



FORM 10-Q

ANNALY MORTGAGE MANAGEMENT INC – NLY

Filed: November 12, 2002 (period: November 05, 2002)

Quarterly report which provides a continuing view of a company's financial position

Table of Contents

PART I.

ITEM 1. FINANCIAL STATEMENTS

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

ITEM 4. CONTROLS AND PROCEDURES

PART II.

OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

SIGNATURES

EXHIBIT 99.1

EXHIBIT 99.2

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED: SEPTEMBER 30, 2002

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
(State or other jurisdiction of
incorporation or organization)

22-3479661
(IRS Employer
Identification No.)

1211 AVENUE OF THE AMERICAS, 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 _____

APPLICABLE ONLY TO CORPORATE ISSUERS:

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

Class	Outstanding at November 12, 2002
Common Stock, \$.01 par value	84,524,362

INDEX

Part I. FINANCIAL INFORMATION
Item 1. Financial Statements:

Statements of Financial Condition- September 30, 2002 (Unaudited) and December 31, 2001	1
Statements of Operations (Unaudited) for the quarters and nine months ended September 30, 2002 and 2001	2
Statements of Stockholders' Equity (Unaudited) for the nine months ended September 30, 2002	3
Statements of Cash Flows (Unaudited) for the quarters and nine months ended September 30, 2002 and 2001	4
Notes to Financial Statements (Unaudited)	5-11
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	12-22
Item 3. Quantitative and Qualitative Disclosures about Market Risk	23-24
Item 4. Controls and Procedures	24
PART II. OTHER INFORMATION	
Item 6. Exhibits and Reports on Form 8-K	25
SIGNATURES	26-27
CERTIFICATIONS	28-32

PART I.

ITEM 1. FINANCIAL STATEMENTS

ANNALY MORTGAGE MANAGEMENT, INC.
STATEMENTS OF FINANCIAL CONDITION

SEPTEMBER 30, DECEMBER 31,
2002 2001
(UNAUDITED)

(dollars in the thousands)

ASSETS

Cash and cash equivalents	\$2,002	\$429
Mortgage-Backed Securities, at fair value	11,489,538	7,575,379
Receivable for Mortgage-Backed Securities sold	77,232	94,503
Accrued interest receivable	49,950	46,804
Other assets	1,260	199

Total assets	\$11,619,982	\$7,717,314
	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

Liabilities:		
Repurchase agreements	\$ 9,809,968	\$6,367,710
Payable for Mortgage-Backed Securities purchased	634,598	627,064
Accrued interest payable	28,035	16,043
Dividends payable	57,465	35,896
Other liabilities	2,592	2,010
Accounts payable	2,319	1,234

Total liabilities	10,534,977	7,049,957
	-----	-----

Stockholders' Equity:		
Common stock: par value \$.01 per share; 500,000,000		
Authorized, 84,507,065 and 59,826,975 shares issued and outstanding, respectively	845	598
Additional paid-in capital	1,002,197	623,986
Accumulated other comprehensive gain	74,382	38,169
Retained earnings	7,581	4,604

Total stockholders' equity	1,085,005	667,357
	-----	-----

Total liabilities and stockholders' equity	\$11,619,982	\$7,717,314
	=====	=====

See notes to financial statements.

PART I.
ITEM 1. FINANCIAL STATEMENTS

ANNALY MORTGAGE MANAGEMENT, INC.
STATEMENTS OF OPERATIONS
(UNAUDITED)

	For the Quarter Ended September 30, 2002	For the Quarter Ended September 30, 2001	For the Nine months ended September 30, 2002	For the Nine months ended September 30, 2001
----- (dollars in the thousands) -----				
INTEREST INCOME: Mortgage-Backed Securities and cash equivalents	\$109,201	\$75,774	\$311,524	\$182,998
INTEREST EXPENSE: Repurchase agreements	54,012	48,620	141,884	127,357
NET INTEREST INCOME	55,189	27,154	169,640	55,641
GAIN ON SALE OF MORTGAGE-BACKED SECURITIES	4,747	1,184	9,500	1,936
GENERAL AND ADMINISTRATIVE EXPENSES	3,268	1,993	10,059	4,307
NET INCOME	56,668	26,345	169,081	53,270
OTHER COMPREHENSIVE INCOME: Unrealized gain on available- for-sale securities	11,846	53,001	45,713	71,657
Less: reclassification adjustment for net gains included in net income	(4,747)	(1,184)	(9,500)	(1,936)
Other comprehensive income	7,099	51,817	36,213	69,721
COMPREHENSIVE INCOME	\$63,767	\$78,162	\$205,294	\$122,991
NET INCOME PER SHARE:				
Basic	\$0.68	\$0.58	\$2.08	\$1.51
Diluted	\$0.68	\$0.57	\$2.07	\$1.49
AVERAGE NUMBER OF SHARES OUTSTANDING:				
Basic	83,668,422	45,503,179	81,206,156	35,260,086
Diluted	83,939,870	45,959,693	81,490,436	35,768,890

See notes to financial statements.

PART I
ITEM 1. FINANCIAL STATEMENTS

ANNALY MORTGAGE MANAGEMENT, INC.
STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2002
(UNAUDITED)

