting methods.

As a result of this mark-to-market accounting treatment, our book value and book value per share are likely to fluctuate far more than if we used historical amortized cost accounting. As a result, comparisons with companies that use historical cost accounting for some or all of their balance sheet may not be meaningful.

The table below shows unrealized gains and losses on the Investment Securities in our portfolio.

Unrealized Gains and Losses

(dollars in thousands)

	At March 31, 2003	At December 31, 2002	At September 30, 2002	At June 30, 2002	At March 31, 2002
Unrealized Gain	$98,768	$90,507	$93,254	$75,832	$46,894
Unrealized Loss	(27,768)	(14,997)	(18,872)	(8,549)	(16,392)
Net Unrealized Gain	$71,000	$75,510	$74,382	$67,283	$30,502
Net Unrealized Gain as Percentage of Investment Securities Principal Value	0.59%	0.67%	0.67%	0.62%	0.31%
Net Unrealized Gain as Percentage of Investment Securities Amortized Cost	0.59%	0.67%	0.65%	0.61%	0.30%

Unrealized changes in the estimated net market value of Investment Securities have one direct effect on our potential earnings and dividends: positive mark-to-market changes increase our equity base and allow us to increase our borrowing capacity while negative changes decrease our equity base and tend to limit borrowing capacity under our capital investment policy. A very large negative change in the net market value of our Investment Securities might impair our liquidity position, requiring us to sell assets with the likely result of realized losses upon sale. "Unrealized Net Gains on Available for Sale Securities" was $71.0 million, or 0.59% of the amortized cost of our Investment Securities at March 31, 2003. "Unrealized Net Gains on Available for Sale Securities" was $75.5 million or 0.67% of the amortized cost of our Investment

Securities at December 31, 2002.

The table below shows our equity capital base as reported and on a historical amortized cost basis at March 31, 2003, December 31, 2002, September 30, 2002, June 30, 2002 and March 31, 2002. Issuances of common stock, the level of earnings as compared to dividends declared, and other factors influence our historical cost equity capital base. The reported equity capital base is influenced by these factors plus changes in the "Unrealized Net Losses on Assets Available for Sale" account.

Stockholders' Equity

	Historical Amortized Cost Equity Base	Net Unrealized Gains (Losses) on Assets Available for Sale	Reported Equity Base (Book Value)	Historical Amortized Cost Equity Per Share	Reported Equity (Book Value) Per Share
	(dollars in thousands, except per share data)				
At March 31, 2003	$1,005,712	$71,000	$1,076,712	$11.88	$12.72
At December 31, 2002	$1,004,555	$75,511	$1,080,066	$11.88	$12.77
At September 30, 2002	$1,010,623	$74,382	$1,085,005	$11.96	$12.84
At June 30, 2002	$982,348	$67,283	$1,049,631	$11.84	$12.65
At March 31, 2002	$978,186	$30,502	$1,008,688	$11.80	$12.17

Leverage

Our debt-to-reported equity ratio at March 31, 2003 and March 31, 2002 was 9.5:1 and 8.3:1, respectively. We generally expect to maintain a ratio of debt-to-equity of between 8:1 and 12:1, although the ratio may vary from this range 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 and over-collateralization levels required by lenders when we pledge assets to secure borrowings.

Our target debt-to-reported equity ratio is determined under our capital investment policy. Should our actual debt-to-equity ratio increase above the target level due to asset acquisition or market value fluctuations in assets, we will cease to acquire new assets. Our management will, at that time, present a plan to our Board of Directors to bring us back to our target debt-to-equity ratio; in many circumstances, this would be accomplished in time by the monthly reduction of the balance of our Mortgage-Backed Securities through principal repayments.

Asset/Liability Management and Effect of Changes in Interest Rates

We continually review our asset/liability management strategy with respect to interest rate risk, mortgage prepayment risk, credit risk and the related issues of capital adequacy and liquidity. We seek attractive risk-adjusted stockholder returns while maintaining a strong balance sheet.

We seek to manage the extent to which our net income changes as a function of changes in interest rates by matching adjustable-rate assets with variable-rate borrowings. In addition, although we have not done so to date, we may seek to mitigate the potential impact on net income of periodic and lifetime coupon adjustment restrictions in our portfolio of Mortgage-Backed Securities by entering into interest rate agreements such as interest rate caps and interest rate swaps.

Changes in interest rates may also have an effect on the rate of mortgage principal prepayments and, as a result, prepayments on Mortgage-Backed Securities. We will seek to mitigate the effect of changes in the mortgage principal repayment rate by balancing assets we purchase at a premium with assets we purchase at a discount. To date, the aggregate premium exceeds the aggregate discount on our Mortgage-Backed Securities. As a result, prepayments, which result in the expensing of unamortized premium, will reduce our net income compared to what net income would be absent such prepayments.

Inflation

Virtually all of our assets and liabilities are financial in nature. As a result, interest rates and other factors drive our performance far more than does inflation. Changes in interest rates do not necessarily correlate with inflation rates or changes in inflation rates. Our financial statements are prepared in accordance with GAAP and our dividends based upon our net income as calculated for tax purposes; in each case, our activities and balance sheet are measured with reference to historical cost or fair market value without considering inflation.

Other Matters

We calculate that our qualified REIT assets, as defined in the Internal Revenue Code, are 100% of our total assets at March 31, 2003 and 2002, as compared to the Internal Revenue Code requirement that at least 75% of our total assets be qualified REIT assets. We also calculate that 100% of our revenue qualifies for the 75% source of income test, and 100% of our revenue qualifies for the 95% source of income test, under the REIT rules for the quarters ended March 31, 2003 and 2002. We also met all REIT requirements regarding the ownership of our common stock and the distribution of our net income. Therefore, as of March 31, 2003 and 2002, we believe that we qualified as a REIT under the Internal Revenue Code.

We at all times intend to conduct our business so as not to become regulated as an investment company under the Investment Company Act. If we were to become regulated as an investment company, then our use of leverage would be substantially reduced. The Investment Company Act exempts entities that are "primarily engaged in the business of purchasing or otherwise acquiring mortgages and other liens on and interests in real estate" (qualifying interests). Under current interpretation of the staff of the SEC, in order to qualify for this exemption, we must maintain at least 55% of our assets directly in qualifying interests. In addition, unless certain mortgage securitites represent all the certificates issued with respect to an underlying pool of mortgages, the Mortgage-Backed Securities may be treated as securities separate from the underlying mortgage loans and, thus, may not be considered qualifying interests for purposes of the 55% requirement. We calculate that as of March 31, 2003 and 2002 we were in compliance with this requirement.

ITEM. 3 QUANTITATIVE AND QUALITIATIVE DISCLOSURES ABOUT MARKET RISK

MARKET RISK

Market risk is the exposure to loss resulting from changes in interest rates, foreign currency exchange rates, commodity prices and equity prices. The primary market risk to which we are exposed is interest rate risk, which is highly sensitive to many factors, including governmental monetary and tax policies, domestic and international economic and political considerations and other factors beyond our control. Changes in the general level of interest rates can affect our net interest income, which is the difference between the interest income earned on interest-earning assets and the interest expense incurred in connection with our interest-bearing liabilities, by affecting the spread between our interest-earning assets and interest-bearing liabilities. Changes in the level of interest rates also can affect the value of our Mortgage-Backed Securities and our ability to realize gains from the sale of these assets. We may utilize a variety of financial instruments; including interest rate swaps, caps, floors and other interest rate exchange contracts, in order to limit the effects of interest rates on our operations. If we use these types of derivatives to hedge the risk of interest-earning assets or interest-bearing liabilities, we may be subject to certain risks, including the risk that losses on a hedge position will reduce the funds available for payments to holders of securities and that the losses may exceed the amount we invested in the instruments. To date, we have not purchased any hedging instruments.

Our profitability and the value of our portfolio may be adversely affected during any period as a result of changing interest rates. The following table quantifies the potential changes in net interest income and portfolio value should interest rates go up or down 25, 50, and 100 basis points, assuming the yield curves of the rate shocks will be parallel to each other and the current yield curve. All changes in income and value are measured as percentage changes from the projected net interest income and portfolio value at the base interest rate scenario. The base interest rate scenario assumes interest rates at March 31, 2003 and various estimates regarding prepayment and all activities are made at each level of rate shock. Actual results could differ significantly from these estimates.

Change in Interest Rate	Projected Percentage Change in Net Interest Income	Projected Percentage Change in Portfolio Value
-100 Basis Points	-7%	1%
-50 Basis Points	-3%	1%
-25 Basis Points	-1%	-
Base Interest Rate		
+25 Basis Points	4%	(1%)
+50 Basis Points	3%	(1%)
+100 Basis Points	2%	(2%)

ASSET AND LIABILITY MANAGEMENT

Asset and liability management is concerned with the timing and magnitude of the repricing of assets and liabilities. We attempt to control risks associated with interest rate movements. Methods for evaluating interest rate risk include an analysis of our interest rate sensitivity "gap", which is the difference between interest-earning assets and interest-bearing liabilities maturing or repricing within a given time period. 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 an institution were perfectly matched in each maturity category.

The following table sets forth the estimated maturity or repricing of our interest-earning assets and interest-bearing liabilities at March 31, 2003. The amounts of assets and liabilities shown within a particular period were determined in accordance with the contractual terms of the assets and liabilities, except 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. Mortgage-Backed Securities reflect estimated prepayments that were estimated based on analyses of broker estimates, the results of a prepayment model that we utilized and empirical data. Our management believes that these assumptions approximate actual experience and considers them reasonable; however, the interest rate sensitivity of our assets and liabilities in the table could vary substantially if different assumptions were used or actual experience differs from the historical experience on which the assumptions are based.