	Common Stock Par Value	Additional Paid-In Capital	Comprehensive Income	Retained Earnings	Other Comprehensive Income	Total
(dollars in thousands)						
BALANCE, DECEMBER 31,						
2001	\$598	\$623,986		\$4,604	\$38,169	\$667,357
Net Income			\$53,043	53,043		
Other comprehensive income:						
Unrealized net gain on securities, net of reclassification adjustment			(7,667)		(7,667)	
Comprehensive income			\$45,376			45,376
Exercise of stock options		282				282
Proceeds from direct purchase		559				559
Proceeds from secondary offering	231	347,106				347,337
Dividends declared for the quarter ended March 31, 2002, \$0.63 per average share				(52,223)		(52,223)
BALANCE, MARCH 31,	\$829	\$971,933	\$59,369	\$5,424	\$30,502	\$1,008,688
2002				59,369		
Net Income						
Other comprehensive income:						
Unrealized net gain on securities, net of reclassification adjustment			36,781		36,781	
Comprehensive income			\$96,150			96,150
Exercise of stock options		441				441
Shares exchanged upon exercise of stock Options		(76)				(76)
Proceeds from direct purchase		831				831
Dividends declared for the quarter ended June 30, 2002, \$0.68 per average share				(56,403)		(56,403)
BALANCE, JUNE 30, 2002	\$829	\$973,129	\$56,668	\$8,390	\$67,283	\$1,049,631
2002				8,390		
Net Income						
Other comprehensive income:						
Unrealized net gain on securities, net of reclassification adjustment			7,099		7,099	
Comprehensive income			\$63,767			63,767
Exercise of stock options		123				123
Proceeds from direct purchase	1	857				858
Proceeds from equity shelf program offering	15	28,088				28,103
Dividends declared for the quarter ended September 30, 2002, \$0.68 per average share				(57,477)		(57,477)
BALANCE, SEPTEMBER 30, 2002	\$845	\$1,002,197		\$7,581	74,382	\$1,085,005

See notes to financial statements.

ANNALY MORTGAGE MANAGEMENT, INC.
STATEMENTS OF CASH FLOWS
(UNAUDITED)

	For the Quarter Ended September 30, 2002	For the Quarter Ended September 30, 2001	For the Nine months ended September 30, 2002	For the Nine months ended September 30, 2001
----- (dollars in the thousands) -----				
Cash flows from operating activities:				
Net income	\$56,668	\$26,345	\$169,081	\$53,270
Adjustments to reconcile net income to net cash provided by operating activities:				
Amortization of mortgage premiums and discounts, net	28,229	8,685	65,917	17,623
Gain on sale of Mortgage-Backed Securities	(4,747)	(1,184)	(9,500)	(1,936)
Stock option expense			163	
Market value adjustment on long-term repurchase agreement	1,252	445	883	445
(Increase) decrease in accrued interest receivable	903	(4,390)	(3,146)	(25,078)
(Increase) decrease in other assets	(15)	(42)	(1,061)	1
Increase in accrued interest payable	7,325	1,558	11,992	11,470
Increase in accounts payable	233	687	1,084	1,209
	-----	-----	-----	-----
Net cash provided by operating activities	89,848	32,104	235,413	57,004
	-----	-----	-----	-----
Cash flows from investing activities:				
Purchase of Mortgage-Backed Securities	(2,021,616)	(1,924,645)	(8,011,359)	(5,911,154)
Proceeds from sale of Mortgage-Backed Securities	321,237	183,408	1,129,673	532,091
Principal payments of Mortgage-Backed Securities	1,014,235	506,301	2,972,127	982,052
	-----	-----	-----	-----
Net cash used in investing activities	(686,144)	(1,234,936)	(3,909,559)	(4,397,011)
	-----	-----	-----	-----
Cash flows from financing activities:				
Proceeds from repurchase agreements	18,851,415	13,193,781	60,801,326	31,869,708
Principal payments on repurchase agreements	(18,226,432)	(12,153,169)	(57,359,369)	(27,975,639)
Proceeds from exercise of stock options	123	1,196	608	1,618
Proceeds from direct				

purchase	859		2,249	52
Net proceeds from offerings	28,102	179,629	375,439	474,216
Dividends paid	(56,415)	(17,871)	(144,534)	(29,212)

Net cash provided by financing activities	597,652	1,203,566	3,675,719	4,340,743

Net increase in cash and cash equivalents	1,356	734	1,573	736
Cash and cash equivalents, beginning of period	646	115	429	113

Cash and cash equivalents, end of period	\$2,002	\$849	\$2,002	\$849
	=====			
Supplemental disclosure of cash flow information:				
Interest paid	\$46,687	\$47,062	\$129,892	\$115,888
	=====			
Noncash financing activities:				
Net change in unrealized gain on available-for-sale securities	\$7,099	\$51,817	\$36,213	\$69,721

Dividends declared, not yet paid	\$57,465	\$26,893	\$57,465	\$26,893
	=====			

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 (as defined below) 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, 2001. 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 - 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").

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 Mortgage-Backed Securities until maturity, it may, from time to time, sell any of its Mortgage-Backed Securities as part of its overall management of its statement of financial condition. Accordingly, this flexibility requires the Company to classify all of its Mortgage-Backed 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 Mortgage-Backed 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 September 30, 2002 and 2001.

Interest income is accrued based on the outstanding principal amount of the Mortgage-Backed 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.

Mortgage-Backed 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 Mortgage-Backed Securities transactions are determined on the specific identification basis.

Credit Risk - At September 30, 2002 and December 31, 2001, 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"), or Government National Mortgage Association ("GNMA"). 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 September 30, 2002 and December 31, 2001 all of the Company's Mortgage-Backed Securities have an actual or implied "AAA" rating.

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 GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. MORTGAGE-BACKED SECURITIES

The following table pertains to the Company's Mortgage-Backed Securities classified as available-for-sale as of September 30, 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	\$5,362,654	\$5,614,358	\$193,367	\$11,170,379
Unamortized discount	(967)			(967)
Unamortized premium	99,536	142,861	3,347	245,744
Amortized cost	5,461,223	5,757,219	196,714	11,415,156
Gross unrealized gains	36,284	56,773	197	93,254
Gross unrealized losses	(9,815)	(8,697)	(360)	(18,872)
Estimated fair value	\$5,487,692	\$5,805,295	\$196,551	\$11,489,538
	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Estimated Fair Value
(dollars in thousands)				
Adjustable rate	\$7,723,158	\$36,905	(\$14,974)	\$7,745,089
Fixed rate	3,691,998	56,349	(3,898)	3,744,449
Total	\$11,415,156	\$93,254	(\$18,872)	\$11,489,538

The following table pertains to the Company's Mortgage-Backed Securities classified as available-for-sale as of December 31, 2001, 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	\$4,426,195	\$2,894,026	\$79,720	\$7,399,941
Unamortized discount	(1,346)	(755)	-	(2,101)
Unamortized premium	83,775	54,118	1,477	139,370
Amortized cost	4,508,624	2,947,389	81,197	7,537,210
Gross unrealized gains	32,636	21,224	75	53,935
Gross unrealized losses	(7,986)	(7,314)	(466)	(15,766)
Estimated fair value	\$4,533,274	\$2,961,299	\$80,806	\$7,575,379
=====				
	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Estimated Fair Value
(dollars in thousands)				
Adjustable rate	\$5,908,236	\$44,469	\$(10,049)	\$5,942,656
Fixed rate	1,628,974	9,466	(5,717)	1,632,723
Total	\$7,537,210	\$53,935	\$(15,766)	\$7,575,379
=====				

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 10.4% at September 30, 2002 and 11.5% at December 31, 2001.

During the nine months ended September 30, 2002, the Company realized \$9,500,000 in gains from sales of Mortgage-Backed Securities. During the nine months ended September 30, 2001, the Company realized \$1,936,000 in gains from sales of Mortgage-Backed Securities.

3. REPURCHASE AGREEMENTS

The Company had outstanding \$9,809,968,000 and \$6,367,710,000 of repurchase agreements with a weighted average borrowing rate of 2.09% and 2.18% and a weighted average remaining maturity of 137 days and 85 days as of September 30, 2002 and December 31, 2001, respectively.

At September 30, 2002 and December 31, 2001, the repurchase agreements had the following remaining maturities:

	September 30, 2002	December 31, 2001
(dollars in thousands)		
Within 30 days	\$7,473,119	\$5,380,006
30 to 59 days	873,185	206,947
60 to 89 days	-	66,202
90 to 119 days	-	65,037
Over 120 days	\$1,463,664	649,518
Total	\$9,809,968	\$6,367,710
=====		

4. OTHER LIABILITIES

In July 2001, the Company entered into a repurchase agreement maturing in July 2004 which grants the buyer the right to extend the agreement, 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 \$1,205,458 allocated to the interest rate floor 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 September 30, 2002, the fair value of this interest rate floor was a \$2,592,000 and was classified as other liabilities.

5. COMMON STOCK

During the nine months ended September 30, 2002, 77,032 options were exercised under the long-term compensation plan at \$846,000. Total shares exchanged upon exercise of the stock options were 4,444 shares at a value of \$76,000. Also, 123,402 shares were purchased in the dividend reinvestment and direct purchase program at \$2,248,000. Also, under the equity shelf program, 1,484,100 shares were issued for net proceeds of \$28.1 million. An offering for 23,000,000 shares was completed during the first quarter of 2002 for approximate net proceeds of \$347.3 million. During the nine months ending September 30, 2002, the Company declared dividends to shareholders totaling \$166.1 million or \$1.99 per share, which \$57.5 million was paid on October 29, 2002.

During the year ended December 31, 2001, 274,231 options were exercised at \$2,975,000. Total shares exchanged upon exercise of the stock options were 41,620 at a value of \$588,000. Also, 10,856 shares were purchased in the dividend reinvestment and share purchase plan, totaling \$142,000. The Company completed an offering of common stock in the third quarter issuing 14,991,600 shares, with aggregate net proceeds of \$179.6 million. An offering of common stock during the second quarter of 2001 was completed issuing 18,918,500 shares, with aggregate net proceeds of \$195.3 million. Additional offerings for 11,150,000 shares were completed during the first quarter of 2001 for aggregate net proceeds of \$99.3 million. During the year ended December 31, 2001, the Company declared dividends to shareholders totaling \$88.4 million, or \$1.75 per share, of which \$52.5 million was paid during the year and \$35.9 million was paid on January 30, 2002.

6. EARNINGS PER SHARE (EPS)

For the quarter ended September 30, 2002, the reconciliation is as follows:

	For the Quarter Ended September 30, 2002 (in thousands, except per share data)		
	Income (Numerator)	Shares (Denominator)	Per- Share Amount
Net income	\$56,668		
Basic earnings per share	\$56,668	83,668	\$0.68
Effect of dilutive securities:			
Dilutive stock options		271	
Diluted earnings per share	\$56,668	83,939	\$0.68

For the nine months ended September 30, 2002, the reconciliation is as follows:

For the Nine months ended September 30, 2002 (in thousands, except per share data)			
	Income (Numerator)	Shares (Denominator)	Per- Share Amount
Net income	\$169,081		
Basic earnings per share	\$169,081	81,206	\$2.08
Effect of dilutive securities:			
Dilutive stock options		284	
Diluted earnings per share	\$169,081	81,490	\$2.07

Options to purchase 601,677 shares were outstanding during the quarter ended September 30, 2002 and were dilutive as the exercise price of between \$7.94 and \$13.69 was less than the average stock price for the quarter of \$18.83. Options to purchase 6,250 shares of stock were outstanding and not considered dilutive. The exercise price of \$20.35 was greater than the average stock price for the quarter of \$18.83. Options to purchase, 601,677 shares were outstanding during the nine months ended September 30, 2002 and were dilutive as the exercise price of between \$7.94 and \$13.69 was less than the average stock price for the nine months of \$17.98. Options to purchase 6,250 shares of stock were outstanding and not considered dilutive. The exercise price of \$20.35 was greater than the average stock price for the nine months of \$17.98. For the quarter ended September 30, 2001, the reconciliation is as follows:

For the Quarter Ended September 30, 2001 (in thousands, except per share data)			
	Income (Numerator)	Shares (Denominator)	Per- Share Amount
Net income	\$26,345		
Basic earnings per share	\$26,345	45,503	\$0.58
Effect of dilutive securities:			
Dilutive stock options		457	
Diluted earnings per share	\$26,345	45,960	\$0.57