	Within 3 Months	4-12 Months	More than 1 Year to 3 Years	3 Years and Over	Total
	(dollars in thousands)				
Rate Sensitive Assets:					
Investment Securities	$3,660,612	$950,270	$2,468,640	$4,878,188	$11,957,710
Rate Sensitive Liabilities:					
Repurchase Agreements	8,615,485	112,700	1,463,864	-	10,192,049
Interest rate sensitivity gap	($4,954,873)	$837,570	$1,004,776	$4,878,188	$1,765,661
Cumulative rate sensitivity gap	($4,954,873)	($4,117,303)	($3,112,527)	$1,765,661	
Cumulative interest rate sensitivity gap as a percentage of total rate-sensitive assets	(41%)	(34%)	(26%)	15%	

Our analysis of risks is based on management's experience, estimates, models and assumptions. These analyses rely on models which utilize estimates of fair value and interest rate sensitivity. Actual economic conditions or implementation of investment decisions by our management may produce results that differ significantly form the estimates and assumptions used in our models and the projected results shown in the above tables and in this report. These analyses contain certain forward-looking statements and are subject to the safe harbor statement set forth under the heading, "Special Note Regarding Forward-Looking Statements."

ITEM 4. CONTROLS AND PROCEDURES

As of March 31, 2003, an evaluation was performed under the supervision and with the participation of our management, including the Chairman of the board of directors, Chief Executive Officer and President and the Chief Financial Officer and Treasurer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on that evaluation, our management, including the Chairman of the board of directors, Chief Executive Officer and President and the Chief Financial Officer and Treasurer, concluded that our disclosure controls and procedures were effective as of March 31, 2003. There have been no significant changes in our internal controls or in other factors that could significantly affect internal controls subsequent to March 31, 2003.

PART II. OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibit Index

Exhibit Number	Exhibit Description
99.1	Certification of Chief Executive Officer regarding Periodic Report containing Financial Statements.
99.2	Certification of Chief Financial Officer regarding Periodic Report containing Financial Statements.

(b) Reports of Form 8-K

We filed the following current reports on Form 8-K subsequent to the first quarter 2003:

We filed a Form 8-K on April 29, 2003 for our press release dated April 25, 2003

We filed a Form 8-K on April 1, 2003 with respect to our entering into a Underwriting Agreement with UBS Warburg LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, and U.S. Bancorp Piper Jaffray Inc. as representatives of the several underwriters (collectively, the "Underwriters"), relating to the sale of 8,200,000 shares of common stock, par value $0.01 per share (the "Common Stock"), and the granting of an over-allotment option for an additional 1,100,700 shares of Common Stock to the Underwriters to fulfill over-allotments.

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 thereunto duly authorized.

ANNALY MORTGAGE MANAGEMENT, INC.

Dated: May 13, 2003 By:/s/ Michael A.J. Farrell

Michael A.J. Farrell
(Chairman of the Board, Chief Executive Officer,
President and authorized officer of registrant)

Dated: May 13, 2003 By:/s/ Kathryn F. Fagan

Kathryn F. Fagan
(Chief Financial Officer and Treasurer
principal financial and chief accounting officer)

I, Michael A.J. Farrell, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Annaly Mortgage Management, Inc.;

2. Based on my knowledge, this quarterly 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 quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures 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 quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls

subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 13, 2003

/s/ Michael A.J. Farrell

Michael A.J. Farrell
Chairman of the Board of Directors, Chief Executive Officer, President and principal executive officer

I, Kathryn F. Fagan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Annaly Mortgage Management, Inc.;

2. Based on my knowledge, this quarterly 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 quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures 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 quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 13, 2003

/s/ Kathryn F. Fagan

Kathryn F. Fagan
Chief Financial Officer, Treasurer and Principal Financial Officer

EXHIBIT 99.1

ANNALY MORTGAGE MANAGEMENT, INC.
1211 AVENUE OF THE AMERICAS
SUITE 2902
NEW YORK, NEW YORK 10036

CERTIFICATION OF CHIEF EXECUTIVE
OFFICER REGARDING PERIODIC REPORT CONTAINING
FINANCIAL STATEMENTS

I, Michael A.J. Farrell, the Chairman of the Board of Directors, Chief Executive Officer, and President of Annaly Mortgage Management, Inc. (the "Company") in compliance with 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that, the Company's Quarterly Report on Form 10-Q for the period ended March 31, 2003 (the "Report") filed with the Securities and Exchange Commission:

-- fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

-- the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Michael A.J. Farrell

Michael A.J. Farrell

Chairman of the Board of Directors, Chief Executive
Officer, and President

May 13, 2003

EXHIBIT 99.2

ANNALY MORTGAGE MANAGEMENT, INC.
1211 AVENUE OF THE AMERICAS
SUITE 2902
NEW YORK, NEW YORK 10036

CERTIFICATION OF CHIEF FINANCIAL
OFFICER REGARDING PERIODIC REPORT CONTAINING
FINANCIAL STATEMENTS

I, Kathryn F. Fagan, the Chief Financial Officer and Treasurer of Annaly Mortgage Management, Inc. (the "Company") in compliance with 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certify that, the Company's Quarterly Report on Form 10-Q for the period ended March 31, 2003 (the "Report") filed with the Securities and Exchange Commission:

-- fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

-- the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Kathryn F. Fagan

Kathryn F. Fagan

Chief Financial Officer and Treasurer

May 13, 2003