For the nine months ended September 30, 2001, the reconciliation is as follows:

For the Nine months ended September 30, 2001 (in thousands, except per share data)			
	Income (Numerator)	Shares (Denominator)	Per- Share Amount
Net income	\$53,270		
Basic earnings per share	53,270	35,260	\$1.51
Effect of dilutive securities:			
Dilutive stock options		509	
Diluted earnings per share	\$53,270	35,769	\$1.49

Options to purchase 735,485 shares were outstanding during the quarter ended September 30, 2001 and were dilutive as the exercise price of between \$4.00 and \$13.69 was less than the average stock price for the quarter of \$13.75. Options to purchase 729,235 shares were outstanding during the nine months ended September 30, 2001 and were dilutive as the exercise price of between \$4.00 and \$11.25 was less than the average stock price for the nine months of \$12.18. Options to purchase 6,250 shares of stock were outstanding and not considered dilutive. The exercise price of \$13.69 was greater than the average stock price for the nine months of \$12.18.

7. COMPREHENSIVE INCOME

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 September 30, 2002 and December 31, 2001 held securities classified as available-for-sale. Net unrealized gains and losses are included in comprehensive income, and not net income. At September 30, 2002, the net unrealized gain totaled \$74,382,000 and at December 31, 2001, the net unrealized gains totaled \$38,169,000.

8. 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:

2002	\$250
2003	500
2004	500
2005	500
2006	530
2007	532
2008	532
2009	532

Total remaining lease payments	\$3,876
	=====

9. RELATED PARTY TRANSACTION

Included in "Other Assets" on the Balance sheet as of December 31, 2001 is an investment in Annaly International Money Management, Inc. On June 24, 1998, the Company acquired 99,960 nonvoting shares, at a cost of \$49,980. Annaly International Money Management, Inc. was liquidated during the quarter, resulting in a \$44,000 loss, which is included, as a partial offset, in "Gain on Sale of Securities," on the face of the income statement. The officers and directors of Annaly International Money Management Inc. are also officers and directors of the Company. 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 90% to Annaly and 10% to FIDAC.

10. 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.

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

Overview

Annaly Mortgage Management, Inc. ("we" or "us") are a real estate investment trust 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.

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 Form 10-K for the year ended December 31, 2001. 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.

Results of Operations: For the Quarters and Nine months ended September 30, 2002 and 2001

Net Income Summary

For the quarter ended September 30, 2002, our GAAP net income was \$56.7 million, or \$0.68 basic earnings per average share, as compared to \$26.3 million, or \$0.58 basic earnings per average share, for the quarter ended September 30, 2001. We compute our GAAP net income per share by dividing net income by the weighted average number of shares of outstanding common stock during the period, which was 83,668,422 for the quarter ended September 30, 2002 and 45,503,179 for the quarter ended September 30, 2001. Dividends per actual shares outstanding for the quarter ended September 30, 2002 was \$0.68 per share, or \$57.5 million in total. Dividends per actual shares outstanding for the quarter ended September 30, 2001 was \$0.45 per share, or \$26.9 million in total. Our return on average equity was 21.24 % for the quarter ended September 30, 2002 and 23.26% for the quarter ended September 30, 2001.

For the nine months ended September 30, 2002, our GAAP net income was \$169.1 million, or \$2.08 basic earnings per average share, as compared to \$53.3 million, or \$1.51 basic earnings per average share, for the nine months ended September 30, 2001. We compute our GAAP net income per share by dividing net income by the weighted average number of shares of outstanding common stock during the period, which was 81,206,156 for the nine months ended September 30, 2002 and 35,260,086 for the nine months ended September 30, 2001. Dividends per actual shares outstanding for the nine months ended September 30, 2002 was \$1.99 per share, or \$166.1 million in total. Dividends per actual shares outstanding for the nine months ended September 30, 2001 was \$1.15 per share, or \$52.5 million in total. Our annualized return on average equity was 23.67% for the nine months ended September 30, 2002 and 18.78% for the nine months ended September 30, 2001.

Net Income Summary
(dollars in the thousands, except for per-share data)

	Quarter Ended September 30, 2001	Quarter Ended September 30, 2002	Nine months ended September 30, 2001	Nine months ended September 30, 2002
Interest Income	\$109,201	\$75,774	\$311,524	\$182,998
Interest Expense	54,012	48,620	141,884	127,357
Net Interest Income	55,189	27,154	169,640	55,641
Gain on Sale of Mortgage-Backed Securities	4,747	1,184	9,500	1,936
General and Administrative Expenses	3,268	1,993	10,059	4,307
Net Income	56,668	\$26,345	169,081	\$53,270
=====				
Average Number of Basic Shares Outstanding	83,668,422	45,503,179	81,206,156	35,260,086
Average Number of Diluted Shares Outstanding	83,939,870	45,959,693	81,490,436	35,768,890
Basic Net Income Per Share	0.68	\$0.58	\$2.08	\$1.51
Diluted Net Income Per Share	0.68	\$0.57	\$2.07	\$1.49
Average Total Assets	\$11,398,653	\$6,069,419	\$10,193,258	\$4,424,237
Average Equity	\$1,067,212	\$453,104	\$952,617	\$378,179
Annualized Return on Average Assets	1.99%	1.74%	2.21%	1.61%
Annualized Return on Average Equity	21.24%	23.26%	23.67%	18.78%

Interest Income and Average Earning Asset Yield

We had average earning assets of \$10.7 billion and \$5.3 billion for the quarters ended September 30, 2002 and 2001, respectively. Our primary source of income for the quarters ended September 30, 2002 and 2001 was interest income. A portion of our income was generated by gains on the sales of our Mortgage-Backed Securities. Our interest income was \$109.2 million for the quarter ended September 30, 2002 and \$75.8 million for the quarter ended September 30, 2001. Our yield on average earning assets was 4.10% and 5.76% for the same respective periods. Our average earning asset balance increased by \$5.4 billion and interest income increased by \$33.4 million for the quarter ended September 30, 2002 as compared to the quarter ended September 30, 2001, due to the substantial increase in the asset base resulting from the inflow of capital in the third quarter 2001 and the first quarter 2002 offerings and the equity shelf program in the third quarter of 2002.

We had average earning assets of \$9.3 billion and \$4.0 billion for the nine months ended September 30, 2002 and 2001, respectively. Our interest income was \$311.5 million for the nine months ended September 30, 2002 and \$183.0 million for the nine months ended September 30, 2001. Our yield on average earning assets was 4.47 % and 6.09% for the same respective periods. Our average earning asset balance increased by \$5.3 billion and interest income increased by \$128.5 million for the nine months ended September 30, 2002 as compared to the nine months ended September 30, 2001, due to equity offerings in the first quarter of 2002 and the equity shelf program in the third quarter of 2002. The table below shows our average balance of cash equivalents and Mortgage-Backed Securities, the yields we earned on each type of earning asset, our yield on average earning assets and our interest income for the quarter ended September 30, 2002, June 30, 2002 March 31, 2002, the year ended December 31, 2001 and the four quarters in 2001.

Average Earning Asset Yield

	Average Cash Equivalents	Average Mortgage- Backed Securities	Average Earning Assets	Yield on Average Cash Equivalents	Yield on Average Mortgage- Backed Securities	Yield on Average Interest Earning Assets	Interest Income
(dollars in thousands)							
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
For the Year Ended December 31, 2001	\$2	\$4,682,778	\$4,682,780	3.25%	5.62%	5.62%	\$263,058
For the Quarter Ended December 31, 2001	\$2	\$6,708,928	\$6,708,930	1.56%	4.77%	4.77%	\$80,060
For the Quarter Ended September 30, 2001	\$2	\$5,263,231	\$5,263,233	2.77%	5.76%	5.76%	\$75,774
For the Quarter Ended June 30, 2001	\$2	\$4,256,864	\$4,256,866	3.72%	6.09%	6.09%	\$64,790
For the Quarter Ended March 31, 2001	\$2	\$2,502,088	\$2,502,090	4.93%	6.78%	6.78%	\$42,434

The constant prepayment rate ("CPR") on our Mortgage-Backed Securities for the quarters ended September 30, 2002 and 2001 was 34% and 25% 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 September 30, 2002 and 2001 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 \$10.1 billion and total interest expense of \$54.0 million for the quarter ended September 30, 2002. We had average borrowed funds of \$5.0 billion and total interest expense of \$48.6 million for the quarter ended September 30, 2001. Our average cost of funds was 2.13 % for the quarter ended September 30, 2002 and 3.89% for the quarter ended September 30, 2001. The cost of funds rate decreased 1.76 % and the average borrowed funds increased by \$5.1 billion for the quarter ended September 30, 2002 when compared to the quarter ended September 30, 2001. Interest expense for the quarter increased 11% due to the large increase in the average repurchase balance, resulting from deployment of the Company's strategy after the capital raises in January 2002 and the deployment of capital raised in the equity shelf program.

We had average borrowed funds of \$8.8 billion and total interest expense of \$141.9 million for the nine months ended September 30, 2002. We had average borrowed funds of \$3.8 billion and total interest expense of \$127.4 million for the nine months ended September 30, 2001. Our average cost of funds was 2.15 % for the nine months ended September 30, 2002 and 4.47% for the nine months ended September 30, 2001. The cost of funds rate decreased 2.32% and the average borrowed funds increased by \$5.0 billion for the nine months ended September 30, 2002 when compared to the nine months ended September 30, 2001.

With our current asset/liability management strategy, changes in our cost of funds are expected to be closely correlated with changes in short-term London Interbank Offered Rate ("LIBOR"), although we have chosen to extend the maturity of our liabilities. Our average cost of funds was 0.31% above average one-month LIBOR and 0.31% above average six-month LIBOR for the quarter

ended September 30, 2002. Our average cost of funds was 0.34% above average one-month LIBOR and 0.42% above average six-month LIBOR for the quarter ended September 30, 2001.

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 quarters ended September 30, 2002, June 30, 2002, March 31, 2002, the year ended December 31, 2001 and the four quarters in 2001.

Average Cost of Funds

	Average Borrowed Funds	Interest Expense	Average Cost of Funds	Average One- Month LIBOR	Average Six- Month LIBOR	Average Six- Month LIBOR	Average One- Month LIBOR	Average Six- Month LIBOR
----- (dollars in thousands) -----								
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%

For the Year Ended December 31, 2001	\$4,388,900	\$168,055	3.83%	3.88%	3.73%	0.15%	(0.05%)	0.10%
For the Quarter Ended December 31, 2001	\$6,166,998	\$40,698	2.64%	2.20%	2.16%	0.04%	0.44%	0.48%
For the Quarter Ended September 30, 2001	\$ 4,997,922	\$ 48,620	3.89%	3.55%	3.47%	0.08%	0.34%	0.42%
For the Quarter Ended June 30, 2001	\$ 4,035,022	\$ 45,254	4.49%	4.27%	4.12%	0.15%	0.22%	0.37%
For the Quarter Ended March 31, 2001	\$ 2,355,658	\$ 33,453	5.68%	5.51%	5.18%	0.33%	0.17%	0.50%

Net Interest Rate Agreement Expense

We have not entered into any interest rate agreements to date. As part of our asset/liability management process, we may enter into interest rate agreements such as interest rate caps, floors or swaps. These agreements would be entered into with the intent to reduce interest rate or prepayment risk and would be designed to provide us income and capital appreciation in the event of certain changes in interest rates. However, even after entering into these agreements, we would still be exposed to interest rate and prepayment risks. We review the need for interest rate agreements on a regular basis consistent with our capital investment policy.

Net Interest Income

Our net interest income, which equals interest income less interest expense, totaled \$55.2 million for the quarter ended September 30, 2002 and \$27.2 million for the quarter ended September 30, 2001. Our net interest income increased because of the increased asset size of the company and the increase 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 1.97% for the quarter ended September 30, 2002 as compared to 1.87% for the quarter ended September 30, 2001. This 10 basis point increase in spread income is reflected in the increase in net interest income.

Our net interest income, which equals interest income less interest expense, totaled \$169.6 million for the nine months ended September 30, 2002 and \$55.6 million for the nine months ended September 30, 2001. Our net interest income increased as a direct result of the equity offerings during the third quarter of 2001, the first quarter of 2002 and the equity shelf program during the third quarter of 2002. 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 2.32% for the nine months ended September 30, 2002 as compared to 1.62% for the nine months ended September 30, 2001. This 70 basis point increase in spread income is reflected in the increase 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 quarters ended September 30, 2002, June 30, 2002, March 31, 2002, the year ended December 31, 2001, and the four quarters in 2001.

GAAP Net Interest Income

	Average Mortgage- Backed Securities Held	Interest Income on Mortgage- Backed 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 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
For the Year Ended December 31, 2001	\$4,682,778	\$263,058	\$2	\$263,058	5.62%	\$4,388,900	\$168,055	3.83%	\$95,003
For the Quarter Ended December 31, 2001	\$6,708,928	\$80,060	\$2	\$80,060	4.77%	\$6,166,998	\$40,698	2.64%	\$39,361
For the Quarter Ended September 30, 2001	\$5,263,231	\$75,774	\$2	\$75,774	5.76%	\$4,997,922	\$48,620	3.89%	\$27,154
For the Quarter Ended June 30, 2001	\$4,256,864	\$64,790	\$2	\$64,790	6.09%	\$4,035,022	\$45,284	4.49%	\$19,506
For the Quarter Ended March 31, 2001	\$2,502,088	\$42,434	\$2	\$42,434	6.78%	\$2,355,658	\$33,453	5.68%	\$8,981

Gains and Losses on Sales of Mortgage-Backed Securities

For the quarter ended September 30, 2002, we sold Mortgage-Backed Securities with an aggregate historical amortized cost of \$393.7 million for an aggregate gain of \$4.7 million. For the quarter ended September 30, 2001, we sold Mortgage-Backed Securities with an aggregate historical amortized cost of \$182.2 million for an aggregate gain of \$1.2 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.

For the nine months ended September 30, 2002, we sold Mortgage-Backed Securities with an aggregate historical amortized cost of \$1.1 billion for an aggregate gain of \$9.5 million. For the nine months ended September 30, 2001, we sold Mortgage-Backed Securities with an aggregate historical amortized cost of \$530.1 million for an aggregate gain of \$1.9 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.

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 or GNMA which, although not rated, carry an implied "AAA" rating.

General and Administrative Expense

General and administrative ("G&A") expenses were \$3.3 million for the quarter ended September 30, 2002 and \$2.0 million for the quarter ended September 30, 2001. G&A expenses as a percentage of average assets was 0.12% and 0.13% on an annualized basis for the quarters ended September 30, 2002 and 2001, respectively. The Company is internally managed and continues to be a low-cost provider. Even though G&A expenses increased by \$1.3 million for the quarter ended September 30, 2002, when compared to the quarter ended September 30, 2001, G&A as a percentage of average assets decreased.

GAAP G&A Expenses and Operating Expense Ratios

	Total G&A Expenses	Total G&A Expenses/Average Assets (annualized)	Total G&A Expenses/Average Equity (annualized)
(dollars in thousands)			
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%
For the Year Ended December 31, 2001	\$7,311	0.14%	1.67%
For the Quarter Ended December 31, 2001	\$3,004	0.17%	1.78%
For the Quarter Ended September 30, 2001	\$1,993	0.13%	1.76%
For the Quarter Ended June 30, 2001	\$1,393	0.12%	1.45%
For the Quarter Ended March 31, 2001	\$921	0.13%	1.90%

Net Income and Return on Average Equity

Our net income was \$56.7 million for the quarter ended September 30, 2002 and \$26.3 million for the quarter ended September 30, 2001. Our return on average equity was 21.24 % for the quarter ended September 30, 2002 and 23.3% for the quarter ended September 30, 2001. The increase in net income is a direct result of equity offerings during the third quarter of 2001, the first quarter of 2002 and the equity shelf program during the third quarter of 2002. As previously mentioned, the new capital allowed us to grow the balance sheet and ultimately grow earnings. 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 September 30, 2002, June 30, 2002, March 31, 2002, the year ended December 31, 2001, and for the four quarters in 2001.

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	G&A Expenses/Average Equity	Return on Average Equity
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%
For the Year Ended December 31, 2001	21.72%	1.05%	1.67%	21.10%
For the Quarter Ended December 31, 2001	23.34%	1.57%	1.78%	23.13%
For the Quarter Ended September 30, 2001	23.97%	1.05%	1.76%	23.26%
For the Quarter Ended June 30, 2001	20.37%	0.50%	1.44%	19.42%
For the Quarter Ended March 31, 2001	18.54%	0.56%	1.90%	17.20%

Financial Condition

Mortgage-Backed Securities

All of our Mortgage-Backed Securities at September 30, 2002 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 earning assets 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 September 30, 2002 and December 31, 2001, we had on our balance sheet a total of \$1.0 million and \$2.1 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 \$245.7 million and \$139.4 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 \$1.0 billion for the quarter ended September 30, 2002 and \$506.3 million for the quarter ended September 30, 2001. 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 Mortgage-Backed Securities at September 30, 2002, June 30, 2002, March 31, 2002, December 31, 2001, September 30, 2001, June 30, 2001, and March 31, 2001.

Mortgage-Backed Securities							
	Principal Value	Net Premium	Amortized Cost	Amortized Cost/Principal Value	Estimated Fair Value	Estimated Value/Principal Value	Fair Weighted Average Yield
(dollars in thousands)							
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%
At December							
31, 2001	\$7,399,941	\$137,269	\$7,537,210	101.86%	\$7,575,379	102.37%	4.41%
At September							
30, 2001	\$6,275,501	\$96,674	\$6,372,175	101.54%	\$6,428,853	102.44%	5.17%
At June							
30, 2001	\$5,498,235	\$69,193	\$5,567,428	101.26%	\$5,572,288	101.34%	5.75%
At March							
31, 2001	\$3,455,436	\$42,023	\$3,497,459	101.22%	\$3,500,610	101.31%	6.43%

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 Mortgage-Backed 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 Mortgage-Backed Securities	
(dollars in thousands)								
At September								
30, 2002	\$7,583,147	4.37%	2.80%	1.57%	10 months	10.36%	2.90%	67.89%
At June								
30, 2002	\$7,939,126	4.57%	2.96%	1.61%	12 months	10.46%	3.17%	73.28%
At March								
31, 2002	\$7,248,832	4.94%	3.25%	1.69%	16 months	10.73%	3.52%	72.61%
At December								
31, 2001	\$5,793,250	5.90%	3.95%	1.95%	24 months	11.49%	3.87%	78.29%
At September								
30, 2001	\$4,789,570	6.24%	4.31%	1.93%	27 months	11.46%	4.76%	76.32%
At June								
30, 2001	\$3,997,580	6.47%	4.60%	1.87%	26 months	11.37%	5.38%	72.71%
At March								
31, 2001	\$2,495,296	7.01%	5.14%	1.87%	26 months	11.57%	6.35%	72.21%

Fixed-Rate Mortgage-Backed Security Characteristics

	Principal Value	Weighted Average Coupon Rate	Weighted Average Asset Yield	Principal Value at Period End as % of Total Mortgage-Backed Securities
(dollars in thousands)				
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 December 31, 2001	\$1,606,691	6.92%	6.33%	21.71%
At September 30, 2001	\$1,485,931	6.88%	6.48%	23.68%
At June 30, 2001	\$1,500,655	6.83%	6.71%	27.29%
At March 31, 2001	\$960,140	6.79%	6.69%	27.79%

At September 30, 2002 and December 31, 2001 we held Mortgage-Backed Securities with coupons linked to the one-month and six 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.

Adjustable-Rate Mortgage-Backed Securities by Index
September 30, 2002

	One-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 Adjustment Frequency	1mo.	6 mo.	1 mo.	6 mo.	12 mo.	24 mo.	36 mo.	60 mo.
Weighted Average Term to Next Adjustment	1mo.	3 mo.	1 mo.	1 mo.	24 mo.	13 mo.	20 mo.	32 mo.
Weighted Average Annual Period Cap	None	1.00%	None	1.00%	1.91%	2.00%	2.00%	2.00%
Weighted Average Lifetime Cap at September 30, 2002	9.02%	12.67%	10.37%	10.81%	12.06%	11.88%	12.81%	12.61%
Mortgage Principal Value as Percentage of Mortgage-Backed Securities at September 30, 2002	38.13%	0.10%	0.62%	0.08%	27.32%	0.03%	1.06%	0.55%

Adjustable-Rate Mortgage-Backed Securities by Index
December 31, 2001

	One-Month LIBOR	Six-Month LIBOR	Six-Month Auction Average	12-Month Moving Average	Six-Month CD Rate	1-Year Treasury Index	3-Year Treasury Index	5-Year Treasury Index
Weighted Average Adjustment Frequency	1mo.	6 mo.	6 mo.	12 mo.	6 mo.	12 mo.	36 mo.	60 mo.
Weighted Average Term to Next Adjustment	1mo.	55 mo.	2 mo.	11 mo.	2 mo.	33 mo.	16 mo.	33 mo.
Weighted Average Annual Period Cap	None	2.00%	0.50%	None	1.00%	1.98%	2.00%	1.96%
Weighted Average Lifetime Cap at December 31, 2001	9.09%	11.50%	12.53%	10.63%	11.40%	12.22%	13.08%	12.92%

Mortgage
Principal
Value as
Percentage
of Mortgage-
Backed
Securities at
December
31, 2001 18.32% 0.13% 0.12% 1.06% 0.22% 56.20% 1.35% 0.89%

Interest Rate Agreements

Interest rate agreements are assets that are carried on a balance sheet at estimated liquidation value. We have not entered into any interest rate agreements since our inception.

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 September 30, 2002, we had established uncommitted borrowing facilities in this market with twenty-four 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 September 30, 2002 the term to maturity of our borrowings ranged from one day to three years, with a weighted average original term to maturity of 218 days. For the quarter ended September 30, 2001, the term to maturity of our borrowings ranged from one day to three years, with a weighted average original term to maturity of 112 days. At September 30, 2002, the weighted average cost of funds for all of our borrowings was 2.09% and the weighted average term to next rate adjustment was 139 days. At September 30, 2001, the weighted average cost of funds for all of our borrowings was 3.44% and the weighted average term to next rate adjustment was 74 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 Mortgage-Backed 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 September 30, 2002 was \$1.1 billion, or \$12.84 per share. If we had used historical amortized cost accounting, our equity base at September 30, 2002 would have been \$1.0 billion, or \$11.96 per share. During the quarter ended September 30, 2002, we raised \$28.1 million in equity using the equity shelf program. Our equity base at September 30, 2001 was \$682.0 million, or \$11.41 per share. If we had used historical amortized cost accounting, our equity base at September 30, 2001 would have been \$625.4 million, or \$10.47 per share. During the quarter ended September 30, 2001, the Company raised additional capital in the amount of \$179.6 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 Mortgage-Backed Securities in our portfolio.

Unrealized Gains and Losses
(dollars in thousands)

	At Sept. 30, 2002	At June 30, 2002	At March 31, 2002	At Dec. 31, 2001	At Sept. 30, 2001	At June 30, 2001	At March 31, 2001
Unrealized Gain	\$93,254	\$75,832	\$46,894	\$53,935	\$67,459	\$19,322	\$12,606
Unrealized Loss	(18,872)	(8,549)	(16,392)	(15,766)	(10,782)	(14,462)	(9,455)
Net Unrealized Gain	\$74,382	\$67,283	\$30,502	\$38,169	\$56,677	\$4,860	\$3,151
Net Unrealized Gain as % of Mortgage-Backed Securities Principal Value	0.67%	0.62%	0.31%	0.52%	0.90%	0.08%	0.09%
Net Unrealized Gain as % of Mortgage-Backed Securities Amortized Cost	0.65%	0.61%	0.30%	0.51%	0.90%	0.08%	0.09%

Unrealized changes in the estimated net market value of Mortgage-Backed 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 Mortgage-Backed 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 \$74.4 million, or 0.67% of the amortized cost of our Mortgage-Backed Securities at September 30, 2002. "Unrealized Net Gains on Available for Sale Securities" was \$38.2 million or 0.51% of the amortized cost of our Mortgage-Backed Securities at December 31, 2001.

The table below shows our equity capital base as reported and on a historical amortized cost basis at September 30, 2002, June 30, 2002, March 31, 2002, December 31, 2001, September 30, 2001, June 30, 2001 and March 31, 2001. Issuances of common stock, the level of GAAP earnings as compared to dividends declared, and other factors influence our historical cost equity capital base. The GAAP 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	GAAP Reported Equity Base (Book Value)	Historical Amortized Cost Equity Per Share	GAAP Reported Equity (Book Value) Per Share
(dollars in thousands, except per-share data)					
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
At December 31, 2001	\$629,188	\$38,169	\$667,357	\$10.52	\$11.15
At September 30, 2001	\$625,368	\$56,677	\$682,045	\$10.47	\$11.41
At June 30, 2001	\$445,091	\$4,860	\$449,951	\$9.96	\$10.07
At March 31, 2001	\$248,732	\$3,151	\$251,883	\$9.67	\$9.80

Leverage

Our debt-to-GAAP reported equity ratio at September 30, 2002 and September 30, 2001 was 9.0:1 and 8.1:1 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 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-GAAP 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% and 100% of our total assets at September 30, 2002 and 2001, 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 September 30, 2002 and 2001. We also met all REIT requirements regarding the ownership of our common stock and the distribution of our net income. Therefore, as of September 30, 2002 and 2001, 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 of 1940, as amended. If we were to become regulated as an investment company, then our use of leverage would be substantially reduced. The Investment Company Act of 1940, as amended, 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 securities 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 September 30, 2002 and 2001 we were in compliance with this requirement.

In July 2002, the Company entered into a sales agency agreement to sell up to 8,254,598 shares of common stock from time to time through an equity shelf program. Sales of the shares have been and will be made by means of ordinary brokers' transactions on the New York Stock Exchange at market prices. The Company intends to make such sales when it believes the issuance of stock would be accretive to shareholders. The sales agent for the equity shelf program is UBS Warburg LLC. The Company sold 1,484,100 shares during the three months ended September 30, 2002 under the equity shelf program, which provided net proceeds of approximately \$28.1 million. The sales agent received an aggregate of a \$872,321, which represents commission of 3% on the gross sales price per share of the sales under the sales agency agreement, during the quarter ended September 30, 2002.

ITEM. 3 QUANTITATIVE AND QUALITATIVE 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 50, 100, and 200 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 September 30, 2002 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

-200 Basis Points	9%	2%
-100 Basis Points	1%	1%
-50 Basis Points	0%	1%
Base Interest Rate		
+50 Basis Points	0%	(1%)
+100 Basis Points	(1%)	(2%)
+200 Basis Points	(9%)	(6%)

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 the amount of 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 September 30, 2002. 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	More than 1 Year to 3 Years	3 Years and Over	Total
(dollars in thousands)				
Rate Sensitive Assets:				
Mortgage-Backed Securities	\$4,349,662	\$1,027,985	\$1,561,574	\$4,231,158
				\$11,170,379
Rate Sensitive Liabilities:				
Repurchase Agreements	8,346,304		1,463,664	9,809,968
Interest rate sensitivity gap	(\$3,996,642)	\$1,027,985	\$97,910	\$4,231,158
				\$1,360,411
Cumulative rate sensitivity gap	(\$3,996,642)	(\$2,968,657)	(\$2,870,747)	\$1,360,411
Cumulative interest rate sensitivity gap as a percentage of total rate-sensitive assets	(36%)	(27%)	(26%)	12%

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 from 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 September 30, 2002, an evaluation was performed under the supervision and with the participation of the Company's 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 the Company's disclosure controls and procedures. Based on that evaluation, the Company's management, including the Chairman of the board of directors, Chief Executive Officer and President and the Chief Financial Officer and Treasurer, concluded that the Company's disclosure controls and procedures were effective as of September 30, 2002. There have been no significant changes in the Company's internal controls or in other factors that could significantly affect internal controls subsequent to September 30, 2002.

PART II. OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibit Index

Exhibit Number	Exhibit Description
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99.1	Certification of Chief Executive Officer regarding Periodic Report containing Financial Statements.
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99.2	Certification of Chief Financial Officer regarding Periodic Report containing Financial Statements.
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(b) Reports of Form 8-K

We filed a Form 8-K on July 8, 2002 with respect to our entering into a Sales Agency Agreement with UBS Warburg LLC.

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: November 12, 2002

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

Dated: November 12, 2002

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: November 12, 2002

/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: November 12, 2002

/s/ Kathryn F. Fagan
Kathryn F. Fagan
Chief Financial Officer, Treasurer and
principal financial officer

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 September 30, 2002 (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
November 12, 2002

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 September 30, 2002 (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
November 12, 2002

